

Tallinn Airport's Annual report 2022



- Management Report
- Consolidated Financial Statements



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Management Report





Chairperson's statement

Dear reader!

2022 is a year to remember. It will be remembered as the year when a war broke out in the 21st century in Europe, when prices of construction and raw materials grew rapidly and started to affect construction and development activities, as well as the year when the electricity and energy crisis forced us to seek ways as to how and where to cut costs. But most importantly, 2022 will be remembered as the year when air traffic recovered, growth returned after several years and airports all over the world were filled with passengers!

We knew that 2022 was going to be unpredictable which is why we called it the year of flexible recovery. We certainly did not foresee such challenges at the end of 2021, but the goals and targets that were set and our strong team turned them into success. Aviation and our Group are once again operating on a solid foundation. Every day we connect Estonia with the world, and we are doing it in more environmentally friendly ways.

We are flexible and ready to respond to new situations. Thanks to our quick response and adaptation, we were also able to cope when in spring airports all over the world were filled with passengers and the

queues of people waiting for boarding in Tallinn were at times also longer than we would have liked.

Proof of the faster-than-expected recovery of air traffic is also the fact that we exceeded the number of passengers in all of 2021 already in June 2022 and reached our target of 2.5 million passengers in November. In total, Tallinn Airport served a total of 2.7 million passengers in 2022, which is 84% of the level of 2019. The airlines with the largest share at Tallinn Airport were Ryanair, airBaltic, Finnair and Lufthansa, carrying just over 60% of passengers.

The flight plan was one of the best ever: in the summer, passengers were able to choose from 50 destinations and 15 airlines operated on 42 routes all year round. A total of 38,044 flight operations were carried out at Tallinn Airport in 2022, which means an average of 104 take-offs and landings per day.

The activities of regional airports were characterised by increased air traffic and many innovations. In March, Finnair restored the flight connection between Tartu and Helsinki, which was unfortunately halted in October. After several years, international routes were once again open from Pärnu Airport: from 25 June to 16 August SAS operated a route to Stockholm, and from 5 May to 21 August, NyxAir flew to Helsinki and back. In addition, regular flights were carried out from Kärdla and Kuressaare Airports and Ruhnu Airfield, and passengers were also able to fly to Kihnu. In total, 63,946 passengers travelled through regional airports and 9,987 flight operations were carried out in 2022.

The increase in air traffic led to an increase in revenue and the year was successful: we ended it with a profit of EUR 8.7 million. The Group's profit before interest, tax and depreciation (EBITDA) was EUR 16.7 million. Despite the difficult times, we have considered it important to

2022 will be remembered as the year when air traffic recovered, growth returned after several years and airports all over the world were filled with passengers!



continue making forward-looking investments. Our investments totalled EUR 13.4 million in 2022 and EUR 63.8 million in the last three years.

We continue to value the development and expansion of the terminal at Tallinn Airport in order to offer passengers a comfortable, cosy and smart environment. In June, we opened a self-service baggage claim for passengers, and in September we opened a new gateway, in addition to which the waiting area for arriving passengers received a new look. A new, fully automated luggage sorting system is now operating away from the passengers' eyes. The reconstruction of Pärnu Airport has largely been completed: in 2022, we renovated the air traffic area, built an aircraft maintenance hangar and are giving finishing touches to the upgraded passenger terminal.

In recent years, environmental and sustainability issues have increasingly attracted our attention. We believe that companies that have not reduced their environmental impact by 2030 will lose out in competition. This is why we took a big step forward in reducing our environmental footprint in the past year and provided help and support to others with our knowledge and experience. We joined the Green Tiger cooperation platform, launched the first Green Forum at the airport, initiated green mornings involving the airport community and participated in the World Cleanup Day together with our partners.

We know that we can go much further if we work together and have a common goal. In 2022, we were awarded the prestigious award "Act of the Year in Aviation" by the Estonian Aviation Academy for leading the green revolution in the aviation sector. We believe that sustainable aviation works not only on electricity, but also on hydrogen. We are a founding member of the Estonian Hydrogen Valley and see opportunities for the future business of airports in hydrogen.

In addition to people and cooperation networks, we invested approximately EUR 3 million in reducing our carbon footprint by building solar parks, moving from gas heating to district heating and acquiring environmentally friendly machinery. The steps that we took in 2022 will almost halve our emissions compared to previous years.

This past summer tested the team at Tallinn Airport as the spike in passenger numbers caused tension which inevitably affected passenger satisfaction with our service. Therefore, the results of the passenger satisfaction survey conducted by the Airport Council International (ACI) were somewhat more modest in the summer, but I am pleased to say that we were back among the best in Europe again in the autumn.

Many thanks to all the employees of Tallinn Airport! In our company culture, responsibility and results are important, but we also know how to be delighted with success, and together we can celebrate small and big victories.

In 2023, we will work as a unified and strong team to ensure a high level of service also in the future for all passengers arriving in and departing from Tallinn. We will continue to work to provide a diverse and well-connected flight plan and to make investments that will help increase passenger satisfaction and ensure safety. We must not forget about the environment in which we live and work. We are Estonia's business card and air gateway, and we carry this role with pride.

I am looking forward to new encounters at the world's cosiest airport!

Riivo Tuvike

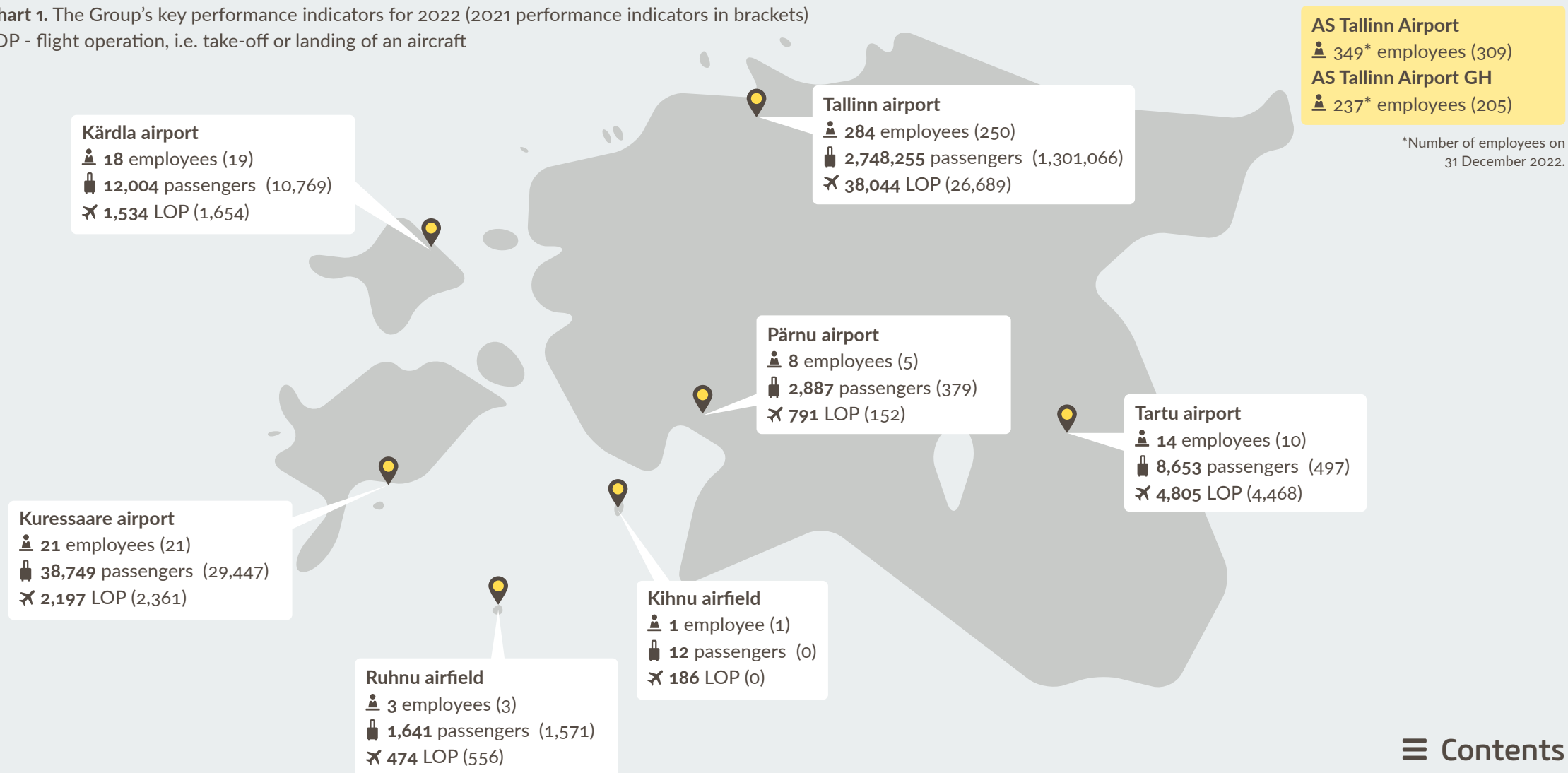
Chairman of the Management Board





Chart 1. The Group's key performance indicators for 2022 (2021 performance indicators in brackets)

LOP - flight operation, i.e. take-off or landing of an aircraft





Group overview

AS Tallinna Lennujaam together with its subsidiary AS Tallinn Airport GH make up Tallinn Airport Group. The sole owner of AS Tallinna Lennujaam is the Republic of Estonia and the company operates in the jurisdiction of the Ministry of Economic Affairs and Communications. The founder and shareholder of AS Tallinn Airport GH is AS Tallinna Lennujaam.

AS Tallinna Lennujaam is the operator and developer of airports in Estonia. The aim of the Company's activities is to provide international air connections that contribute to the development of Estonian business and tourism and increase competitiveness as a result. AS Tallinn Airport GH provides ground handling services to passengers and aircraft, supporting the goals of the parent company.

References made in this report to the Company mean AS Tallinna Lennujaam. The name of the subsidiary is AS Tallinn Airport GH.

The Group's business activities include:

- operation of Tallinn, Kuressaare, Kärdla, Pärnu and Tartu airports and Kihnu and Ruhnu airfields;
- airfield and air navigation services;
- ground handling of aircraft, passengers and cargo;
- sales and real estate development.

We create opportunities so that passengers can travel from Tallinn Airport to major European destinations with reasonable frequency and flight time. We are working to increase the number of destinations and the frequency of flight connections. At regional airports, we want to ensure functional regional air connections and efficient operation of airports.

The safety and security of passengers and services is equally important to us. We manage the impact of our activities on the natural environment and take measures to reduce the negative impact. Our operations are guided by our values: we are reliable, open and caring.

Chart 1. Group's key operating and financial indicators

	Unit	2022	2021	Variance 2022–2021 %
Passengers at Tallinn airport	Passengers	2,748,255	1,301,066	111%
Flight operations at Tallinn airport	LOPs	38,044	26,689	43%
Passengers at regional airports	Passengers	63,946	42,663	50%
Flight operations at regional airports	LOPs	9,987	9,191	9%
Average number of employees reduced to full-time	FTE	520	473	10%
Sales revenue	in EUR thousand	49,958	29,777	68%
Total operating income	in EUR thousand	63,868	45,099	42%
Operating profit before depreciation (EBITDA)*	in EUR thousand	16,967	11,030	54%
Net profit	in EUR thousand	8,688	2,300	278%
Cash flows from operating activities	in EUR thousand	19,758	7,992	147%
Investments	in EUR thousand	13,351	33,760	-60%
Return on equity	%	7%	2%	251%
EBITDA margin	%	34%	37%	-8%

* Excluding government grants for non-current assets



Focus topics and operating environment

Already at the beginning of 2022, we knew that the environment was still vulnerable. To ensure sustainability, we had to restore profitability. We had a high-flying budget, but we were aware that we had to be flexible and ready to change our plans if the circumstances required it. The focus of the year was supporting the development of people and cooperation culture, increasing revenue and business development, and a smart and well-functioning airport.

It was important for us to recover with costs under control and simplify processes through automation. The year turned out to be difficult, but we achieved our goals and can rely on our strengths even in the changing environment of 2023.

Fast recovery of air traffic and a strong team

The number of passengers increased by 111% compared to 2021. The lifting of COVID restrictions led to a faster-than-expected recovery of air traffic, as well as flight delays and long queues, as Europe's airports were undermanned and this led to service capacity failures. These also occurred at Tallinn Airport, but compared to the rest of the world, we operated as usual during peak hours. The number of passengers at Tallinn Airport was 16% below the 2019 level. This was affected by

Russia's attack on Ukraine, as a result of which air connections with Ukraine, Belarus and Russia stopped.

The rapid recovery of air traffic brought the focus of attention in spring on ensuring the manning of positions serving passengers and aircraft. In order to find new colleagues quickly, we involved both an external partner and our own employees in the recruitment process. To support the Group's business strategy, we adjusted the company's structure and established more competence centres. In addition to hiring and training of new employees, the maintenance of competences and the development of managers became important.

Inflation and rising borrowing costs

In the second half of the year, the Estonian economy began to cool down. According to Eesti Pank, the economy shrank by 1.3% over the year and inflation was 17.6%. However, the economic downturn and the resulting deepening consumer uncertainty did not affect the supply and demand of the aviation industry in 2022.

The European Central Bank's main tool to reduce upward pressure on prices is to make borrowing and investing more expensive. Thus, the European Central Bank sharply raised interest rates in 2022, as a result of which the 6-month Euribor rose to 2.7% by the end of the year. These decisions significantly increase our borrowing costs.

For the Group, inflation led to a large-scale increase in the cost base, pressure to increase labour costs and the need to change the prices of services. Aviation revenue is 18% below the 2019 figure, but expenses exceed 2019 expenses by 9%.





Management of the company

Management policies

As a state-owned company, we apply the principles of good corporate governance, the principles of which are published on the website of Tallinn Airport. The owner expects the Group to set an example for Estonian companies in terms of governance, social responsibility and high corporate culture. Following the principles of responsible corporate governance, the Group integrates them into its daily operations, management and strategy. The Management Board and the Supervisory Board are guided by the expectations, mission, vision, values and strategy of the owner, as well as the legislation regulating its activities.

- **Performance management** is an integral part of the Group's governance. It starts with the Group's vision and the setting of five-year strategic objectives and key metrics by management, thus helping the Group to achieve its results and meet the owner's expectations. The focus areas and key indicators are also set for the Group every year. On this basis, internal functions and departments formulate their annual objectives.
- **Safety** always comes first. We implement the principles of Just Culture in our culture of safety: we do not punish people for their actions, omissions or decisions taken by them that are commensurate with their experience and training. The Group has functional safety

management systems that involve all employees and community members. Our goal is to provide high-quality and safe services to airlines, passengers and partners. For us, safety means preventing and avoiding accidents and protecting people, property and the environment.

- For us, **quality management** means the achievement of objectives, compliance with applicable requirements and agreements, and through this, the satisfaction of stakeholders with the services and value provided. The quality management system provides a framework for meeting the owner's expectations and strategic objectives and is based on the key elements of quality, efficiency and sustainability. The guiding principles of quality management are customer focus, leadership and engagement, process-based approach, improvement, fact-based decision making and impact management.
- Based on the **principles of sustainable development**, we are committed to protecting the environment, because a sustainable and responsible attitude towards the environment around us is a value appreciated by all employees and community members of the company. We strive on a daily basis to ensure the effectiveness of our environmental activities and to reduce the impact of our activities on the environment, based on the principles of sustainable development. Our goal is to achieve carbon neutrality by 2030 at the latest.

Since autumn 2021, the Group has been applying **uniform management principles**. Every manager working at the airport is a result-oriented leader, developer of people and teams and creator of a supportive working environment, thereby implementing the Company's vision and strategy.





Reporting principles

The Company has established a reporting system for facilitating the high quality of management decisions. The Management Board of AS Tallinna Lennujaam prepares the Group's annual financial report in accordance with internationally recognised financial reporting principles. The report is verified by an auditor and the Supervisory Board of AS Tallinna Lennujaam. As required, the Group discloses its quarterly reports on its website.



Principles of good business ethics

The Group has agreed on the rules of conduct for acting on behalf of its companies. All employees must act ethically, responsibly, in accordance with the law and protect the good name and reputation of the Company. The Group follows the principle of zero tolerance with respect to any form of corruption.

We are a reliable partner to our employees, partners and customers, and in our activities, we follow the principles of sustainable business. We support fair and open competition in all markets. Our internal and external communication is open, and we communicate important and timely information to our employees, partners, customers and the public.

We adhere to the principles of equal treatment regardless of a person's gender identity, marital status, parental status, membership in associations and parties, nationality and race, colour, religion, internal beliefs, age, disability and sexual orientation.

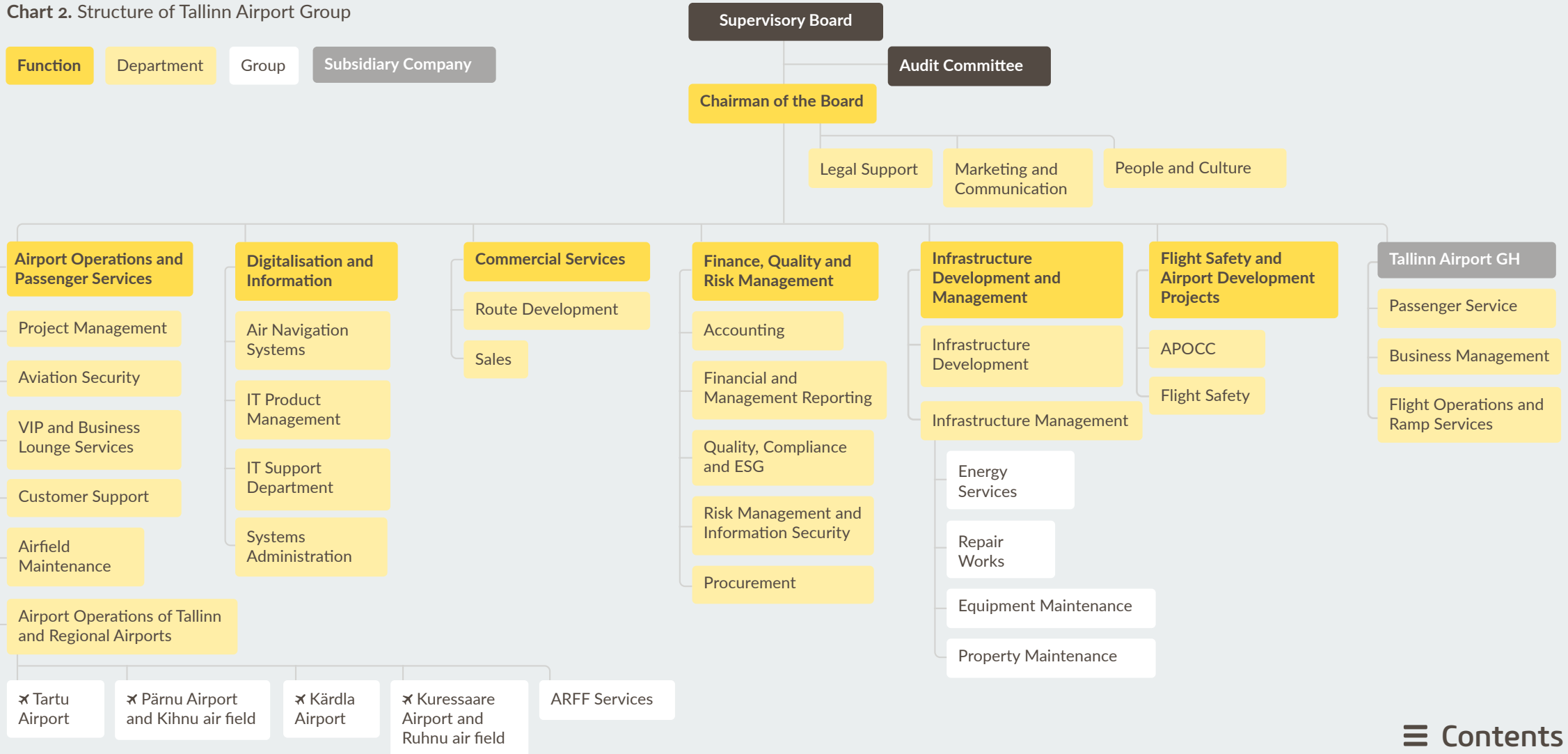
The Group's management acts in a way that values the employees and creates a trusting work environment and conditions in which the employees have the opportunity to operate on the basis of generally accepted ethical standards. The Group has an open hotline, the purpose of which is to enable employees to report violations of legislation, internal rules and rules of conduct and concealment of these violations. We guarantee the anonymity of the user of the hotline in order to avoid harassment and persecution.

We also apply equal treatment in the selection of our customers, service providers and other cooperation partners in the payment terms established for them and in other relations with them.





Chart 2. Structure of Tallinn Airport Group





The General Meeting of AS Tallinna Lennujaam

Across the year, the General Meeting of AS Tallinna Lennujaam was held five times, where

- the annual report, profit allocation proposal and auditor's report for the year 2021 was approved;
- AS PricewaterhouseCoopers was confirmed as the auditor for the next three financial years;
- the new version of the articles of association and owner's expectations were approved;
- Jaak Viilipus as a member of the Supervisory Board was appointed;
- the terms and conditions of the resolution of 10 December 2021 "Increase of share capital" were amended by removing restrictions on the use of funds and adding the obligation to pay dividends to the state in accordance with the approved state budget.

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. 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 a period of three years and their remuneration is determined by the General Meeting.

<i>Chairman</i>	Märten Vaikmaa	Time of appointment 17.08.2017 Term of the mandate 17.08.2023
<i>Members</i>	Toivo Jürgenson	Time of appointment 17.08.2017 Term of the mandate 17.08.2023
	Piret Kübbar	Time of appointment 17.08.2017 Term of the mandate 17.08.2023
	Kadri Land	Time of appointment 17.08.2017 Term of the mandate 17.08.2023
	Sir John Elvidge	Time of appointment 16.09.2021 Term of the mandate 16.09.2024
	Jaanus Uiga	Time of appointment 21.11.2019 Term of the mandate 08.06.2022
	Jaak Viilipus	Time of appointment 08.06.2022 Term of the mandate 08.06.2025

The Supervisory Board met on nine occasions. The main topics at the meetings were related to the Russian war in Ukraine and the impact of inflation, changes in airport fees and business projects. In addition, reviews of the most important projects of the year, owner expectations and changes in strategy, as well as strategic goals and budget for 2023 were discussed.

The remuneration of the members of the Supervisory Board are provided in the report of the Supervisory Board, which is available on the website of Tallinn Airport.



Audit Committee

Chairman **Toivo Jürgenson**

Members **Piret Kübbar**
Jaanus Uiga

The Audit Committee met on ten occasions. The internal auditor analysed the processing of personal data, carried out a prerequisite analysis of ISO 27001, one extraordinary audit, and audited the Company's procurement and related matters. The Audit Committee considered the results of the internal auditor's reports. The Audit Committee also approved both the 2021 annual report and the results of the interim audit in 2022.

The internal auditor of AS Tallinna Lennujaam is KPMG Baltics OÜ. The internal auditor operates in accordance with the work plan of the Audit Committee and manages ethics, fraud and corruption tip-off emails.

The General Meeting approved the auditor PricewaterhouseCoopers (PwC) as the financial auditor for the financial year 2022. 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.

Members of the management of Tallinn Airport Group

The board represents the Group and manages its work in accordance with laws and articles of association, acting in the most economically expedient manner. Decisions are made based on the best interests of the company and the owner and are committed to ensuring sustainable development based on the set goals and strategy.

Chairman **Riivo Tuvike** Time of appointment 01.06.2019
Term of the mandate 31.05.2024

Members **Einari Bambus** Time of appointment 01.04.2005
Term of the mandate 31.03.2024

Katrin Hagel Time of appointment 01.04.2022
Term of the mandate 31.05.2024

Eero Pärasmäe Time of appointment 01.04.2022
Term of the mandate 31.05.2024

Anneli Turkin Time of appointment 01.04.2009
Term of the mandate 31.03.2024

In 2022, the Management Board held 91 meetings (2021: 95).

The labor costs of the board members are shown in the board's report, which is available on the airport's website.





Members of the management of Tallinn Airport Group

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

Members of the management

- **Riivo Tuvike**, Chairman of the Management Board
- **Einari Bambus**, Member of the Management Board, safety and airport development projects
- **Katrin Hagel**, Member of the Management Board, airfield and passenger services
- **Eero Pärasmäe**, Member of the Management Board, Commercial Services
- **Anneli Turkin**, Member of the Management Board, Financial, Quality and Risk Management
- **Indrek Nõlvak**, Member of the Management Board of AS Tallinn Airport GH
- **Margot Holts**, Marketing and Communication
- **Andrus Järg**, Digitalisation and IT
- **Anneli Lille**, People and Organisational Culture
- **Tõnu Mühle**, Infrastructure Development and Management
- **Kristina Randveer**, Legal Support

Management of AS Tallinn Airport GH

The main activity of AS Tallinn Airport GH is provision of ground handling services for passengers, cargo and aircraft. 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 powers and responsibilities of the Supervisory Board are defined in the Articles of Association. The Supervisory Board which consists of the members of the Management Board names the Chairman of the board. The Supervisory Board meetings are held as necessary and under the conditions prescribed by law. The members of the Supervisory Board do not receive an additional fee.





Risk management

Risk management is an integral part of the Group's governance. The purpose of risk management is to facilitate the fulfilment of the Group's business and safety objectives and to be prepared to manage risks, the impact or likelihood of which cannot be reduced. We identify, assess, analyse and manage risks and their consequences that arise in the course of operations or that may hinder the fulfilment of objectives, and develop risk-conscious behaviour of our employees. The risk management system supports the Group's safety and business objectives.

We have an engaging, open and transparent organisational culture and a well-functioning safety management system in place, due to which safety information is transmitted promptly. The safety management system enables notification of all cases affecting flight safety that have been encountered during operation to investigate what has happened and ensure that they do not reoccur.

With the help of risk management principles, we analyse, assess and manage the Group's operational risks (incl. environmental, work environment and compliance risks), business and financial risks (incl. price, liquidity and credit risks), and project and restructuring risks.

We assess the Group's strategic and functions' risks once a year.

Key risks and their risk mitigation

In the external environment, the probability of realisation of geopolitical, extreme weather condition, economic environment and pandemic risks has increased. Risks that significantly affect the fulfilment of the Group's objectives are operational risk (incl. compliance, information system and information security risk), personnel risk, business risks (incl. economic environment and third-party dependency risk), price risk, credit risk and project risks.

Compliance risk

The airfield and air navigation service is certified according to the requirements of the European Commission Regulation (EU) 139/2014 and the requirements of the Commission Implementing Regulation (EU) 2017/373. The certificate is issued by the Transport Administration.

Tallinn, Tartu, Kuressaare, Kärdla and Pärnu Airports have obtained airfield operator certificates. The airfields of Kihnu and Ruhnu have airfield operator certificates issued by the Transport Administration on the basis of the requirements of the International Civil Aviation Organization (ICAO) and the regulation of the Minister of Economic Affairs and Communications.

In order to manage compliance risk, we check the compliance of our activities and services during regular internal and external compliance assessments. The purpose of internal conformity assessments is to assess the compliance of activities and services with the requirements through self-monitoring. External conformity assessments and audits are carried out by customers, aviation regulatory authorities and certification authorities.

We have an engaging, open and transparent organisational culture and a well-functioning safety management system in place



We have contractually agreed service levels with airlines that we have to meet when providing the service. To mitigate this compliance risk, we carry out periodic monitoring and so do the airlines.

We use the facilities of the European Union to finance investments and it is important to meet the established requirements. Audits on the use of funds are carried out by the Ministry of Finance. In addition, the Consumer Protection and Technical Regulatory Authority as an implementation body reviews the procurement terms and the wording of contracts.

Information systems and security risk

Since the Russian invasion of Ukraine in February 2022, the number of cyber-attacks against Estonian companies has increased, and this also affects AS Tallinna Lennujaam. In order to mitigate the risks, we cooperate with the Information System Authority and have increased the information security capacity of the Group. We continuously train our employees in information security awareness.

Personnel risk

Group employees must have various competencies and certifications in order to carry out their work. The training period for employees is long and it is difficult to find them, as the number of working-age people is decreasing. In order to mitigate the risk, we ensure external and internal succession that supports the long-term growth for the Group's most important positions.

Economic environment, price and credit risk

The volatility of fuel and energy prices affects our financial results. To manage this risk, Tallinn Airport switched from gas heating to regulated district heating in November 2022. We monitor the sales and cost prices of services and adjust the sales prices as costs rise. The economic recession may lead to the reevaluation of credit risks, i.e. the possibility that the Company's customers will not be able to meet their financial obligations. To manage this risk, we have adopted procedures for regular monitoring and evaluation of requirements.

The rise in inflation has been accompanied by an increase in interest rate risk. At the end of the financial year, the Group had 22% of its loans with a fixed interest rate independent from Euribor and 78% with an Euribor dependent interest rate.

Risk of fraud and misuse

The principle of zero tolerance applies to corruption. All employees must act ethically, responsibly and in accordance with the law, and protect the good name and reputation of the Company. Members of the Management and Supervisory Boards of companies must submit a declaration of economic interests to the external auditor once a year. Employees who work in procurement and/or are responsible for the budget must submit a declaration of conflict of interest once a year.

In order to prevent corruption and agree on ethical standards of conduct, the Company applies the rules for preventing the risk of corruption and the principles of good business ethics.

In 2022, no serious incidents related to ethics or corruption were identified (2021: 2).



Risks of third party dependency

We offer unique services in Estonia. Our work includes specific technological solutions and services, the outsourcing of which entails the risk that we cannot choose a cooperation partner and we are dependent on one partner. If this cooperation partner is unable to perform the contract in accordance with the agreement, we will not be able to change the partner.

To mitigate this risk, we have developed an action plan to expand the choice of partners for these services so that we have at least two service providers in the situation described.





Financial results and investments

The Group's financial results for 2022

The lifting of COVID restrictions and the increased choice of destinations contributed to a more rapid recovery of air traffic than forecasted, which is also reflected in the Group's financial results. In 2022, 2.7 million passengers passed through Tallinn Airport, which is 111% more than in 2021, but still 16% less than in 2019. The Group's sales revenue increased by 68%.

Profit increased by 278% and the profit before interest, tax and depreciation (EBITDA) increased by 54%.

Profit increased due to the increase in the volume of operations. Aviation revenue contributes 29% and non-aviation revenue contributes 71% to consolidated revenue. As compared to 2021, aviation revenue increased by 65%.

Within non-aviation revenue, the share of revenue from passenger-related services has grown, being in line with the increase in the number of passengers. Concessions and terminal lease increased by 102% and parking revenue increased by 119%. Revenue from leasing of premises and other rentals increased by 28%. The growth is due to the

fact that in 2022 we applied fewer discounts compared to the previous year.

Revenue from passenger and aircraft services increased in line with the increase in the number of flight operations: revenue increased by 69% and the number of flight operations increased by 43%. The increase in revenue was also related to weather conditions, which required aircraft de-icing services more than usual.



Table 2. Total sales revenue in thousands euros

	2022	2021	Variance 2022–2021 %
Total sales revenue	49,958	29,777	68%
incl. Aviation revenue	14,358	8,686	65%
incl. Non-aviation revenue	35,600	21,091	69%
Passenger and aircraft service (GH)	16,859	10,039	68%
Ground handling of passengers and aircraft, other	1,659	934	78%
Concessions and rent of premises at the passenger terminal	5,338	4,183	28%
Services related to passenger (parking, concessions, terminal rental)	11,299	5,511	105%
Other non-aviation revenue	445	424	5%

Other operating income, related to government grants for regional airports and security and rescue costs decreased by a total of EUR 1.0 million. Government grants did not cover all the costs related to the activities. The deficit of government grants was EUR 467,500 for regional airports and EUR 689,800 for security and rescue costs.

The Group's activities were aimed at managing rapid growth and managing costs in a volatile environment. Our expenses totalled EUR

**Tabel 3.** Aviation and non-aviation 2021-2022*in thousands euros*

AS Tallinna lennujaam: aviation services	2022	2021	2022 vs 2021, %
Income	21,362	17,132	25%
Costs including operating expenses	24,026	19,606	23%
Loss	-2,664	-2,474	-8%
incl loss of airport and passenger services and aircraft parking services	-1,976	-4,257	54%
incl loss of security and rescue services	-688	1,783	-139%
AS Tallinna lennujaam: non-aviation services			
Income	18,591	10,944	70%
Costs including operating expenses	10,235	7,558	35%
Profit	8,356	3,386	147%
AS Tallinna Lennujaam: regional airports			
Income	5,218	4,223	24%
Costs including operating expenses	5,686	3,932	45%
Profit/Loss	-468	291	-261%
Financial income and expenses	-370	-137	170%
AS Tallinna Lennujaam profit	4,854	1,066	355%
AS Tallinn Airport GH profit	3,810	1,224	211%
Consolidated profit	24	10	140%
Group's profit/loss	8,688	2,300	278%

54.8 million, an increase by EUR 12.2 million or 28% from the previous year. The increase in costs was influenced by the increase in the volume of services provided and the general price inflation.

The Group's operating expenses are divided as follows: 38% are labour costs (2021: 40%), 35% are goods, materials and services (2021: 28%), 4% are miscellaneous operating expenses (2021: 2%) and 22% are depreciation costs (2021: 30%). Utilities increased by 110% as compared to 2019 and they account for 13% of sales (compared to 2019, as it was the last year of normal economic activity).

The total cost of the goods, materials and services group was EUR 19.4 million. In addition to utilities, the cost of runway maintenance materials and the cost of servicing customers and aircraft increased significantly. Because of the rise in the number of passengers and average wages, the costs of security services also increased. The increase in fleet management costs was caused by both the increase in fuel prices and the cost of repairs and maintenance of vehicles postponed in preceding years. In the field of information and communication technology, we made significant purchases in 2022 to upgrade hardware.

The total cost of the miscellaneous operating expenditure was EUR 2.0 million. As compared to 2021, training costs as well as uniform, workwear and marketing costs increased significantly.

The financial performance of the year is affected by the audit on the use of the government grants from the Cohesion Fund initiated by the Ministry of Finance in October 2022, as a result of which the Ministry of Finance concluded that the Group had erred against the Procurement Act and therefore recommended that the Implementing Unit had that issued the government grant reclaim 5% of the grant in the scope of the audit. The Implementing Unit launched the audit in December 2022 and issued a decision in February 2023 to reclaim 5% of



the grant issued by the Implementing Unit within the scope of the audit, i.e. EUR 600 thousand. The Company's Management Board disagreed with the reasons for the recovery of the grant and appealed against the decision of the Implementing Unit. At the time of the approval of this annual report, the outcome of the dispute is not yet known. As the Management Board estimates that it is likely that the Implementing Unit will launch an audit also for the remaining phases of the project, the provision recognised as at 31.12.2022 for the reimbursement of eligible costs related to the air traffic area development project is EUR 1,696 thousand. The provision recognised represents 5% of the total grant received, i.e. the provision recognised includes EUR 600 thousand reclaimed by the decision issued in February 2023. Therefore, 5% of the total grant received, which the Group has taken into account in its revenue, has been recognised within other business expenses in the amount of EUR 308 thousand.

Cash flows

Cash flows from operating activities were EUR 19.8 million. Due to the decrease in prepaid taxes the cash flows from operating activities were 2.8 million euros higher than EBITDA. Cash flows from investing activities were -14.9 million euros and cash flows from financing activities were -3.7 million euros. Working capital was affected by a decrease of EUR 0.9 million in short-term liabilities, an increase of EUR 0.6 million in inventories and a decrease of EUR 2.9 million in short-term receivables.

Investments

We made investments totalling EUR 13.4 million (-60%, EUR 20.4 million). The largest projects were the reconstruction and expansion of the departing baggage area of Tallinn Airport and the upgrading of the baggage sorting system, the extension of the Schengen gate area, as well as the reconstruction of Pärnu Airport and the construction of solar parks at Tallinn, Pärnu and Tartu Airport.

During the expansion of the departing baggage area of Tallinn Airport, we closed the shelter section of the passenger terminal, thereby increasing the area of the baggage area. In view of the approaching opening of the market for ground handling services, we built common areas for the three ground handling providers. We installed one new baggage carousel and an automatic sorting system in the existing luggage system, which simplifies and speeds up the journey of luggage to the aircraft.

We continued to build solar parks. In Tallinn, four new solar parks with a total capacity of 2.7 MW were completed. The construction of a new park with a total capacity of 1.35 MW in Pärnu and two parks with a total capacity of 340 kW in Tartu was launched. These three solar parks will be completed in the spring of 2023, and then the total capacity of the Company's solar parks will be 6.47 MW. The construction of solar parks will help us achieve two important goals for the Company: saving on the cost of purchasing electricity and moving towards a CO₂-free airport.

**Table 4.** The main investments in 2022.

Name of the investment	Amount EUR million	% of total amount
Construction of the departing baggage area with automated sorting system	2,67	20%
Construction of solar parks (Tallinn solar parks 4-7; total 2,7 MW)	1,79	13%
Construction of the Schengen pre-waiting area on the oth floor of the A part of the passenger terminal, including furniture	1,53	11%
Expansion of the air traffic area in the eastern and southern directions (Cohesion Fund)	0,28	2%
Replacement of the HR and payroll system	0,22	2%
Other projects	2,03	15%
Tallinn airport in total	8,51	64%
Reconstruction of Pärnu airport	2,88	22%
Construction of solar parks (Tartu 2x340kW; Pärnu 1x1,35MW)	1,18	9%
Other projects in regional airports	0,48	4%
Regional airports in total	4,54	34%
AS Tallinn Airport GH investments in total	0,29	2%
Group in total	13,35	100%

We financed the construction of Pärnu Airport from the state's grant in 2019 (EUR 18.5 million) and completed the work in 2022. The total cost of the project was EUR 18.8 million. For this amount, we renovated the runway, built a new apron, reconstructed the passenger terminal, built a rescue and maintenance hangar and aircraft the service hangar, and acquired rescue and border maintenance equipment.

Balance sheet and financial covenants

Kontserni At the end of the year, the Group's debt amounted to EUR 45 million (2021: EUR 49 million). At the end of the year, long-term debt included loans in the amount of EUR 29 million received from the European Investment Bank (EIB) and loans in the amount of EUR 16 million from the Nordic Investment Bank (NIB).

During the year, the Group repaid loans to the EIB, NIB and Pohjola Bank in the amount of EUR 3.6 million, as required. With the loan agreements, the Company has set the goal of not exceeding certain limits of financial ratios, i.e. covenants, and as at 31 December 2022 the Company is in compliance with these covenants.

In 2021, the owner of AS Tallinna Lennujaam shares, the Republic of Estonia, made an equity contribution in the amount of EUR 20 million to finance new investments, the use of which was restricted. These restrictions were lifted in 2022, but a dividend payment obligation was added in the same year according to the approved state budget.





Developing trends for 2023

We view the next year as a time for laying the foundation for new growth. Despite the risks arising from the economic environment, the Group has recovered from the pandemic and is on a path of new growth. We are moving from a category of airports with 1–3 million passengers to a category of airports with 3–6 million passengers, and that is why we are also changing our processes: the increase in the volume of operations requires our operating model to adapt to it. Among other things, we are preparing for a change in the operating environment due to the opening of the market for ground handling services in 2024.

With a strong team, use of digital solutions that improve the passenger journey and implementation of a real estate strategy, we will lay the foundation for sustainable and profitable growth in the coming years. Change and rapid adaptation have become the new global norm.

In 2023, the Group will focus on improvement of employee experience, including valuing employee well-being, competencies and development of successors, as well as customer-focused business, a smart and green airport and ensuring of business continuity.

Next year, we expect growth in passengers, flight operations, revenue and EBITDA. We see a continuation of the trends that started in 2022 in an environment where uncertainty and inflation do not strongly affect passenger behaviour. Restrictions that were in place for almost two years have been lifted and people's desire to travel again is great.

Table 5. Projections of operational and financial indicators for 2023

	unit	2023 forecast	2022
Passengers in Tallinn airport	passengers	3,075,81	2,748,255
Flight operations in Tallinn airport	LOPs	41,665	38,044
Sales revenue	in thousand EUR	57,607	49,958
Operating profit before depreciation	in thousand EUR	18,180	16,967
Investments	in thousand EUR	24,531	13,351
Positions filled at the year-end (based on the workload)		579.2	520,0

The outlook for the euro area economy has not improved: it will take time to curb rising prices to the European Central Bank's target of 2%, and inflation will continue. A recession and a decline in consumer confidence will dampen inflation. The European Central Bank has said it will raise interest rates until inflation stabilises at 2%. This means that interest rates will continue to rise in 2023. In addition, the economic environment in 2023 will be affected by the situation in Ukraine.

Next year, we plan to make investments in the amount of EUR 24.5 million. In 2023–2027, the strategic investment with the greatest impact is the development of the southern area of the Tallinn Airport, the expansion of the passenger terminal and the digitalisation of various processes. With the expansion of the passenger terminal, we will increase the capacity of many parts of the terminal and improve the passenger experience in security control and the gate area.

Strategy and objectives, fulfilment of objectives





The mission of Tallinn Airport Group is to connect Estonia with the world. Our vision is to be the most attractive airport in Europe and our key values are being reliable, open and caring.

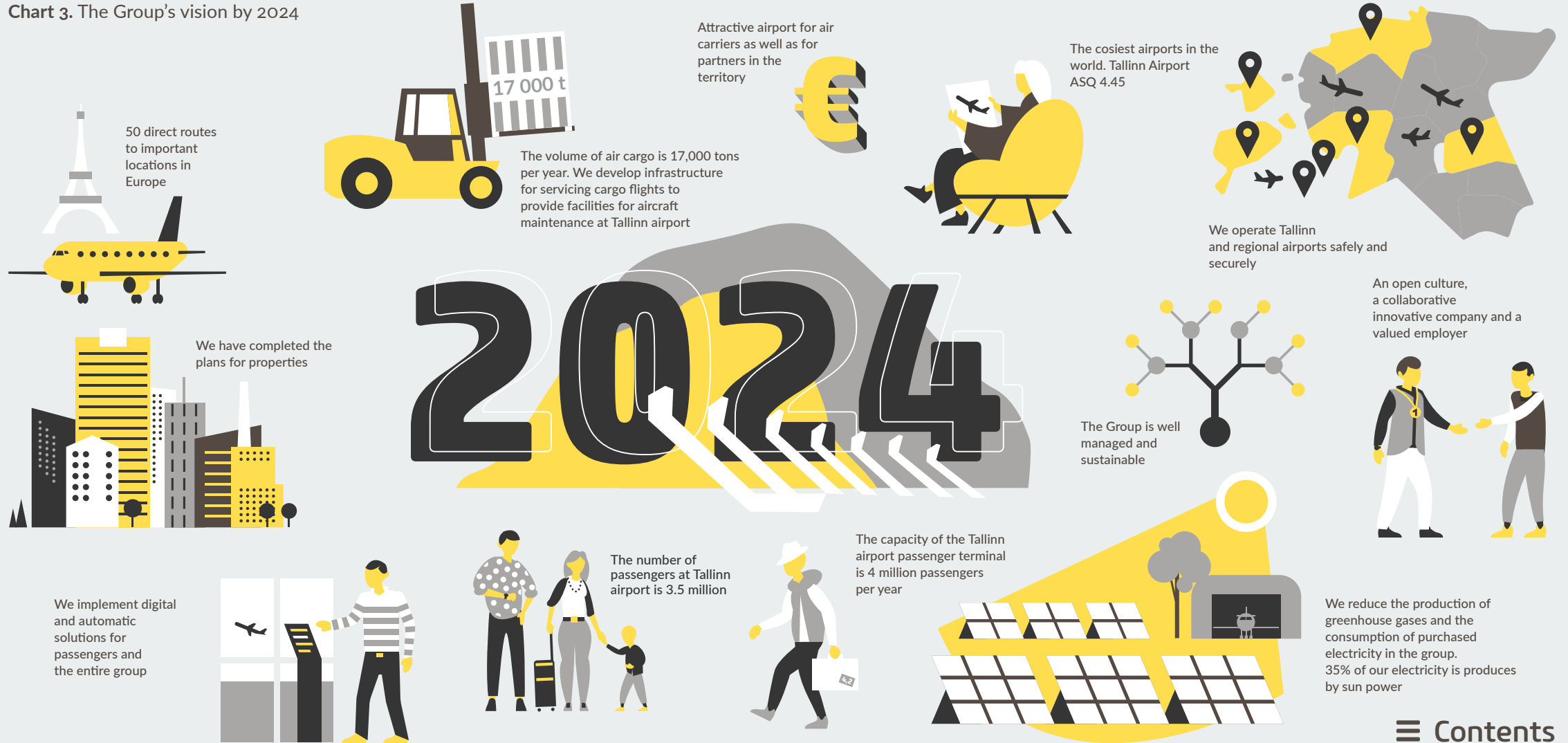
The Republic of Estonia as the sole shareholder has set the following expectations for AS Tallinna Lennujaam:

- The Company will maintain and increase air traffic.
- The Company's operations will be profitable and efficient.
- The Company will operate in a sustainable and responsible manner (safety and environmental sustainability).
- 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 connecting Estonia with the world both concerning movement of people and cargo, being an attractive airport for passengers, companies, partners and talents, operating 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 2022

The number of passengers at Tallinn Airport increased by 111% as compared to the previous year. Due to the war in Ukraine and the closure of Russian airspace, Estonia lost its attractiveness in the segment of air traffic to Asia, and the volume of air cargo did not increase. The level of year-round destinations and regular routes was as planned. In the following tables, we have summarised the fulfilment of our main objectives.

Table 6. Objective 1: Tallinn Airport connects Estonia with the world in terms of movement of people and goods

Indicator	Target for 2022	Achievement
Regular routes (summer and year-round routers)	40	42
Passengers in millions	2.55	2.74
Volume of air cargo in thousands of tonnes	14	11

Passenger satisfaction remained very high and Tallinn Airport is in the top five among European airports. In the area of passenger e-services, we introduced a self-service baggage drop-off system. As the amendment to the Aviation Act eliminated the requirement of identification at the gate, we will also be able to introduce self-service gates in 2023.

In September, we opened an extension to the passenger terminal: a new ground floor Schengen gate area with a self-service shop. The waiting area for arriving passengers was also revamped.

Although the workload increased exponentially, the commitment of the Group's employees was satisfactory.

Table 7. Objective 2: Tallinn Airport Group is an attractive for passengers, airlines, partners and talent

Indicator	Target for 2022	Achievement
Increase in passenger satisfaction according to the ASQ index (overall)	4,45	4,37
E-services for passengers	1. Self-service baggage drop-off is in use for passengers of two airlines	1. Achieved
	2. A belt for large-scale luggage was installed and the process was changed	2. Achieved
Increase in capacity	1. Expansion of the departing baggage area with a sorting system completed	1. Achieved and process improvement continues
	2. The expansion of the Schengen gate area has been completed	2. Achieved
	3. The design of the terminal extension is in the final stage	3. Achieved. Completed in 2023.
Growth in non-aviation revenue	Sales revenue 28.3 million euros	35.6 million euros
Number of incidents when we have caused consecutive stops of air traffic for more than 30 minutes	0	0
Punctuality of departing flights	99%	97.4%
Employee commitment	65 points in TRI*M-index (Group)	61 points in TRI*M-index (Group)
Results of employer reputation survey (Kantar)	Among the top five employers	Second place in the list employers



AS Tallinna Lennujaam received the third level international certificate for the accreditation of the Airport Carbon Accreditation (ACA) system for airports. It is recognition of the Company's efforts to reduce its environmental footprint and achieve carbon neutrality by 2030. While the number and intensity of cyberattacks increased in 2022, there was only one incident with a high impact (the airport's website was temporarily unavailable due to denial-of-service attacks).

Despite the increase in the number of passengers and flight operations, there were no major changes in the number of incidents affecting flight safety and airports across Estonia were operated safely.

The increase in the number flight operations and passengers led to an increase in revenue, which contributed to the achievement of the financial targets set. The year's financial results were strongly affected by price increases, especially utilities and runway maintenance costs. In order to reduce our carbon footprint and value the land, we have built six new solar parks, and the total capacity of the Company's solar parks is 6.47 MW.

Table 8. Objective 3: Tallinn Airport Group is operated safety and securely and the Company acts responsibly towards the natural environment

Indicator	Target for 2022	Achievement
Level of accreditation system Airport Carbon Accreditation (ACA) targeted at airports	Attain the ACA level three certificate	Achieved
CO2 emissions per passengers kg	5.1	Achieved, 3.7 kg
Safety incidents	0 serious incidents	2 serious incidents that were resolved by the end of the year
Occupational safety incidents	Less than 8	11
Safety incidents per 1000 flight operations	0 aviation accidents and serious incidents	0
Data protection incidents	0 serious incidents	0
Information security incidents	0 serious incidents	0
Development and improvement of information security management system	ISO 27001 compliance analysis and action plan	Achieved



Table 9. Objective 4: Tallinn Airport Group is a cost-effective, profitable and innovative company

Indicator	Target for 2022	Achievement
Group's profit before interest, tax and depreciation (EBITDA) margin	32%	34%
Group's expenses (excluding depreciation) per passenger (Tallinn airport and regional airports) in euros	14.3	15.2
Group's sale revenue per passenger (Tallinn airport and regional airports) in euros	15.7	17.8
New business projects have been launched and implemented	Solar parks (additive production 3.2 MW): Tallinn: 2 MW Tartu: 320 kW Pärnu: 1 MW	Achieved

Table 10. Objective 5: AS Tallinna Lennujaam properties are valued and earn income

Indicator	Target for 2022	Achievement
Business plans have been prepared or are being prepared. Plan and construction work have been launched	1. Real estate strategy has been created	1. Achieved
	2. Pärnu passenger terminal has been renovated and the hangar has been completed	2. Achieved
	3. Reconstruction of Ruhnu Airport has been completed	3. Design completed, construction to take place in 2023

We consider it important to value the Company's properties and create a good business environment in order to attract new enterprises. In addition, we highly value the development of regional airports, the creation of new business opportunities and a safe and secure environment.



Air traffic in our airports



Air traffic at Tallinn Airport

The choice of destinations, both in Tallinn and globally, has been strongly influenced by the COVID pandemic over the past two years, which led to a sharp decline in air traffic from March 2020 due to extensive restrictions and changes in consumer behaviour that it affected. Since then, demand has gradually recovered, but the Airport Council International (ACI) does not expect European passenger numbers to reach pre-pandemic levels before 2025 (source: 20 December 2022 Forecast).

Despite these challenges, 2022 was a year of extraordinary growth for European air traffic. Compared to the previous year, demand grew exponentially also at Tallinn Airport: the number of passengers doubled from 1.3 million in 2021 to 2.7 million. Since there were very few passengers in the first half of the year, percentagewise the growth was especially rapid in the first half of 2022.

In the first quarter, the number of passengers at Tallinn Airport was still affected by the spread of the COVID Omicron variant. As a result, the number of passengers remained at 65% in January and February as compared to the pre-pandemic period (i.e. same months of 2019). Together with the retreat of the pandemic the recovery rate started to increase and has been stable at 88-90% since May 2022. Overall, the passenger recovery rate remained at an average of 84% as compared to 2019.

Due to the war that started in Ukraine at the end of February, regular flights to Kiev and Kharkiv were suspended. For the same reason, it is not planned to reopen flights to Moscow and Minsk routes in the near future. The total number of passengers on these four routes was approximately 220,000 in 2019.

During the year, the biggest airlines in terms of passengers were Ryanair (22%) and airBaltic (22%). The share of low-cost airlines in the total number of passengers was 30% (2021: 24%).

Chart 4. Break-down of passengers at Tallinn airport by destination (scheduled flights) and by carriers in 2022

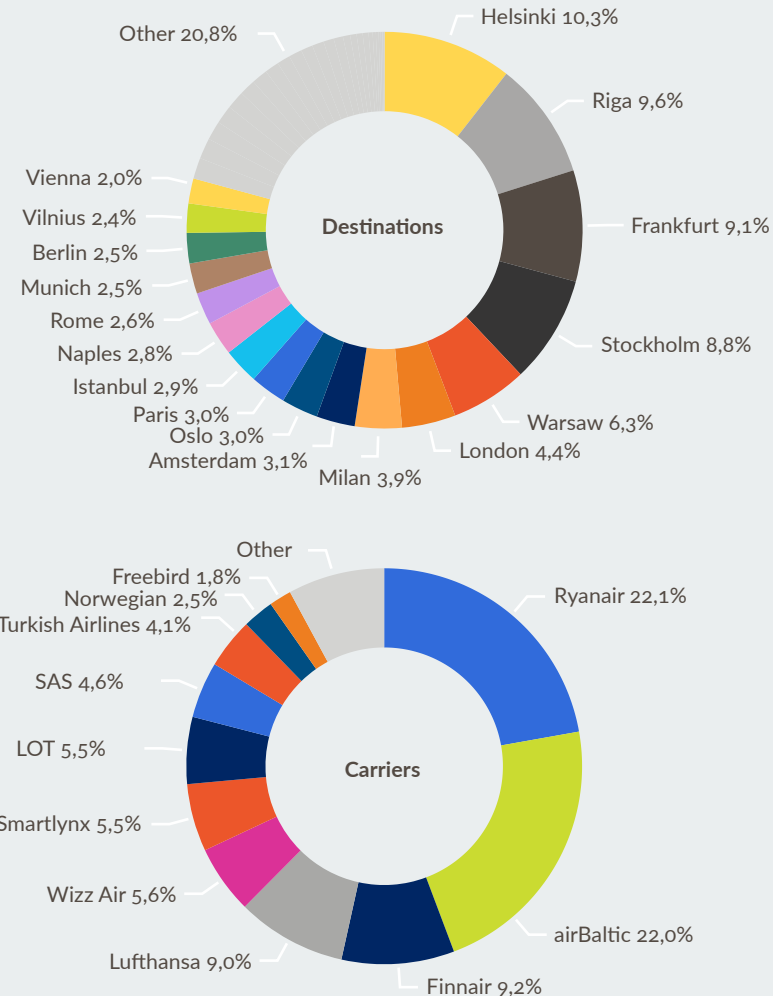




Chart 5. Direct international routes from Tallinn airport in December 2022



Table 11. Number of passengers, cargo and post, and number of flight operations at Tallinn airport 2018-2022

	Unit	2022	2021	2020	2019	2018
Passengers in total	passengers	2,748,255	1,301,066	863,589	3,267,910	3,007,644
incl. domestic flights	passengers	51,303	39,454	24,841	31,768	28,709
incl. international flights	passengers	2,696,952	1,261,612	838,748	3,236,142	2,978,935
incl. connecting flights	passengers	11,077	8,102	6,600	13,334	50,392
Cargo and post in total	tons	11,110	10,560	9,190	10,916	11,519
incl. Post	tons	1,279	1,205	1,319	2,932	2,535
incl. Air cargo	tons	9,831	9,355	7,871	7,984	8,984
Flight operations in total	LOPs	38,044	26,689	22,962	47,867	48,568
incl. Passenger flights	LOPs	28,478	16,617	14,461	38,808	39,892
incl. Cargo flights	LOPs	1,609	1,602	1,552	1,538	1,597
incl. Non-business flights	LOPs	7,957	8,470	6,949	7,521	7,079

The Turkish-German joint venture SunExpress was a new airline that started flying to Tallinn, operating seasonal scheduled flights between Antalya and Tallinn from April to October. Ryanair opened routes to Nuremberg in Germany and Treviso in Italy, and Wizz Air resumed flights to Luton airport in London and Kutaisi in Georgia.

During the year, regular flights were made from Tallinn Airport to 42 destinations, in addition to regular charter flights. About 30% of passengers flew to major hubs, i.e. Helsinki, Riga and Frankfurt.



The movement of express and courier mail by aircraft gained momentum at the beginning of the year and remained at a high level until September. The fall in the air cargo volume in the last quarter can be attributed to the general cooling of the economy.

In 2022, the volume of air cargo did not grow as expected because the movement of goods is strongly influenced by the geopolitical situation and the flight schedules of airlines that transport cargo and mail on scheduled flights (Lufthansa, Turkish Airlines, SAS, LOT, etc.). The number of cargo-based charter flights decreased, being dependent both on the frequency of flights and the growth of road transport opportunities.

The Terminal Users' Committee, established to comply with the requirements of the Aviation Act and consisting of representatives of airlines that operate scheduled flights to Tallinn, held regular meetings.

As in the previous year, a meeting of the Users' Committee was held in Tallinn in 2022, where operational information was shared and the investment plan and new airport fees were discussed. Issues raised by the committee members were discussed separately with airport users, explanations were also provided through e-mails and additional meetings.

On 19 July, we informed our partners about the introduction of new airport fees from 1 January 2023. One airport user contested the changes in the fee rates at the Competition Authority before they were introduced, and therefore the introduction of the new fee rates was postponed until the dispute is resolved.

Air traffic at regional airports

The number of passengers travelling through regional airports was 63,946, 50% more than in 2021 (2021: 42,663). In the third quarter, regular flights were made from all of our airports, with international connections also from Pärnu and Tartu. NyxAir operated the Pärnu-Helsinki seasonal summer route and SAS operated the Pärnu-Stockholm seasonal route.

In March, Finnair resumed regular flights between Tartu and Helsinki. This was an expected event, for which Tartu Airport had made preparations, and recruited and trained additional staff. However, Finnair's difficult financial situation that coincided with winning the tender concerning five domestic routes forced the airline to stop servicing the Tartu route in October. The route development team is working with the Tartu City Government to open a new regular route. Internal flight occupancy remained generally at a good level. In 2022, 38,749 passengers passed through Kuressaare Airport (2021: 29,447) and 12,004 passengers passed through Kärdla Airport (2021: 10,769).

Overview of the airfield and passenger services





The priorities in achieving the Group's objectives in all of its areas of activity are to ensure safety, regular and uninterrupted operations at all airports and customer service at all times and no matter what the weather is like, in accordance with international safety requirements and standards.

The rapidly recovering number of passengers and the increased number of flight operations affected mainly the operation of Tallinn Airport. Like many other European airports, we were under the pressure to quickly recruit and train new staff. In addition, our partners needed to adapt quickly to the new situation, because in order to reduce long queues for security checks, the partners also had to hire new employees. At the peak of the summer, queues for security checks were up to 60 minutes long, but by August the situation had stabilised and the queues had shortened.

Passenger experience at Tallinn Airport

In September, we introduced a new gate area with convenient pre-flight areas in the passenger terminal of Tallinn Airport. In 2023, a reconstruction of the non-Schengen gates and pre-flight areas is planned to provide passengers with comfortable conditions when waiting for their flights.

We completed the development of the luggage area and luggage sorting system. The new luggage claim system and carousel enable us to efficiently and quickly handle checked-in luggage of up to six million passengers. The large luggage belt, which is currently operated by the airport staff but will be used as a self-service device for passengers in 2023, has also been completed.

In July, we opened four self-service devices for passenger luggage check-in and drop-off. They allow passengers flying with SAS and airBaltic to check in their luggage, and we aim to add other airlines to the

system. The new system offers fast and convenient luggage drop-off and the ability to avoid queues.

In order to harmonise the levels of services provided at the passenger terminal of Tallinn Airport and to exchange information, the Terminal Users' Committee has been established, consisting of tenants and cooperation partners operating at the passenger terminal. In 2022, there was one meeting (2021: 1), where, among other items, the strategy of Tallinn Airport, environmental objectives and activities were presented and discussed, as well as the plans related to the construction and development of the terminal and the results of the passenger survey.

Feedback of the customers of Tallinn airport

In 2022, we registered 365 customer inquiries (2020: 141, 2021: 378). Most feedback from passengers concerns the length of check-in and security lines. The shortage of labour at European airports also contributed to the luggage delays of arriving passengers, regarding which we also received feedback from passengers.

The real-time feedback measurement devices used in the passenger terminal showed that satisfaction with border-crossing remained at the same level as in 2021: 87.5% of the passengers had a pleasant experience. 84.7% of travellers rated the service provided by catering establishments as good (2021: 96%) and 87.5% of respondents were satisfied with the food choices (2021: 86%).

Passenger survey at Tallinn airport

In 2022, Tallinn airport continued to participate in the International Airport Council (Airport Council International, ACI) passenger service survey (ASQ) with more than 300 airports worldwide. The study gives us the opportunity to analyse our strengths and development opportunities and compare ourselves with other airports.

In July, we opened four self-service devices for passenger luggage check-in and drop-off



In 2022, the format for submitting the results was changed and new elements were added to the survey. These include an indicator of overall experience measuring what passengers feel and remember in relation to the provision of services (i.e. their impression of the provision of the service), as well as measuring the satisfaction of three types of passengers from now on.

During the year, we surveyed a total of 1,408 passengers and the results showed that satisfaction remained high despite the rapid growth in the number of passengers.

Among Europe's airports that serve 2-5 million passengers per year the title of the best airport in Europe was received.

Passengers departing from Tallinn Airport highly appreciate the ease of reaching the passenger terminal (4.59) and clarity of signs at the terminal (4.47). The ease of finding the correct route (4.40) and flight information (4.33), and the route of movement at the terminal (4.49) have certainly been and will continue to be one of the advantages of Tallinn Airport.

At the end of the year, satisfaction ratings in different segments were as follows:

- satisfaction of business travellers was 4.32 points,
- satisfaction of holiday travellers was 4.43 points,
- satisfaction of other types of passengers was 4.36 points.

Provision of services to passengers with reduced mobility

It is important for us to provide support and assistance to all air passengers starting their journey from or arriving in Tallinn. For this, everyone who needs additional support at the terminal can order a separate service for themselves.

In 2022, Tallinn Airport received 6,219 requests for services for passengers with special needs, which was 109% more than last year and accounted for 86% of the pre-crisis volume. In 2022, the share of passengers with special needs was 0.2% of the total number of passengers, and this figure keeps growing. We fulfilled 63% of all requests for servicing passengers with special needs (in the other cases, the customer did not request to be assisted at the airport). The share of the requests with less than 12 hours' notice was 18%, of which a third were last-minute requests. We used special devices to fulfil 20% of orders.

The majority of passengers (50%) needed the help of our employees to travel long distances (wheelchair ramp, WCHR), 26% of our customers needed support to take the stairs (wheelchair steps, WCHS) and 13% of our passengers, among other things, to get on and off the aircraft (wheelchair carry, WCHC). The remaining 11% were passengers with other special needs. The cost of servicing passengers with special needs was EUR 322,361 (2021: EUR 232,930).

Aviation security

The rapid increase in the number of passengers and the increased queues for security checks put us under pressure to recruit more security staff in order to prevent long queues and, consequently,



passengers missing their flights and flights being delayed. If, under normal circumstances, our goal is to keep the length of queues at the security check at 15 minutes, at the beginning of summer 2022, when the flight and passenger volumes recovered very rapidly, the queues were at times up to 60 minutes long. In cooperation with the service provider, we agreed on an action plan for finding and quickly involving additional employees in the passenger service process. When the summer season started, the queues were already shorter.

By October, the use of automated border crossing gates installed by the Police and Border Guard Board increased to 40% among passengers arriving from third countries as well as those flying there. To encourage the use of automated gates by more passengers, the Police and Border Guards Board plans to assist and guide arriving passengers on the spot.

Global price increases also impacted on planned investments in aviation security. As a result of the price increase and the depreciation of the euro, new X-ray equipment for screening objects carried by passengers and allowing large electronic equipment and liquids to be carried in hand luggage was not procured in 2022. As this is an important innovative step for the airport, we plan to purchase this equipment in 2023.

Contracts for the provision of security services will expire in November 2023. Already in the spring of 2022, we started preparations for new procurements, and the winners of the procurements will be announced in the first half of 2023.

Flight safety

In aviation, safety is always a priority, which is why safety is the key focus of the Group. The objective of implementing a safety management system is to ensure that business objectives are achieved in a safe

manner, avoiding accidents and protecting people, property and the environment.

The elements of the safety management system are safety policy and objectives, risk management, and safety promotion and assessment. In 2022, we harmonised the safety principles of AS Tallinna Lennujaam and AS Tallinn Airport GH and formulated the Group's common safety policy. The safety management system works well when all employees and cooperation partners of the Group are aware of its objectives and importance, their role in ensuring the functioning of the system and they implement it in their day-to-day activities. We have established an open and transparent safety culture and a well-functioning safety management system that involves all employees and members of the community, enabling sharing of safety information in a timely manner. The safety management system supports the reporting of all incidences that impact flight safety in order to investigate them and prevent their recurrence. In safety, we adhere to the principles of Just Culture.

There is a Safety Committee at Tallinn Airport, which includes representatives of the companies operating at the airport that are responsible for flight safety. The objective of the Committee is to inform the stakeholders about significant safety-related changes, to raise awareness and to involve them in the improvement of the safety management system. Four meetings of the Safety Committee were organised in 2022. At these meetings, an overview was provided of the development activities of the airport and the related operating restrictions for those residing at the airport, as well as incidents affecting flight safety, and changes in the procedures of the operating and management system of the airport.

At Kuressaare, Kärdla, Pärnu and Tartu Airports, safety and quality groups hold their meetings at least once a quarter, the purpose of which is to carry out a primary inspection of the performance of the safety

The objective of implementing a safety management system is to ensure that business objectives are achieved in a safe manner, avoiding accidents and protecting people, property and the environment



management system, to receive feedback for improvement activities and to promote safety. The meetings cover current airport operations, flight safety and quality issues, customer feedback and deficiencies identified during airport audits.

The companies operating on airport premises are invited to the meetings. In 2022, four meetings were held at Kuressaare, Tartu and Pärnu Airports (2021: four). Twelve meetings were held at Kärdla Airport (2021: 12).

Regular meetings of the Safety Review Board are held at the Group. The Safety Review Board comprises members of the Group's Management Board and monitors the effectiveness of the Company's safety management system, approves safety objectives, assesses safety levels and the effectiveness and efficiency of the implementation of safety measures. In 2022, there were 12 (2021: 12) Safety Review Board meetings.

Table 12. The number of registered safety notifications at Tallinn Airport 2019-2022

The degree of severity of the safety incident	2022	2021	2020	2019
Total	586	532	333	415
Accident	0	0	0	0
Serious incident	0	1	1	1
Incident	14	9	22	23
Safety incident without immediate impact	258	226	155	169
Observation	314	296	155	222

There were no accidents or serious incidents at Tallinn or regional airports this year (2021: one serious incident). At Tallinn Airport, 14 incidents were registered, i.e. incidents that had an impact on flight safety related to the use of the aircraft, but did not have adverse consequences. On three occasions, there was an aircraft-bird collision after which the aircraft was subjected to an additional technical inspection because the bird had collided with critical parts of the aircraft. Three incidents were related to a technical malfunction of the aircraft that led the captain of the aircraft to declare an emergency. All emergencies were handled well and no interventions by the airport's rescue team were needed. In one incident there was an obstacle on the runway and therefore a go-around was initiated by air traffic control. Twice the aircraft was damaged during ground operations in the traffic area. In addition, vehicle accidents and infrastructure damage occurred in the air traffic area.

A total of 730 safety alerts were registered at Tallinn Airport and regional airports during the year (2021: 647), which is due to the growth of flight operations, but also indicates a good level of the Group's safety culture. Of all safety incidents registered at airports, 196 (2021: 133) involved birds and animals and were primarily related to the movement of birds and animals in the traffic area. There were nine (2021: three) more serious cases that could have affected the operation or caused cancellation of the flight. The share of incidents related to birds and animals in all safety reports was 15%.

Birds and animals can pose a major threat to aircraft and cause extensive damage. In order to reduce the risks, we actively use various measures to deter birds and animals at airports. To assess and monitor the ornithological condition, Tallinn Airport has hired an ornithologist,

There were no accidents or serious incidents at Tallinn or regional airports



with whom we make decisions to reduce the dangers associated with birds and spare nature.

In order to improve flight safety, we have launched the following projects:

- At Tallinn Airport, we have developed a system of environmentally friendly gas cannons for bird deterring and acquired two new devices, as a result of which the entire traffic area is now covered by the deterring system.
- In 2022, we carried out a conformity assessment in cooperation with Aights GmbH to analyse the compliance of Tallinn Airport with the requirements for the implementation of the category II instrument approach system. On the basis of the conformity assessment, a plan for the implementation of Category II procedures is being developed. Category II allows aircraft to land safely at Tallinn Airport even in weather conditions that would not allow landing in the case of the existing Category I. The project involves Estonian Air Navigation Services (EANS).

Main projects of regional airports aimed at increasing flight safety:

- Three gas cannons were installed at Kärdla airport to deter birds.
- The renovation of the runway pavement of Ruhnu airfield is planned for 2023.

Air navigation service

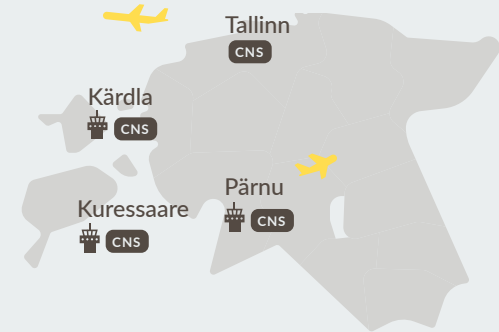
AS Tallinna Lennujaam provides communication, navigation and flight information services. The type of air navigation service provided depends on the airport. In 2022, we provided

- flight information service in Kuressaare, Kärdla and Pärnu;
- communication and/or navigation services in Kuressaare, Kärdla, Pärnu and Tallinn.

The remote tower project, the aim of which is to consolidate the air traffic control service of regional airports into a control centre located in Tallinn will continue but at a slower pace than initially planned. The project is led by Estonian Air Navigation Services (EANS) and involves AS Tallinna Lennujaam, the Transport Administration and the Environmental Agency. The remote tower equipment installed at Kuressaare airport received an air navigation equipment certificate from the Transport Administration in November 2022, and the next step is to certify the provision of air traffic services from the remote tower.

When Estonian Air Navigation Services (EANS) starts providing the flight information service in Kuressaare from the remote tower, Tallinn Airport plans to discontinue the provision of the flight information service at Kuressaare airport at the end of 2023.

As of 2020, the Environmental Agency will provide air navigation services to our airports for aerodrome weather observation and forecasting. AS Tallinna Lennujaam will ensure the availability and compliance of the equipment necessary for the aviation meteorological service. In 2022, we started installing new automated weather observation systems (AWOS) at Tartu, Kuressaare and Kärdla Airports. They will be operational after



- communication and navigation services
- flight information service



certification in the first half of 2023 and will enable transition to a fully automated meteorological service for aviation meteorology which in turn will support the remote tower project..

Rescue service

Each of our airports has its own rescue team with equipment, the size and provision of which depends on the rescue category of the airport. The rescue category specifies the type, chassis length and diameter of the aircraft are allowed to land on the airfield. The category depends on the capacity and technology of the extinguishing agent used by the rescue service.

The aim is to ensure rescue category 8 at Tallinn Airport and rescue category 5 at regional airports. This ensures preparedness to respond and operate in crisis and emergency situations at all our airports. While in 2021 we had to lower the rescue category at Tallinn Airport even for a longer period due to the COVID situation, because, on the one hand, there were no flight operations and, on the other hand, we could not ensure sufficient manning due to COVID outbreaks, in 2022 we lowered the rescue category for a short period of time 51 times (2019: 8). We did this mainly for reasons related to manning and technical maintenance.

In 2023, we will see a significant improvement in the situation, because with the support of the positions added in the third quarter of the financial year, we have restored the pre-pandemic situation of the manning of rescue services. In September, we organised a large-scale cooperation exercise at Kärdla Airport with the aim of checking the





airport's capability to ensure primary search and rescue capability within 5 nautical miles of the runway.

The exercise involved the Emergency Response Centre, the Rescue Board, the Police and Border Guard Board, the North Estonia Medical Centre and Kärdla airport employees, including Kärdla flight information officers. The Transport Administration participated in the exercise as an observer.

Passenger and aircraft servicing

Ground handling services for aircraft and passengers at Tallinn Airport are provided by AS Tallinn Airport GH, which is part of the Group. The company operates only in Estonia and is currently the only provider of such services on the market.

The company's strategic goal is to grow into a ground handling company with the highest quality of service in Northern Europe, to serve all airlines with a precision of at least 97.5%, and to be in the top five in the quality assessment of airports. In connection with the increase in the number of passengers, preparations were made this year for the opening of the market for ground handling services.

In order to achieve this goal, we are constantly improving our quality management system, based on the requirements of the International Air Transport Association's (IATA) standard "Safety Audit for Ground Operations" (ISAGO). In order to develop the company's service standards and to meet customer expectations even better, we regularly analyse customer feedback. In internal training courses, we analyse the company's performance targets, the possible impacts of these indicators and measures to reduce negative impacts.

In its day-to-day operations, the company is guided by its mission to provide the right service at the agreed time and quality, ensuring equal benefits for customers, owners and employees. The company offered all departing passengers a check-in and gate service and accepted arriving passengers. In addition to regular flights, the company served other flights arriving here, such as private and military flights.

In order to speed up the daily passenger service process, an amendment was introduced in the Aviation Act, which is why it is no longer necessary to present an identity document at the gate for flights departing from the Schengen area.

In 2021, the environmental management system of AS Tallinn Airport GH was integrated with the management system of the parent company, and sustainability and green management have become an integral part of daily operations. In order to reduce its footprint, this year the company acquired a new electric ground power unit (GPU), which is used to provide electricity to aircraft, and expanded its fleet of electric scooters. In addition, a tender was made for the purchase of the first electric cars, which arrived for employee use in the first week of 2023.

In its day-to-day operations, the company is guided by its mission to provide the right service at the agreed time and quality, ensuring equal benefits for customers, owners and employees

Our team





Rapid recovery of air traffic brought attention to crew manning

We value our employees and do everything to ensure that they have a comfortable, modern and safe work environment. At the beginning of the year, we focused on this in the context of the COVID Red Scenario: we recalled the need to use personal protective equipment, we made it possible to vaccinate against COVID, and employees working in the office could take advantage of the opportunity of hybrid work. As part of the weekly monitoring, we monitored the number of COVID-positive cases, close contact and/or self-isolated employees identified in the team. In the second half of the year, when air traffic began to recover sharply, the focus shifted to hiring and training new employees.

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 end of 2022 there were 586 employees working in the Group, 64% men and 36% women. 40% of managers are women, compared to 45% in the management. At AS Tallinna Lennujaam, 43% of the employees have worked for more than ten years, the same figure at AS Tallinn Airport GH is 25%.

In 2022, the voluntary staff turnover at AS Tallinna Lennujaam was 8.4% (2021: 8%) and at AS Tallinn Airport GH it was approximately 18.7% (2021: 13%). The total turnover (incl. redundancies) was 13% at AS Tallinna Lennujaam and 20% at AS Tallinn Airport GH. We regularly

monitor the reasons for resignations in order to take measures that the Company can influence to reduce the staff turnover.

Based on the results of the survey by Kantar Emor carried out in spring 2022, Tallinn Airport Group continues to be 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 received the prestigious award “Deed of the Year in Aviation” from the Estonian Aviation Academy. To promote the Group as an employer, we organised virtual career days and Tallinn Airport career day for companies in the community and participated in the career fair Võti Tulevikku.

Organisational changes and manning of crews

In order to support the recovery of air traffic, beginning with spring we focused on ensuring crew manning. This mostly concerned passenger and aircraft service positions. In the interests of the speed and efficiency of recruitment, we introduced recruitment software and involved an external cooperation partner. In order to encourage job referrals, we developed a system for the Group's employees called “Recommend a new colleague”.

During the year, the number of employees in the Group increased by 14% (from 514 to 586), including 16% (from 205 to 237) in the subsidiary providing ground handling services.

In order to support the Group's business strategy, we made several structural changes: we merged the passenger and airport services, in

Based on the results of the survey by Kantar Emor carried out in spring 2022, Tallinn Airport Group continues to be the second most attractive employer for the residents of Estonia after Eesti Energia





the IT and digital sectors we established and manned the IT product management department, and, in addition, established and manned the procurement department. We decided to split the quality department into two separate departments, one focusing on quality, compliance and environmental management and the other on risk and information security management.

Developing staff competencies

In the Group, we follow the 70:20:10 learning framework, which is based on the principle that there are learning opportunities everywhere and people learn best through practice at work. This learning framework encompasses three ways of acquiring knowledge: the experiential, the social and the formal way. Knowledge and experience are passed on by external and internal trainers and traineeship instructors.

The share of training expenses among staff costs was 2.2% (2021: 1%). The Group's training and development costs amounted to EUR 448,094 (2021: EUR 172,008).

The main focus of training was on maintaining competencies and developing leaders. In addition, we refreshed the knowledge of in-house trainers, supervisors and internal auditors, and put an emphasis on improving and supporting customer service. We also organised crisis management and cybersecurity training.

We introduced a database of staff positions and competencies with the aim of monitoring competence requirements for staff more effectively. The aim of the system is to identify the competency requirements and link them to the training and staffing requirements for the relevant positions and roles, aimed at creating a user-friendly and clear system for planning the training. To support our learning and development

activities, we made preparations for the introduction of a new training management system on 1 January 2023.

Building on the leadership principles developed in 2021, we continued the leadership development programme training, focusing on one-to-one conversations, effective feedback and non-financial motivation.

Performance management, employee involvement and value proposition

In order to monitor and measure the achievement of the objectives, we continued to implement the performance management process. We set goals at the Company level, as well as at the level of each department and function, and at the employee level, which could be linked and reviewed on a quarterly basis.

In cooperation with Kantar Emor, we continued to organise the Group's work life survey, the aim of which is to find out the aggregate employee commitment score, internationally known as the TRI*M index.

In connection with the rapid changes in the business environment and the labour market, we conducted another employee survey in spring 2022 and the main survey in October, in which 74% of the Group's employees participated. The average employee commitment score is 61 points (2021: 56 points), which is slightly below the Estonian average (spring 2022: 68 points). Despite a labour-intensive year, estimates of management quality were still high. In particular, the employees highlighted changes to improve work organisation, the recruitment of new colleagues, the improvement of work equipment and the environment, and pay.





In order to cope with the impact of inflation, we will continue to keep the remuneration system competitive, improve the working environment and tools, and recruit employees to ensure a reasonable workload and work-life balance. In the interest of open and operational communication, we continued to organise regular briefings for employees and managers to share information about the Group's financial performance and achievements, and upcoming changes.

In our remuneration policy, we follow external competitiveness and the division of occupational groups, as well as the principles of equal treatment. We treat our employees equally regardless of their gender and other characteristics.

Every year, we highlight colleagues who have excelled in the past year, and we recognise the best of employees of 2022 at the opening event of the 2023 financial year. We publish positive feedback received from our customers on the intranet.

We value long-term employment relationships because of their commitment and willingness to connect Estonia with the world. We acknowledge and thank our colleagues who have worked in our Group companies for 10, 20, 30 and 40 years. On the occasion of the 86th anniversary of Tallinn Airport, we organised a joint festive event for the employees of the Group in October. In response to the autumn-winter season, we organised an anti-flu vaccination for those interested. During Christmas, we recognised employees' children with a present and organised a Christmas lunch for staff who were working during the holidays.

We credit sports and a healthy lifestyle and make sure that our employees always have the opportunity to choose a healthy way of spending their leisure time. With the help of Stebby, approximately 486 employees of the parent and subsidiary companies, or 87% of our colle-

agues, used sports and health promotion incentives on a regular basis in 2022.

In the spring, we reviewed the employer's value proposition and added the health insurance offered by the employer to promote health. Employees will now be able to choose, within the limit of the quarterly amount exempt from fringe benefit tax, how much of the subsidy they want to use to cover sports and how much to cover health insurance costs. We continued to offer the service of occupational psychologist in cooperation with the advisors of the project "Võõras sõber".

For many years, the Tallinn Airport Sports Club has been offering our employees various sports opportunities to promote a healthy lifestyle and build a good team spirit. By the end of 2022, the club had 67 members. Among other things, we offer them individual and collective training and competitions.

In 2022, the sports club participated in Estonia's largest public sports competitions: the Estonian Company Sports Association events, the Tartu Cross-Country Skiing Marathon Klassik events, the Kõrvemaa competition series and other cycling and running marathons. Tallinn Airport Sports Club came third among 101 companies competing for the title of Estonia's sportiest company of the year.

In order to support our staff in acquiring financial wisdom, an Investment Club was set up in 2022. In 2023, we will launch a Book Club and the Motoclub.



Sustainability Report



☰ [Contents](#)



Sustainable development goals

In our operations, we are guided by the principles of sustainability. Since 2018, we have been following the principles of the United Nations Sustainable Development Goals (SDGs) in our activities.














To illustrate how our activities contribute to achieving the goals of sustainable development, we have linked them to the issues that are important to us and have marked them with the SDG labels in this report.

The 2022 annual report of the Group consists of the sustainability report and Consolidated Annual report. By sustainability, we mean the environment, social responsibility and corporate governance.





Table 13. Sustainable development goals

SDG	World	Tallinn airport	SDG	World	Tallinn airport
	Ensure healthy lives and promote well-being for all at all ages	The Company has a functioning occupational safety and health management system		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
	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		Take urgent action to combat climate change and its impacts	We keep track of greenhouse gas emissions. We monitor CO2 emissions when purchasing new machinery. We reduce consumption of fossil fuels
	Achieve gender equality and empower all women and girls	We support the equality principles of gender, age, education, and diversity of views		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
	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		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
	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		Strengthen the means of implementation of the action plan and revitalise the global partnership for sustainable development	We pay environmental tax based on the ambient air pollution permit and special permit for water use
	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			
	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	We develop and operate infrastructure while considering the expectations of the society and the stakeholders, and the principles of sustainability			
	Make cities and human settlements inclusive, We monitor the emissions of fine particles into 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 CO2			



Environmental impacts and management

Inevitably, aviation as an industry impacts environmental status 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.

We strive every day to ensure the sustainable and responsible operation of airports and the provision of high-quality service, while preserving the natural environment and reducing air emissions to a minimum.

Our activities are based on six environmental goals.

1. Ensuring energy efficiency and transition to renewable energy

Electricity consumption makes up a major share of CO₂ emissions at Tallinn Airport. The infrastructure, including the runway with lights and airport buildings, consumes electricity 24/7 and creates a considerable CO₂ footprint.

We have started the transition to renewable energy and built solar parks both at Tallinn Airport and as well as all regional airports.

Table 14. Production volume and production of solar parks in 2022 and forecast for 2025

Production volume and production of solar parks in 2022

	Production volume kWh	Solar energy generated kW 2022	Share of solar energy generated in electricity consumption of Tallinn airport Ltd 2022
Solar parks of Tallinn airport	1,440	1,583,061	12%
Solar parks of regional airports	300	329,048	25%
Total	1,740	1,912,109	12%

Production volume and production of solar parks forecast for 2025

	Production volume kW increase comparing to 2022	Solar energy generated kWh 2025	Share of solar energy generated in electricity consumption of Tallinn airport Ltd 2025
Solar parks of Tallinn airport	4,140	4,140,000	26%
Solar parks of regional airports	6,230	6,230,000	131%
Total	10,370	10,370,000	65%

To achieve carbon neutrality, we analyse energy efficiency, find areas for improvement in infrastructure and consumption, and continuously increase the share of renewable energy.



2. Reducing CO₂ emissions and air pollution

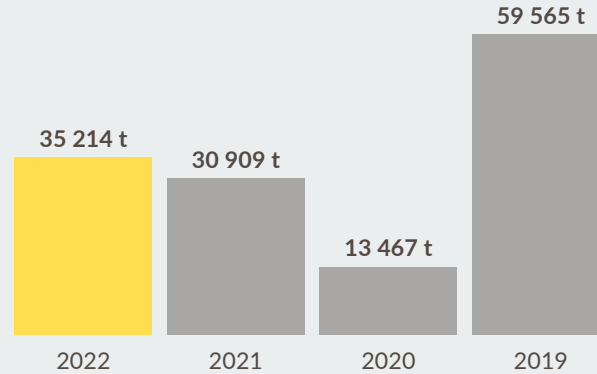
Tallinn Airport is a member of the Council of European Airports (ACEA Europe), where in 2021 many European airports promised to achieve carbon neutrality by the year 2050. However, 91 airports, including Tallinn Airport, promised to do it already by 2030. This ambitious goal is proof of our ambition to move towards climate-neutral management.

We have joined a globally recognised accreditation system for the aviation industry, i.e. Airport Carbon Accreditation (ACA) that allows us together with many other airports to set CO₂ reduction targets and assess the progress of achieving them. Already in 2021, we developed an action plan to visualise core activities with the goal of achieving carbon neutrality.

To become a carbon neutral airport, we need to reduce our energy consumption as much as possible, increase the use of renewable energy, upgrade our fleet and infrastructure, and develop our processes to be more environmentally friendly, involving the community, partners, and passengers.

The biggest change that Tallinn Airport made in reducing its emissions took place in November, when it switched from gas heating to district heating. This reduces the company's CO₂ by almost 20% as instead of the non-renewable resource, i.e. natural gas, the Company started to use wood chippings, a renewable resource and thus more environmentally friendly. In terms of sustainability, the use of residual material from the local cutting and wood industry for heat production also complies with the principles of circular economy, which calls for finding use for all materials.

Chart 6. Volume of CO₂ emissions at Tallinn airport



* Scope 1, 2 and 3 carbon emissions combined



Chart 7. Sources of CO₂ emissions at Tallinn airport

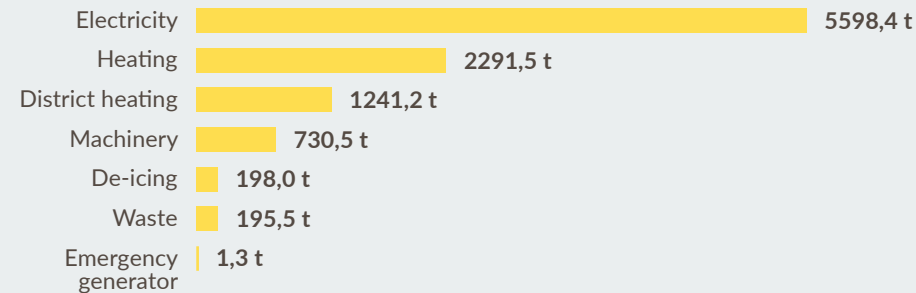
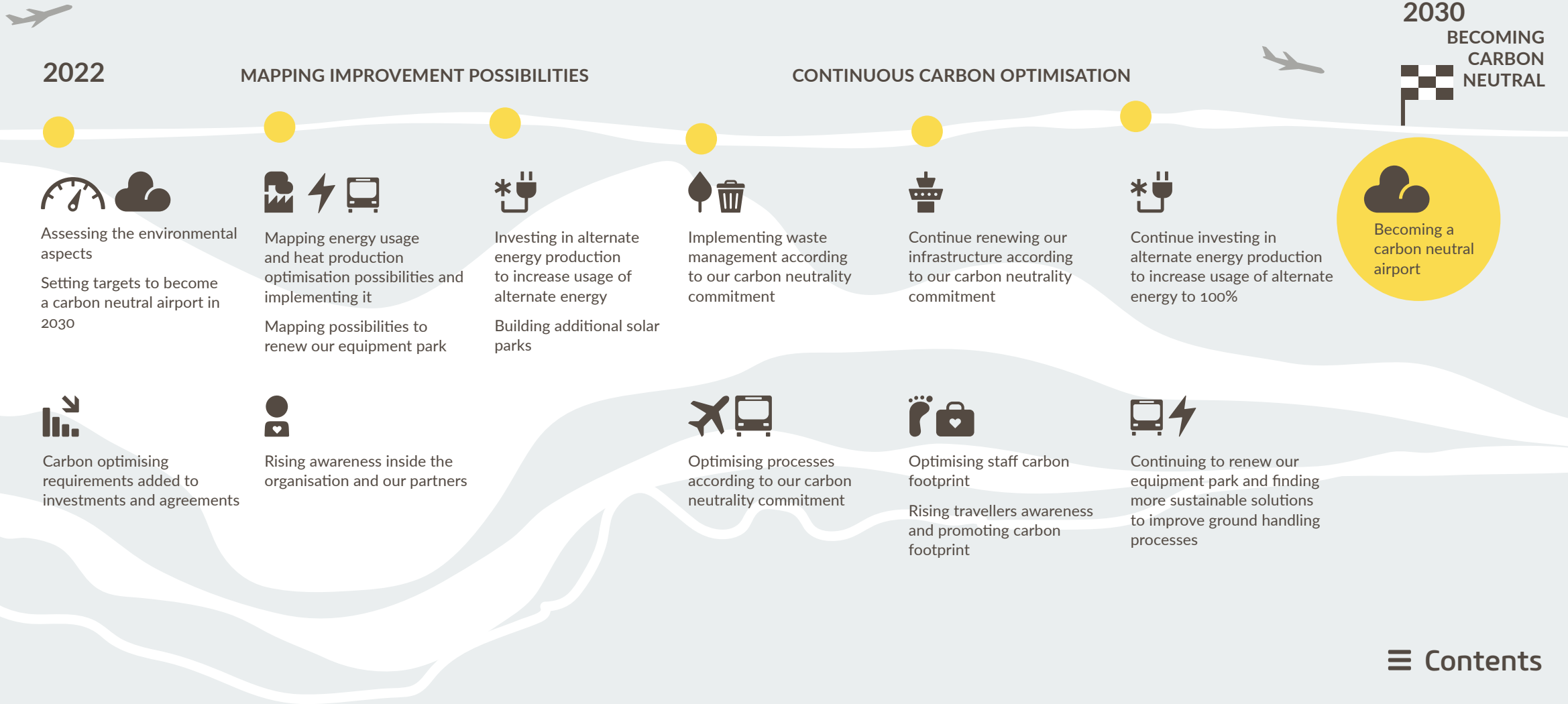




Chart 8. Action plan for achieving carbon neutrality of the Group





3. Clean drinking water and rainwater

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

The passengers of Tallinn airport are able to fill their water bottles in dedicated locations so that they do not need to buy new water bottles after passing through the security checkpoint. In the name of purity of rainwater and meltwater, we have updated our rainwater systems to ensure protection of rainwater in case of pollution. 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. Reducing of waste generation

Waste reduction also plays an important role in achieving carbon neutrality. We promote the segregating of waste and educate the employees, partners and passengers of the Group on waste management topics. We are working to reduce waste generation, and we support the goals of the circular economy and the concept of zero waste.

In order to increase the possibilities of segregating waste by type, in 2022 we implemented the solutions based on the waste generation analysis conducted in 2021.

Table 15. Waste indicators by year in Tallinn Airport and in regional airports

Indicator of waste	Unit	2022	2021	2020	2019
Mixed household waste	tons	417	361	215	556
Amount of waste per passenger	kg	0,18	0,29	0,26	0,20
The percentage of waste collected by type	%	16%	9%	7%	16%

* The data presented here is calculated based on more accurate number than presented in the Annual report of 2020 and combines both Tallinn airport and regional airport waste information.

In 2023, we will continue to improve our collection of waste by type and move towards an airport that is free of single-use plastics. The objective is ambitious and requires everyone's contribution. Therefore, we are looking for ways to facilitate the sale of beverages and food in the customer's container, and the use of reusable dishes and biodegradable packaging by our catering partners.

5. Ensuring compliance with noise level requirements

Noise is an aspect that inevitably accompanies aviation and urbanisation, but we are doing everything in our power to reduce noise pollution. During the COVID pandemic, people got used to silent skies, but the lifting of the restrictions led to an increase in the number of flight operations and also to an increase in noise levels.

We consider it important to minimise the noise caused by our activities by introducing environmentally friendly and quieter devices





that help reduce the daily noise level. We have built noise barriers on the territory where aircraft engines are being tested because we wish to protect people and the surrounding environment.

In 2022, we cooperated with the Tallinn City Government, the Estonian Health Insurance Fund and the Ministry of the Environment to analyse the noise situation and find areas for improvement. We also measure the noise level on our territory regularly and analyse it. The average daily noise level at the airport in both eastern and western directions was 66 dB which is within the national boundaries (75 dB during the day and 65 dB during the night). As a comparison: normal conversation is 60 dB on average and traffic noise on Tallinna-Tartu highway is in the range of 60–80 dB.

6. Ensuring biodiversity

We consider it important that the forests surrounding us are managed in a sustainable manner while maintaining measures necessary for ensuring aviation safety. We continue to update and implement forest management plans, and in 2023 we also plan to start replanting forests. With this, we return the trees cut down for the sake of flight safety to the living community, helping to improve forest culture and preserve natural diversity.

We make sure that no trees are cut on the territory of Tallinn airport during the nesting period of birds to maintain biodiversity 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 successful this year, as well: there were five chicks in its clutch. This is proof 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 environmental protection. We use such technological

processes, mechanisms and materials that do not harm the environment or keep it in established boundaries. We assess the effects and risks stemming from our activities on the environment and consider them in the Group's daily operations.

Participation in industry promotion and memberships

AS Tallinna Lennujaam actively participates both in the aviation cluster and the cooperation networks in order to jointly develop both aviation and non-aviation topic areas which in turn are important to ensure the Group's sustainability.

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

AS Tallinna Lennujaam is a member of the Responsible Business Forum (MTÜ Vastutustundliku Ettevõtluse Foorum). Based on the Responsible Business Index, we received a silver award in 2022, which gives us feedback on how responsible we are compared to other companies. Companies are evaluated every other year. In three previous assessments (including in 2020), we received a gold award. After a change in criteria for the award in 2022 and financially difficult times in the aviation sector, we dropped a level. We are even more committed to focusing on the development of ESG (environmental, social, and corporate governance) measures and we believe that we can regain the gold level.





Engagement, cooperation and economic impact

In aviation, cooperation is essential both for achieving objectives and for ensuring everyday safety. We believe in open and honest communication with the community and stakeholders. The airport community brings together almost 2000 employees of some 80 companies operating in the airport area. Our community understands that each employee is a contributor to the end result and is responsible for the overall good image of the airport. The stakeholders with whom we work most closely and who are affected by our activities are employees, companies operating on the territory and their employees, as well as airlines, business partners, passengers and the owner, people living in the vicinity of airports and the wider public.

Our strategy is based on direct economic impact, but we also take into account safety, environmental and social aspects. In cooperation with stakeholders and the community, we carry out a wide range of projects and joint initiatives.

The effectiveness of environmental actions starts with increased awareness because we can make progress only in cooperation with employees, partners and passengers. In 2022, we launched the Green Forum, which takes place once a year and aims to raise environmental awareness in the transportation sector. At the first Green Forum, we presented the environmental objectives of the airport and the strategy for achieving carbon neutrality to our partners and the general public. In addition, the event shared good practices and useful tips for achieving the goals of environmental protection and sustainable development. In the final portion of the day, experts in their field discussed

together how to make Estonia's gates more sustainable in the world and what are the biggest challenges along the way.

In December, we started organising Green Morning events in order to find solutions together with our partners to the basic environmental problems that we face at the airport every day.

The Group has an Environmental Steering Group for the organisation and effective management of sustainable development activities. It consists of key members of the Group whose task is to set, renew and complement sustainable development goals and to ensure progress towards their fulfilment. The Steering Group is involved in drawing up the environmental plan, keeping the environmental policy up to date, addressing environmental issues and raising awareness of sustainable and responsible management.

We are an active member of the Aviation Cluster to improve cargo connectivity and develop hydrogen application solutions. In cooperation with local governments and entrepreneurs in Tartu and Pärnu, we worked to restore regional air connections.

The economic impact of an airport is assessed in four aspects: direct, indirect, consequential and catalytic. The results of the study "Impact of Tallinn Airport passengers on the Estonian economy" carried out by Annika Lentso in 2019 confirmed that every 100,000 passengers who depart from or arrive at Tallinn Airport add an average of 76 new jobs to the airport service area (2013: 113). This increases the wage income and the volume of the domestic economy.



Responsible taxpayer

We are a responsible taxpayer and we adhere to prioritise and due dates, make transactions at market prices and prioritize open and helpful communication with the tax authorities. In 2022, the Group's tax footprint was EUR 8.6 million (2021: 5.9), demonstrating our contribution to society through the payment of taxes.

Table 16. Taxes paid and collected by the Group *

<i>in thousands euros</i>	2022	2021	Variance 2022-2021 %
Employer taxes (taxes paid)	4,978	3,430	45%
Land tax (paid taxes)	321	321	0%
Taxes withheld from employees (collected taxes)	3,137	2,126	48%
Other taxes paid and collected	174	60	190%
Taxes in total	8,610	5,937	45%

* Cash based calculation.

Note. In the case of taxes paid, the Group bears the expense. In the case of collected taxes, the Company plays the role of a tax collector by transferring the taxes to the Tax and Customs Board.

GRI content index

In the Sustainability Report, we rely on the reporting standard of the global reporting Initiative (GRI) which supports addressing the most topical issues in the report. In accordance with the GRI standard, we have based the identification and scope of significant impacts on interviews with the Company's employees and management, literature, data and media analysis, visitor surveys and expert assessments. In determining the significance of the impact, we have used interviews with the Company's employees and management.


Assessment of relevance is also influenced by national legislation and law-abiding society, which, if functioning well, reduces the importance of the topic for the Company and vice versa. The engaged stakeholders are described in more detail in this chapter.

Identified key topics are as follows (marked with the SDG label in the GRI content index below and in the report):

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








Tabel 16. Content Index

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	102-18 Governance structure	13-14
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	102-40 List of stakeholder groups	-
	102-42 Identifying and selecting stakeholders	36-37, 42-44, 53
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	102-47 List of material topics	24-25
	102-48 Restatements of information	-
	102-49 Changes in reporting	-
	102-50 Reporting period	01.01.2022-31.12.2022
	102-51 Date of most recent report	31.03.2022



Standard	Disclosure	Page number
	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	quality@ttl.aero
	102-54 Claims of reporting in accordance with the GRI Standards	55–57
	102-55 GRI content index	55–57
	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	10, 46
	103-2 The management approach and its components	9, 11–14
	103-3 Evaluation of the management approach	11–14
	 Sustainable Development Goal No. 12 Ensure sustainable consumption and production	9
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	18–20
	 Sustainable Development Goal No. 8 Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	9, 18, 28, 42–43
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	18–20

Standard	Disclosure	Page number
GRI 205: Anticorruption	205-1 Operations assessed for risks related to corruption	16
	205-2 Communication and training about anticorruption policies	10, 16
	205-3 Confirmed incidences of corruption and actions taken	No cases of corruption were detected in 2022
	 Sustainable Development Goal no 16 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	10
GRI 302: Energy	302-1 Energy consumption within the organisation	48
	302-3 Energy efficiency	48
	302-4 Reduction of energy consumption	48
	 Sustainable Development Goal no 7 Ensure access to affordable, reliable, sustainable and modern energy for all	9
GRI 304: Biodiversity	304-2 Significant impacts of activities, products and services on biodiversity	52
	 Sustainable Development Goal no 15 Protect, ecosystems restore and promote sustainable use of terrestrial sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	9



Standard	Disclosure	Page number
GRI 305: Emissions	305-5 Reduction of greenhouse gas emissions	49–50
	305-7 Nitrogen oxides, sulphur oxides and other significant air emissions	49–50
	 Sustainable Development Goal no 17 Strengthen the means of implementation of the action plan and revitalise the global partnership for sustainable development	9
	 Sustainable Development Goal no 11 Make cities and human settlements inclusive, safe, resilient and sustainable	9, 21
	 Sustainable Development Goal no 13 Take urgent action to combat climate change and its impacts	9
GRI 306: Wastewater and waste	306-1 Water discharge by quality and destination	51–52
	306-2 Waste by type and disposal method	51–52
	306-3 Significant spills	–
	306-4 Transport and hazardous waste	51–52
	306-5 Water bodies affected by water discharges and/ or runoff	51–52
	 Sustainable Development Goal no 6 Ensure availability and sustainable management of water and sanitation for all	9
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations. In 2022 there were zero non-compliances	51–52
GRI 401: Employment	401-1 New employee hires and employee turnover	42

Standard	Disclosure	Page number
GRI 403: Occupational health and safety	403-1 Occupational health and safety	27
	403-2 Risk identification, assessment and investigation of incident	15–17
	403-4 Health and safety topics covered in formal agreements with trade unions	10
	 Sustainable Development Goal no 3 Ensure healthy lives and promote well-being for all at all ages	42–44
GRI 404: Training and education	404-1 Average number of training hour per employee per year	Since the company invests in practical learning at the workplace, this indicator is not relevant
	404-2 Programs for upgrading employee skills and transition assistance programs	42–44
	404-3 Percentage of employees receiving regular performance and career development reviews	42–44
	 Sustainable Development Goal no 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	8, 43
	 Sustainable Development Goal no 5 Achieve gender equality and empower all women and girls	8, 10, 42
	GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	No non-compliance was detected in 2022

2022. Consolidated Financial Statements





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General information of the Group

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

The main field of operations for the Group is the maintenance and development of airport and offering services to airplanes and customers on the ground. In 2022, the Group had approximately 559 (2021: 505) employees. By the end of the financial year the Group had a total of 586 employees (2021: 514),

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.

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Auditor:	AS PricewaterhouseCoopers





Consolidated financial statements

in EUR thousand

Assets	Note nr	31.12.2022	31.12.2021
Non-current assets			
Property, plant and equipment	Note 5	180,098	179,218
Prepayments for property, plant and equipment	Note 5	308	1,942
Intangible assets		848	565
Right-of-use assets		83	59
Investment property	Note 6	16,376	14,737
Total non-current assets		197,713	196,521
Current assets			
Inventories	Note 8	1,096	527
Receivables and prepayments	Note 9	8,529	11,425
Cash	Note 11	50,995	49,814
Total current assets		60,620	61,766
Total assets		258,333	258,287

Equity	Note nr	31.12.2022	31.12.2021
Share capital	Note 18	45,617	45,617
Statutory reserve capital		2,625	2,510
Retained earnings		76,728	68,155
Total equity		124,970	116,282

Liabilities

Non-current liabilities

Borrowings	Note 12	40,684	45,394
Lease liabilities	Note 12	48	27
Government grants	Note 14	75,801	80,773
Other payables		140	181
Accruals	Note 14	1,696	0
Total non-current liabilities		118,369	126,375

Current liabilities

Borrowings	Note 12	4,796	3,663
Lease liabilities	Note 12	35	33
Payables and prepayments	Note 15	10,163	11,934
Total current liabilities		14,994	15,630

Total liabilities		133,363	142,005
Total liabilities and equity		258,333	258,287

The notes to the financial statements presented on pages 65-109 form an integral part of the consolidated financial statements.



Consolidated statement of comprehensive income

<i>in EUR thousand</i>	Note nr	2022	2021
Revenue	Note 19	49,958	29,777
Other income	Note 20	13,910	15,322
Goods, materials and services	Note 21	-19,433	-12,085
Other operating expenses	Note 22	-2,036	-1,001
Staff costs	Note 23	-20,825	-17,194
Depreciation, amortisation and impairment	Note 5, 6	-12,136	-12,324
Other expenses	Note 14	-385	-61
Operating profit/loss		9,053	2,434
Finance income and costs		-365	-134
Net profit/loss for the year		8,688	2,300
Comprehensive income/loss for the year		8,688	2,300



The notes to the financial statements presented on pages 65-109 form an integral part of the consolidated financial statements.



Consolidated statement of cash flows

in EUR thousand

Cash flow from operating activities	Note nr	2022	2021
Collections from customers		58,767	32,388
Payments to suppliers and employees		-48,296	-34,405
Interest received		35	35
Interest paid		-261	-143
Government grants received from state budget forNote 14 covering the cost of operating activities	Note 14	9,067	10,067
Other grants received for covering the cost of operating activities	Note 14	446	50
Total cash flows from operating activities		19,758	7,992
Cash flows from investing activities			
Paid for acquisition of intangible assets, property, plant and equipment and investment property	Note 5,6	-16,728	-33,497
Proceeds from sale of property, plant and equipment	Note 5	0	6
Government grants received for non-current assets	Note 14	1,832	9,105
Total cash flows from investing activities		-14,896	-24,386

in EUR thousand

Cash flows from financing activities	Note nr	2022	2021
Repayments of borrowings	Note 12	-3,642	-3,286
Monetary contribution to share capital received	Note 18	0	20,000
Repayment of lease liabilities		-39	-36
Total cash flows from financing activities		-3,681	16,678
Net cash flows		1,181	284
Cash and cash equivalents at beginning of the period	Note 11	49,814	49,530
Cash and cash equivalents at end of the period	Note 11	50,995	49,814
Net increase/decrease in cash and cash equivalents		1,181	284

The notes to the financial statements presented on pages 65-109 form an integral part of the consolidated financial statements.



Consolidated statement of changes in equity

<i>in EUR thousand</i>	Share capital	Statutory reserve capital	Retained earnings	Total
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
Distribution of profits to reserve capital	0	115	-115	0
Comprehensive income for 2022	0	0	8,688	8,688
Balance as at 31.12.2022	45,617	2,625	76,728	124,970

More detailed information about share capital is disclosed in Note 18.

The notes to the financial statements presented on pages 65-109 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 22. March 2023.

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 has been used for preparation of the consolidated financial statements, as well as management judgment 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 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 accounting and disclosure policies from 1.01.2022

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 31 December 2021. New or revised standards or interpretations that have been applied since January 1, 2022 do not have material impact on the Group's financial statements.

Changes in significant accounting and disclosure policies from 1.01.2023

New or revised standards or interpretations have been issued, which will become mandatory for the Group from January 1, 2023 or in later periods, and which the Group has not implemented ahead of schedule:

Amendments to IAS 8: "Concept of accounting estimates" (applicable to accounting periods beginning on or after 1 January 2023) – The amendment to IAS 8 clarifies how companies must distinguish between changes in accounting policies and changes in accounting estimates. The Group assesses the impact of the change on the financial statement.

Amendments to IAS 1 and IFRS Implementation Guide No. 2: "Disclosure of Accounting Policies" (applicable to annual periods beginning on or after 1 January 2023) – IAS 1 was amended to require companies to disclose information about significant accounting policies instead of significant accounting policies. The amendment provided a definition of significant accounting policy information. The amendment also clarified that accounting policy information is presumed to be material if, without

it, users of the financial statements would not be able to understand other material information in the financial statements. The amendment provides illustrative examples of accounting policy information that is likely to be considered relevant to an entity's financial statements. In addition, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if disclosed, it should not obscure important accounting policy information. To support this change, IFRS Implementation Guide No. 2 "Making Materiality Decisions" was also amended to provide guidance on the application of the concept of materiality in accounting policy disclosures. The Group assesses the impact of the change on the financial statement.

Other new or revised standards or interpretations that are not yet in force are not expected to have a significant 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 uncon-

ditional 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, for rent 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 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 and related systems	5 – 50 years
Buildings and related systems	5 – 50 years
Other facilities (sewerage and other utility lines)	10 – 30 years
Small facilities (hangars)	5 – 50 years
Other facilities (fences, gates, etc.)	5 – 25 years

Machinery and equipment:

Miscellaneous systems	3 – 20 years
Runway maintenance machinery and equipment	5 – 20 years
Motor vehicles	2 – 10 years
Other machinery	2 – 20 years

Other fixtures, tools, fittings:

Furniture and fixtures	2 – 10 years
Computers and network equipment	3 – 10 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 separate assets only when it is probable that the future economic benefits are 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 are 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 10 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 following:

Hangars:

Buildings and hangars	10 - 50 years
Other facilities (sewer and other utility lines) and equipment	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 capitalisation.

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 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 realisable value. Net realisable 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.

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 financial 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

(T) Employee benefits

Employee short-term benefits include wages 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. 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. 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. 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 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:

- 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:

Fixed payments, less any lease incentives receivable;

- 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;
- Amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- 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 interest on the lease liability
- 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 of 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.
- b) 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 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 from operating, investing and financing activities are recognised under the direct method.

(AA) 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.

(BB) 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 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 risk

(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 2022 and 2021, 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. Average interest rates did not change significantly in 2021 compared to 2020 (Note 12). In 2022, the average interest rates related to the Group's loan obligations increased by 0.4% due to the increase in Euribor, due to which the interest costs in 2022 were 118% higher than in 2021. In 2023, the Group's interest liabilities will probably increase even more, as the European Central Bank has promised to raise interest rates until inflation is stable at 2%. Since the Group's loan obligations are decreasing due to repayments, the interest costs do not increase proportionally with the increase in Euribor.

Price risk is the risk that the prices of necessary services and goods will fluctuate in the future. In 2022, the Group's important input prices have increased. The increase in energy prices that started in 2021 continued in 2022. The rapid increase in prices was fuelled by the growth in demand and the ongoing supply chain problems that arose during Covid. The war in Ukraine led to sanctions aimed at Russia and a partial interruption of the functioning of raw materials markets. Limited resources and supply contributed to worsening inflation. Estonia's economy began to cool down in the second half of the year, and according to Estonian Central Bank, the economy shrank by 1.3% in 2022 compared to 2021. According to Estonian Central Bank, inflation rose by 17.6% in 2022 compared to 2021. The economic downturn and the resulting deepening uncertainty among consumers did not affect supply and demand in the aviation industry in 2022. For the Group, inflation led to a significant increase in the cost base, pressure to increase labor costs and the need to change service prices. Aviation volumes remained 18% lower compared to 2019, but costs exceeded 2019 costs by a total of 9%.



(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 month before 31 December 2022 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 2022 and 31 December 2021.

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 the Group company (including airlines arranging charter flights).

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 50,995 thousand (31.12.2021: EUR 49 814 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 receivables. As at the reporting date, the Group's current assets exceeded current liabilities by EUR 45,626 thousand (31.12.2021: EUR 46 136 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

<i>in EUR thousand</i> as at 31.12.2022	Up 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flows	Carrying amounts
Borrowings (Note 12) ¹	399	191	5,060	31,246	12,863	49,759	45,563
Trade payables (Note 15)	4,624	362	0	0	140	5,126	5,126
Total	5,023	553	5,060	31,246	13,003	54,885	50,689

As at 31.12.2021

Borrowings (Note 12) ²	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
Total	2,969	4,982	3,208	27,104	25,439	63,702	56,961

¹ The interest rate used at the end of 2022 has been used to find the undiscounted cash flow

² The interest rate used at the end of 2021 has been used to find the undiscounted cash flow



(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 31.12.2022 as well as 31.12.2021, 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 (31.12.2021: EUR 45,617 thousand), statutory reserve capital in the amount of EUR 2,625 thousand (31.12.2021: EUR 2,510 thousand) and retained earnings in the amount of EUR 76,728 thousand (31.12.2021: EUR 65,155 thousand). In 2021, the owner increased the share capital of the company by issuing new shares in the amount of EUR 20,000 thousand. Payment for the shares was made as a cash contribution. In 2022, the parent company increase the statutory reserve capital in accordance with the requirements of the Commercial Code by 115 thousand euros. Mandatory reserve capital constitutes 5.8% of the share capital as of 31.12.2022 (31.12.2021: 5.5%). In 2023, the parent company will increase the mandatory reserve capital in accordance with the requirements of the Commercial Code. In the course of 2022, AS Tallinna Lennujaam's debt obligations decreased due to regular repayments of loan obligations, and cash and cash equivalents increased due to the growth of core activities and lower investment volumes.

The ratio of liabilities to total capital decreased by 4% compared to 2021 (2021 vs 2020: decreased by 3%). According to the Group's forecast, the ratio of debt obligations to total capital will decrease in 2023 due to the investments to be made (see also Note 12). As of 31.12.2022 and 31.12.2021, the ratio of net debt to total capital is negative because cash and cash equivalents exceed the volume of debt obligations.

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

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Borrowings (Note 12)	45,477	49,096
Cash and cash equivalents (Note 11)	-50,995	-49,814
Net debt (borrowings-cash and cash equivalents)	-5,518	-718
Equity	124,970	116,282
Total capital (net debt + equity)	119,452	115,564
Debt to equity	38%	42%
Net debt to total capital	-5%	-1%

(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 31.12.2022 and 31.12.2021. 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 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 annual report.

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 2022, the carrying amount of the Group's property, plant and equipment (including prepayments for fixed assets) was EUR 180,406 thousand (31.12.2021: EUR 181,160 thousand), the depreciation charge for the reporting period was EUR 10,965 thousand (2021: EUR 9,728 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 960 thousand (2021: EUR 798 thousand) and income from government grants related to assets would change by EUR 232 thousand (2021: EUR 208 thousand).



As at 31 December 2022, the carrying amount of the Group's investment property was EUR 16,376 thousand (31.12.2021: EUR 14,737 thousand), the periods depreciation expense was EUR 916 thousand (2021: EUR 1,003 thousand) (see Note 6). If the useful lives of investment property were changed by one year, the profit would change by EUR 56 thousand (2021: EUR 64 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 2022 and 31 December 2021 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. The Group's management assessed possible indications for impairment of assets in the Group and identified no indications in 2022 and 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.

Impact of Covid-19 and the war on the Group

The management has assessed the impact of Covid-19 and the war in Ukraine on the Group's financial results in 2022 and the possible impact on the Group in the future. In the preparation of this annual report, the impact of the coronavirus and the war in Ukraine on both the last financial year and the cash flows and financial position of the following financial years have been taken into account.

The management of the Group assessed the occurrence of possible circumstances indicating a decrease in the value of assets in the Group and found that during both 2021 and 2022 there were no indications that the assets have lost a significant part of their ability to generate money, and the recoverable value of the assets was not assessed.

In the first quarter of 2022, the number of passengers at Tallinn airport was still affected by the spread of the omicron strain of Covid. Therefore, the number of passengers in January and February 2022 remained at the level of 65% compared to the pre-pandemic period (i.e. the same months of 2019). As the outbreak receded, the recovery rate began to rise and has stabilized at 88-90% since May 2022. In the total of 2022, the recovery rate of the number of passengers will remain on average at 84% of the 2019 level. In connection with the war in Ukraine and the closure of Russian airspace, Estonia's attractiveness in air traffic to Asia disappeared, and the volume of air cargo did not increase. Year-round destinations and regular lines were at the targeted level. Due to the war that started in Ukraine at the end of February 2022, scheduled flights to Kyiv and Kharkiv were suspended. For the same reason, the reopening of flights to Moscow and Minsk is not foreseen in the near future. The total number of passengers on these four airlines was approximately 220,000 in 2019.

As of 31.12.2022, AS Tallinna Lennujaam was in compliance with the special conditions of all loan agreements. The Group's management estimates that the Group's financial position is strong and that AS Tallinna Lennujaam will not be in breach of the terms of the loan agreement due to the effects of Covid-19 and the war. The state of compliance is monitored on an ongoing basis and there is constant communication with the banks.



NOTE 5. Property, plant and equipment

<i>in EUR thousand</i>	Construction in progress and prepayments	Prepayments of fixed assets	Land	Buildings and facilities	Machinery and equipment	Other inventory	Total
Balance as at 31.12.2020							
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
Carrying amount 31.12.2020	11,663	1,539	11,796	100,395	32,507	884	158,784
Changes occurred in 2021							
Acquisitions and improvements	31,006	1,987	0	277	420	127	33,817
Reclassifications	-14,690	-1,584	0	12,997	3,266	11	0
Reclassification to investment property (Note 6)	-42	0	0	0	0	0	-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
Balance as at 31.12.2021							
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
Carrying amount 31.12.2021	27,655	1,942	11,796	106,834	32,145	788	181,160



<i>in EUR thousand</i> Changes occurred in 2022	Construction in progress and prepayments	Prepayments of fixed assets	Land	Buildings and facilities	Machinery and equipment	Other inventory	Total
Acquisitions and improvements	8,847	3,069	33	460	455	60	12,951
Reclassifications	-32,045	-4,598	0	28,142	7,733	768	0
Reclassification to investment property (Note 6)	-2,426	0	0	0	0	0	-2,426
Reclassification to expenses	-165	-132	0	0	0	0	-297
Depreciation charge	0	0	0	-6,748	-3,936	-281	-10,965
Carrying amount of assets written off	0	0	0	0	-16	0	-16
Balance as at 31.12.2022							
Cost	1,866	308	11,829	210,844	96,494	3,167	324,508
Accumulated depreciation	0	0	0	-82,156	-60,114	-1,832	-144,102
Carrying amount 31.12.2022	1,866	308	11,829	128,688	36,380	1,335	180,406

The development of the air traffic area of Tallinn airport started in 2016. The cost of the entire project is 74.6 million euros, of which 70 million euros are eligible. The Cohesion Fund will contribute 35 million euros to this project (see Note 14), the rest of the investments will be financed with own funds and loans (see Note 12). As of 31.12.2022, investments have been made at a total cost of 70.5 million euros, and the total cost of the received government grants is 33.9 million euros. In 2022, investments were made in the value of 163 thousand euros (17,994 thousand euros in 2021), of which construction in progress and prepayments amounted to 16 thousand euros as of 31.12.2022 (prepayments as of 31.12.2021 amounted to 17,904 thousand euros).

In September 2018, the reconstruction of Pärnu airport began, for which the Ministry of Economic Affairs and Communications has allocated investment aid (Note 14). In connection with the reconstruction of Pärnu airport, investments of 2,879 thousand euros were made in 2022 (10,377 thousand euros in 2021). As of 31.12.2022, 0 thousand euros have been recorded as construction-in-progress within this project (628 thousand euros as of 31.12.2021). As of 31.12.2022, investments have been made at a total cost of 18,805 thousand euros.

The largest fixed assets recorded in 2022 are the expansion of the air traffic area in the amount of 24,751 thousand euros, the reconstruction of the air traffic area in Pärnu and the construction of the aircraft hangar in the amount of 3,630 thousand euros, the expansion of the baggage area



and baggage system of Tallinn airport in the amount of 6,119 thousand euros, the expansion of the Schengen waiting areas of the Tallinn airport passenger terminal in the amount of 1,944 thousand euros, four solar park in Tallinn in the amount of 1,812 thousand euros. The largest fixed assets taken recorded in 2021 were the reconstruction of the air traffic area in Pärnu in the amount of 14,355 thousand euros, two solar parks in Tallinn in the amount of 825 thousand euros, the construction of the reagent warehouse in Tallinn in the amount of 850 thousand euros

In the course of the normal business process, the Group's assets were written off with a residual value of 16 thousand euros (1,389 thousand euros in 2021). All write-offs were recorded in the line of depreciation and impairment of fixed assets in the statement of comprehensive income. Government grants related to written-off assets was not transferred to income in 2021 or 2022.

In 2021 and 2022, machines and equipment were sold with a residual value of 0 euros. The profit from the sale of assets, which is reported under other income in the comprehensive income statement, is a total of 0 thousand euros (3 thousand euros in 2021) (Note 20). Government grants related to the sold assets was not included in income in 2021 or 2022.

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

<i>in EUR thousand</i>	2022	2021
Cost at 31.12.	34,216	31,323
Accumulated depreciation at 31.12.	-15,395	-14,226
Incl depreciation charge for the accounting period	-1,162	-1,255
Total carrying amount of buildings and constructions leased out under operating lease at 31.12.	18,822	17,097

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>	31.12.2022	31.12.2021
Tallinn airport	28,745	29,074
Kuressaare airport	6,940	6,881
Tartu airport	6,303	6,172
Kärdla airport	4,182	4,080
Pärnu airport	2,681	2,608
AS Tallinn Airport GH	2,411	2,002
Total non-current assets in use with the carrying amount of zero	51,262	50,817

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 2,201 thousand (2021: EUR 2,134 thousand) (Note 7) and direct operating expenses EUR 1,233 thousand (2021: EUR 608 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>	2022	2021
Cost as at 01.01.	24,824	24,782
Accumulated depreciation as at 01.01.	-10,087	-9,084
Carrying amount of investment property as at 01.01.	14,737	15,698
Changes in investment property in the period		
Reclassifications from property, plant and equipment	2,426	42
Acquisitions and improvements	129	0
Depreciation charge	-916	-1,003
Total changes in investment property in the period	1,639	-961
Cost as at 31.12.	27,379	24,824
Accumulated depreciation as at 31.12.	-11,003	-10,087
Total carrying amount of investment property as at 31.12.	16,376	14,737



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 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.

Rental income

<i>in EUR thousand</i>	2022	2021
Concessions from the activities of the lessees in the passenger terminal	4,226	2,042
Rent of investment properties (Note 6)	2,201	2,134
Rent of passenger terminals (Note 5)	912	620
Rent of rooms in the cargo terminal (Note 5)	661	660
Concessions from other activities	752	370
Infrastructure fees	863	462
Other rentals	325	339
Total rental income (Note 19)	9,940	6,627

The rental income for the following 12 months from non-cancellable leases³ as at 31.12.2022 amount to EUR 1,072 thousand (2021: EUR 1,405

³Conditional rent (concession) is not shown here, as the rental rate is not fixed but depends on the customer's turnover, the number of passengers and the consumer price index.

thousand). The figures provided include rental income from property, plant and equipment as well as from investment properties.

NOTE 8. Inventories

<i>in EUR thousand</i>	31.12.2022	31.12.2021
De-icing materials of aircrafts	371	209
Runway maintenance and rescue service materials	640	215
Fuel	78	76
Other inventories	7	27
Total inventories	1,096	527

No inventory write-downs were recognised during the reporting period or in 2021.

NOTE 9. Receivables and prepayments

9.1 Trade receivables

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Accounts receivable	6,386	6,210
Allowance for doubtful receivables	-708	-709
Total trade receivables (Note 10)	5,678	5,501

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



9.2 Other receivables

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Receivables for government grants (Note 14.1)	16	1,207
Other receivables	0	9
Total other receivables (Note 10)	16	1,216

9.3 Prepayments

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Tax prepayments	2,195	4,305
Prepayments	603	380
Accrued income	37	23
Total prepayments	2,835	4,708
Total receivables and prepayments	8,529	11,425

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

(A) Financial instruments by category

Items of financial assets in the statement of financial position

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Trade receivables, government grant related to non-current assets not received and other receivables (Note 9.1 9.2)	5,694	6,717
Cash and cash equivalents (Note 11)	50,995	49,742
Total items of financial assets in the consolidated statement of financial position	56,689	56,459

Items of financial liabilities in the statement of financial position

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Borrowings (Note 12)	45,563	49,117
Trade and other payables (Note 15, 3)	4,986	7,664
Total items of financial liabilities in the consolidated statement of financial position	50,549	56,781



(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 equivalents in accordance with the IFRS 9, but the credit losses identified as at 31 December 2022 and 31 December 2021 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>	31.12.2022	31.12.2021
Allowance for doubtful receivables at the beginning of the period	709	1,094
Allowance for doubtful receivables during the period (Note 22)	248	193
Receivables written off during the period	-4	-3
Doubtful receivables received during the reporting period (Note 22)	-245	-575
Allowance for doubtful receivables at the end of the period	708	709

Analysis of accounts receivable

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Analysis of accounts receivable	6,386	6,210
incl. the due date has not arrived	5,006	5,068
incl. payments overdue 1-30 days	713	510
incl. payments overdue 31-60 days	95	33
incl. payments overdue 61-90 days	7	4
incl. payments overdue >91 days	11	11
incl. Estonian Air AS overdue invoices	554	584
Allowance for doubtful receivables	708	709



NOTE 11. Cash and cash equivalents

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Cash on hand	77	72
Bank accounts (Note 11)	50,915	49,742
Cash in transit	3	0
Total cash and cash equivalent (Note 10)	50,995	49,814

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

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Banks, with Moody's credit rating of Aa2/Aa3	31,739	30,592
Banks, with Moody's credit rating of Baa2	19,176	19,150
Total amounts of bank accounts and deposits exposed to credit risk (Note 11)	50,915	49,742

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. 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 began in 2022.

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Long-term borrowings		
Long-term bank loans	40,684	45,394
Long-term lease liabilities	48	27
Total long-term borrowings	40,732	45,421

Short-term borrowings

Repayments of long-term bank loans in the next period	4,710	3,642
Interest payable related to long-term bank loans	86	21
Short-term lease liabilities	35	33
Total short-term borrowings	4,831	3,696
Total borrowings	45,563	49,117



Principal of long-term bank loans and conditions

Principal of long-term bank loans and conditions

	Date of entry into contract	Due Date	Security	Loan amount	Interest rate
Pohjola Bank	28.11.2011	30.09.2022	See Note 13	10,000,000	3m Euribor +1.0%
Nordic Investment Bank	16.12.2016	1.12.2029	See Note 13	24,000,000	6m Euribor +0.74%
European Investment Bank	7.12.2016	1.03.2030	See Note 13	30,000,000	6m Euribor +0.6%

Changes in loan liabilities during 2022

in EUR thousand

As at 31.12.2022	NIB	Pohjola	EIB	Total
Loan balance at beginning of the period	18,286	750	30,000	49,036
Repayments during the period	-2,286	-750	-606	-3,642
Loan balance at the end of the period	16,000	0	29,394	45,394
Loan interest payable	23	0	63	86

Changes in loan liabilities during 2021

in EUR thousand

Seisuga 31.12.2021	NIB	Pohjola	EIB	Total
Loan balance at beginning of the period	20,572	1,750	30,000	52,322
Repayments during the period	-2,286	-1,000	0	-3,286
Loan balance at the end of the period	18,286	750	30,000	49,036
Loan interest payable	1	0	20	21



Net debt liabilities

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Cash and cash equivalents (Note 11)	50,995	49,814
Short term liabilities	-4,796	-3,642
Short term lease liabilities	-35	-33
Long term liabilities	-40,684	-45,394
Long term lease liabilities	-48	-27
Net debt (Note 3)	5,518	718
<hr/>		
Cash and cash equivalents (Note 11)	50,995	49,814
Liabilities with fixed interest	-45,477	-49,096
Net debt (Note 3)	5,518	718

<i>in EUR thousand</i>	Cash and cash equivalents	Liabilities <1y	Liabilities >1y	Total
Net debt 31.12.2021	49,814	-3,674	-45,422	718
Cash flow	1,181	-1,071	4,690	4,799
Net debt 31.12.2022	50,995	-4,745	-40,732	5,518

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.



As at 31.12.2022 AS Tallinna Lennujaam was at accordance with the special conditions of the loans.

Prior to 31.12.2021, the banks had 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 and set an additional special condition: 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.



Note 14. Government grants

14.1 Government grants receivables

<i>in EUR thousand</i>	2022	2021
Government grants to be received for non-current assets (Note 9.2)	0	1,194
Government grants to be received for operating costs	16	13
Total government grants receivable	16	1,207

14.2 Government grants relating to operating expenses

<i>in EUR thousand</i>	2022	2021
Allocation for a specific purpose grant from state budget	9,067	10,067
incl. security and rescue expenses aid	6,767	7,767
incl. aid for regional airports ⁴	2,300	2,300
Temporary subsidy from the Unemployment Insurance Fund	0	1,363
Other domestic grants related to operating expenses	449	63
Government grants related to operating expenses recognised as income (Note 20)	9,516	11,493

⁴ The grant is meant for the maintenance of regional airports in Kärđla, Kuressaare, Tartu and Pärnu and airfields in Ruhnu and Kihnu.



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.

In 2021 and 2022, 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 2022 and 2021, 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>	2022	2021
Long-term government grants received as at the beginning of the period	80,773	75,900
Changes in government grants in the accounting period		
Assets and liabilities acquired with government grants	638	8,602
incl. Cohesion fund(ISPA)	638	8,602
Accrual for return of government grants	-1,388	0
incl. an accrual for repayment of support received from the Cohesion Fund (ISPA).	-1,696	0
incl. refundable support included in income in previous periods	308	0
Recognised as income (Note 20)	-4,222	-3,729
incl. domestic government grants (Note 20)	-759	-688
incl. Cohesion Fund (ISPA) (Note 20)	-2,962	-2,507
incl. European Regional Development Fund (ERDF) (Note 20)	-502	-534
Total long-term government grants as at the end of the period	75,801	80,773
incl. domestic government grants	19,021	19,780
incl. Cohesion Fund (ISPA)	52,419	56,130
incl. European Regional Development Fund (ERF)	4,361	4,863



In October 2022, the Ministry of Finance initiated an audit to audit the intended use of the targeted funding received from the Unity Fund. As a result of the audit, the Ministry of Finance assessed that the group was in violation of the Procurement Act and therefore recommended that the Implementing Unit that issued the target financing ask for a return of 5% of the support paid out in the scope of the audit. The Implementation Unit initiated the audit in December 2022 and issued a decision in February 2023, on the basis of which 5% of the grant that was within the scope of the audit and issued by the Implementation Unit, i.e. 600 thousand euros, is being asked back. The board does not agree with the reasons for reclaiming the support and appealed the decision of the Implementation Unit. At the time of approval of this annual report, the outcome of the dispute has not yet been determined. Since the board assesses that it is likely that the Implementation Unit will also initiate an audit of the remaining project stages, as of 31.12.2022, an allocation for the reimbursement of eligible costs related to the development project of the air traffic area has been recorded in the amount of 1,696 thousand euros. The reflected allocation makes up 5% of the total subsidies received, i.e. the reflected allocation includes 600 thousand euros that will be reclaimed by the decision issued in February 2023. Therefore, 5% of the total support received, which the group has included in income, is reflected in other business expenses in the amount of 308 thousand euros.

Note 15. Trade payables and prepayments

15.1 Trade payables and prepayments

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Payables for goods and services	2,853	2,308
Payables for non-current assets	1,677	5,341
Other payables	457	15
Total trade payables	4,986	7,664

15.2 Accrued expenses to employees, tax liabilities and prepayments

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Accrued expenses to employees (Note 17)	3,463	2,920
Tax liabilities (Note 16)	1,503	1,136
Prepayments	211	215
Total other payables and prepayments	5,177	4,271
Total payables and prepayments	10,163	11,935



Note 16. Tax liabilities

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Social security taxes on wages and salaries, and fringe benefits	892	677
Income tax on wages and salaries, and fringe benefits	514	382
Unemployment insurance tax	60	46
Pension insurance	35	28
Excise tax	2	2
Corporate income tax	0	1
Total tax liabilities (Note 15)	1,503	1,136

See Note 24 for potential liabilities arising from tax audits.

Note 17. Accrued expenses to employees

<i>in EUR thousand</i>	31.12.2022	31.12.2021
Bonus reserve liability	2,174	1,969
Wages and salaries accrued but not yet paid	1,058	788
Holiday pay liability	223	161
Other payables to employees	8	2
Total accrued expenses to employees (Note 15)	3,463	2,920

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 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.

	31.12.2022	31.12.2021
Share capital	45,617,280 €	45,617,280 €
Number of shares	4,561,728 psc	4,561,728 psc
Nominal value of shares	10€	10€

As at 31 December 2022, the retained earnings of the Group amounted to EUR 76,728 thousand (31.12.2021: EUR 68,155 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 of EUR 61,383 thousand (31.12.2021: EUR 54,524 thousand) and the corresponding income tax would amount or EUR 15,345 thousand (31.12.2021: EUR 13,631 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 organisations". In 2021,



the owner (the owner of AS Tallinna Lennujaam shares is the Republic of Estonia) made an equity contribution in the amount of 20,000 thousand euros, the use of which was restricted, to finance new investments. The restrictions were removed in 2022, but the obligation to pay dividends to the state in accordance with the approved state budget was added.

Note 19. Revenue

Aviation revenue

<i>in EUR thousand</i>	2022	2021
Passenger fees	7,058	3,755
Landing fees	6,272	4,060
Parking fees	1,003	846
Navigation fees	21	22
Take-off fees	4	4
Total aviation revenue	14,358	8,687

Non-aviation revenue

<i>in EUR thousand</i>	2022	2021
Aircraft handling and passenger servicing revenue	16,944	10,104
Rental income		
Concessions	4,978	2,412
Rent for premises and hangars	4,099	3,753
Infrastructure fees	863	462
Total rental income (Note 7)	9,940	6,627
Other services sold		
Parking services for cars	3,133	1,428
Services provided to tenants	2,631	1,260
Advertising services	703	423
Aviation related services	2,081	1,099
Other services provided and intermediated	168	149
Total other services sold	8,716	4,359
Total non-aviation revenue	35,600	21,090
Total revenue	49,958	29,777



Note 20. Other income

<i>in EUR thousand</i>	2022	2021
Government grants related to operating expenses (Note 14)	9,516	11,493
Government grants related to assets recognised as income (Note 14)	4,222	3,729
Gain from disposal of machinery and equipment and land (Note 5)	0	3
Other income	170	97
Total other income	13,910	15,322

Note 21. Goods, materials and services

<i>in EUR thousand</i>	2022	2021
Security, safety and rescue*	4,654	3,927
Utilities expenses	6,414	3,113
Maintenance of runways	2,166	1,249
Vehicle operation expenses	1,551	903
Cost of services provided to passengers and aircrafts	1,819	1,067
Maintenance expenses of buildings and facilities	1,326	1,231
IT and communication expenses	1,503	595
Total goods, materials and services	19,433	12,085

* includes only outsourced security services. Other security and rescue expenses are recognised on other expense lines. In 2022, all security and rescue expenses amount to EUR 7,15 million (2021. EUR 7,8 million).

Note 22. Other operating expenses

<i>in EUR thousand</i>	2022	2021
Administrative expenses	622	641
Marketing and public relations	473	301
Training costs	448	172
Human resources	42	25
Special clothing and uniforms	364	214
Business trips	84	31
Costs related to doubtful receivables (Note 10)	3	-383
Total other operating expenses	2,036	1,001



Note 23. Staff costs

<i>in EUR thousand</i>	2022	2021
Wages and salaries, performance pay, holiday pay, bonuses	15,329	12,754
Average monthly salary in EUR	2,457	2,247
Taxes calculated on staff costs	5,139	4,289
Staff costs classified as fringe benefits	190	77
Taxes classified as fringe benefits	167	74
Total staff costs	20,825	17,194

Number of employees

Number of employees at the beginning of the period	514	509
Number of employees at the end of period	586	514
Average number of employees reduced to full-time equivalents	520	473

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 2022, the Group had future commitments of EUR 6,9 million (2021: EUR 6,0 million) for the construction of fixed assets (see Note 5, Note 12 and Note 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 2022, such government grants amount to EUR 33.9 million (31.12.2021: EUR 32,4 million). As of 31.12.2022, the Group has formed a accrual for repayable government grant, see Note 14.



Note 25. Related party transactions

<i>In EUR thousand</i>	2022	2021
Receivables	666	631
incl. Estonian Air	554	584
Liabilities	17	54
Sales	846	466
Purchases	211	255

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

In 2022, the remuneration of the Supervisory and Management Boards of the parent company, excluding social security taxes amounted to EUR 562 thousand (2021: EUR 443 thousand). The remuneration of the Supervisory and Management Boards of the subsidiary, excluding social security taxes amounted to EUR 94 thousand (2021: EUR 91 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.

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

in EUR thousand

Assets	31.12.2022	31.12.2021
Non-current assets		
Long-term financial investments	1,028	1,028
Property, plant and equipment	176,665	175,846
Prepayments for property, plant and equipment	308	1,869
Right-of-use assets	73	32
Intangible assets	849	565
Investment property	16,376	14,737
Total non-current assets	195,299	194,077
Current assets		
inventories	739	315
Payables and prepayments	5,316	8,653
Cash	41,228	43,562
Total current assets	47,283	52,530
Total assets	242,582	246,607

Equity	31.12.2022	31.12.2021
Share capital	45,617	45,617
Statutory reserve capital	2,625	2,510
Retained earnings	63,200	58,461
Total equity	111,442	106,588

Liabilities

Non-current liabilities		
Borrowings	40,684	45,394
Lease liabilities	48	18
Government grants	75,801	80,773
Accruals	1,696	0
Other debts	140	140
Total non-current liabilities	118,369	126,325
Current liabilities		
Borrowings	4,796	3,663
Lease liabilities	25	14
Receivables and prepayments	7,950	10,017
Total current liabilities	12,771	13,694
Total liabilities	131,140	140,019
Total liabilities and equity	242,582	246,607



Separate statement of comprehensive income

<i>in EUR thousand</i>	2022	2021
Revenue	34,983	21,043
Other income	13,904	14,791
Goods, materials and services	-16,421	-10,301
Other operating expenses	-1,694	-780
Staff costs	-13,312	-11,514
Depreciation, amortisation and impairment	-11,812	-11,977
Other expenses	-425	-58
Operating profit	5,223	1,204
Finance income and costs	-369	-137
Net profit for financial year	4,854	1,067
Comprehensive income for financial year	4,854	1,067





Separate statement of cash flows

in EUR thousand

Cash flows from operating expenses	2022	2021
Collections from customers	43,935	26,084
Paid to suppliers and employees	-37,261	-28,685
Interest received	30	30
Interest paid	-261	-143
Government grant received from the state budget for covering the cost of operating activities	9,067	10,067
Other grants received for covering the cost of operating activities	420	50
Total cash flows from operating activities	15,930	7,403
Cash flows from investing activities		
Paid for purchase of property, plant and equipment, and intangible assets	-16,433	-33,198
Proceeds from sale of property, plant and equipment	0	1
Government grants received for non-current assets	1,832	9,105
Total cash flows from investing activities	-14,601	-24,092

in EUR thousand

Cash flows from financing activities	2022	2021
Repayments of borrowings	-3,642	-3,286
Repayment of lease liabilities	-21	-19
Monetary contribution to share capital received	0	20,000
Total cash flows from financing activities	-3,663	16,695
Net cash flows	-2,334	6
Cash and cash equivalents at beginning of the year	43,562	43,556
Cash and cash equivalents at end of the year	41,228	43,562
Net increase/decrease in cash and cash equivalents	-2,334	6



Separate statement of changes in equity

<i>In EUR thousand</i>	Share capital	Statutory reserve capital	Retained earnings	Total
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
Distribution of profits to reserve capital	0	115	-115	0
Comprehensive income for 2022	0	0	4,854	4,854
Balance as at 31.12.2022	45,617	2,625	63,200	111,442

Adjusted unconsolidated equity of AS Tallinna Lennujaam (parent company)

<i>in EUR thousand</i>	2022	2021
Unconsolidated equity of the parent company	111,442	106,588
Carrying amount of subsidiary in the separate reporting of the parent (minus)	-1,028	-1,028
Value of subsidiary under the equity method (plus)	14,556	10,722
Total	124,970	116,282

Independent Auditor's Report

To the Shareholder of Aktsiaselts Tallinna Lennujaam

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 2022, 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 2022;
- 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.

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.

Reporting on other information including the Management report

The Management Board is responsible for the other information. The other information comprises of - Management report, Strategy and objectives, fulfilment of objectives, Air traffic in our airports, Overview of the airfield and passenger services, Our team, Sustainability Report (but does not include the consolidated financial statements and our auditor's report thereon).

AS PricewaterhouseCoopers
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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.

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

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.

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.

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.

Translation note:

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

- 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 digitally/

Janno Hermanson
Auditor's certificate no. 570

22 March 2023
Tallinn, Estonia

/signed digitally/

Kristiina Veermäe
Auditor's certificate no. 596

Translation note:

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Profit allocation proposal

Retained earnings 31.12.2021	EUR 68,040 thousand
Net profit for 2022	EUR 8,688 thousand
Total distributable profit as at 31.12.2022	EUR 76,728 thousand

The Management Board proposes to not distribute the net profit for 2022 in the amount of EUR 8,688 thousand and transfer it accordingly:

- EUR 434 thousand to the reserve capital;
- EUR 8,254 thousand to retained earnings.

Total distributable profit as at 31.12.2022	76,294 thousand EUR
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Riivo Tuvike	Chairman of the Management Board	22.03.2023
Einari Bambus	Member of the Management Board	22.03.2023
Anneli Turkin	Member of the Management Board	22.03.2023
Katrin Hagel	Member of the Management Board	22.03.2023
Eero Pärämäe	Member of the Management Board	22.03.2023

Signatures to the annual report

The Management Board of AS Tallinna Lennujaam has prepared the management report and financial statements for the year 2022. The Management Board confirms the correctness of information presented in the annual report.

Management Board:

Riivo Tuvike	Chairman of the Management Board	22.03.2023
Einari Bambus	Member of the Management Board	22.03.2023
Anneli Turkin	Member of the Management Board	22.03.2023
Katrin Hagel	Member of the Management Board	22.03.2023
Eero Pärämäe	Member of the Management Board	22.03.2023

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	5.04.2023
Kadri Land	Member of the Supervisory Board	5.04.2023
Toivo Jürgenson	Member of the Supervisory Board	5.04.2023
Piret Kübbar	Member of the Supervisory Board	5.04.2023
Jaak Viilipus	Member of the Supervisory Board	5.04.2023
Sir John Elvidge	Member of the Supervisory Board	5.04.2023



Sales revenue of the Group Tallinna Lennujaam Group according to EMTAK 2008

in EUR thousand

EMTAK kood	2022	2021
35131 Distribution of electricity	1,520	789
52231 Operation of airports and airport passenger terminals	31,442	18,841
52239 Other air transport service activities	16,944	10,104
85599 Other education	53	43

