



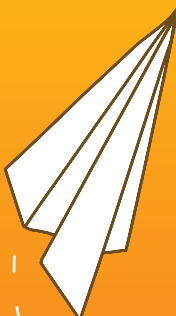
TALLINN AIRPORT



Annual report 2015

Key operating indicators of Tallinn Airport in 2015 compared to the year 2014

Passengers at Lennart Meri Tallinn Airport	2 166 820	(+7%)
Passengers at regional airports	48 098	(+15%)
Revenue	EUR 33.8 million	(+6%)
Total income	EUR 43.6 million	(+3%)
Net profit	EUR 5.2 million	(+6%)
Total assets	EUR 142.6 million	(-2%)
Capital expenditures	EUR 2.6 million	(-56%)



AS Tallinna Lennujaam operates and develops airport.

The main objective is to ensure the provision of ground handling services for aircraft , passengers and cargo in the airports of Tallinn, Tartu, Pärnu, Kuressaare, Kärđla, Kihnu and Ruhnu.



Shares of AS Tallinna Lennujaam are owned by the Republic of Estonia.

The company belongs to the administrative field of the Ministry of Economic Affairs and Communications.



TALLINN
AIRPORT



The Group's busiest international airport is the Lennart Meri Tallinn Airport - in the year 2015 it served

2 166 820 passengers.

Regional airports served
48 098 passengers.

AS Tallinna Lennujaam together with its subsidiary AS Tallinn Airport GH form the Tallinn Airport group.

In the year 2015, group companies employed close to **590** people.



Sisukord

10	Events in 2015
11	Strategy and values
15	Company management
22	Company's activity
41	Employees and work environment
45	Overview of the environment
51	A look into the future
54	About the report
61	Consolidated financial statements
62	CONTACT DATA
63	GENERAL INFORMATION
63	Consolidated statement of financial position
64	Consolidated statement of comprehensive income
65	Consolidated statement of cash flows
66	Consolidated statement of changes in equity
67	Notes to the consolidated financial statements
67	Note 1. General information
67	Note 2. Overview of key accounting and reporting policies
79	Note 3. Management of financial risks



82	Note 4. Key accounting estimates
83	Note 5. Property, plant and equipment
84	Note 6. Intangible assets
85	Note 7. Investment property
86	Note 8. Operating lease
87	Note 9. Inventories
87	Note 10. Receivables and prepayments
88	Note 11. Financial instruments
89	Note 12. Cash and cash equivalents
89	Note 13. Borrowings
90	Note 14. Loan collateral and pledged assets
91	Note 15. Government grants
92	Note 16. Derivative instruments
92	Note 17. Trade payables and prepayments
93	Note 18. Tax liabilities
93	Note 19. Accrued expenses to employees
93	Note 20. Equity
94	Note 21. Revenue
95	Note 22. Other income
95	Note 23. Goods, materials and services
95	Note 24. Other operating expenses
96	Note 25. Staff costs
96	Note 26. Financial income and costs
96	Note 27. Contingent liabilities and commitments
97	Note 28. Related party transactions
97	Note 29. Subsequent events
98	Note 30. Financial information on the parent company
98	Separate statement of financial position
99	Separate statement of comprehensive income
100	Separate statement of cash flows
101	Separate statement of changes in equity
102	Restated statement of equity of as tallinna lennujaam (parent company)
103	INDEPENDENT AUDITOR'S REPORT
104	Profit allocation proposal
105	SIGNATURES TO THE ANNUAL REPORT
106	Revenue of as tallinna lennujaam according to emtak 2008

Tallinn Airport's project „Best Together“ was awarded the recognition of Estonian Association for Quality for Quality Deed of the Year. For the second year in a row, Tallinn Airport was awarded a silver award for responsible business practices.

2014

Tallinn Airport was awarded a silver award for responsible business practices. Turkish Airlines started its flights from Tallinn to Istanbul.

2013

The visual identity of Tallinn Airport is updated. Ryanair starts flying to Tallinn Airport.

2010

AS Pärnu Lennujaam, AS Tartu Lennujaam, AS Kuressaare Lennujaam and AS Kärdla Lennujaam are merged with AS Tallinna Lennujaam. For the first time in history, the number of annual passengers at Tallinn Airport exceeded one million. The subsidiary AS Tallinn Airport GH was formed.

2005

President Lennart Meri formally opened the reconstructed passenger terminal of Tallinn Airport.

1999

A cargo terminal and a contemporary airport rescue service buildings are completed in Tallinn Airport.

1998

The runway is completely reconstructed. The new length of the runway is 3,070 metres.

1995

The first international route is re-opened. SAS starts operating the Tallinn-Stockholm route. In the following years Finnair, Lufthansa and LOT Polish Airlines start operations.

1989

Tallinn Airport is used exclusively by Aeroflot. All flights are within the Soviet Union.

1945 – 1989

Construction of the airport begins at its current location

1932

2015

For the first time in history, the number of annual passengers at Tallinn Airport exceeded two million. Tallinn Airport organised a conference Routes Europe, bringing to Tallinn 900 European and Asian aviation decision-makers from 40 different countries.

2012

First cruise ship turnaround took place. 7,100 passengers were served with 5 turnarounds.

2011

Tallinn Airport's air traffic area and passenger terminal are renovated.

2008

The airport joined the European Union Open Skies Treaty, which provided an opportunity for a significant expansion of flight operations. The first low-cost airline, EasyJet, starts its flights to Tallinn.

2004

The following companies are formed: AS Tallinna Lennujaam, AS Tartu Lennujaam, AS Kuressaare Lennujaam, AS Kärdla Lennujaam and AS Pärnu Lennujaam.

1997

A state-owned enterprise, Eesti Lennujaamad, is formed.

1992

In preparation of the Tallinn Olympic Regatta of the Moscow Olympic Games, the Tallinn Airport runway is extended and a new passenger terminal is built.

1980

Passenger terminal was completed.

1954

Ülemiste Airport was opened. Runways 40 metres in width and 300 metres in length enabled aircraft to take off and land in six directions.

1936

Statement of the management board

Thinking back to 2015, one must start with the events in November that influenced the operations of AS Tallinna Lennujaam more than the developments in the whole year together. Only in a few weeks, the airport had to manage several events that had a profound impact on aviation – the liquidation of the flagship carrier Estonian Air, the launch of the new carrier Nordic Aviation Group and the prolonged strike of Lufthansa. Yet in 2005 the number of passengers in Tallinn Airport was even more affected by an event that took place much further away. The disaster with the Metrojet aircraft in Egypt in November ended charter flights from Tallinn, reduced the number of passengers in the Tallinn airport for the year and continues to affect us. In spite of all these challenges, we ended 2015 with the second-best result of all times and served a total of 2,166,820 passengers, i.e. 7 percent more than a year earlier.

The exit of Estonian Air from the Estonian aviation market was a significant event with an undoubtedly sad undertone. On a positive note, we welcomed the arrival of several strong airlines – in November, in addition to Nordic Aviation Group and its cooperation partner Adria Airways, also Scandinavian Airlines SAS relaunched routes to Tallinn. For the Estonian economy, the arrival of a new airline is always very good news and the stable operation of six airlines with roughly similar market share creates confidence for the airport and its passengers. For the airport, one major challenge is the harmonization of winter and summer connections – while today there are more than 20 destinations in the winter and over 30 destinations in the summer, we wish to offer Estonians and tourists interested in Estonia good air connections all year round.

Satisfaction of passengers with Tallinn airport is high. According to an annual passenger questionnaire, airport services and the environment were rated at 4.3 in a scale of one to five. In addition, ACI Europe, the European airport association, named Tallinn Airport one of the five best regional airports. This is how our passengers see us - the postcards that passengers have sent to

Tallinn airport prove that we have succeeded in our efforts to become the cosiest airport. The main objective of an airport is not only to create a cosy environment, but to make sure that passengers and their baggage move to the right place at the right time. Tallinn Airport GH that organises ground handling in the Tallinn airport was recognised by Lufthansa for the world's most accurate handling of passengers and aircraft also last year.

As compared to the year before, the revenue of the Tallinn Airport Group increased 6 percent to EUR 33.8 million and the net profit was also up 6 percent to EUR 5.2 million. In the next few years, we expect the number of passengers and our revenue to increase in proportion with the Bank of Estonia's economic growth forecast, i.e. 2 percent in 2016. Our focus in the nearest future will be on completing several major construction projects. In 2016-2022 Tallinn Airport plans to invest a total of EUR 127.4 million, of which EUR 40.8 million will be invested in 2016. One of the largest projects in the nearest few years will be the expansion of Tallinn airport's air traffic area in cooperation with the Cohesion Fund, construction of a parking building for 1,200 cars and expansion of the passenger terminal for increasing the handling capacity of the security area.

Tallinn Airport bears much wider responsibility than is visible at first. In addition to supporting the growth of the Estonian economy, we take care of the surrounding environment, the community and our employees. In recognition for these achievements, Tallinn Airport has received the golden award for enterprise responsibility.



Anneli Turkin, Member of the Management Board



Einari Bambus, Member of the Management Board

Company overview

AS Tallinna Lennujaam operates and develops Estonian airports.

Our main objective is to ensure ground handling of aircraft, passengers and cargo in the airports of Tallinn, Tartu, Pärnu, Kuressaare and Kärdla, as well as in Kihnu and Ruhnu airfields.

Tallinn Airport Group consists of AS Tallinna Lennujaam and its subsidiary Tallinn Airport GH. Shares of AS Tallinna Lennujaam belong to the Republic of Estonia; the company operates in the area of government of the Ministry of Economic Affairs and Communication, with a head office located in Tallinn.

The Tallinn Airport Group employed 590 people at the end of the financial year.

Tallinn airport is Estonia's busiest international air traffic gateway.

In 2015, a total of 41,513 flight operations were made and 2,166,820 passengers were served. Cargo volume totaled 16,156 tons.

Regional airports had 10,856 flight operations and served 48,098 passengers.

As our main business activities, we provide:

- airfield service, including air navigation service
- ground handling services (handling of passengers, cargo and aircraft)
- parking service to vehicles
- mediation services
- concession and rental services

Key indicators
of Tallinn Air-
port infrastruc-
ture

The administ-
rative area of
366 ha

3 070 metres
in length and
45 metres in
width the east-
west runway

Taxiways in
total length of
3 855 metres

Apron A **34**
parking
positions

Apron B **2** parking positions used by
the Aviation Group of the Police and
Border Guard Board

Apron C
parking area
for business
and private
aviation

Passenger ter-
minal **28 000** m²
capacity of **2,5**
million passen-
gers annually

4 cargo
terminals with
total area of
11 600 m²

3 aircraft maintenance hangars with
a total area of **21 520** m²
and **3** tents with a total area of
3 664 m²

Rescue service
level **CAT VIII**

(incl waterworks capabi-
lities)

Regional
airports

Total administ-
rative area of
regional airpo-
rts accounts for
630 ha

Regional
airports have **51**
buildings with a
total floor area
of **22 503** m²

Commercial
space

Tallinn
Airport has **32**
buildings with a
total floor area
of **85 189** m²

40 059 m² are
used for core
activity

45 130 m²
are used for
commercial
activity

(incl 43,246 m² of space
that is being leased out;
incl 1,884 m² available
commercial space)

In August, Tallinn airport handled more than **234 000** passengers, the highest all-time monthly figure.

In October, Tartu airport was the first among Estonian airfields to receive a **certificate** that complies with the requirements of **EASA** (European Aviation Safety Agency).

According to a nationwide employer reputation survey made among students, in the opinion of students, Tallinn airport is one of **Estonia's top five best employers**.

Lufthansa again named Tallinn Airport GH the most punctual in passenger and aircraft handling, recognizing Estonians with the coveted „**Station of the Month**“ award.

Events in 2015

In May, rescue exercise **Splash** 2015 was held on Lake Ülemiste.

For sustainable and socially responsible activities, we received the golden award by **responsible Enterprise Index 2015**.

We developed the Company's environmental benchmark, that includes such important parameters as noise, quality of drainage water quality, drinking water quality and quality of ambient air. The objective is to identify the most important environmental parameters, their impact on our operating environment and thereby to turn attention to problem areas and to make justified investment or environmental protection decisions.

Tallinn airport was voted Europe's **fifth best** airport by **Sleeping in Airport** portal.

Tallinn airport was ranked **second and third** together with the Cork airport among airports with less than 5 million passengers in the category of Europe Best Airport Awards by **ACI** (Airports Council International). This award was also named the Aviation Deed 2015 by the Estonian Aviation Academy.

Strategy and values

Owner's strategy and Group values

The key objective of AS Tallinna Lennujaam is to create value to the society through beneficial functioning and through better connection of Estonia with the world. Our objective is to make sure that the number of destinations and frequency of air connections increase. We make sure that our services are sustainable, safe and secure. Our customers must feel only joy for using our services. We wish to be the world's cosiest airport and especially through compassion – in relation with passengers, employees and partners!

In the spring 2014, the Republic of Estonia as a sole shareholder confirmed the owner's expectations to the operating of the business undertaking. The Group was defined mostly as a business undertaking with public objectives. The management board and the supervisory board are responsible for meeting the objectives set by the state.

Goals set forth by the owner:

- Maintenance and increase in the air traffic;
- Engagement in effective business practices that ensure the development of the business and a stable and optimal revenue for the owner;
- Operation of regional airports within Estonia to support the regional economic development of Estonia using the funds from the earmarked funds from the government;
- Fulfillment of strategic goals set forth by the State, following all applicable laws, regulations and development plans;
- To be an example of good management practices, sustainable operations and high business culture to other business organizations in Estonia.

The operations of Tallinn Airport affect a lot of stakeholders – from the interests of employees, members of the community, airlines and business partners to that of the passengers, taxpayers, the owner and the society as a whole. Therefore we formulate our annual goals based on the expectations of the owner and also the other stakeholders. Creating and maintaining trust towards our operations can only be achieved through an open dialogue with stakeholders and with account of different interests in creating the company's operational strategies.

Corporate social responsibility guidelines:

- Corporate management that takes into account the expectations of the stakeholders; sustainable business practices are integrated into the corporate management process.
- Focused attention towards providing a safe and secure service: flight safety, occupational safety, and aviation security.
- Having a say in responsible business practices in the society. In 2014, we joined the Responsible Business Forum and, in doing so, we became a part of a community of businesses that values sustainable business practices and implements these principles continuously in their operations while increasing the public awareness on the matter at the same time.
- Responsible job management – creating safe working conditions; motivating employees; dialogue between the employer and the employee.
- Environmentally focused attitude in providing and designing services.
- Responsible reporting or disclosing data on social, economic and environmental impact according to the guidelines of global reporting initiative.
- Trustworthy partner to business partners, employees, owner and the society.
- Direct interaction with the public and the media – communicating only accurate and truthful information about us and committing to systematic reporting on our actions.



AS Tallinna Lennujaam strategy

The management specified the goals and indicators for the organisation and its departments according to the goals of the owner and the expectations of the stakeholders.

Slogan

The world's cosiest airport

Vision

To develop into a well-known and respected flight transport hub in Northern Europe.

Owner's strategic objectives

Maintaining air traffic (incl. regional airports) and increasing it through efficient, profitable, sustainable and responsible business practices.

MISSION FOCUS	CLIENT SATISFACTION	EMPLOYEE SATISFACTION	QUALITY	EFFICIENCY	PROFITABILITY
Strategic value objectives	The world's cosiest airport	We cooperate	Quality operations	Forwardlooking and innovative operations	Profitable operations
Responsibility	<p>Safe operating environment</p> <hr/> <p>Services offered to business partners and passengers are seamless</p> <hr/> <p>Service environment is clean, cosy, and logical</p> <hr/> <p>A diverse portfolio of services and destinations</p> <hr/> <p>We are a trustworthy business partner</p> <hr/> <p>We are open organisation with a positive image</p> <hr/> <p>Airport's community considers joint objectives.</p>	<p>Dedicated people with shared values work in the organisation</p> <hr/> <p>Dedicated people with shared values work in the organisation</p> <hr/> <p>We offer competitive working conditions</p> <hr/> <p>We are a responsible and flexible employer</p> <hr/> <p>Motivating, transparent, inclusive, open and innovative management</p> <hr/> <p>Employees and members of the community are informed.</p>	<p>We fulfill our commitments (the level of service of operating airports and servicing aircrafts, passengers and freight is according to the previously agreed conditions)</p> <hr/> <p>Our ecological footprint is small</p> <hr/> <p>Our impact on the society and the economic environment is positive.</p>	<p>Infrastructure, processes and services, and technologies are efficient</p> <hr/> <p>We are innovative in developing infrastructure, processes, services and technologies</p>	<p>Company's business operation is profitable</p> <hr/> <p>Company manages its resources efficiently</p> <hr/> <p>We create new business opportunities</p>
Sustainability	We are a competitive business	<p>We have an optimal number of competent employees. Sustainable business team is guaranteed</p> <hr/> <p>We are a trustworthy employer with a high reputation.</p>	Company's business operations follow national and international regulations, standards and norms	Risks are fully managed and minimized	The business is developed with a sense of perspective



Fulfilment of objectives set for the reporting period

The world's cosiest airport – our operating environment is safe, services are smooth and the customer is happy with the services

0 aviation accidents
 Up to **75** ground incidents per
10 000 flights
 Passenger satisfaction with service **4,5**
20 year-round direct connections
 Otseühenduste arv **30**

0
68
4,3
20
34

Employee satisfaction

Voluntary staff turnover is below **6%**
Labour market assessment on the employer

4%
 We are among the **20** reputable employers

Quality operations –

- We fulfill our commitments (the level of service of operating airports and servicing aircrafts, passengers and cargo is according to the previously agreed conditions)
- Our impact on the society and the economic environment is positive.
- The Company's business operations follow national and international regulations, standards and norms.

Tallinn airport functions **24/7** and **365** days
 The procurement process is transparent and productive – bias for disputes up to **2%**
 The airport has been certified according to **ISO9001** and **ISO14001** and its activities comply with the requirements of the standard **OHSAS18001**.

During the year, the Tallinn airport was closed for circumstances independent from airport services **1 hours 34 minutes**

Percentage of disputes submitted **1%**.
 The airport has been certified according to **ISO 9001 and 14001**. We are working to obtain certification according to OHSAS 18001 requirements.
 Operation of airfields complies with the requirements of **ICAO, Estonian and international legislation**. Transition to EASA requirements is ongoing.

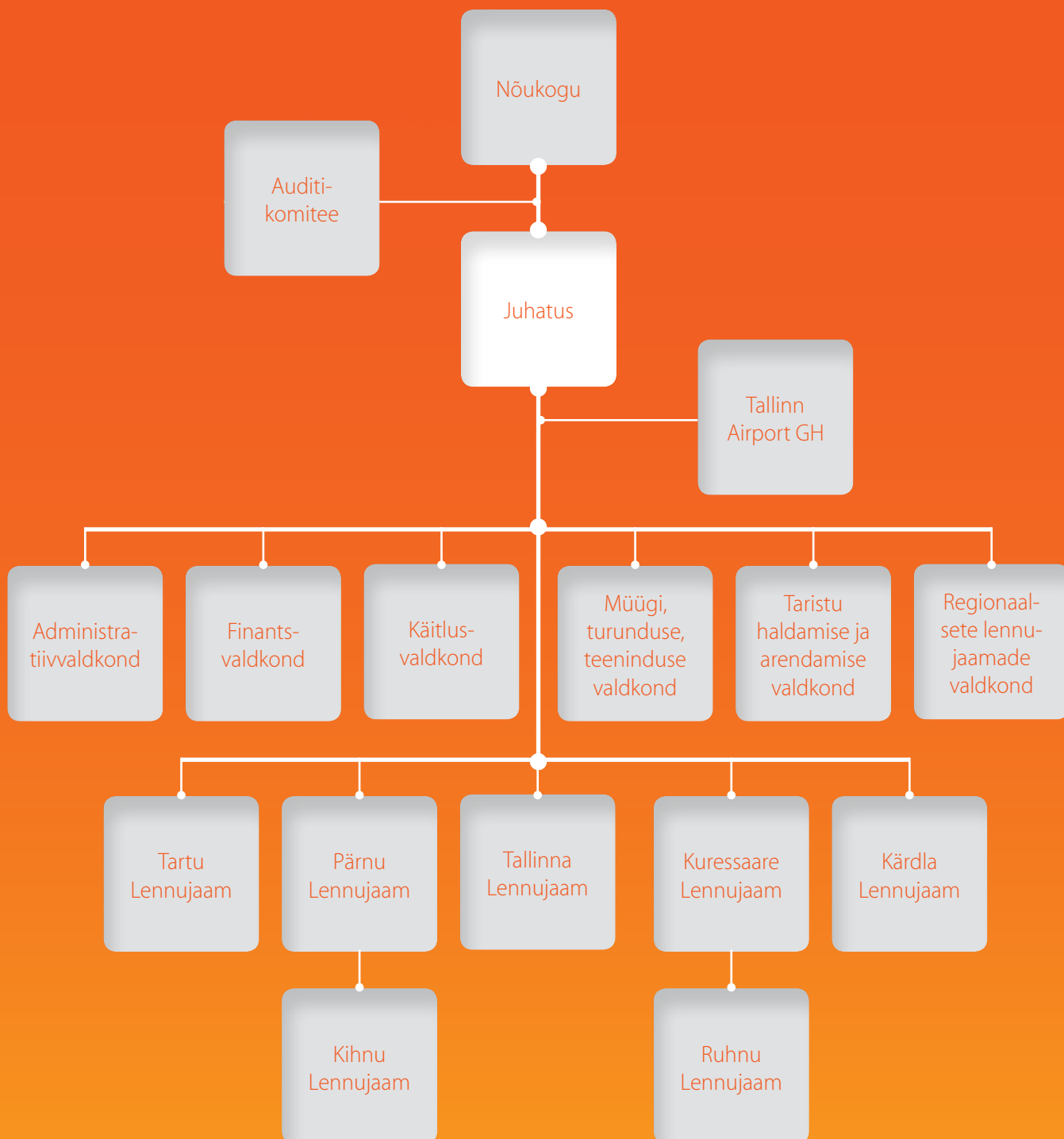
Compliance with regulations (**ICAO, EASA, Estonian and international legislation**)

Efficiency and profitable operation – the Company's operations are profitable, the resource use is efficient

Return on equity at least **6%**
 EBITDA margin (average) is at least **35%**
 Return on investments at least* **5%**
 Return of Group assets* **4%**

8%
36%
6%
6%

* does not include the government grant in fixed asset



Company management

Corporate Governance report

As a state-owned enterprise, it is mandatory for AS Tallinna Lennujaam to implement the Corporate Governance Recommendations. The Corporate Governance Recommendations that the company complies with are disclosed on the company's website.

Shares of AS Tallinna Lennujaam are owned by the Republic of Estonia. The company reports to the Ministry of Economic Affairs and Communications. The Tallinn Airport Group comprises the parent AS Tallinna Lennujaam and subsidiary AS Tallinn Airport GH.

General meeting

The general meeting of shareholders of AS Tallinna Lennujaam held on 22 April 2015 approved the audited annual report 2014, profit allocation proposal and the auditor's report.

At the meeting held on September 16, the sole shareholder decided to increase the share capital of AS Tallinna Lennujaam by non-monetary contribution by the amount of EUR 734,900 to EUR 25,095,400 as a result of issue of 73,490 new shares with a nominal value of EUR 10.

Supervisory Board

The supervisory board has six members in accordance with the articles of association. The Minister of Economic Affairs and Infrastructure will appoint three members proposed by the Minister of Finance and three at his or her discretion. Members are appointed for a five-year term. Their compensation is set by the general meeting.

The supervisory board supervises the activities of the management and participates in making important decisions. The supervisory board acts

independently in the best interests of the Group and shareholders.

The supervisory board determines the Group's strategy, general plan of action, risk management policies, and the annual budget.

In the financial year 2014, the supervisory board was comprised of 6 members. In the period 01.01.-18.06.2014, the supervisory board consisted of Margus Puust (chairman), Kalle Palling, Kai-Riin Meri, Väino Linde, Priit Lomp (until 17.12.2015), Arto Aas (until 25.05.2015) ja Agris Peedu (in the period 25.05.-17.12.2015). 17.12.2015 the supervisory board joined Hendrik Agur ja Toivo Jürgenson.

In 2015, the supervisory board held 8 meetings. The management board gave to the supervisory board regular overview of the company's financial position on a quarterly basis.

Audit committee

In 2015, the members of the audit committee were Kalle Palling (chairman), Väino Linde and Priit Lomp. All in all, six meetings were held and the meetings addressed prevention of corruption, cooperation with the external auditor in organizing the auditing of the annual report, the organization of internal audit and audit review.

Management Board of AS Tallinna Lennujaam

The management board represents and manages the Group's day-to-day operations in compliance with laws and the articles of association. The management board must act in the most economically purposeful manner, in its decision-making keep in mind the best interests of the Group and the shareholder and is obliged to ensure sustainable development of the Group according to set objectives and strategy. The management board ensures the functioning risk management and internal control in the Group.



On October 8, 2015 the number of members of the management board of AS Tallinna Lennujaam was changed from four to three in connection with the recall of Erik Sakkov. Other members of the management board continued fulfilling their duties in their area of responsibility as described in their employment contracts.

Chairman of the management board Rein Loik was in charge of day-to-day operations, Einari Bambus was responsible for the operation of airports and Anneli Turkin was responsible for finance.

In 2015, the management board held 36 meetings.

Management Board and Supervisory Board of AS Tallinn Airport GH

The management board of subsidiary AS Tallinn Airport GH is appointed and compensation of the management board members is set by the supervisory board of the subsidiary. The authorisations and responsibility of the subsidiary's supervisory board are based on the company's articles of association. Members of the supervisory board are appointed by the management board of AS Tallinna Lennujaam.

In the financial year 2015, the composition of the supervisory and management board remained unchanged: chairman of the management board Tiit Kepp and member of the management board Jarno Mänd, chairman of the supervisory board Einari Bambus and members of the supervisory board Anneli Turkin, Martin Männik and Tõnu Ader. No compensation is paid to members of the management board of AS Tallinna Lennujaam for serving on the supervisory board of the subsidiary.

Organisational structure

In the interests of more effective operation the support functions of the organisation are centralised.

The group companies and AS Tallinna Lennujaam organise the following areas in a centralised manner:

- Administration and document management
- Legal services
- Quality management
- Environmental management
- Safety management
- Security management
- Personnel management
- Financial management
- Marketing and sales management
- Infrastructure developments management
- Information technology systems and developments management
- Risk management and internal audit

Reporting

The management board prepares the Group's financial statements for the financial year in compliance with internationally recognised financial reporting policies. The financial statements are reviewed by the auditor and the supervisory board.

The annual report discloses transactions with related parties. The compensation paid to members of the management and supervisory boards is presented in the financial statements as a total amount, not divided into components. Compensation includes social tax.

The management board in 2015 submitted to the supervisory board financial and operational progress reports on a quarterly basis.

Information disclosure

The composition of the management and supervisory board and details about the auditor are disclosed on the website. The company's annual report is published by 1 May.

Supervision

The risk management system analyses, assesses and manages the entire Group, including regional airports, aviation safety, operational, project, work environment and financial risks. The basis of operations is an integrated risk management policy. Each company and airport of the Group must ensure that established objectives can be achieved by managing risks. The risk management report is prepared annually. The target group is the management board, the internal auditor and the audit committee. The internal auditor's activities are planned based on the risk management report.

The internal audit function is based on international standards based on which the internal audit is organised.

The functioning of the internal audit of the main processes is the responsibility of the internal auditor who has a duty to report to the audit committee and the supervisory board.

The management system audits are conducted according to the annual schedule. Reviews by the management are conducted periodically. The quality manager is responsible for the audit and reports to the management board. The management system includes environmental, safety, and security functions. These audits are organised and conducted by specialists of the relevant fields who report to the management board. In 2015 total of 24 audits (2014: 21) were carried out in divisions of AS Tallinna Lennujaam and at companies operating in Tallinn Airport.

In addition to internal audits, airlines, the Civil Aviation Administration and international organisations continuously conduct quality and risk management audits and on-the-spot inspections.

Ethics

Incidents involving ethics and corruption are handled by the ethics committee.

For the prevention of corruption and agreeing on rules of ethical behaviour, a document titled Code of Business Ethics has been adopted. Since 2012, in the framework of auditing the annual report in accordance with the Anti-corruption Act, the external auditor is under obligation to audit the business interests of the supervisory board and

the management board. Since 2015, employees are able to anonymously report possible ethics violations, corruption suspicions and similar cases in the organisation's internal network. Notifications are forwarded automatically to the internal auditor and are handled by the ethics committee set up by the management board, the members of which include the internal auditor, the Company's lawyer and risk manager. In 2015 the committee held no meetings.

Committees and their members

To focus on issues and areas that need above-average attention we have set up a committee that enables to directly communicate with a specific target group.

Safety committee

Meetings of the Tallinn airport safety committee are held once a quarter, and are participated by representatives of all companies that operate in Tallinn airport. In 2015, 4 meetings were held that focused on issues like promotion of the safety culture, increasing safety level and sharing experience between the companies that operate in the airport. Safety experience and information on planned changes in infrastructure and procedures were shared. Also incidents and improvement activities for further prevention were analysed.

Airport users committee

Members of the airport users' committee are all representatives of companies that are operating on the airport's territory. At meetings we distribute significant news, information about the airport operations and procedures. At regular meetings we give an overview also of our aviation and economic results, aviation safety and security and community activities. All participants can present their proposals, if they wish.

Terminal users' committee

At meetings of terminal users' committee are attended by all tenants and cooperation partners of the passenger terminal. In 2015, 3 meetings were held where we mainly informed the participants of developments in air traffic, outcomes of passenger questionnaire, planned construction projects and general news.



Work environment council

Both AS Tallinna Lennujaam and AS Tallinn Airport GH have set up 6-member work environment councils that have an equal number of employee and employer representatives. The work environment council is the cooperation body between the employer and employee representatives that solves issues related to the company's occupational safety and health by regularly analyzing the company's work conditions and work environment problems.

AS Tallinna Lennujaam has 12 work environment representatives, of whom 8 are in Tallinn airport and 1 in every regional airport. They represent all structural units and are elected by the employees. AS Tallinn Airport GH has 6 work environment representatives of whom 4 are elected by employees and 2 are nominated by the employer.

Risk management

Risk management is an important part in managing a business. The objective of the risk management is to support achievement of goals in safety and business, and also be prepared to tackle risks with an impact or probability that cannot be reduced. In order to do this, we will detect, assess, analyse, manage risks and ensue consequences that can arise during different operations or that can hinder achievement of certain goals. Risk-aware actions of employees are also developed.

Company has a tight focus on state regulations on conducting different risk analyses. Additional business, operational and project risk analyses also compliment to improving company's management quality.

Business risks

In terms of external environment, we continue to be influenced by changes in the economic environment of Estonia and neighbouring markets that could, if bad circumstances coincide, bring about extensive decrease in the number of passengers.

In 2015, a risk was realised that affected the whole Estonian society. It was the decision of the European Commission with regard to state aid granted to AS Estonian Air, as a result of which

the domestic carrier ceased aviation activities. As in the same time a new domestic carrier started operations and competition for passengers and routes became tougher, there was no significant decrease in the number of passengers and no flights were cancelled. Competition on the European aviation market is extremely tough which is why it remains important for us to have a versatile portfolio of airlines and destinations since this is the only way that we can guarantee constant connection to destinations that are significant for passengers and the sustainability of the airport if a significant partner ceases operations. The availability of direct destination that are significant for Estonia and support business activities is strongly correlated with the operations of a new domestic carrier.

In terms of future periods, the most important business risks are related to major investment projects: reconstruction of the air traffic area in 2016-2018; extension of the passenger terminal and construction of the parking building.

Operational risks

The Group's number one priority is to consistently provide the airport service, to avoid flight safety risks and to maintain security. In 2015, the airport was closed on two occasions for a total of 1 hour and 34 minutes: first, for the detonation of a shell found outside the airport's territory and, in the second case, for removing objects found on the air traffic area.

“ A shell was discovered in the course of construction activities 250 metres from the airport territory. The bomb weighed 17.7 kg and was 210 mm in diameter. Since the shell had been damaged, the risk was especially high. The shell was detonated on site and affected the airport traffic because the airport was in the danger zone. Flights were interrupted for only a short period of time. ”

Incidents concerning aviation

Daily operation of the airport is based on the principle that air safety is a priority. We have contributed significantly for creating possibilities to notify about incidents that may affect safety, cre-

ating a preventive safety culture and analysis of incidents with the objective of making sure that no aviation incidents take place.

Readiness for crisis situations

In order to be ready for different crisis situations and to resolve them as soon as possible with the minimum of possible damages, we have set up a permanent workgroup known as the crisis management group. The activities of the crisis management group are regulated by the Company's crisis management manual and the crisis communication plan that was adopted in 2015. In case of an accident in the Tallinn airport, the first to respond is the rescue service of the Tallinn airport whose duty is to provide a fast and efficient response in the event of an aviation accident threat or an aviation accident, to remove pollution and to safeguard fuelling of aircraft. The existence and preparedness of the rescue service provides the 8th rescue category to Tallinn Airport all year round.

“ In September our rescue service came 2nd in the competition of rescuers “King of Sky-scraper” held in Hotel Viru in Tallinn. ”

One important part of crisis management is to ensure water rescue preparedness, since Tallinn airport is located in the vicinity of Lake Ülemiste. In 2015 we increased the preparedness of water rescue by acquiring new rescue rafts. In May we organized an exercise on Lake Ülemiste under the name of SPLASH 2015 that in addition to the airport was attended also by various emergency services and the Ülemiste Water Purification Plant. The objective of the exercise was to check the preparedness of all parties for managing a water accident with a large number of casualties.

In 2015, the rescue service was dispatched a total of 1,563 times, of which 1,442 were for securing the fuelling of an aircraft, 60 were dispatches for fire alarms, 15 were dispatches for pollution recovery and 29 were dispatches related to medical assistance.

Natural forces

Natural forces that can affect the operations of an airport include strong wind, storm, snow blizzard, thunder, fog, etc. When meteorological visibility in the airfield falls to 1,000 metres or below, the

limited visibility procedure will be invoked in the area. In this situation pilots are notified of weather conditions on the airfield and according to the airline's rules or pilot decisions, a decision is made whether to land at the destination or to turn towards a reserve airport. In 2015 the limited visibility procedure was established in 48 times. Property damages caused by natural forces are covered by property insurance.

Illegal interference in aviation activities

All airports all over the world are making an effort to ensure passenger safety. Tallinn Airport buys the security service from its partner company G4S Eesti AS. We carry out constant supervision over their activities and manage and maintain equipment that is used for security surveillance.

Epidemic

If a passenger or aircraft that has been infected with a possible epidemic virus arrives in the airport, it may cause a temporary halt of air traffic and infect other passengers, visitors or employees. For managing the risk, we have drawn up epidemic-fighting rules with procedures for handling a passenger suspected of epidemic and handling of the aircraft and its passengers.

Environmental risks

Runway and plane de-icing and fuelling have the biggest environmental impact. We have developed procedures for avoiding and cleaning up a spill. Airport's rescue service is equipped with the necessary resources and they are prepared for pollution abatement. In 2015, the rescue service of the airport was called to liquidate pollution in 15 times.

In order to reduce the consumption of environmental resources, Tallinn Airport has created a task force that analyses the energy consumption of the company and makes suggestions for cost-effective measures to reduce energy consumption.

Environmental risks are managed by implementing applicable quality standards, following all regulatory requirements, and conducting surveillance. Environmental risks are also calculated into making new investment decisions.

Information security risks

As part of our focus in 2015 on information safety risks, an outside "attack" was carried out in coop-

eration with the State Information Systems Authority. Based on proposals submitted as a result of tests, we are supplementing the Company's procedures and technical solutions. We are also strongly committed to the protection of personal and customer data.

Personnel risks

We remain concerned about structural unemployment that makes finding employees for some specialities complicated and time-consuming. We are therefore focusing on our capacity to ensure that key positions can be rapidly replaced.

Project risks

In 2016 we will start construction work in connection with large-scale development project co-funded by the European Union. We have conducted in-depth analysis of project risks, the main of which are related to keeping the timetable, achieving quality outcome and staying within the budget. Every significant risk is covered with hedging measures.

Measures taken for assuring final quality:

- expert studies carried out for projects
- we request extended liability insurance from the contractor
- requirement for engineer's prior work experience
- requirement for experienced engineer's key persons
- projects prepared according to requirements
- constant supervision over the contractor's activities

Of critical importance is also possible violation of procedures and safety requirements established in the airport by contractors and other parties that can put safety at risk. Therefore, prevention of safety-related risks is a priority for the project team.

Main risk management measures include:

- constant sharing of information between different parties;
- conducting mandatory safety training for contractor's personnel;
- requirement that key persons of tenderers are experienced;
- requirement that construction work in crit-

ical areas is conducted outside flying hours (at night);

- constant and reinforced supervision of construction work.

Business ethics

We have adopted the document Good Business Ethics that is compulsory for all employees to study and comply.

Good business ethics covers the following subjects:

- protection and appropriate use of Group assets
- conflicts of interests
- bribery and corruption
- hosting and gifts
- honest competition and sustainable business activities
- safe working environment
- controversy with principles of ethics

Corruption

At the end of 2014, the Minister of Economic Affairs and Infrastructure as a sole shareholder made a decision that obligated AS Tallinna Lennujaam to develop internal regulations for preventing the risk of corruption. For fulfilling the decision of the sole shareholder, we supplemented our code of ethics and familiarized our employees about corruption-related policies and principles. In addition, in the organisation's internal network we create a possibility that enables employees to anonymously report about possible violations of ethics, corruption suspicions, etc. Reports submitted anonymously are forwarded automatically to the internal auditor and handled by the committee set up by the chairman of the management

board. In 2015 no reports about corruption cases were submitted. In the framework of auditing the annual report, also the external auditor will express a view on possible conflict of interests.

Management boards of both companies are responsible for supervision of fulfilment and notification of the audit committee.

Procurement

Since the airport lacks a supply chain in the classical sense, we organise procurement whose procedure and procedural rules are established with the procurement organisation procedure. In conducting them, the contracting authority must observe good practices of organizing public procurement, use financial means purposefully, reasonably and sustainably and to achieve the objective of the public procurement at a reasonable price, ensuring the best price and quality ratio in competition by comparing different tenders. Public procurement is carried out in a transparent and verifiable manner.



Company's activity

Financial results of 2015

		2015	2014	Change (%)
LENNART MERI TALLINN AIRPORT				
Passengers		2,166,820	2,017,371	7%
Flight operations	qty	41,513	37,791	10%
Cargo volume	tons	16,156	19,860	-19%

TOTAL REGIONAL AIRPORT				
Passengers		48,096	41,927	15%
Flight operations	qty	10,856	10,762	1%

GROUP		thousand EUR		
Sales revenue		33,829	31,918	6%
incl. aviation revenue		13,155	12,360	6%
incl. non-aviation revenue		20,673	19,558	6%
Other income		9,748	10,282	-5%
incl. government grants for assets		3,783	3,837	-1%
incl. government grants for security and rescue expenses		4,135	4,748	-13%
incl. government grants for regional airports		1,615	1,615	0%
incl. other income		215	82	161%
Operating profit before depreciation*		12,330	12,156	1%
Net profit		5,153	4,869	5,8%
Cash flows from main activity		12,390	10,545	18%
Investments		2,610	5,937	-56%
Assets (year-end)		142,632	145,340	-2%
Assets excluding government grants* (year-end)		91,861	90,786	1%
Equity (year-end)		65,635	59,745	10%
Borrowing (year-end)		21,453	26,048	-18%
Equity/assets (year-end)*	%	71	66	
Debt/operating profit before depreciation *		1,7	2,1	
Employees (absolute number)		590	579	2%
Employees (full time equivalent units)		544	537	2%

* excluding government grants for property plant and equipment

Revenue

In 2015, the revenue of the Tallinn Airport Group amounted to EUR 33.8 million, a growth of 6% compared to previous year (2014: EUR 31.9 million). Aviation revenue accounted for 38.9% and non-aviation revenue for 61.1% of total sales revenue (2014: 38.7% and 61.3%, respectively).

In 2015, total aviation revenue amounted to EUR 13.2 million (2014: EUR 12.4 million), a growth of 6% compared to previous year. The number of passengers grew by 7.4% compared to the year 2014 (2015: 2,166,820 and 2014: 2,017,371) and the number of flight operations grew by 10% compared to the year 2014 (2015: 41,513 and 2014: 37,791). The average passenger fee per enplaned passenger was down by 0.3% compared to 2014 (2015: EUR 6.23, 2014: EUR 6.25). This indicates that portion of revenue of the routes, which are part of the route support programme, in the entire aviation portfolio has slightly increased. Aviation revenue of Tallinn Airport from the route support programme accounted for 4.6% in the year 2014, whereas in the year 2015 it accounted for 5.2%. These routes comprised 14.8% (2014: 13.4%) of total number of passengers in Tallinn airport.

The number of passengers in regional airports increased by 15% in 2015 compared to 2014 (2015: 48,098 and 2014: 41,927). The major increase comes from Tartu airport, where the number of passengers grew by 46%, total number of passengers amounts to 21,117 (2014: 14,493). As a consequence, total revenue of regional airports has increased by 16% compared to the year 2014 (2015: EUR 0.36 million, 2014: EUR 0.31 million).

Non-aviation revenue in 2015 amounted to EUR 20.7 million (2014: EUR 19.6 million), which made up growth of 6% compared to the previous year. The subsidiary Tallinn Airport GH experienced growth of 12% (2013: 20%), however non-aviation revenue of the Parent company AS Tallinna Lennujaam grew only by 1.3%. The main reason for that modest growth is decrease in rental income from the tenant of hangars, which rentals the Group was forced to decrease due to the market situation. However, income from VIP and business clients services increased by 16.8% and income from car parking services increased by 12.1% compared to the year 2014. Tallinn Airport GH experienced significant growth of revenue, except for income from de-icing services. Tallinn Airport GH's income amounted to EUR 8.0 million (EUR 6.6 million), increased by EUR 1.4 million or 21%.

The main reason of growth were greater number of flight operations, adjustment of airlines package fees, as well as addition of the infrastructure charges in the contracts. Due to weather conditions income from de-icing services drop by 26% compared to the prior year.

Other income amounted to EUR 9.7 million in 2015 (2014: EUR 10.3 million), which forms drop of 5% compared to the prior year. consists of Government grants related to assets and income.

Government grants intended for covering the costs of aviation security and rescue services decreased by 13% in 2015 (2015: EUR 4.1 million, 2014: EUR 4.7 million). Government grants for covering the cost of regional airports grew were unchanged in 2015 (2015 and 2014: EUR 1.6 million).

Income of the Group amounted to EUR 43.6 million (2014: EUR 42.2 million). It grew by EUR 1.4 million or 3.3% compared to the year 2014. Sales revenue accounted for 78% and other income accounted for 22% of income (2014: 76% and 24%).

Expenses

Expenses of the Group amounted to EUR 38.2 million (2014: EUR 37.1 million); a growth of EUR 1.1 million or 3.1%. Labour costs grew by EUR 1.1 million or 8%. Other expenses increased by EUR 0.5 million, totaling EUR 0.8 million. It is mainly caused by impairment of trade receivables from Estonian Air and Avies in total amount of EUR 0.7 million (AS Tallinna Lennujaam EUR 0.2 million and Tallinn Airport GH EUR 0.5 million), which is due to the bankruptcy of the abovementioned companies. Miscellaneous operating expenses increased by EUR 0.03 million. The expense of external aviation security amounted to EUR 3.1 million (2014: EUR 2.9 million); a growth of EUR 0.2 million or 7.4%. Depreciation on non-current assets in 2015 amounted to EUR 10.8 million (2014: EUR 10.9 million); a decrease of EUR 0.1 million or 1%.

Profit

Operating profit before depreciation (excluding government grants for non-current assets) and finance income and expense (EBITDA) amounted to EUR 12.3 million, which is EUR 0.2 million higher than in the previous year. Operating profit (EBIT) in the year 2015 amounted to EUR 5.3 million (2014: EUR 5.1 million); an increase of EUR 0.2 million or 5%.

thousand EUR	2015	2014	2015-2014	2015-2014, %
GROUP INCOME STATEMENT INDICATORS				
Revenue	33,829,	31,918,	1,910,	6%
TOTAL INCOME	43,576,	42,200,	1,376,	3%
EXPENSES:				
goods, raw materials, services	11,073,	11,442,	-369,	-3%
miscellaneous operating expenses	1,855	1,320	535	41%
labour costs	14,463	13,380	1,083	8%
TOTAL EXPENSES EXCL. DEPRECIATION AND AMORTISATION	27,464,	26,208,	1,256,	5%
Operating profit before depreciation, amortisation and interest* (EBITDA)	12,330,	12,156,	174,	1%
Depreciation and amortisation	10,764,	10,887	-122	-1%
Operating profit (EBIT)	5,348,	5,106,	242,	5%
Profit for the accounting period	5,153,	4,869,	284,	6%

* excluding government grants for property, plant and equipment

The profit of the Tallinn Airport Group in 2015 amounted to EUR 5.2 million, which was higher than the previous year by EUR 0.3 million or 5.8% (2014: EUR 4.9 million). Finance costs were lower by EUR 0.04 million. Income of the Group in 2015 was higher by EUR 1.4 million. However, expenses were higher only by EUR 1.1 million, resulting in a positive difference of EUR 0.3 million.

Balance sheet

At the year-end of 2015, total assets amounted to EUR 142.6 million (2014: EUR 145.3 million). Thus, total assets have increased by EUR 2.7 million or 1.9%. Non-current liabilities have decreased by EUR 8.6 million or 11.2%. Equity has increased by EUR 5.9 million or 9.9% by the net profit of the year 2015 and by the non-monetary contribution made by the shareholder in amount of EUR 0.7 million in the form of grant of properties with total area of 93 hectares to AS Tallinna Lennujaam. In 2014, equity accounted for 41% and liabilities accounted for 59% of total assets (2014: 36% and 64%, respectively). Depreciation on non-current assets in 2014 exceeded total capital expenditures by EUR 6 million (2014: capital expenditures exceeded the depreciation charge by EUR 4 million), which has reduced assets by 4% (2014: assets increased by 3%).

Cash flow

The cash balance of the Group as of the start of 2015 stood at EUR 9.7 million. Cash flows from op-

erating activities in the year 2015 were EUR 12.4 million (2014: EUR 10.5 million), cash flows from investing activities were EUR - 2.4 million (2014: EUR 5.9 million), and cash flows from financing activities were EUR - 4.6 million (2014: EUR 4.6 million). The cash balance of the Group as of the year-end of 2015 stood at EUR 15.1 million. Thus, in the year 2015, the cash balance increased by EUR 5.4 million or 55%.

Tallinn Airport repaid loans totaling EUR 4.56 million. No new borrowings were raised. As of the year-end of 2015, the loans outstanding amounted to EUR 21.4 million: NIB loan of EUR 7.1 million, Pohjola loan of EUR 6.8 million, and bonds of EUR 7.5 million.

Investments

The Group invested EUR 2.6 million. Larger investments were the acquisition of IP cameras in the passenger terminal of the Tallinn airport in the amount of EUR 0.36 million; acquisition of the firefighting system for the aircraft service hangar in the amount of EUR 0.3 million; acquisition of a towing tractor for Tallinn Airport GH in the amount of EUR 0.27 million; acquisition of 10 devices for detecting particles of explosives for the aviation security unit in the amount of EUR 0.26 million. In February 2015, the rescue service received 2 new rescue trucks in a total investment of EUR 1.4 million.

Air traffic

Air traffic in 2015

In the last decade, aviation has become much more dynamic in both Estonian and European aviation as a whole. Passengers have more options and they are more sensitive to changes in price and quality.

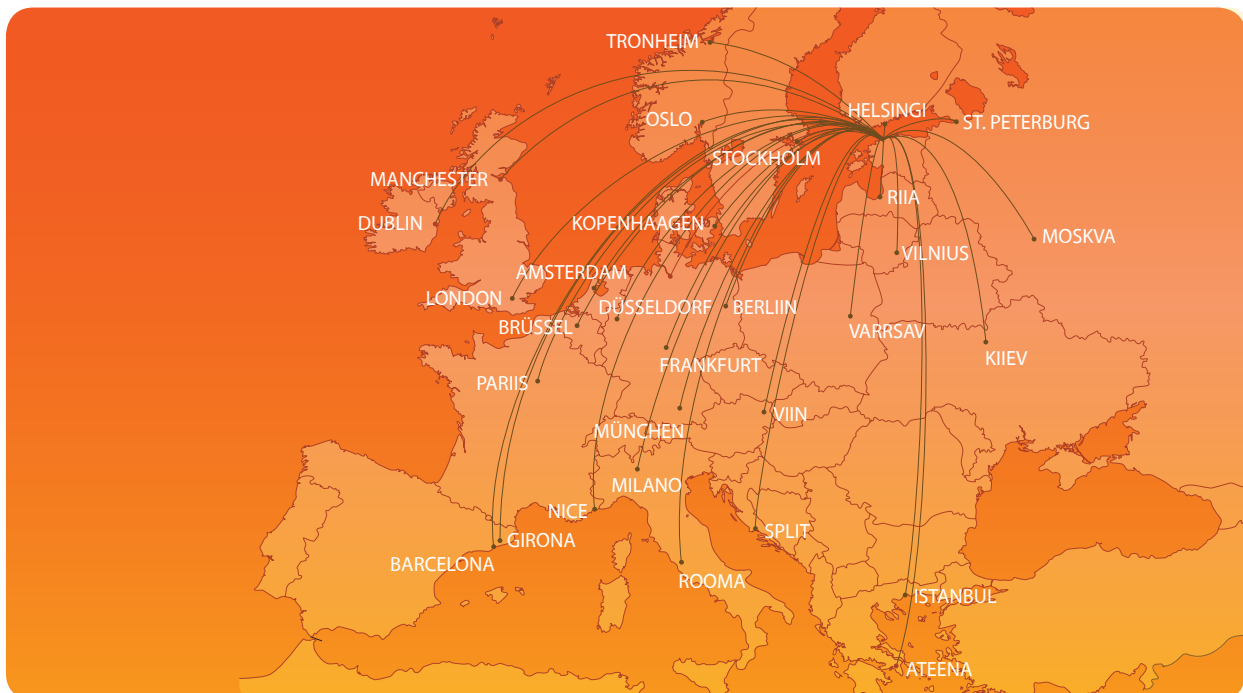
The whole of Estonia - 1.3 million people - can be deemed the catchment area of Tallinn Airport. At the same time, Estonia is also located within the catchment area of other international airports - Helsinki, Riga and St. Petersburg. Therefore, competition is quite high. People generally prefer a domestic or their nearest airport for travel. The biggest competitor is the Riga Airport,

which attracts some of the residents in our catchment area. In addition to the Tallinn airport, our objective is to operate also regional airports for supporting the development of these regions. In addition to government grants we use for this purpose also company's own means.

In route development we regularly participate in route development conferences and carry out direct marketing activities in cooperation with airlines that operate in Tallinn. We promote flight possibilities to passengers and support the development of airlines in Tallinn by organising various events (opening of routes, anniversaries, etc.) and through social media.

FLIGHTS TO THE TALLINN AIRPORT	2015	2014	2013	2012	2011
FLIGHTS	41,513	37,791	37,856	48,531	40,298
incl touristic flights	32,058	28,936	28,662	39,237	30,528
incl cargo flights	1,803	1,817	1,868	1,935	1,831
incl non-business flights	7,652	7,038	7,326	7,359	7,939

Flights to the Tallinn airport 2011-2015



Map of route network. Summer 2015

Tallinn Airport

Flight operations

In 2015, there were a total of 41,513 flight operations in Tallinn airport, of which commercial flights accounted for 82% of the total number of flights. As compared to the year before, this is an increase of about 4,000 flight operations.

Passengers

In 2015, Tallinn airport handled 2,166,820 passengers which is the second-best result of the airport at all time. In the year as a whole, the number of passengers went up by 7.4%. Without passengers in transit, the number of direct passengers was the highest of all time.

The number of passengers increased 8.2% in regular flights and 2.3% in charter flights.

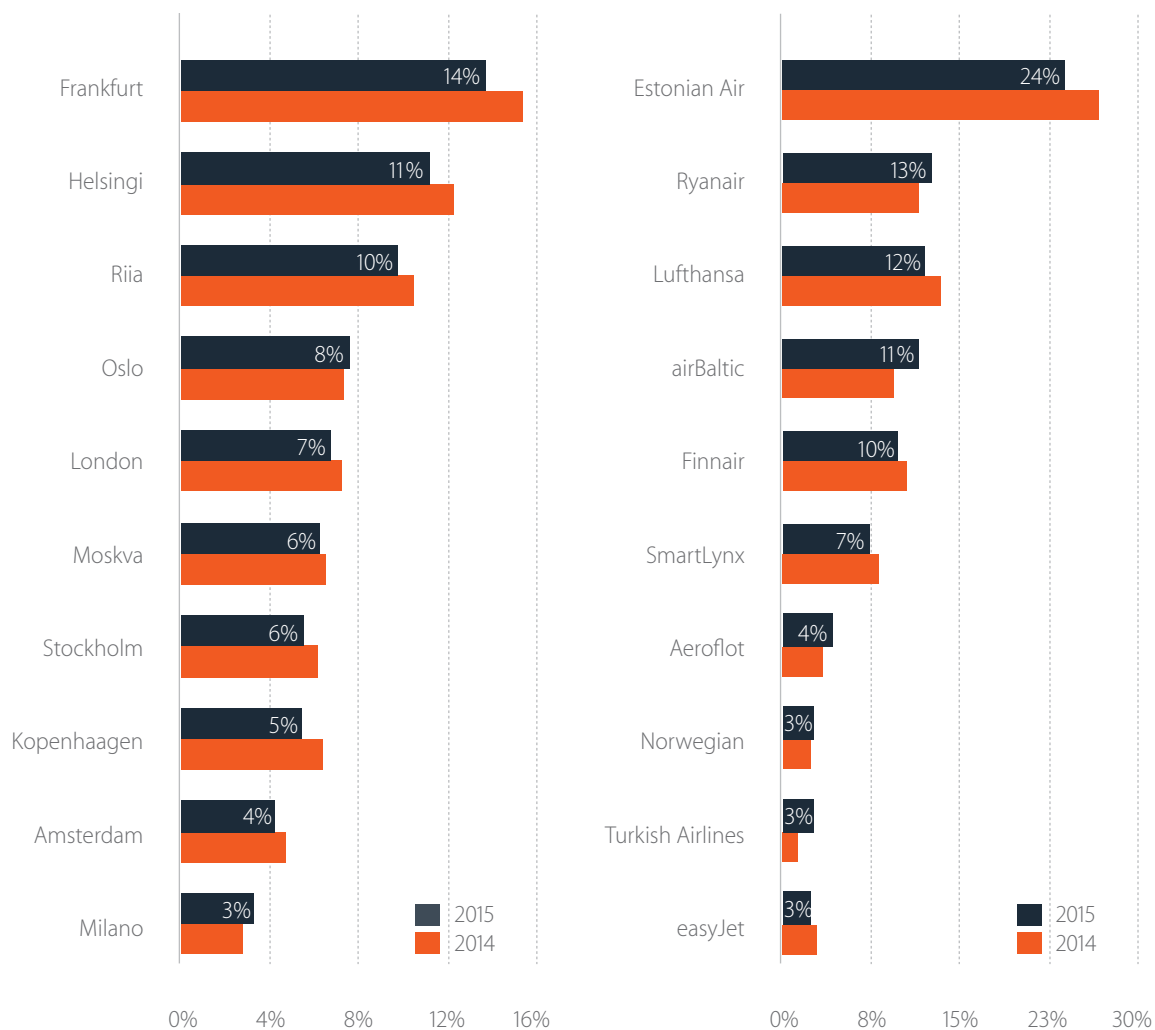
Passengers on domestic flights accounted for 0.9% of the total, while the passengers on international flights represented 99.1%. Passengers who took connecting flights made up 2.6% of the total number of passengers.

In January 2015 TAP Portugal ceased operations on the Lisbon-Tallinn route.

In May Air Lituanica that had been operating the Vilnius-Tallinn line ceased operations.

A new airline that started a seasonal regular route Athens-Tallinn was Greek carrier Aegean Airlines.

Air Baltic opened direct flights from Tallinn to Berlin and Vienna, while Estonian Air started flights to Vienna and Milan. Both Estonian Air and Air Baltic added more flights to Paris which made it the fastest-growing route in terms of passenger numbers in 2015. The competition between airlines and increased supply was supported by low price of fuel on world markets.



Market share for airlines and destinations 2014-2015



The demand that had increased strongly at the end of 2014 remained high throughout 2015 until November when several events took place that had a profound effect on air traffic. On November 7, Estonian Air ceased operations. A day later, on November 8, Adria Airways started providing flights for Nordic Aviation Group. On November 16, Scandinavian Airlines added Tallinn to its route network. Because of the terror threat on the Sinai Peninsula, charter traffic started to decrease.

The five largest regular routes in terms of volume remained the same as in last year. The number of year-round routes was 20, unchanged from 2014. During the year, 17 different airlines were operating regular routes. Passengers on regular routes accounted for 88% of all passengers. Among Estonian passengers on charter flights, the most

popular holiday destination was Turkey, followed by Egypt and Spain. Of incoming charter passengers, most arrived from Spain as part of the cruise turnaround. In cooperation with cruise operator Pullmantur Cruises, three cruise turnarounds took place during which we handled a total of 9,369 passengers who either started or ended their Baltic Sea cruise in Tallinn.

Cargo

The majority of cargo volumes served was attributable to non-scheduled cargo flights. However, the cargo volumes has decreased compared to the end of 2014 year by 19%. This was associated with changes in the economy in Russia as the cargo was in transit to the Russian market. The situation can be expected to continue in the year 2016.

PASSENGERS	2015	2014	2013	2012	2011
TOTAL AMOUNT OF PASSENGERS:	2,166,820	2,017,371	1,958,801	2,206,791	1,913,325
incl domestic flights	20,271	17,441	19,274	25,185	29,334
incl international flights	2,146,549	1,999,930	1,939,527	2,181,606	1,883,991
incl connecting flights	55,960	47,034	72,270	229,728	19,238
incl cruise turnarounds	9,369	14,161	14,687	16,150	7,149

Passengers in the Tallinn Airport 2011-2015

CARGO	2015	2014	2013	2012	2011
CARGO VOLUMES	16,156	19,860	20,941	23,921	18,371
incl post	1,762	1,782	1,620	1,438	1,207
incl air cargo	14,394	18,078	19,321	22,482	17,164

Cargo and post in the Tallinn Airport 2011-2015, tonnes

Ground handling of aircraft and serving passengers

AS Tallinn Airport GH provides ground handling services in Tallinn Airport. The company started operating in the year 2005. Currently, the company provides ground handling services also in the Tartu.

AS Tallinn Airport GH provides ground handling services: handling of aircraft and serving passengers, leasing of transport equipment and special equipment, providing cashier services, acting as an intermediary selling various services to airlines and passengers, and selling and preparing passenger and cargo transport documents. Starting from the autumn, we added ground handling of all special cargo flights (UIS Cargo, ESSENTA, OMNIVA Cargo). In 2015 the Company's structure was changed for increasing the efficiency of operations and resource management. For Tallinn

MAY

Air Lituania ceased operations

Air Baltic launched routes to Vienna and Berlin

Aeroflot changed its check-in registration system, involving a three-week training of all staff in one of the busiest periods

JUNE

Greek airline Aegean Airlines started operations, while the training of customer service was held shortly before the first flight.

AUGUST

Tallinna lennujaama Tallinn airport handled more than 234 thousand passengers, the all-time highest monthly figure

NOVEMBER

Events unfolding in November included transition to Lufthansa's new remote booking system, a major one-week strike in Lufthansa, liquidation of Estonian Air and launch of ADRIA that left very little time for adjusting to new rules and procedures. In addition, one in every two passengers had a ticket problem.

With a brief notification period, SAS launched large-scale operations in Tallinn with two daily flights to Copenhagen, three daily flights to Stockholm and two daily flights to Oslo.

Nordic Aviation Group started flight operations

A contract was signed with the reserve airfield of Ukraine International Airline

TAP Portugal ceased operations

Easyjet started flying to Malpensa in Milan

	2015	2014	%
Operating revenue	9 198	8 092	14%
Operating profit before depreciation (EBITDA)	459	610	-25%
Net profit,	39	165	-77%
Assets	7 780	7 722	1%
Investments	223,5	91,0	146%

Key financial indicators of Tallinn Airport GH 2014-2015, thousand euros

Airport GH, the keywords in 2015 were the ability to rapidly respond and adapt to changes taking place in the airlines' service processes.

Tallinn Airport GH has established a strategic quality objective for the period 2014-2018: to become the highest quality provider of ground handling services in Northern Europe. The quality management system is continually being improved to accomplish this objective in accordance with ISAGO requirements, and customer

feedback is analysed on a regular basis in order to develop the service standards of the company to meet customer expectations even better.

The objective of the company is to ensure at least 98% on-time performance of all outbound flights to all airlines that the company serves and to be ranked top five in the quality rankings of airlines. In the year 2014, service punctuality provided to the largest customers was as follows: Lufthansa – 98.9%; LOT – 98.8%, Adria – 98.8%; Estonian Air – 98.6%; AirBaltic – 98.5%. The average aircraft turnaround in Tallinn Airport is 30 minutes.

“Managing such rapid changes required special focus on team building, motivation and support. In spite of these challenges, the service quality of Tallinn Airport GH remains on the world level, as proven by the award that the company received from Lufthansa for being the world's most punctual service enterprise in the Lufthansa network. In addition, in 2015 Tallinn airport was recognized for friendliness to families and employees, and was nominated for the Enterprise Award in the category of Responsible Enterprise.”

Regional airports

AS Tallinna Lennujaam operates regional airports in order to support economic development of different regions in Estonia. In addition to government grants, the own funds of AS Tallinna Lennujaam were also used. In 2015, AS Tallinna Lennujaam provided regional airports with operational and air navigation services that covered regular flights, emergency medical flights, environmental monitoring flights, training flights, flights made for defence purposes, etc.

Air traffic in regional airports

The number of flight operations in regional air-

ports depends to a great extent on regional policy. The sharp rise in the number of passengers in Tartu airport was due to the fact that Finnair that had replaced Flybe added more flights to the timetable. Tartu is also the only regional airport with a scheduled international flight. Compared to other airports, the number of operations in Tartu Airport is substantially increased by the training flights of the Estonian Aviation Academy. The number of passengers at the airports of Kuressaare and Kärdla has been quite stable in recent years, growing between 4 and 6% a year. The number of passengers on the Kihnu-Pärnu route fell as a result of the decrease of flight volumes at these airports.

FILGHTS	2015	2014	2013	2012	2011
Tartu	5,052	5,173	5,159	6,356	4,971
Kuressaare	2,148	2,342	2,073	1,817	1,915
Kärdla	1,460	1,305	1,340	1,512	1,426
Pärnu	1,326	914	1,465	1,562	1,490
Kihnu	400	538	754	648	656
Ruhnu	470	490	540	555	554

Flights in regional airports 2011-2015

PASSENGERS	2015	2014	2013	2012	2011
Tartu	21,117	14,493	13,717	20,302	18,583
Kuressaare	14,458	13,665	13,163	11,421	17,822
Kärdla	8,029	7,750	10,222	9,700	10,695
Pärnu	2,067	2,752	3,538	5,634	3,863
Kihnu	1,188	1,968	2,434	2,474	2,257
Ruhnu	1,239	1,299	1,214	1,364	1,468

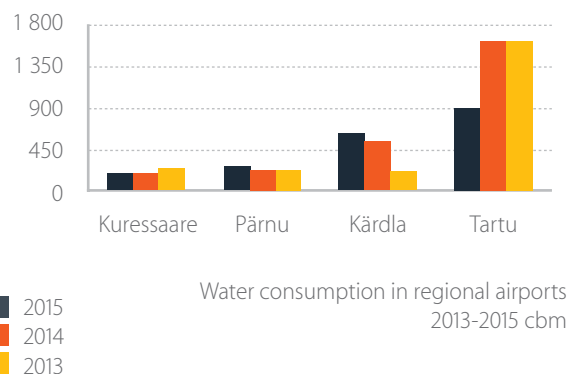
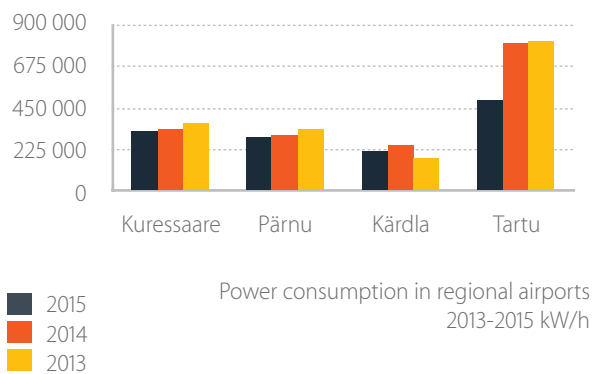
Passengers in regional airports 2011-2015

Environmental indicators in regional airports

Power consumption in Tartu Airport decreased as a result of replacing the electric heating system with a gas boiler that was installed in the garage of the maintenance service. Moreover, part of lighting in the administration section of the passenger terminal were replaced with LED

technology and technical equipment of the main switchboard was modernized.

Water consumption has been reduced as a result of transition to public water supply network, rebuilding of the wastewater system and renovation the underground water supply and wastewater pipeline in the airport territory.



Overview of regional airports

KÄRDLA AIRPORT

In 2015, Kärdla Airport had **1,460** flight operations (2014: 1,305) and served **8,029** passengers (2014: 7,750). There were **4** incidents involving birds and animals (2014: 2) and **7** registered notifications (2014: 7).

On December 18, Kärdla airport was granted a new airfield certificate in accordance with the new EASA (European Aviation Safety Agency) requirements.

In 2015 we used own funds to repair airport premises and the perimeter fence of the air traffic area, repaired paved surfaces on the runway and aprons and measured obstacles in the flight traffic area.

Of major projects, we initiated measurement of the technical inspection of electrical installations and launched the electronic workflow and safety management system PARRO.

Of activities planned for 2016, the priority is the completion of the repair of the perimeter fence and preparation of the runway resurfacing project which includes installation of approaching floodlights. In April we plan to conduct nationwide air rescue exercise in the coastal sea.

TARTU AIRPORT

In 2015, Tartu airport handled **5,052** light operations (2014: 5,173) and served a total of **21,117** passengers (2014: 14,493). There were **2** incidents involving birds and animals (2014: 3) and **108** registered notifications.

In May 2015, the carrier on the scheduled route Flybe was replaced by Finnair. In connection with this change, the number of weekly flights increased from 5 to 7, meaning that Tartu is now connected to the rest of the world seven days a

week. In December we reached the landmark figure of 20,000 passengers.

Tartu was the first Estonian airport that in October 2015 received an airfield certificate that complies with EASA requirements.

In connection with the transition to a bigger and better-equipped rescue truck, the real rescue category of Tartu Airport changed from 4th to 5th.

We also supported large-scale military exercise Hedgehog, serving the Ämari Air Base.

PÄRNU AIRPORT

In 2015, Pärnu Airport made **1,326** flight operations (2014: 914) and handled a total of **2,067** passengers (2014: 2,752). There were **2** incidents involving birds and animals (2014: 1) and **11** registered notifications (2014: 5).

Employees of Pärnu Airport in cooperation with the maintenance service of Tallinn airport repaired joints of taxiway C.

In 2015, Pärnu airfield hosted Parasummer, an event organized by the skydiving club Skydive Estonia, and a speedracing competition organized by Mootorispordi Arendamise Keskus, a non-profit. In addition, Pärnu airfield was used in the military exercise Hurricane by the district unit of the Defence League.

KIHNU AIRFIELD

In 2015, Kihnu airfield had **400** flight operations (2014: 538) and served **1,188** passengers (2014: 1,968). The auxiliary building of the Kihnu airfield underwent capital repair.

KURESSAARE AIRPORT

In 2015, there were **2,148** flight operations in Kuressaare airport (2014: 2,342) and **14,458** passengers (2014: 13,665) were served. There were

2 incidents related to birds and animals (2014: 0), and 13 notifications were registered (2014: 10).

In 2015, there were year-round scheduled flights between Tallinn and Kuressaare. In addition, 8 charter flights were made between Visby and Kuressaare. From October until May, there were regular flights also from Kuressaare to Ruhnu and Pärnu.

RUHNU AIRFIELD

In 2015, there were 470 (2014: 490) flight operations in the Ruhnu airfield (2014: 490) and 1,239 passengers were handled (2014: 1,299). There was also 1 recorded notification.

Certificates

AS-il Tallinna Lennujaam on kehtiv kontser Tallinn Airport Group has a valid certificate for providing aero-navigation service and is certified according to international standards ISO 9001:2008 and ISO 14001:2004. In 2016 the Company plans to transfer to new standards ISO 9001:2015 and ISO 14001:2015. Re-certification will also take place in 2016 since it's been three years since the certificates were extended. This is a comprehensive audit that should cover all our areas of activity and regional airports.

In 2015, in accordance with the European Commission Regulation (EC) No 216/2008 that entered into force in 2014 and requires that airports are certified according to EASA (European Aviation Safety Agency) criteria, we started converting domestic certificates issued to the airfields in Tartu, Kärdla, Kuressaare and Tallinn to EASA-compliant certificates. The Civil Aviation Authority issued the first new certificate to the Tartu airfield on 23 October 2015.

The certification of the Tartu airfield included an assessment whether the management system of the airfield's operator complies with the Regulation and its implementing rules. Since the certificate was granted, it means that also AS Tallinna Lennujaam as an organisation that operates the airfield complies with the requirements provided in the Regulation. The Kärdla airfield received its certificate on 18 December 2015. We will continue certification of the Kuressaare airfield in 2016. The Civil Aviation Authority extended the current certificate of Tallinn airfield until 31 December 2017 and the next EASA-compliant certification will

be held in the autumn 2017 after the renovation project of the air traffic area is completed in accordance with new operating requirements.

Flight safety

Airport operation

Safety is the key in achieving the objectives of all fields of activity AS Tallinna Lennujaam. For this reason, we have put in place in our community a culture of safety that involves all employees and partners and is open and transparent as well as a well-functioning communication system that ensures that safety information is delivered without delay. The implementation of a safety management system helps to make sure that all incidents that have occurred during operations and influence aviation safety are being reported so that the case can be properly studied so that it will not happen again.

The Tallinn airport safety committee is holding meetings that are attended by representatives of all companies that operate on the airport territory with an aim to increase the safety level and share experience and information.

Major safety development activities in 2015:

- update of documentation concerning aviation safety
- updating of training programmes
- publication of the first newsletter
- launch of a project on LED panels
- anonymous notification system

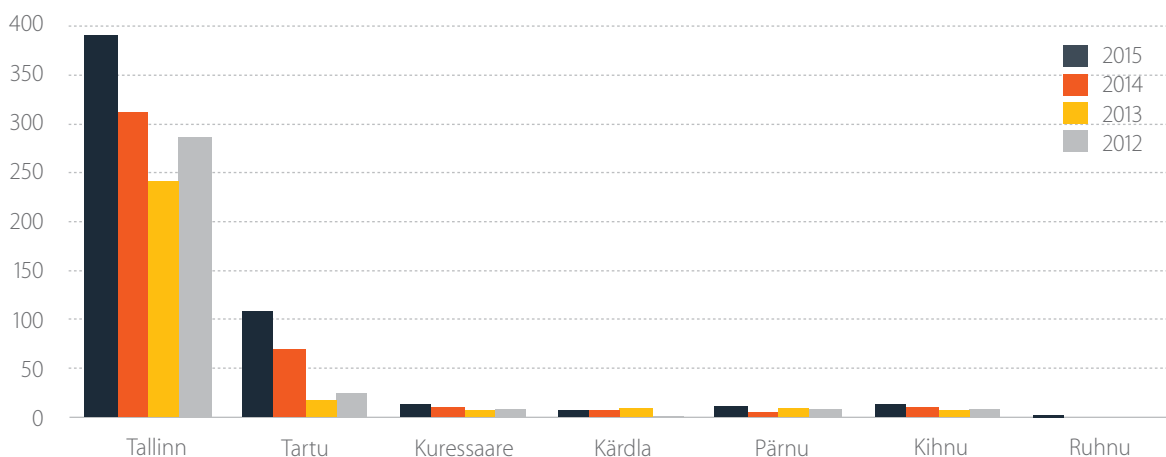
For simplifying reporting of incidents, Tallinn airport installed notification post boxes so that airport users can report on various safety-related incidents in case electronic notification system is not available. In 2016, similar post boxes will be installed also in regional airports, supporting the no-blame culture of safety and supplementing anonymous e-mail notification and intranet and community web communication systems.

Notifications

The fact that in 2015 the number of notifications went up is very positive. This is the result of an overall development of the general culture of safety and early implementation of the electronic workflow and safety management system PARRO.



“ In cooperation with the city rescue services, Tallinn airport was fully prepared to receive an aircraft that was making an emergency landing because of technical problems. The incident resolved without problems. ”



Number of registered notifications 2012 – 2015

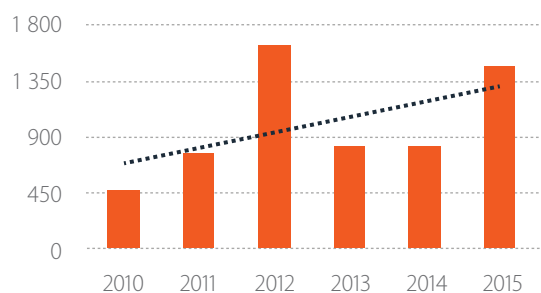
Incidents related to birds and animals

Aircraft birds or animal strikes can have very serious consequences. In 2015, 57 bird- or animal-related incidents were registered at Tallinn Airport. It means that there were 13.7 such incidents for every 10,000 flight operations (2014: 8.5). The biggest problem in Tallinn airport is caused by swallows and seagulls. The growth in the number of incidents related to birds and animals from 2014 is caused by factors that are outside our control.

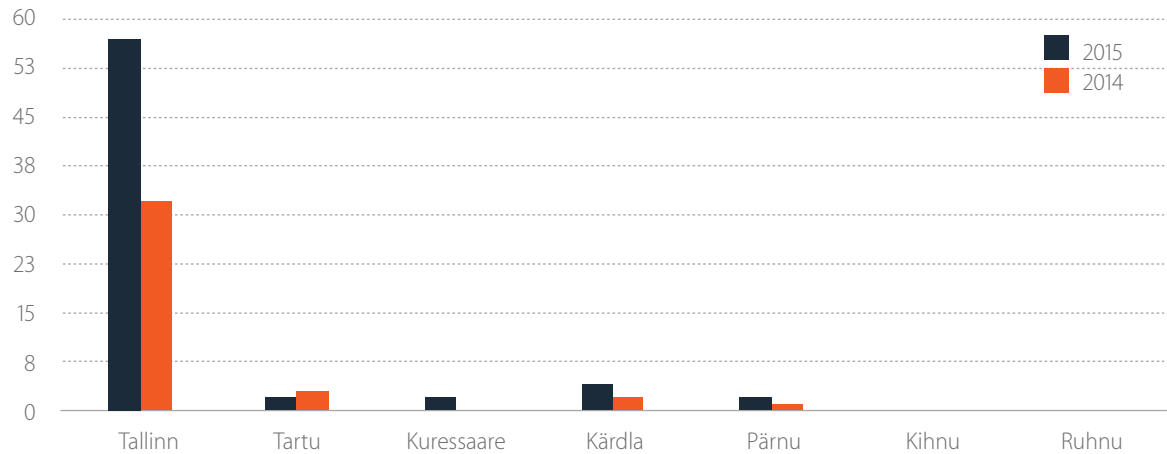
Development of industrial parks and housing estates in surrounding agricultural land is gradually reducing stopover locations of migratory birds near the airport, and is decreasing the number of nesting places.

Also the demolition of old buildings and building of new buildings has a similar effect, as does the liquidation of the Soodevahe summer cottage area. Such changes in the landscape are having a positive impact on aviation safety. Birds and animals

are deterred from the airfield with the help of pyrotechnical devices, gas cannons and other acoustic devices. The airport is also contracting professional ornithologists.



Incidents related to birds and animals in Tallinn airport 2010 – 2015



Incidents related to birds and animals in the airports

In cooperation with ornithologists and nature conservationists, several rare birds were rescued who had been injured because of aviation operations.



“ In October a small falcon (*Falco columbarius*) with a broken wing was found near the runway. It's a rare bird in Estonia classified in the Protection Class 1 and one of about 60 left in Estonia. The bird was delivered to the animal clinic of the University of Life Sciences where it was operated, but, unfortunately, it remained flightless and could not be released back to the wild. The falcon now lives in the University where veterinary students can now use it in their wildlife studies and train how to handle, measure and inspect wild birds. ”

Aviation security

Starting from September 2015, a requirement entered into force which obliges airports to conduct random checks for detecting possible residues of explosives also on passengers and employees.

In August, the European Commission conducted an audit of the Civil Aviation Authority and, as part of the inspection, visited also Tallinn airport to check the compliance with the requirements in force. As a result of the inspection, no major shortcomings were identified, showing that the airport continues to perform well in implementing valid requirements.

In 2015, the aviation security department conducted 113 training courses (2014: 97) where 1,030 people related to aviation were trained (2014: 1,145). The aviation security department is also the main organizer of training courses in AS Tallinna Lennujaam.

In 2015, the public procurement for ordering aviation security service for the Tallinn and Tartu airports was won by AS G4S Eesti.

One of the purposes of aviation security is to detect prohibited items and substances from the passengers' hand luggage. In order to improve our capacity, we acquired new modern devices for screening passengers' hand luggage: while before, the security personnel saw only one view of the luggage, it can now be analysed under two angles.

In 2015, a total of 7,868 items (2014: 7,542) included in the list of prohibited items and substances

were detected in the course of security screening at Tallinn Airport.

Non-aviation

We wish to make sure that our passengers feel themselves at home in our passenger terminal, that their travel goes as smooth as possible and that everything that they need is available.

In terms of services, one of the most eagerly awaited additions in the passenger terminal is the pharmacy. Keep in mind that one can pre-order the products that one needs in advance.

In the autumn, in cooperation with the local store chain Klick we opened an electronics store.

An additional convenience aspect is that all snack and beverage dispensers accept also payment cards and that currency exchange in the restricted area also operates as an ATM in case a passenger discovers that he or she needs to take out cash currency before the departure.

Advertising in the airport

We manage our advertising spaces ourselves that allows us to design the passenger terminal exactly like we want to.

We added freshness and convenience from the start of 2015 with the launch of the Postimees gate. It provides access to the day's top news in three languages either on three large screens or on three tablet PCs the use of which is free. Passengers who still prefer to read newspapers on paper can take a free copy with them.

In the spring in cooperation with Enterprise Estonia we opened Work In Estonia gate that highlights success stories and provides information on people who have arrived in Estonia to change their life. Naturally, as the name implies, you can browse the latest job vacancies and look who is hiring.

At the peak of the summer we opened a modern A. Le Coq waiting lounge. In the baggage claim, you can refresh yourself at a free beverage dispenser operated in cooperation with Tallinn Vesi.

In the autumn, the local bookstore chain Rahva Raamat updated our popular library by offering more literature and convenience and includes, among others, also e-books. There are also various boardgames to make sure that waiting for

a flight is fun. If some passengers feel that they need more sleep, they can do it for free in one of the four Sleeping pods that are located in gates 8 and 9.

To make navigation in Tallinn easier for arriving tourists we and our good partners continue to publish the Airport City Map that remains the most popular map of its kind.

In the autumn we opened our new, more customer-friendly website.

“ The “singing” public security announcements in the passenger terminal that are dedicated to the Year of Music were recognized by the Marketing institute with the Marketing Star Award, ”

Non-aviation revenue

Non-aviation revenue accounts for 61% of Group revenue.

At the end of the year the passenger terminal accommodated 14 stores and 9 different food service establishments operating in the passenger terminal. We continue to select our operators ourselves and keep a close eye who sells and what to make sure that the internal competition is under control.

On the other hand, we continue seeking new operators and goods that do not compete with existing ones and bring added value to passengers and additional revenue to both the operator and the airport. As compared to last year, the average spend per departing passenger in retail sales decreased by 30 cents that is mainly attributable to fewer flight operations in non-Schengen (incl. Russia, Egypt). In 2015, the average spend per departing passenger in retail sales was EUR 9.34. In general, the revenue in retail trade increased, along with the concession revenue of the airport in connection with new contracts. In food service, the average spend per departing passengers increased by 13 cents and in 2015 amounted to an average of EUR 2.83.

“ The Tallinn airport parking scheme was entered to the Clear Message 2015 contest and was one of the candidates for the award in the category of consumer images with a clear message. ”

Stakeholder groups

For us, the most important stakeholder groups of AS Tallinna Lennujaam are our customers, partners and companies operating on the airport territory, our employees and local authorities. It also includes all people living near or far who can be affected by our activities.

Passengers

For more than ten years we have been holding regular customer satisfaction surveys, and also our customer feedback system is functioning well. Through these two channels, customers directly contribute to developing our activities.

SERVING DISABLED PASSENGERS

The number of passengers with impaired mobility continues to increase and in 2015 grew by 10.5%. During the year we served 3,720 passengers with reduced mobility that is 352 passengers more than in 2014.

There are specially trained service personnel in Tallinn airport who assist passengers with reduced mobility. On our website we have extensive flight and other information to make one's flight is as convenient as possible. To assist disabled passengers who arrive at the terminal building outside the airport's opening hours we installed in our regional airports doorbells and information signs with a telephone number of the airport employee on duty. In passenger terminals we have installed in visible places information about the rights of passengers with special needs.

FEEDBACK

There is reason to be proud because the vast majority of feedback that we receive is positive. In most cases, customers provide feedback either through our website or by e-mail. This information is registered and all complaints get a response. In 2015, we received feedback from 49 passengers which is a good source of information in assessing passengers' needs and our development.

Passengers like the airport environment, its character and comfort, cleanliness, involvement of passengers (a wall for swapping business cards and the library), the children's playground and different food service establishments. Also the friendliness and good customer service of our employees is often praised.

Complaints have concerned parking, comparison of flight plans with real timetable, inconvenience when travelling (travelling with children, pets, baggage problems, flight cancellations) or security control procedures.

Since we updated our website at the end of 2015, most of the feedback that we received concerns the information on our website, its availability and accuracy.

We have received a lot of feedback about the maps of Tallinn that are being distributed in the airport. Since we were unable to find a map that would satisfy information needs of all our passengers, we made our own map.

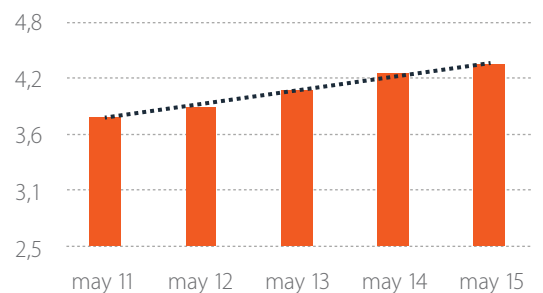
We are also committed to fighting unlicensed taxis and are happy to see that in this regard passengers have now much fewer questions and problems.

Another significant initiative that was based on the recommendations made by passengers was the decision to open a pharmacy that took place in 2015.

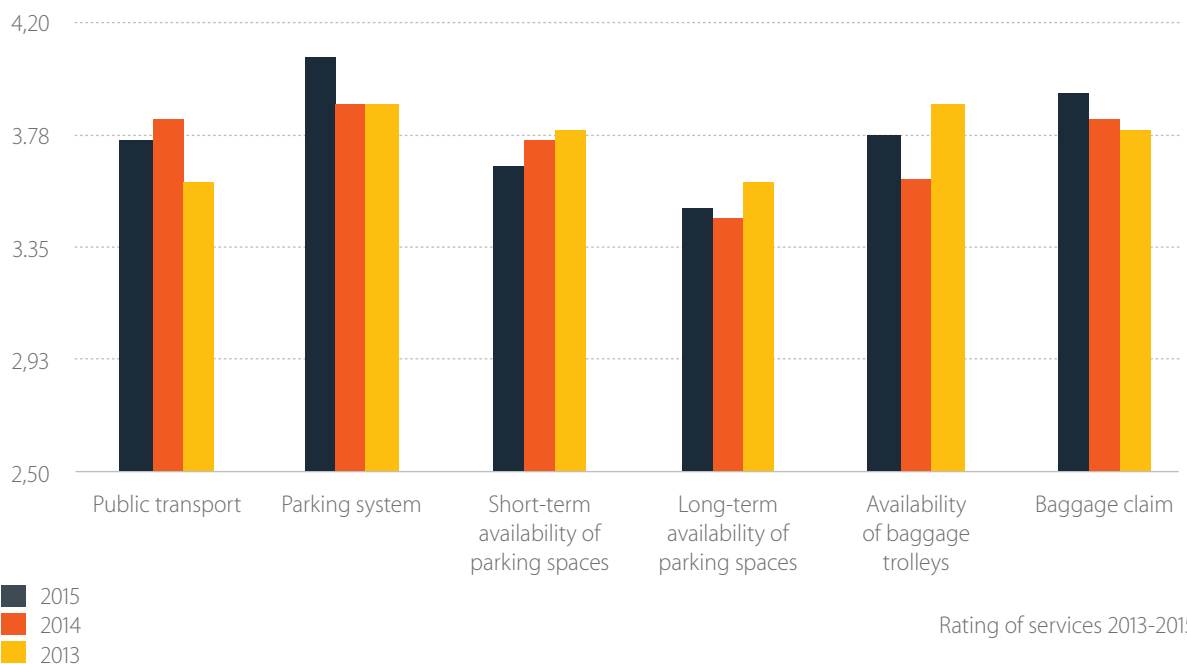
“ In the framework of cooperation with the Police and Border Guard Board, 11 volunteers who are employees of the airport community companies received the title of an assistant police officer and started to provide security in Tallinn airport. ”

PASSENGER SURVEY

To acquire an overview of passenger profiles and opinion, we conduct annual passenger surveys in Tallinn Airport that constantly show high ratings to airport services and the environment..



Rating of services 2011-2015



PASSENGER PROFILE

- Of passengers passing through Tallinn airport, more than half are Estonian citizens (ca 56%). Of them, more than half are women. Among foreigners, most travelers are men, but overall the gender division is almost equal: men make up 51% of passengers.
- Estonian is the mother tongue of 46% of passengers. The second largest language group is Russian that is spoken as mother tongue in average by 20% of passengers.
- While more than half of female passengers travel for holiday or visiting relatives or acquaintances, men travel overwhelmingly for business or professional purposes.
- By age, almost half of passengers are younger than 35 years of age and about 70% of passengers are younger than 45 years of age.
 - Among passengers aged 65+, the majority are holiday travelers. All younger age groups travel mainly for work. In average, 41% of passengers are here on business.
 - The typical passenger in Tallinn airport is a man 35-44 years of age, lives in Estonia, speaks Estonian, whose net income is between 1,001 and 2,000 euros a month and who travels mainly for business.
 - The next largest target group is women aged 25-34 who lives also in Estonia, speaks Estonian and earns between EUR 501 and 1,000 in net income a month. Their flight objective is holiday travel.



AIRPORT COMMUNITY

We have been engaged in improving the cohesion of airport community to support the positive image of the airport and to clarify the mutual goals to the employees of partnering companies. Airport community includes all employees working on the airport's territory. The number of such companies in 2015 was 89 and they employed almost 2,100 people. The role of Tallinn Airport is to manage communication between different partner companies and to increase the sense of community to emphasize each individual effort and responsibility in the big picture that is the airport's general image.

In communicating with the airport community we use an extranet platform that allows us to share information, give feedback and includes requirements and guidelines for operating on the airport territory. We have set up various committees and hold meetings at which we actively exchange information and discuss new initiatives and cooperation possibilities. For the fourth year, the Tallinn airport community organised a series of joint events "Best Together". This year's event was titled Airport Dream Team 2015 with a focus on big picture in communication that was attended by a record 14 teams from 11 companies.

CUSTOMER DATA PROTECTION

Since one of our operational risks is related to information security, the protection of customer data is of special importance for us. We provide this protection both with our internal rules and our data protection procedures as well as with our technical systems, special software and incident prevention systems. We have also put in place physical security measures, the key components of which include professional training of data processing personnel and regular security audits. Customer data related to passengers and other such information belongs to respective airlines and is strictly protected. We are prohibited to disclose such data.

For assessing the situation in our information security we commissioned "attack" tests to the information systems of Tallinn airport both in 2014 and 2015. The objective of these tests was to assess the capacity of potential attackers to gain access to the airport's critically-important information systems and equipment. The results of test attacks form the basis for planning further

technical solutions and for the review of internal procedures.

DIRECT AND INDIRECT ECONOMIC IMPACT

Tallinn airport has a profound economic impact on Tallinn and the whole of Estonia. Research shows that every 100,000 passengers that arrive in or depart from Tallinn airport add in average 134 jobs in the service area of the airport that in turn increases wage income and the volume of the domestic economy.

The total impact of air transport sector on the Estonian GDP was estimated to have been 3.2% in 2012 and amounted to EUR 538 million. This means that for 1.9 million air passengers, 2,816 jobs were created whose direct, indirect and consequential costs totalled EUR 230 million (based on the survey "Impact of passengers of Tallinn airport on the Estonian economy" compiled by Maris Lauri in 2013).

COOPERATION WITH UNIVERSITIES

In 2015, AS Tallinna Lennujaam was visited by 76 trainees who are studying environmental management, marketing and communication or visited the Company as part of general relationship development.

Our employees were co-instructors for final papers in two bachelor's studies and three master's studies and provided lectures on a number of specialist fields.

We also hosted three study visits in the framework of re-integrating people into the labour market that were attended by 34 people.

In 2015 we issued two scholarships of the Estonian Aviation Academy Fund under the Tartu Cultural Endowment Fund that were founded already in 2009. The objective is to motivate students of the Estonian Aviation Academy to acquire new knowledge and skills and find employment in the aviation. The scholarship is applicable for students who study aviation management or management of aviation communication and navigation systems. Scholarships were handed out at the aviation seminar hosted by the Estonian Aviation Academy.

AIRPORT ENVIRONMENT

Airport operations involve environmental impact which requires special attention. In particular, this

concerns water use and wastewater, air pollution and noise. These issues are covered in more detail in this report's chapter on the environment. In infrastructure development, local government units are involved through the approvals and permits process.

Two complaints have been submitted about noise. There have been no complaints for other factors such as environment, working conditions, discrimination, human rights, rules of free competition, social impact, customer privacy or adherence to law.

MEMBERSHIP

AS Tallinna Lennujaam is a member in the following organizations:

- Various committees of Airports Council International (ACI)
- Responsible Business Forum in Estonia
- Saaremaa Tourism Foundation
- Saaremaa Association of Entrepreneurs
- Estonian Employers' Confederation
- Estonian Taxpayers Association
- Estonian Chamber of Commerce and Industry
- Estonian Travel and Tourism Association
- Estonian Association for Environmental Management

Development

Tallinn airport air traffic area development project

The goal of the Tallinn Airport air traffic area development project is to improve the airport's environmental conditions and its infrastructure to ensure sustainable, environmentally friendly, safe and efficient operation.

The runway of Tallinn airport was most recently resurfaced 20 years ago and needs to be renovated.

The project sees the runway surface structure renewed and the runway itself lengthened to 3,480 metres. The navigation lighting system of the runway and the taxiway are swapped for more efficient LED-technology and higher category

navigation system is introduced (CAT III). East and South area water drainage systems are reconstructed and designated, snow melting area and snow melt water drainage and monitoring systems in compliance with the regulations will be constructed. Eastern part of the airport will also get a new de-icing area and an engine testing area in compliance with applicable regulations. Aircraft apron system will be improved, perimeter fence and patrol routes will be renewed, and runway maintenance equipment maneuvering-waiting area will be created.

Construction works on the runway impose certain restrictions on air traffic. In order to ensure that more critical works are completed in due time and that Tallinn airport is fully functional in 2018 when Estonia holds presidency of the EU, the construction works will be implemented in two phases: Phase 1 in 2016-2017 and the Phase 2 in 2019-2020.

The airport will be open during the construction work. The main focus during the construction will be on ensuring full aviation safety and smooth operation of the airport.

The Tallinn airport air traffic area development project is co-financed by the EU Cohesion Fund. Project guidelines are highlighted both in 2014-2020 measures of the Transport Development Plan and in the 2014-2020 operational programme the Cohesion Policy Fund. The project investment is included in the transport infrastructure development plan for the 2014-2020 period.

Key activities related to the preparation of the air traffic area development project in 2015:

- The project received permission for state aid by the European Commission.
- A resolution was made to approve the co-financing application that lays down the conditions for project funding and the amount of funding from the Cohesion Policy Fund 2014-2020 programme.
- We conducted international public procurement for finding a contractor and for commissioning the FIDIC engineering owner's supervision service.
- In 2015, we planned activities required for ensuring safe operation of air traffic and safe operation of the airfield during construction works both within our organization and in

cooperation with Estonian ANS and Civil Aviation Authority. We informed all airlines and airfield users that operate in Tallinn airport.

- In the summer 2015 we carried out preliminary archaeological surveys since the construction area of the runway and taxiways partly overlaps with the area that has worship stones and an ancient settlement place that are under national heritage protection. No archaeological finds were detected during the preliminary surveys.

Tallinn airport passenger terminal expansion project

In the framework of the project we will extend the passenger terminal to the south by 9 metres and bring 33 metres of façade forward. We will build a new pre-flight security control area that is spacious and complies with modern requirements. On the ground floor we will expand both the VIP area and the outgoing baggage handling area. Under the ramp we will build several office, storage and changing rooms.

Light rail link

For airport passengers, the convenience and traffic conditions will improve in the upcoming years even more because Tallinn will connect the passenger terminal of the Tallinn airport to a light rail line and open a public transport stop for light rail and buses. The new modern public transport hub will be connected to the passenger terminal by a gallery equipped with escalators. Construction works will start in the spring 2016 and the light rail line will be completed by the end of 2017. The construction project is being coordinated by Tallinna Linnatranspordi AS.

Parking building

To alleviate the current shortage of parking spaces and to provide passengers and our customers a more convenient parking service, in August 2015 we signed a contract with Ideab Project Eesti AS for designing a parking structure in front of the passenger terminal. The parkade will be on three levels, and accommodate about 1,200 cars and 150 taxis. The parkade will be completed at the end of 2017.

Painting hangar of AS Magnetic MRO

In order to create business opportunities for our partners, increase revenue from our commercial property and develop our business, at the end of

2015 we signed a memorandum of understanding with AS Magnetic MRO for building an aircraft painting hangar. The hangar will have the capacity to serve aircraft the size of up to Boeing 737 MAX9 and Airbus 321 neo. The construction works at the hangar will start in 2016 and the building will be completed in 2017.

Smaller developments

- We are completing indoor works in the airport activity centre. The surrounding territory was landscaped by our own employees in the voluntary campaign form.
- We renovated the 4 MW boiler and in 2016 plan to modernize the automation systems of the boiler house and upgrade pipelines and the water treatment facility.
- On the territory of Soodevahe village (gardening estate of former Dvigatel plant) we have started to prepare the land area that was transferred to us.
- We notably improved the convenience of use of the electronic workflow and safety management system PARRO that tenants and cooperation partners use to notify us of problems.
- In the area of arrivals in the passenger terminal we replaced old metal ceilings and installed new cost-efficient LED lighting.
- We installed electromagnetic water treatment equipment including a filtration system in the ventilation system of Passenger Terminal A for cleaning pipes, pumps and heaters of the ventilation system and for saving energy.



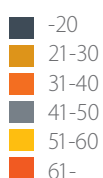
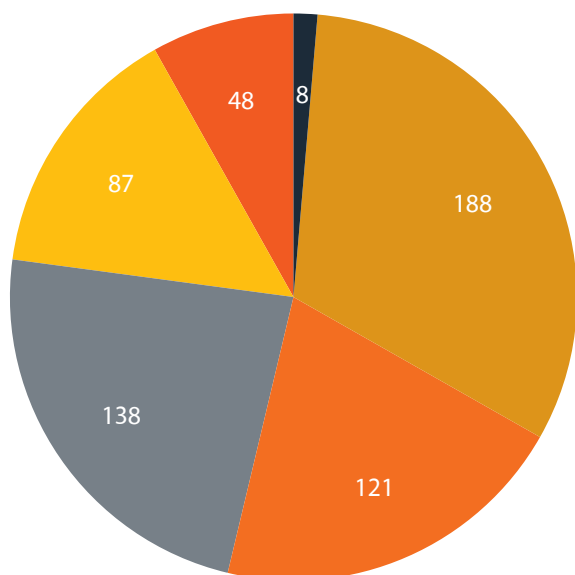


Employees and work environment

Customer-friendly and cosy airport, quality service, beneficial and responsible operation – these are values that we uphold and implement thanks to the employees of our company. Competent staff, rapid manning of vacancies, employee motivation and development are the main principles of our personnel strategy, with which we support the implementation of the company's business strategy and the business concept. The reputation of Tallinn Airport as an employer remains very good and according to the reputation survey of employers of students, we remain among Estonia's best 5 employers.

Group workforce

The company operates only in Estonia, in compliance with the laws applicable on Estonian labour force. All employees of regional airports hail from the same county.



Group workforce

BREAKDOWN OF EMPLOYEES BY AGE	
Employees	590
incl men	380
incl women	210
Management board	5
incl men	4
incl women	1
Employees on an unspecified-term contract	542
incl men	366
incl women	176
Employees on a specified-term contract	48
incl men	14
incl women	34
New employees	81
incl men	55
incl women	26

Work organization and employment relations

For improving our work environment we strengthen the cohesion of the airport community and offer various grants and benefits to our employees. We recognized the best with our Action of the Year 2015 Award and Operator of the Year 2015 Award.

We held the airport community month under the name "Best Together 2015" that was aimed to develop a common understanding, share values, build community spirit, promote the airport's image-building and involve partners in joint activities.

We have supported the activities of the airport's sports club, hosted education programmes, organized a Christmas party for the employees' children and handed out Christmas gifts. During the year, we hold various joint events for all employees such as the summer event, the New Year's party, celebration of the airport's anniversary on September 20 and motivational days for sub-units and divisions.

In employment relations we motivate our employees with the following incentives:

- fully-paid additional leave of 7 calendar days
- separate accounting and remuneration of work done outside schedule additional fee for assisting a colleague during basic work-time if the employee is certified as an instructor
- some units have paid lunch break
- taking into account study possibilities when drawing up work schedules for load and working time
- on request from employees returning from specified-term parental leave and students, implementation of part-time work

EMPLOYEE TURNOVER:	AS Tallinna Lennujaam	AS Tallinn Airport GH
average number of employees, 2015	350	220
total turnover	6,7%	16,4%
employees terminated for voluntary reasons	4,4%	12,3%
temporary employees	1,5%	2,5%

Benefits and incentives offered to employees:

- Free parking near the workplace in a guarded parking lot
- Childbirth benefit
- In case of death, support to employee or his or her next of kin
- Insuring employees against severe occupational accidents, including fatalities
- Provision of health inspection in a greater degree than required by law
- Partial reimbursement of cost of spectacles regardless of length of computer use
- Sports grant through SportID
- Acquisition of ergonomical aids and furniture, consulting and review of workplaces by an ergonomist
- Furnishing and equipping of leisure rooms
- Fixed compensation for uniforms, work clothes, footwear
- Supporting participation of reservists in training exercises. Employees called to reserve training are reimbursed part of their income that they would lose by participating in the training.

Average length of service	8,6 years
Number of trade union members in AS Tallinna Lennujaam	3
Number of trade union members in Tallinn Airport GH	13
Number of sickness days, including care days, pregnancy and maternity leave:	5,194
Number of employees returned from parental leave: (100% are women)	10

Employee development

The airport training centre continued to provide training courses on aviation security, air safety, first aid and fire safety to airport community companies. During the year, 95 training events conducted by an external trainer were held among the employees. Internal trainers conducted 387 guidance events.

In AS Tallinna Lennujaam, men attended training in 1,241 times and women in 489 times (72% of the company's employees are men). During the year, men received in average 27.9 hours of training while women underwent 27.1 hours of training.

The following subjects were in the focus in 2015:

- crisis management and crisis communication:
 - training courses and exercise in crisis communication
 - Aerodrome Emergency Planning training together with Ämari airbase
 - training of direct crisis interference of airport support persons (SAT team)
- guidance on fire safety, training of evacuation managers and exercise to all employees of companies of the community companies
- maintenance of competence of engineering technical personnel related to air navigation service, including developing the practice complying with EASA regulations in cooperation with the Civil Aviation Administration.

2015	1,4%
2014	2,0%
2013	2,0%
2012	1,8%

Share of training and development costs in the total wage expense

For promoting innovative and efficient functioning and for remaining informed of what is taking place in the aviation market, our employees participated in international specialized training courses and conferences.

The study and development activities of employees focused on maintaining sufficient competence of employees, efficient use of resources and creating study possibilities in the whole organization. In 2015, the share of training expense in the total wage expense was 1.4%.

Occupational safety

Occupational accidents in Tallinn airport 2 (2014: 0)

Occupational accidents in regional airports 0 (2014: 0)

Occupational accidents in Tallinn Airport GH 5 (2014: 1 major and 11 minor occupational accidents)

These were minor occupational accidents – falls, dislocations

CATEGORY	TOTAL NUMBER OF TRAINING HOURS	AVERAGE IN CATEGORY
Top executive	408	58
Manager	1,233	59
Top specialist	935	24
Specialist	1,292	34
Skilled employee	2,686	23
Customer service	2,575	24
Workers	302	23

Keskmiselt koolitustunde aastas töötaja kategooria kohta AS-is Tallinna Lennujaam



Overview of the environment

Environmental management

In our activities we turn great attention on environmental protection which is why our environmental objectives are also reflected in our strategy and long-term objectives. In accordance to the requirements of the ISO 14001 environmental management system certificate we have described environmental procedures and activities and documented the responsibilities of jobs.

In 2015 we approved the Company's environmental policy and environmental objectives, principles and development trends of AS Tallinna Lennujaam in the following areas: increasing of use of renewable energy, reduction of waste generation and increase of waste recycling, reduction of CO emissions and water use and promotion of Green Airport ideology.

The Company's internal control system is strongly linked to the environmental policy, and in the framework of the environmental management system, potential risk areas are regularly reviewed. There has been no environmental non-compliance, no fines or sanctions have been imposed. We carry out random inspection in the framework of the environmental management system also among partner companies of AS Tallinna Lennujaam that must meet all our requirements. Cooperation has been going smoothly and there have been no significant shortcomings. In terms of flights we support environmentally friendly landings to make sure that landings are smooth and use less fuel and create less noise.

Main activities related to airport operation that have possible negative environmental impact are:

- fuelling and fuel handling
- de-icing
- passenger and aircraft handling
- traffic of ground transport in the airfield
- maintenance and development activities performed on the airport territory

Main environmental impact is reflected in the use of resources, including energy and water consumption, air emissions, noise levels, quality of drainage water and waste generation.

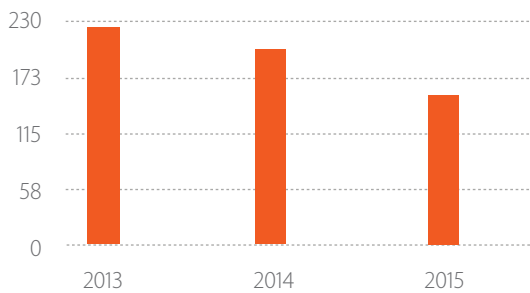
Environmental developments

The most important change in the management of environmental aspects was the development of the Company's environmental benchmark. The objective was to help airport employees and the management to better understand what are more significant environmental parameters and how and to what degree they influence our operating environment. This in turn enables to turn attention on problem areas and make justified investment decisions or environmental protection decisions. The benchmark developed in 2015 includes such significant environmental parameters as noise, drainage water quality, drinking water quality and ambient air quality.

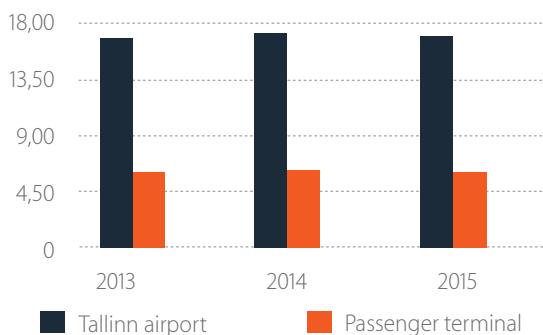
Environmental impact of transport

For airports, the most significant environmental impact is air traffic, but also land-based vehicle transport constitutes a fairly prominent source of pollution that affects both humans and nature. The most hazardous pollution component is emissions. In Tallinn airport the use of fuel decreased from 201 tons in 2014 to 153 tons. As fuel, land-based transport uses petrol and diesel as well as natural gas that is used by passenger buses. We prefer vehicles with diesel engines over those of petrol engines. For reducing the fuel consumption we replaced the diesel-powered passenger buses with buses operating on natural gas and diesel vehicles used in ground service with electric vehicles.

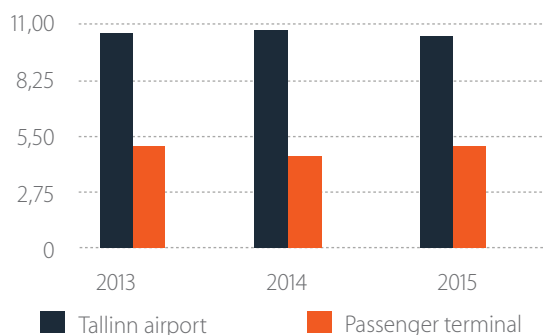
To promote environmentally friendly use of transport among employees in their commute to and



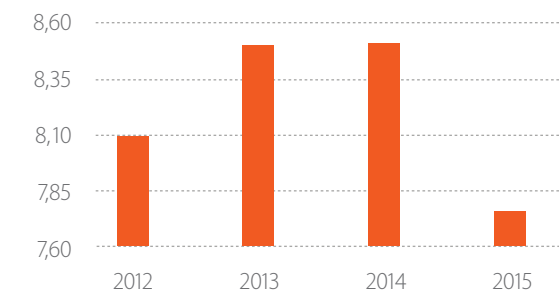
Use of fuel in ground transport in Tallinn airport 2013 – 2015 in tons



Total power consumption of Tallinn Airport and passenger terminal (GWh)



Own power consumption of Tallinn Airport and passenger terminal (GWh)



Power consumption per passenger in Tallinn airport kWh

from work, we opened a bicycle parking lot at the airport passenger terminal.

IMPACT OF AIR TRAFFIC ON LAKE ÜLEMISTE

AS Tallinna Vesi monitors constantly the water quality in Lake Ülemiste and water samples taken from the lake show that the level of products that emit in combustion of aircraft fuel is hundreds of times below the permitted levels.

For the Tallinn airport, maintaining readiness for water rescue is very significant. In order to be ready for a situation where there may be an aircraft accident on Lake Ülemiste, we cooperate with the Ülemiste water purification plant. Our rescue service organizes regular exercises on the lake and in 2015 we acquired larger rescue rafts. In May we organized a training event SPLASH 2015 on Lake Ülemiste.

Power consumption

The bigger consumers of electricity are mainly the passenger terminal of the Tallinn airport and the runway navigation and runway illumination system in the Tallinn airport. In 2015, electricity consumption in Tallinn airport fell from 17.1 GWh to 16.8 GWh.

Own power consumption decreased also on the whole territory from 10.81 GWh to 10.54 GWh, but increased in the passenger terminal from 4.55 GWh to 5.02 GWh. Our objective is to reduce power consumption in the Tallinn airport passenger terminal by 2% a year. At the same time we wish to make power consumption more environmentally friendly, increasing the consumption of renewable energy sources by a percentage point every year. By setting clear objectives in the field of energy consumption we lay a foundation for systematic and informed management of power consumption.

Water consumption

In 2015, Tallinn airport consumed 24,784 cbm of water from AS Tallinna Vesi which is 4% more than in 2014 (2014: 23,853 cbm). A similar trend is seen in own consumption. The growth in water consumption is related to warm winter with near-zero temperatures and prolonged chilly spring that forced us to de-ice paved surfaces and aircraft in a longer period than in 2014.

For reducing water consumption we are planning to take the following measures:

- urging airlines when ordering the de-icing service to use brushing which enables to reduce the consumption of de-icing liquid
- gradual replacement of premixing taps in the passenger terminal with touch-free taps.

Use of de-icing substances and wastewater

We use de-icing of paved surfaces to ensure that aircraft can safely take off, land and taxing and to ensure that aircraft can fly safely. In 2015, use of de-icing was smaller than in earlier years due to a warm autumn and winter.

Drainage water

The objective in discharging drainage water is to ensure that it is not released into Lake Ülemiste. As a reservoir of drinking water, the lake has a special status and is a sanitary protection area by law. Drainage water is not treated.

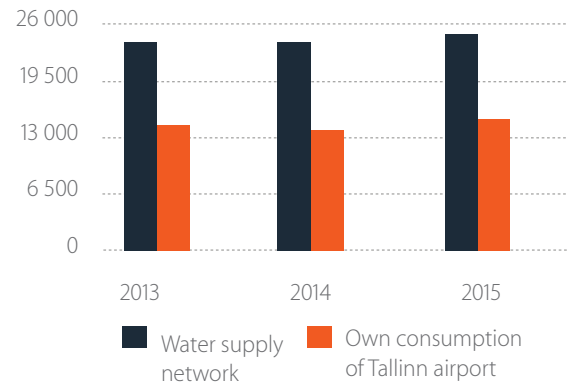
Inspection

For inspecting drainage water we commission sampling and sample analysis from the Centre of Environmental Studies. Until now drainage water has complied with the requirements, and has been found to contain no oil products or heavy metals. Starting from 2018 in connection with a new water abstraction permit, sampling will be conducted more frequently, 2-3 times a year.

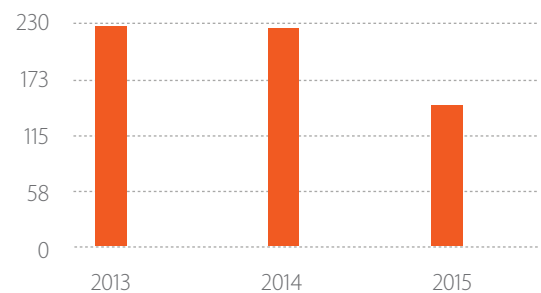
Drainage water is not directly analysed in regional airports since they use minimum de-icing and none of the receiving water bodies of any airport is under natural protection.

Chemical leaks

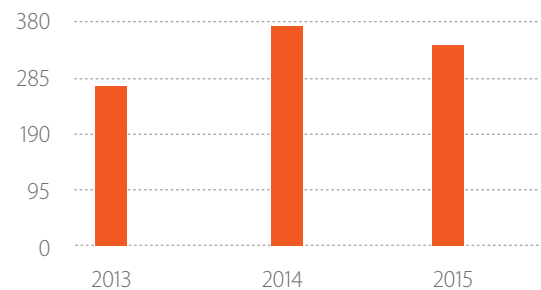
As compared to 2014, the number of chemical leaks in Tallinn airport went up by 8, increasing from 19 to 27. No chemical leaks were reported in regional airports in 2014.



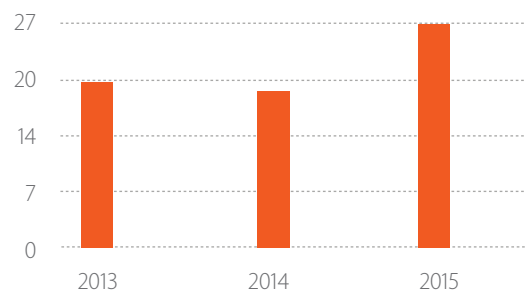
Water consumption in Tallinn airport 2013-2015 (cbm)



De-icing of aircraft in Tallinn airport in 2013-2015 (cbm)



De-icing of asphalt paved areas in Tallinn airport 2013-2015 (tonnes)



Number of chemicals leaks in Tallinn airport



Air pollution

We don't conduct direct measurement since in the vicinity of the airport there are industrial areas and busy highways that influence the quality of ambient air much more than the traffic of aircraft. On the basis of measurements made in earlier years, the higher concentration of NO_x is in the near vicinity of the airport, reaching to a maximum of 0.056 µg/cbm. At the same time this is 700 times lower than the maximum level permitted by the Ambient Air Act. According to the calculation, also the CO level is under control. In the environmental impact assessment drawn up in 2014 we found that Tallinn airport does not have significant negative impact on the air quality of the vicinity, especially considering that aircraft emissions are released in higher altitude and pressure. In the same assessment, the impact of boiler houses operating on natural gas (what we are calculating also annually) has been considered of little importance.

Greenhouse gases

We have started mapping the main sources of CO₂ emissions and assessing their volumes. In addition, we are calculating the CO₂ footprint for every business trip. The mapping is followed by creating measures for reducing CO₂ emissions.

We have joined the Airport Carbon Accreditation programme that will assist us further in this activity. In 2014 Tallinn airport was granted Level 1 of Airport Carbon Accreditation which includes, among others, comprehensive mapping of the airport's energy consumption and carbon emissions and identification of the carbon footprint.

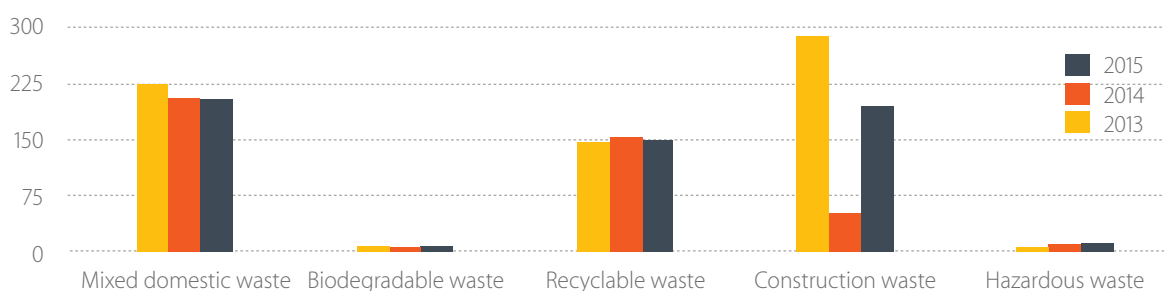
Waste

In 2015, Tallinn Airport generated a total of 622 tons of waste, of which 31% was construction waste, 33% was mixed domestic waste and 24% was recyclable waste. Hazardous waste and biodegradable waste make up 3% of the total quantity of waste.

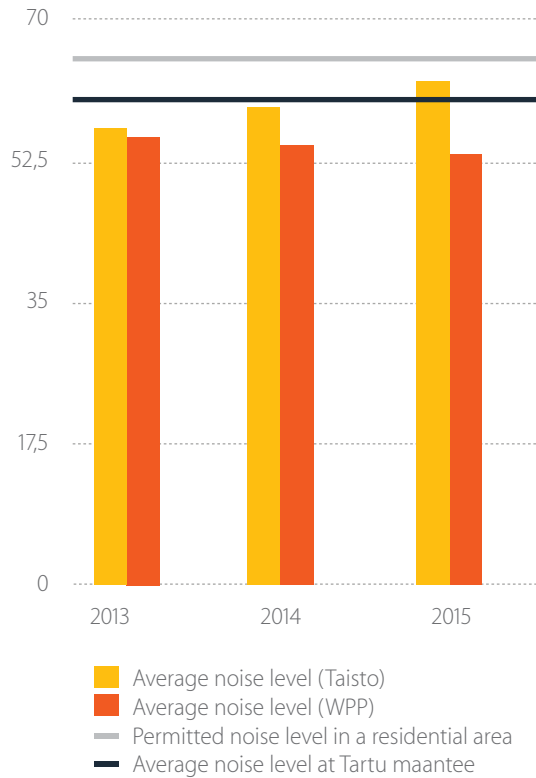
As compared to 2014, the total amount of waste in the airport has grown ca 200 tons. The growth was attributable to different construction activities. The objective of our waste handling is to keep decreasing the amount of mixed domestic waste and to increase the share of recyclable waste.

Noise

Tallinn airport is located 4 kilometres from central Tallinn which is why noise is an important issue for us. For monitoring the noise pollution, we use two permanently operating noise monitoring stations at a distance of 1 km that keep track and record the noise level. Noise-related customer complaints are handled and measures for reducing noise are developed in cooperation with the Civil Aviation Administration. In addition there is a mobile noise measurement station that monitors noise pollution in settlements near the airport. Noise level in the vicinity of Tallinn airport depends on the number of flight operations, but also in the type of aircraft that is being used. In 2015, the average daily noise level increased from 53.8 to 56.4 decibel (in comparison: the level of constant traffic noise coming from Tartu manatee at the airport is ca 65-70 db).



Quantities of waste by types in 2013-2015 in Tallinn airport (tons)



Average level of aircraft noise in the measuring stations of Waste Purification Plant and Taisto and the maximum permitted level in a housing area compared with the constant noise level of Tartu maantee (db)

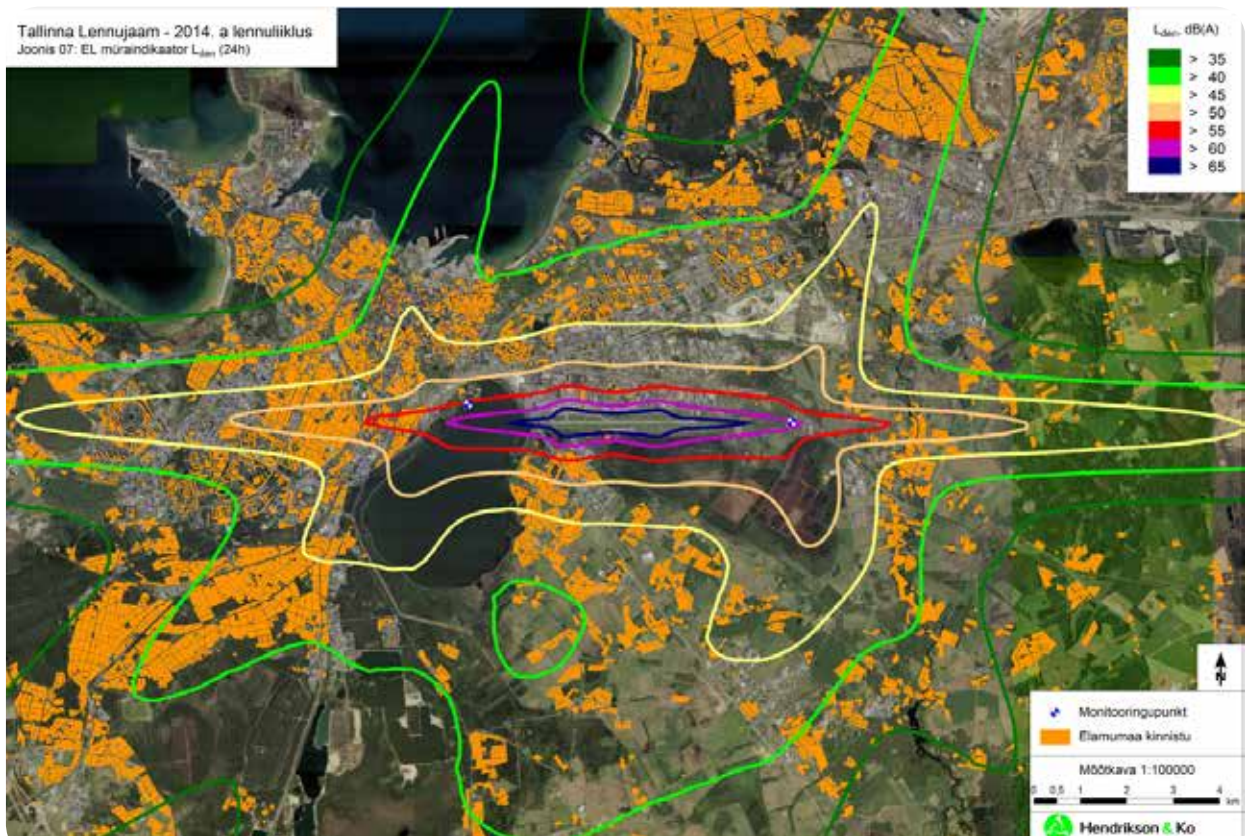
Average level of aircraft noise in the measuring stations of Waste Purification Plant and Taisto and the maximum permitted level in a housing area compared with the constant noise level of Tartu maantee

The drawing shows the noise indicator Lden representing the average noise level at night in the airport and its vicinity

Environmental aspects are observed also when directing air traffic and one noise reduction measure that is being used is route selection that aims to avoid flying over urban areas and residential buildings. This is also the reason why the average noise level in the Taisto noise measuring station increased in 2015.

The noise indicator Lden shown on the figure represents average daily noise level in the airport and in its vicinity.

On the basis of the environmental impact assessment, the noise level at night may be exceeded in case of a few residential buildings in the western shore of Lake Ülemiste in the territory of Central Tallinn.



Joonisel on toodud müraindikaator Lden, mis näitab keskmistatud ööpäevaringset mürataset lennujaamas ning selle ümber



The noise level may be notably higher when more powerful military or cargo planes land and take off, but they take place so rarely that in the opinion of authors of the assessment, they don't play a significant role in the general noise situation. In 2015, two noise complaints were filed.

Bio-diversity

The closest protection areas that must be kept in mind include the Pirita River – Pirita nature protection area, Pirita river preservation area and the protection area of the Pirita river valley. Because of sufficient distance from the airport (at least 3.4 km), they are not subject to significant direct impact. Direct impact can occur only through impact on the water environment.

By ensuring the compliance to the requirements of the water channeled to the receiving water body, taking into consideration the self-purification capacity of the Soodevahe main drainage ditch and the considerable dilution coefficient of water when reaching the Pirita river, we are able to prevent damaging bio-diversity. It is not likely that this can significantly affect the water quality in the Pirita river and, through this, affect protection areas. The results of lab samples taken from the ground did not exceed the levels permitted by law.

A look into the future

Bank of Estonia forecasts that the Estonian economy will grow 2% in 2016. The period 2016-2022 will be characterized by modest economic growth, low inflation, low interest rates and rapid decrease of employable population as well as rapid growth of labour costs of 5-7% a year. Low economic growth means that the number of passengers and revenue will increase in the same proportion. At the same time services related to workforce and labour costs will grow notably faster.

Competition in aviation is very tough and the pressure on already low airport fees remains very strong. Therefore, we are not able to increase airport fees notably to cover our growing costs. Key challenges facing us in the coming years are efficiency in operations without jeopardizing safety and security and finding additional revenue sources.

In connection with the liquidation of the flagship Estonian Air we do not expect to see a decrease of the number of flight operations and passengers. Competition between SAS and Nordic Aviation group on the same routes is likely to increase the number of passengers as it is increasing supply.

SWOT analysis 2016

INTERNAL ENVIRONMENT

Strengths

- Distribution of portfolio of airlines
- Share of non-flight revenue from total revenue
- Staff turnover of commercially valuable staff is low
- Company's reputation supports recruitment
- Business-oriented company culture
- Strong investment capacity

Weaknesses

- Non-existent growth of low-cost carriers
- Long recruitment period
- Wages below Tallinn average
- High fixed costs typical for the sector
- Volatility of investments peaking at the end of 2017

EXTERNAL ENVIRONMENT

Opportunities

- New destinations and competition between airlines
- Low level of loan interests
- Development of state-owned airline

Risks

- Faster-than-planned rise in labour costs
- Unemployment
- European economic development

In the period until 2030, the demand in aviation will be influenced by:

- Passenger experience (security, costs of air travel vs. alternative travel modes, development of low-cost and classical carrier models)
- Development of technology (direct: security technology, rules for using airspace; indirect: communication technology)
- Economic development (growth in disposal income, demographics, technical development, fuel prices)
- Ecological environment
- Government policy

Strategy

In planning its operations, AS Tallinna Lennujaam follows the strategic objective approved by the owner to maintain and increase air traffic (including regional airports) in an efficient, profitable, sustainable and responsible manner.

Depending on the expectations of target groups we have identified three focuses:

1. The world's cosiest airport – we care about the passenger, customer, employee, community, each other and Estonia. We prefer smart solutions. Everything and everybody is important!
2. Quality of services – we are reliable. Our objective is to fulfil our commitments, seamless customer service and efficiency.





3. Sustainable enterprise – profitability through cooperation; investments at the right time in the right volume and with suitable return periods; conservation of natural environmental and increase of non-aviation revenue.

The Company's strategic objectives are:

- Profitability
- Increasing the number of destinations and frequency of air connections
- High approval of customers on airport services (passenger, business customer, employee, community)
- Safe and secure airport services
- Reduction of the ecological footprint of airfield services
- Sustainable air traffic service

Forecast for economic and financial indicators

TALLINN AIRPORT

For 2016-2000 we have prepared different scenarios for the aviation sector. According to our main scenario, the number of passengers will increase 0.6% in 2016 to 2.180 million passengers. The projection of growth in passenger numbers is based on the ongoing re-division of the market that may bring about rapid growth, but also stagnation.

REGIONAL AIRPORTS

The budget for 2016 estimates that regional airports serve a total of 49,541 passengers in 2016 or 3% more than in 2015. The number of passengers

in the airports of Kuressaare, Kärdla and Pärnu will remain stable and not grow significantly. The growth of passenger number on the Tartu line is linked to the reliable flight schedule of Finnair.

In comparison with 2015 we forecast that sales revenue will increase from EUR 33.8 million to EUR 34.6 million in 2016, i.e. 2%. Aviation revenue is expected to grow by 0.5%, due to the modest growth in the number of passengers (2016: 2,180,006; 2015: 2,166,820). Non-aviation revenue is forecast to grow 3%. Growth will come mainly from the planned revenue growth in Tallinn Airport GH for ground handling of passengers and aircraft. Concession revenue and car parking revenue will grow in relation to the growth in the number of passengers. The budget for other operating revenue is 2% lower than the actual revenue in 2015. Government grants for covering security and rescue expenses will remain at the same level of EUR 4.1 million as in 2015 and this also applies on government grants for regional airports in the amount of EUR 1.6 million. The Group's total operating revenue is expected to grow only 1.3%.

Expenses are forecast to grow from EUR 38.2 million to 39.1 million, or by 2.4%. Labour expenses are forecast to grow by 8%. The Group forecasts that its profit will be EUR 4.3 million.

In the period 2016-2022 the Group plans to invest a total of EUR 127.4 million, including EUR 40.8 million in 2016. The most significant investment is the development project in the air traffic area of the Tallinn airport. We plan to start building a parking building and expand the southern section of the passenger terminal.

Group's key sales and financial forecasts

		2016	2015	Change (%)
LENNART MERI TALLINN AIRPORT				
Passengers		2,180,006,,	2,166,820	1%
Flight operations	qty	41,714,,	41,513	0%
Cargo volume	tons	16,156,,	16,156	0%
TOTAL REGIONAL AIRPORT				
Passengers		49,541,,	48,096	3%
Flight operations	qty	9,636,,	10,856	-11%
GROUP				
	thousand EUR			
Sales revenue		34,606,,	33,829	2%
incl. aviation revenue		13,215,,	13,155	0%
incl. non-aviation revenue		21,391,,	20,673	3%
Other income		9,547,,	9,748	-2%
incl. government grants for assets		3,765,,	3,783	0%
incl. government grants for security and rescue expenses		4,135,,	4,135	0%
incl. government grants for regional airports		1,615,,	1,615	0%
incl. other income		,33,,	215	-85%
Operating profit before depreciation*		12,001,,	12,330	-3%
Net profit		4,268,,	5,153	-17%
Cash flows from main activity		10,999,,	12,390	-11%
Investments		40,806,,	2,610	1,463%
Assets (year-end)		165,308,,	142,632	16%
Assets excluding government grants* (year-end)		105,640,,	91,861	15%
Equity (year-end)		70,598,,	65,635	8%
Borrowing (year-end)		32,792,,	21,453	53%
Equity/assets (year-end)*	%	67	71	
Debt/operating profit before depreciation *		2,7,,	1,7	
Employees (absolute number)		590	590	0%

* excluding government grants for property, plant and equipment

About the report

This annual report presents the operations for the whole 2015, is prepared annually and is a follow-up to the annual report 2014.

Principles of preparing this report

This report of the financial year is an integrated annual report for sustainability and social responsibility, Code of Good Governance and financial statements. The section on sustainability and social responsibility is based on the Sustainability Reporting Guideline G4 published by Global Reporting Initiative (GRI). The report was prepared by an independent expert of the Responsible Business Forum in Estonia in cooperation with the Company's management and sectoral specialists.

The GRI Guideline provides for a choice between "core" and "comprehensive" levels depending on the level of details of the report. Considering that in global comparison the Company's size and scope of operations is small, presence of potential risks in the Company's business and the context of Estonia's legal and operational standards, the most suitable option for the Company is "core" level that includes data about the Company's profile, management type and key performance indicators.

Impact points were identified and their scope was determined through interviews held with the Company's employees and management, analysis of available literature, data and media, monitoring visits and expert assessments. The most significant basis for describing and assessing performance indicators are based on the views of the Company's employees and management, documented data and aspects of the GRI guideline that are grouped and presented on a graph of assessment of key performance indicators. Significant was determined on the basis of interviews with the Company's employees and management and the opinion of an external expert from the viewpoint of stakeholder groups. We consider as our stakeholders our customers, partners and companies that operate on the territory of the airport, local governments and neighbouring residents. A more detailed description of stakeholder groups is provided in the section on the Company's operations. In assessing significance, also the legislation and law abidance of the society can reduce the significance of the issue for the Company, and vice versa.



Key performance indicators

For preparing this report, at least one indicator per aspect was selected from every category in order to cover the whole scope of possible impact. The only exceptions are some indicators for which there are yet no data or that the company assesses to be irrelevant, without compromising the integrity of the report and compliance to the guideline.

GRI content index

Please find below reference to data in the annual report disclosed in accordance with the GRI guidelines

GRI CONTENT INDEX

Indicator		Page number	Internal or external impact on the Company
GENERAL			
STRATEGY AND PROFILE			
G4-1	Statement of the management board	7	Both
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	8	Internal
G4-4	Primary brands, products, and/or services	8	Internal
G4-5	Location of organization's headquarters	8	Internal
G4-6	Countries where the organization operates	41	Internal
G4-7	Nature of ownership and legal form	8	Internal
G4-8	Markets served	8; 25	External
G4-9	Scale of the reporting organization	8; 9	Internal
G4-10	Structure of the labour force	41	Internal
G4-11	Percentage of total employees covered by collective bargaining agreements	42	Internal
G4-12	The organization's supply chain	20; 34	External
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	10; 15	Internal
G4-14	Precautionary approach or principle, which is addressed by the organization	11; 18	Both
G4-15	Externally developed charters, principles, or other initiatives to which the organization subscribes or which it endorses	11; 19; 34; 46	External
G4-16	Memberships	38	External
SCOPE AND PROFILE OF REPORT			
G4-17	Structure of the organization	14	Internal
G4-18	Process for defining the report content	54	Both
G4-19	Material Aspect Boundary of the report within the organization	54-59	Both

Indicator		Page number	Internal or external impact on the Company
G4-20	Aspect Boundary of the report within the organization	55-59	Internal
G4-21	Aspect Boundary of the report outside the organization	55-59	External
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	54	Internal
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	54	Internal
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged by the organization	35-38	Both
G4-25	Basis for identification and selection of stakeholders with whom to engage	35	Both
G4-26	The organization's approach to stakeholder engagement	35; 37	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	35-38	
REPORT PROFILE			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	54	Internal
G4-29	Date of most recent previous report	54	Internal
G4-30	Reporting cycle	54	Internal
G4-31	Contact point for questions regarding the report or its contents	107	Internal
G4-32	GRI Content Index	55	Internal
G4-33	Audit of the report	54; 103	External
GOVERNANCE			
G4-34	Governance structure of the organization	14-17	Internal
ETHICS			
G4-56	The organization's strategy, values and ethics	11; 12; 17; 20	Internal
ECONOMIC PERFORMANCE MEASUREMENT			
ECONOMIC PERFORMANCE			
G4-EC1	Direct economic value generated and distributed	37	Both
MARKET PRESENCE			
G4-EC6	Local labour recruitment	41	Internal
G4-AO1	Number of passengers	26	Both
G4-AO2	Number of flights	26	Both
G4-AO3	Cargo volume	27	Both
INDIRECT ECONOMIC IMPACT			
G4-EC7	Infrastructure investments	37-39	Internal

Indicator		Page number	Internal or external impact on the Company
PROCUREMENT PRACTICES			
G4-EC9	Proportion of spending on local suppliers	34; 41	Both
ENVIRONMENTAL			
MATERIALS			
G4-EN2	Percentage of materials used that are recycled input materials	48	Internal
ENERGY			
G4-EN3	Energy consumption within the organization	46	Internal
G4-EN4	Indirect energy consumption	46	External
G4-EN5	Energy intensity	46	Internal
G4-EN6	Reduction of energy consumption	46	Internal
WATER			
G4-EN8	Total water withdrawal by source	47	Internal
G4-EN9	Water sources significantly affected by withdrawal of water	47	External
G4-EN10	Percentage and total volume of water recycled and reused	47	Internal
G4-AO4	Quality of drainage water	47	Both
BIODIVERSITY			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas	50	External
G4-EN12	Description of significant impacts on biodiversity in protected areas and nearby areas	50	External
EMMISSIONS			
G4-AO5	Quality of air	48	External
EFFLUENTS AND WASTE			
G4-EN22	Total water discharge by quality and destination	47	Both
G4-EN23	Total weight of waste	48	Both
G4-EN24	Total volume of significant spills	48	Both
G4-EN25	Transport of hazardous wastes	48	Both
G4-EN26	Impact of wastewater on biodiversity	50	External
G4-AO6	Use of de-icing substances	47	Internal
PRODUCTS AND SERVICES			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	45	Both
COMPLIANCE			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	45	Both

Indicator		Page number	Internal or external impact on the Company
TRANSPORT			
G4-EN30	Toodete ning muude organisatsiooni tegevuseks vajalike kaupade ja materjalide ning töötajate transportimise oluline keskkonnamõju	45	Internal
NOISE			
G4-AO7	Number and percentage change of people residing in the direct vicinity of the airport	50	External
SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-EN32	Screening of new suppliers using environmental criteria	20	External
G4-EN33	Environmental impacts in the supply chain	45	External
ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-EN34	Grievances about environmental impacts	38; 50	External
SOCIAL			
EMPLOYMENT			
G4-LA1	Employee turnover	41	Internal
G4-LA3	Parental leave	42	Internal
LABOUR - MANAGEMENT RELATIONS			
G4-LA4	Minimum notice period(s) regarding significant operational changes	41	Internal
OCCUPATIONAL HEALTH AND SAFETY			
G4-LA5	Workforce representation in health and safety committees	17	Internal
G4-LA6	njuries, occupational diseases and work-related accidents	43	Internal
TRAINING AND EDUCATION			
G4-LA9	Training and education	43	Internal
G4-LA11	Performance and career development reviews	41	Internal
DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA12	Composition of governance bodies and breakdown of employees	41	Internal
SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
G4-LA15	Impacts on labor practices in the supply chain	20	External
LABOR PRACTICES GRIEVANCE MECHANISMS			
G4-LA16	Grievances about labor practices	38	Internal
HUMAN RIGHTS			
NON-DISCRIMINATION			
G4-HR3	Incidents of discrimination and actions taken	38	Internal

Indicator		Page number	Internal or external impact on the Company
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
G4-HR4	iolation of the right to exercise freedom of association or collective bargaining	38	Internal
SUPPLIER HUMAN RIGHTS ASSESSMENTS			
G4-HR11	Human rights impacts in the supply chain	20	External
HUMAN RIGHTS GRIEVANCE MECHANISM			
G4-HR12	Number of grievances related to human rights filed	38	Internal
SOCIETY			
LOCAL COMMUNITIES			
G4-SO2	Operations with significant potential or actual negative impacts on local communities	38; 39; 45	External
ANTI-CORRUPTION			
G4-SO3	Business units analyzed for risks related to corruption	20	Internal
G4-SO5	Actions taken in response to incidents of corruption	20	Internal
ANTI-COMPETITIVE BEHAVIOR			
G4-SO7	Legal actions for anti-competitive behavior	20	Both
COMPLIANCE			
G4-SO8	Penalties for non-compliance with laws and regulations	38; 45	Both
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-SO10	Impacts on society in the supply chain	20	External
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-SO11	Grievances related to impacts on society	38	External
PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
G4-PR1	Health and safety impacts during product life cycle stages	31	Both
G4-AO9	Total annual number of bird strikes	32	Both
PRODUCT AND SERVICE LABELING			
G4-PR5	Results of surveys measuring customer satisfaction	35; 36	Internal
CUSTOMER PRIVACY			
G4-PR8	Complaints regarding breaches of customer privacy and losses of customer data	38	Internal
COMPLIANCE			
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	38	Both



2015. Consolidated financial statements

General information

The Group operates Lennart Meri Tallinn Airport, Kärdla Airport, Kuressaare Airport, Tartu Airport, Pärnu Airport, Ruhnu Airfield and Kihnu Airfield in the Republic of Estonia.

The Group's main activity is operation and development of airports, and provision of ground handling services for aircraft and passengers. The Group employed 590 people on average in 2015 (2014: 576).

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

AS Tallinna Lennujaam

Business name: AS Tallinna Lennujaam

Commercial registry number: 10349560

Legal address: Lennujaama tee 12
11101 Tallinn
Republic of Estonia

Phone: +372 6 058 701

Fax: +372 6 058 333

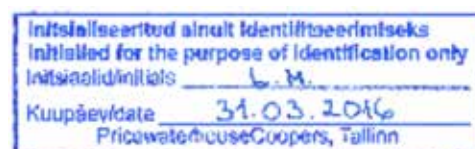
E-mail: administration@tll.aero
www.tallinn-airport.ee

Auditor: AS PricewaterhouseCoopers

Beginning of financial year: 01.01.2015

End of financial year: 31.12.2015

Consolidated financial statements



Consolidated statement of financial position

in EUR thousand	Note	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	Note 5	105,269	111,483
Intangible assets	Note 6	143	213
Investment property	Note 7	18,633	19,775
TOTAL NON-CURRENT ASSETS		124,045	131,471
CURRENT ASSETS			
Inventories	Note 9	253	205
Receivables and prepayments	Note 10	3,188	3,915
Cash	Note 12	15,145	9,749
TOTAL CURRENT ASSETS		18,586	13,869
TOTAL ASSETS		142,632	145,340
EQUITY			
	Note 20		
Share capital		25,095	24,361
Statutory reserve capital		2,436	2,436
Retained earnings		38,104	32,951
TOTAL EQUITY		65,635	59,748
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	Note 13	16,806	21,361
Government grants	Note 15	50,771	54,554
Derivative instruments	Note 16	231	491
Other payables		41	41
TOTAL NON-CURRENT LIABILITIES		67,848	76,446
CURRENT LIABILITIES			
Borrowings	Note 13	4,648	4,687
Payables and prepayments	Note 17	4,501	4,459
TOTAL CURRENT LIABILITIES		9,148	9,146
TOTAL LIABILITIES		76,997	85,592
TOTAL LIABILITIES AND EQUITY		142,632	145,340

The notes to the financial statements presented on pages 63-102 form an integral part of the consolidated financial statements



Consolidated statement of comprehensive income

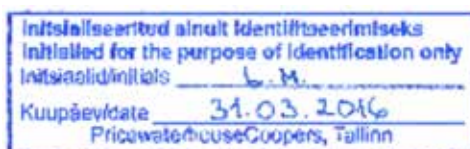
in EUR thousand	Note	2015	2014
Revenue	Note 21	33,828	31,918
Other income	Note 22	9,748	10,282
Goods, materials and services	Note 23	-11,073	-11,442
Other operating expenses	Note 24	-1,855	-1,320
Staff costs	Note 25	-14,463	-13,380
Depreciation, amortisation and impairment	Note 5, 6, 7	-10,764	-10,887
Other expenses		-73	-66
OPERATING PROFIT		5,348	5,106
Finance income and costs	Note 26	-196	-237
NET PROFIT FOR THE YEAR		5,153	4,869
COMPREHENSIVE INCOME FOR THE YEAR		5,153	4,869

Initsiaalidearitud ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initialed _____ L.M.
 Kuupäev/date _____ 31.03.2016
 PricewaterhouseCoopers, Tallinn

Consolidated statement of cash flows

in EUR thousand	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		35,652	33,792
Payments to suppliers and employees		-28,549	-28,977
Interest received	Note 26	6	5
Interest paid		-501	-670
Government grants received from state budget	Note 15	5,750	6,363
Other grants related to income received	Note 15	32	32
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		12,390	10,545
CASH FLOWS FROM INVESTING ACTIVITIES			
Paid for acquisition of intangible assets, property, plant and equipment and investment property	Note 5,6,7	-2,610	-5,952
Proceeds from sale of property, plant and equipment	Note 5	171	15
Government grants received for non-current assets		0	42
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		-2,439	-5,894
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings	Note 13	-4,556	-4 556
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-4,556	-4,556
NET CASH FLOWS		5,396	95
Cash and cash equivalents at beginning of the period		9,749	9,654
Cash and cash equivalents at end of the period		15,145	9,749
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	NOTE 12	5,396	95

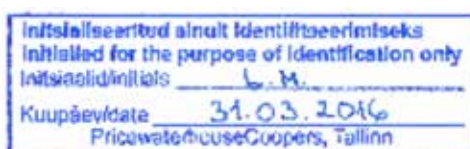
Informatsioon 2015. aastal toimunud mitterahalise sissemake kohta on avaldatud Notedes 5 ja 20.



Consolidated statement of changes in equity

in EUR thousand	Share capital	Statutory reserve capital	Retained earnings	Total
BALANCE AS AT 31.12.2013	24,361	2,436	28,082	54,879
Comprehensive income for 2014	0	0	4,869	4,869
BALANCE AS AT 31.12.2014	24,361	2,436	32,951	59,748
Increase of share capital by non-monetary contribution	Note 5 735	0	0	735
Comprehensive income for 2015	0	0	5,153	5,153
BALANCE AS AT 31.12.2015	25 095	2,436	38,104	65,635

More detailed information about share capital is disclosed in Note 20.



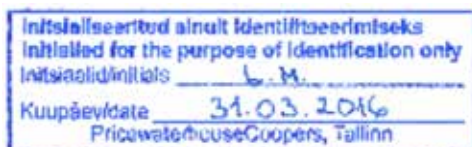
Notes to the consolidated financial statements

Note 1. General information

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

The consolidated financial statements of AS Tallinna Lennujaam Group for the year ended 31 December 2015 comprise 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 31 March 2016.



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 (incl. derivative instruments) carried at fair value through profit or loss. Certain accounting estimates have been used for preparation of the consolidated financial statements, as well as management judgement has been used to apply several accounting and reporting principles. The areas in which the accounting estimates and assumptions have had the greatest effect on the information presented in the financial statements are disclosed in the consolidated financial statement in Note 4. The consolidated financial statements of the Group are presented in thousands of euros, if not indicated otherwise.

(B) CHANGES IN ACCOUNTING AND DISCLOSURE POLICIES

ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

There are no new or revised standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2015 that would be expected to have a material impact to the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2016, and which the Group has not early adopted:

Disclosure Initiative – Amendments to IAS 1 effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU); the amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Amendments in IAS 1 may change the presentation of information in the financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU); the amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group has not yet decided whether to adopt the amendments.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The new standard is expected to have a not material impact to the Group.

Disclosure Initiative - Amendments to IAS 7 (effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The amendment may change the presentation of information in the financial statements.

IFRS 16, Leases effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The new standard has an impact on the disclosure of operating lease expenses, lease assets and lease liabilities in the financial statements.

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

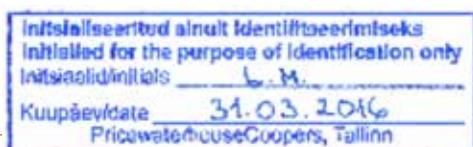
(C) PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

PRINCIPLES OF CONSOLIDATION

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

SUBSIDIARIES

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 29).

(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 balance sheet

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 balance sheet date or the Group does not have an unconditional right to defer payment for the liability for later than 12 months after the balance sheet date.

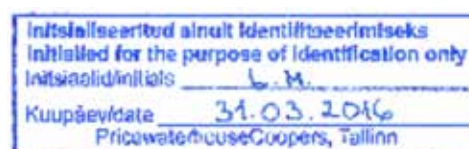
Borrowings that are due within 12 months after the balance sheet date, but that are refinanced as long-term after the balance sheet date but before the annual report is authorised for issue, are also recognised as short-term. Also, borrowings are classified as short-term if at the balance sheet date,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

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

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible assets, that are used for rendering of services or for administrative purposes and that are expected to be used during more than one year.

Property, plant and equipment are carried in the statement of financial position at historical cost less accumulated depreciation and any impairment losses.



COST

- Property, plant and equipment initially is recognised at cost which comprises its purchase price and any costs directly attributable to its acquisition.
- The cost of a self-constructed assets is comprised of location preparation, material and labour expenses.

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

DEPRECIATION

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

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

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

ASSESSMENT OF USEFUL LIVES OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT

The useful lives of items of property, plant and equipment are determined on the basis of man-

agement 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	50 years
Buildings	5 – 50 years
Other facilities (sewerage and other utility lines)	10 – 25 years
Small facilities (hangars)	2 – 7 years

MACHINERY AND EQUIPMENT:

Miscellaneous systems	3 – 20 years
Runway maintenance machinery and equipment	6 – 10 years
Other machinery	2 – 15 years

OTHER FIXTURES, TOOLS, FITTINGS:

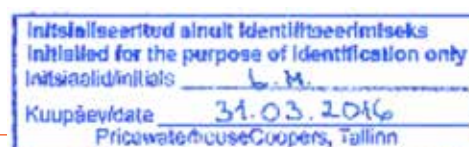
Furniture and fixtures at terminals	2 – 10 years
Computers and network equipment	3 – 5 years
Other assets	3 – 10 years

SUBSEQUENT EXPENDITURES

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

DERECOGNITION

Items of property, plant and equipment are derecognised on date of sale, on disposal or



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

PAIRMENT 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:

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

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

(H) INVESTMENT PROPERTY

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

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

The useful life of investment property used at the Group (building) is 20-50 years.

HANGARS:

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

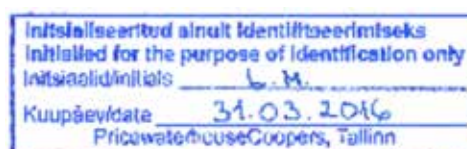
OFFICE COMPLEX:

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

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

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

On balance sheet 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 balance sheet 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 am-

ortisation 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

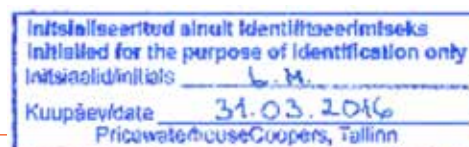
Financial assets are classified on the basis of the objective for which they were acquired. The Management Board determines the category of a financial asset at its initial recognition.

The financial assets of the Group have been classified in the following categories:

- **Financial assets at fair value through profit or loss.** Financial assets at fair value through profit or loss are financial assets acquired for the purpose of trading which are intended to be sold in the near future. Derivative instruments are also recognised at fair value through profit or loss except for those derivative instruments which have been designed and are effective as hedging instruments. All assets in this category are included within current assets in the statement of financial position, except for those derivative instruments whose due date is later than 12 months.
- **Loans and receivables.** Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Loans and receivables are included within current assets except for those loans and receivables whose due date is later than 12 months as at the end of the reporting period. In this case, they are included within non-current assets. The following financial assets are included within the category of loans and receivables: Cash and cash equivalents, Deposits held at banks with maturities greater than 3 months, Trade and other receivables.

RECOGNITION AND MEASUREMENT

Purchases and sales of financial assets which are concluded at regular market conditions are recognised or derecognised using settlement date accounting. Financial assets not recognised at fair value through profit or loss are initially recognised at fair value, including transaction costs.



Financial assets recognised at fair value through profit or loss are initially recognised at fair value and the transaction costs attributable to the acquisition are charged to expenses in the statement of comprehensive income. The Group derecognises financial assets when the contractual rights to the cash flows attributable to the financial asset expire or are transferred, and most of the risk and rewards relating to the financial asset are also transferred. Financial assets at fair value through profit of loss and available-for-sale financial assets are subsequently measured at fair value. Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses on revaluation of financial assets recognised at fair value through profit or loss are carried in the statement of comprehensive income line Finance income and costs in the period in which they are incurred. Interest income on available-for-sale financial assets, loans and receivables are carried in the statement of comprehensive income line Finance income. In the reporting period and the previous period, the Group has not earned any interest or dividend income on financial assets recognised at fair value through profit or loss.

Gains and losses on fair value adjustments of available-for-sale financial assets are included within other comprehensive income.

(K) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets recognised at amortised cost. At the end of each reporting period it is assessed whether there is any objective evidence of impairment of a financial asset or a group of financial assets. A financial asset and a group of financial assets is impaired and impairment losses are incurred then and only then when one or several events (loss events) have occurred after the initial recognition of the asset and this loss event (or events) will impact the estimated future cash flows attributable to the financial asset or a group of financial assets which can be determined reliably.

The circumstances indicating an impairment loss may include bankruptcy or major financial difficulties of the debtor or a group of debtors, their inability to make payments or insolvency with regard to interest or principal payments, a probability of bankruptcy or financial reorganisation,

and a considerable decrease in future cash flows which can be assumed on the basis of available information, such as changes in payables or economic conditions related to non-fulfilment of obligations.

For the category of loans and receivables, the impairment loss is the difference between the carrying amount of assets and the present value of future estimated cash flows (other than future credit losses not yet incurred), discounted at the initial effective interest rate of the financial asset. The carrying amount of the financial asset is reduced and the resulting loss is charged to the statement of comprehensive income. If a loan or an available-for-sale financial asset has a variable interest rate, the effective interest rate as specified in the agreement is used to determine the impairment loss.

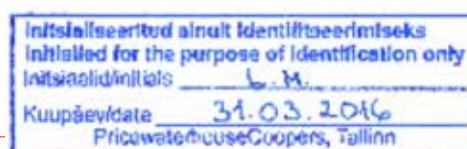
For practical considerations, the Group may also use fair value to determine an impairment loss, calculated on the basis of observable market prices. If in a subsequent period, the amount of the impairment loss decreases and this decrease can be related to an event which occurred after the impairment loss was recognised (e.g. improvement in the debtor's credit rating), the impairment loss is reversed in the statement of comprehensive income.

(L) DERIVATIVE INSTRUMENTS

Derivative instruments are initially recognised at their fair value at the date of concluding a derivative contract. After initial recognition, they are revalued to their fair value at each balance sheet date. The method for recognising a gain or loss attributable to a change in value depends on whether the derivative is designated as a hedging instrument and if it is, on the nature of the hedged item.

Of derivative instruments, the Group uses interest rate swap contracts to cover the risks related to interest rates. Such derivative instruments are initially recognised at their fair value at the date of concluding the contract and subsequently revalued in accordance with the changes in the fair value of the instrument. When the fair value is positive, the derivative is recognised as an asset, when it is negative, as a liability.

Gains and losses from changes in the fair value of a derivative instrument are recognised in the state-



ment of comprehensive income of the reporting period within the net profit for the year, except for such derivative instruments which qualify for hedge accounting rules applied to instruments acquired for the purpose of hedging. The Group did not have any such instruments in the reporting and comparative period. The fair value of an interest rate swap is determined on the basis of future cash flows based on 6-month Euribor.

(M) INVENTORIES

Inventories are recorded in the consolidated statement of financial position at their cost, which consists of the purchase costs, production costs, transportation 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.

(N) TRADE RECEIVABLES

Trade receivables are accounts receivable incurred in the ordinary course of business for goods sold or services provided. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivables. The circumstances indicating impairment include bankruptcy or major financial difficulties of the debtor and non-adherence to payment terms (more than 90 days overdue).

Receivables are assessed individually. The carrying amount of receivables is reduced by the amount of the impairment loss of doubtful receivables and the impairment loss is recognised in the consolidated statement of comprehensive income within Other operating expenses. If the receivable is deemed irrecoverable, the receivable and the impairment loss are taken off the consolidated statement of financial position. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables and is recognised as the decrease of the statement of comprehensive income line Other operating expenses. Receivables due in less than one year are considered as short-term receivables, and the remaining receivables are considered as long-term receivables. Long-term trade receivables are carried at the present value of the collectible receivable. The difference between the nominal value and the present value of the collectible receivable is recognised as interest income until the due date of the receivable, using the effective interest rate method.

(O) CASH AND CASH EQUIVALENTS

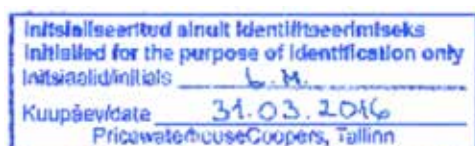
For the purposes of the cash flow statement, cash and cash equivalents are cash on hand, bank account balances and term deposits with maturities of 3 months and less.

(P) SHARE 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 shareholders.

(Q) 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

(R) 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).

(S) BORROWING COSTS

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

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

(T) 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.

(U) TAXATION

INCOME TAX ON DIVIDENDS IN ESTONIA

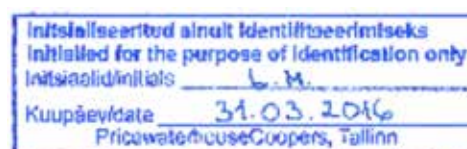
According to the Income Tax Act of Estonia, corporate profits are not taxed in Estonia but dividends payable and certain payment and expenses, outlined in the Income Tax Act are. The tax rate on dividends paid until 31 December 2014 was 21/79 (in effect since 1 January 2008). From 1 January 2015, the tax rate on the net dividends paid out of retained earnings is 20/80.

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.

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.



OTHER TAXES IN ESTONIA

THE FOLLOWING TAXES HAVE A MATERIAL IMPACT ON THE GROUP'S EXPENSES:	
Social security tax	33% on the payroll and fringe benefits paid to the employees
Unemployment insurance tax	0.8% on the payroll paid to employees(2014: 1.0%)
Fringe benefit income tax	Until 31 December 2014 21/79 of fringe benefits paid to employees, from 1 January 2015 20/80 of fringe benefits paid to employees
Land tax	0.6%–2.5% on the land's taxable price p.a.
Heavy goods vehicle tax	EUR 3.5–EUR 232.6/quarter per truck
Income tax on expenses not related to business activities	Until 31 December 2014 21/79 on expenses not related to business activities; from 1 January 2015 20/80
Excise duty on electricity	EUR 4.47 per MWh of electricity
Environmental charges (emission charges)	Emission charges apply when emissions are released to ambient air, a water body, ground water or soil or waste is disposed of and tax rates are set forth in the Environmental Charges Act.

(V) EMPLOYEE BENEFITS

Employee short-term benefits include wages and salaries and social security taxes, benefits related to temporary suspension of employment contracts (holiday pay or other similar fees), when it is assumed that the temporary suspension of the employment contract takes place within 12 months after the end of the period in which the employee worked and other benefits payable after the end of the period in which the employee worked. If an employee has performed other services during the reporting period for which payment of compensation is assumed, the Group shall recognise an undiscounted liability (accrued expense) in the amount of the forecast benefit, from which all amounts already paid will be subtracted.

(W) PROVISIONS AND CONTINGENT LIABILITIES

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

perience and if necessary, opinions of independent experts.

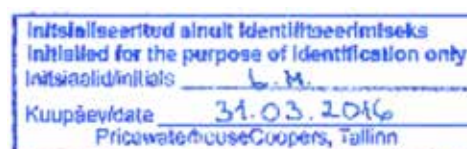
Provisions are not recognised to cover future operating losses.

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.



(X) REVENUE RECOGNITION

The fair value of the consideration received or receivable for the sale of goods and provision of services in the normal course of business is recognised as revenue. Revenue is determined net of value-added tax, less discounts after elimination of intragroup transactions. Revenue is recognised only when the amount of revenue can be measured reliably, it is probable that future economic benefits attributable to the transaction will flow to the Group, significant risks and rewards of ownership have been transferred from the seller to the buyer and the additional criteria presented below have been met. The amount of revenue is considered to be reliably measurable only when all circumstances related to the transaction are unambiguous.

The Group's main activity is provision of air transportation and passenger services. Revenue from these services such as passenger, landing, parking, navigation and take-off fees are recognised under aviation revenue. In addition, revenue is generated by leasing of available premises, provision and intermediation of utility services to tenants, car parking and passenger and aircraft ground servicing facilities. Such revenues are presented as non-aviation revenue.

REVENUE

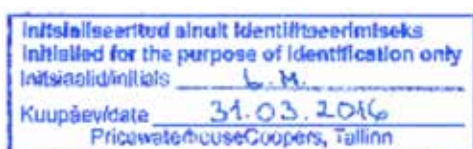
Revenue from the provision of services is recognised in the month in which the service was provided and using the principle of matching revenue with expenses as the basis. Revenue on fines for delay is recognised at the time it is collected and in the collection amount.

INTEREST INCOME

Interest income is recognised when its collection is probable and the amount of revenue can be measured reliably. Interest income is recognised using the effective interest method.

(Y) 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 INCOME

Income from government grants 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.

(Z) LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease which transfers all significant risks and rewards incidental to ownership to the lessee. Other leases are classified as operating leases.

THE GROUP AS THE LESSEE

Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

THE GROUP AS THE LESSOR

The accounting policies for items of property, plant and equipment are applied to assets leased out under operating lease terms. Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The Group leases out commercial premises to companies. Concession agreements granting a right to concessionaires to operate on the territory of Tallinn Airport are considered to be contingent lease agreements. There are two types of concession payments:



- Base amount adjusted by annual growth in the number of passengers;
- A certain share of revenue which the concessionaire has received while operating on the premises of Tallinn Airport.

(AA) DIVIDENDS

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

(AB) CASH FLOW STATEMENT

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

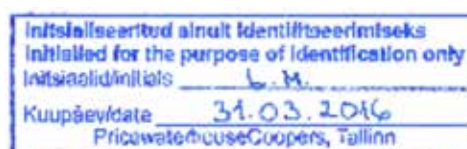
(AC) EVENTS AFTER THE BALANCE SHEET DATE

Adjusting events – those that provide evidence of conditions that existed at the balance sheet 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 balance sheet date, are disclosed in the notes to the financial statements.

(AD) TRANSACTIONS WITH RELATED PARTIES

During the preparation of the consolidated financial statement, AS Tallinna Lennujaam's 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. Since 100% of shares of AS Tallinna Lennujaam belong to the Republic of Estonia, all divisions under control or influence of the state are also considered as related parties.



Note 3. Management of financial risks

(A) FINANCIAL RISKS

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

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

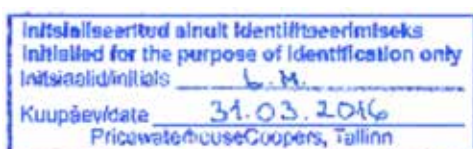
Foreign currency risk is the risk that the fair value or cash flows of financial instruments fluctuate due to the changes in exchange rates in the future. The assets and liabilities denominated in euros are considered to be neutral assets and liabilities in relation to the foreign currency risk. In order to avoid foreign currency risk, transactions are concluded primarily in euros. In 2015 and 2014, 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.

Overnight deposits have fixed interest rates and do not expose the Group to cash flow interest rate risk.

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

The Group's borrowings have floating interest rates; they depend on fluctuations in Euribor. Average interest rates have not changed significantly in 2015 compared to 2014.



The group has entered into derivative contracts with SEB and Nordea Bank to hedge its interest rate risk arising from the Nordic Investment Bank loan (Note 16).

The interest on a loan where it has been fixed in a swap transaction is not exposed to changes in Euribor.

Changes in interest rates also lead to the changes in the fair value of derivatives. If interest rates increase, the market value of derivatives decreases, which has an impact on the profit for the financial year. The price of derivatives is based on the supply and demand forming on the basis of forecasts of the behaviour of interest rates by market participants and hence, a potential gain or loss is difficult to forecast.

(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.

Trade receivables are shown net of impairment losses. Management believes that there is no significant risk of loss beyond the provisions already recorded.

The following measures have been applied to mitigate credit risk:

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

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

through court or the collection of debt is transferred to a collection agency.

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

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

- ensuring of liquidity;
- capital preservation;
- revenue generation.

Additional information about credit risk is disclosed in Note 11.

(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 15,145 thousand (31.12.2014: EUR 9,749 thousand).

In order to hedge liquidity risk, the Group uses various sources of financing, such as bank loans, overdraft facilities and ongoing monitoring of accounts receivable. As at the balance sheet date, the Group's current assets exceeded current liabilities by EUR 9,437 thousand (31.12.2014: EUR 4,723 thousand).

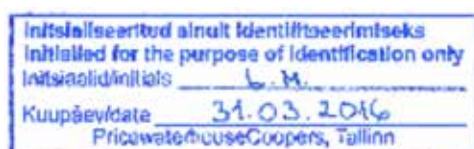
The following liquidity analysis shows the allocation of the Group's current and non-current liabilities by due date. All amounts presented in the table are undiscounted cash flows payable on the basis of contracts.

DISTRIBUTION OF LIABILITIES BY DUE DATE

in EUR thousand	Up to 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 amount
AS AT 31.12.2015							
Borrowings (Note 13)	96	1,969	2,638	15,302	1,765	21,771	21,453
Trade payables (Note 17)	1,228	13	0	0	41	1,282	1,282
Derivative instruments (Note 16)	0	0	0	231	0	231	231
TOTAL	1,325	1,982	2,638	15,533	1,806	23,284	23,007
AS AT 31.12.2014							
Borrowings (Note 13) ²	101	1,994	2,658	19,046	2,793	26,592	26,048
Trade payables (Note 17)	1,290	3	0	0	41	1,334	1,334
Derivative instruments (Note 16)	0	0	0	491	0	491	491
TOTAL	1,391	1,997	2,658	19,537	2,834	28,418	27,873

¹ For determining the undiscounted cash flows, the interest rate at the year-end 2015 has been used

² For determining the undiscounted cash flows, the interest rate at the year-end 2014 has been used



(E) CAPITAL RISK MANAGEMENT

AS Tallinna Lennujaam is fully owned by the Republic of Estonia which makes all decisions in respect of dividend distribution and increase or decrease of share capital (through the Ministry of Economic Affairs and Communications).

During the past years, the Group has been using debt to finance its capital expenditures.

As at 31.12.2015 and 31.12.2014, the Company's equity was in compliance with the requirements of the Commercial Code.

Equity of AS Tallinna Lennujaam consists of share capital in the amount of EUR 25,095 thousand

(31.12.2014: EUR 24,361 thousand), statutory reserve capital in the amount of EUR 2,436 thousand (2014: EUR 2,436 thousand) and retained earnings in the amount of EUR 38,104 thousand (2014: EUR 32,951 thousand). Statutory reserve capital forms 10% of share capital. Ratio of debt to equity has decreased by 4% (from 34% to 30%). Taking into account revenue, equity and debt of AS Tallinna Lennujaam, the optimum ratio is 40%. In 2015 was planned to start the investment project of the expansion of Tallinn airport's air traffic area. Due to the delay in the authorization of State aid, investments were scheduled to the following year, which affected increase in cash balance and decrease in debt to equity ratio consequently.

RATIO OF DEBT TO EQUITY AND THE RATIO OF NET DEBT TO TOTAL CAPITAL

in EUR thousand	31.12.2015	31.12.2014
Borrowings (Note 13)	21,453	26,048
Less : cash and cash equivalents and term deposits with maturities greater than 3 months (Note 12)	-15,145	-9,749
Net debt (borrowings-cash and cash equivalents)	6,309	16,299
Equity	65,635	59,748
Total capital (net debt + equity)	71,944	76,047
Debt to equity	30%	34%
Net debt to total capital	9%	21%

(F) FAIR VALUE ESTIMATES

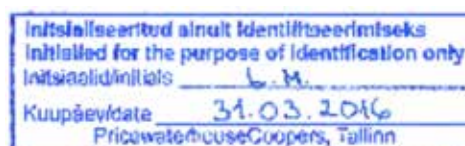
The Group estimates that the fair values of financial assets recognised at amortised cost do not materially differ from the carrying amounts reported in the consolidated statement of financial position of the Group as at 31.12.2015 and 31.12.2014. As most of the Group's long-term borrowings carried a 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 from customers and accounts receivable is estimated to equal their fair value.

The Group has classified long-term borrowings at level 3 of the fair value hierarchy and the derivative instruments carried at fair value at level 2. The fair value of financial instruments not traded in an active market (e.g. exchange-traded derivative instruments) is determined using the

valuation methods. Valuation methods maximise the use of observable market data wherever it is available, and rely as little as possible on specific estimates. When all major inputs to determine the fair value of an instrument are observable, the instruments are accounted for at level 2 and when information about inputs is unobservable, the instruments are accounted for at level 3.

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

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



Note 4. Key accounting estimates

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

DETERMINATION OF THE USEFUL LIVES OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

As at 31 December 2015, the carrying amount of the Group's property, plant and equipment was EUR 105,269 thousand (31 December 2014: EUR 111, 483 thousand), the depreciation charge for the reporting period was EUR 9,543 thousand (2014: EUR 9,718 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 710 thousand (2014: EUR 871 thousand).

As at 31 December 2015, the carrying amount of the Group's investment property was EUR 18,633 thousand (31 December 2014: EUR 19,775 thousand) (see Note 7). If the useful lives of investment property were changed by one year, the profit would change by EUR 86 thousand (2014: EUR 22 thousand).

VALUATION OF DOUBTFUL RECEIVABLES

When valuing receivables, the management uses the best available information and historical experience as the basis. Allowances for receivables are recognised when it is reasonable to assume that the Group may not collect all amounts due according to the original terms of receivables. Indication of impairment of receivables includes significant financial difficulties of the debtor, probability of its bankruptcy or financial reorganisation, and failure to make payments or delay them.

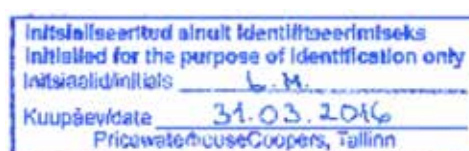
The amount of doubtful receivables is adjusted at each balance sheet date, using information based on prior experience about how many of the doubtful receivables will be collected in a later period and how many of the receivables less than 90 days overdue as at the balance sheet date will not be collected in a later period. As at 31 December 2014, the Group had doubtful receivables in the amount of EUR 971 thousand (31 December 2014: EUR 197 thousand) (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 operations of regional airports depend on the national policy. The regional policy with regard to airports specifies that state grants to AS Tallinna Lennujaam need to cover the necessary expenditure for the daily use of infrastructure. The state will create an opportunity for the landing of aircraft and will also support local airlines in order to ensure an airline connection between the islands and the mainland. The assets will need to be valued from the point of view of the regional policy. Assets will be evaluated through the benefits created for the region and the Company's profitability is thus assumed to be irrelevant.

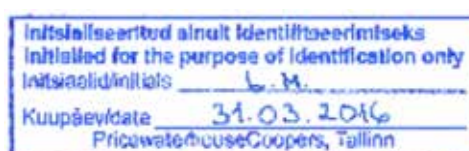
The Group's Management Board assessed the existence of indications of impairment losses and determined that there were no indications in 2015 to conclude that the assets had lost a major share of their cash generation ability and no impairment test was performed (similarly to 2014).



Note 5. Property, plant and equipment

in EUR thousand	Construction in progress and prepayments	Land	Buildings and facilities	Machinery and equipment	Other inventory	Total
BALANCE AS AT 31.12.2013						
Cost	2,460	4,933	123,616	67,491	5,132	203,632
Accumulated depreciation	0	0	-45,018	-36,833	-3,918	-85,769
CARRYING AMOUNT 31.12.2013	2,460	4,933	78,598	30,658	1,214	117,862
CHANGES OCCURRED IN 2014						
Acquisitions and improvements	1 588	0	17	1 868,	204	3,677
Reclassifications	-1 817	0,	1,498	230	89	0
Reclassification to investment property	-278	0	0	0	0	-278
Depreciation charge	0	0	-3,986	-5,363	-369	-9,718
Carrying amount of assets disposed	0	0	0	-1	,0	-1
Carrying amount of assets written off	-50	0	-1	-5	-3	-59
BALANCE AS AT 31.12.2014						
Cost	1,902	4,933	125 031	69 075	4,746	205,687
Accumulated depreciation	0	0	-48,905	-41,689	-3,611	-94,205
CARRYING AMOUNT 31.12.2014	1,902	4,933	76,126	27,387	1,134	111,483
CHANGES OCCURRED IN 2015						
Acquisitions and improvements	1,245	2	147	1,101	119	2,612
Reclassifications	-2,002	0	91	1,828	82	0
Reclassification to expenses	-10	0	0	0	0	-10
Property, plant and equipment received through non-monetary contribution (Note 20)	0	735	0	0	0	737
Depreciation charge	0	0	-3,973	-5,213	-358	-9,543
Carrying amount of assets written off	0	0	-9	-1	0	-10
BALANCE AS AT 31.12.2015						
Cost	1,136	5,670	125,217	71,190	3,403	206,616
Accumulated depreciation	0	0	-52,834	-46,087	-2,425	-101,346
CARRYING AMOUNT 31.12.2015	1,136	5,670	72,383	25,103	978	105,269

As at 31.12.2015 (as well as at 31.12.2014) the Group had no assets acquired under the finance lease terms.



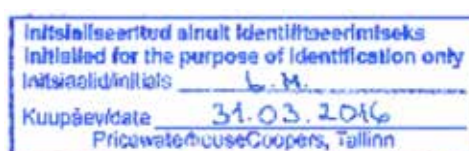
BUILDINGS AND CONSTRUCTIONS LEASED OUT UNDER OPERATING LEASE		
in EUR thousand	2015	2014
Cost at 31.12	35,746	33,464
Depreciation charge for the accounting period	-1,522	-1,410
Accumulated depreciation at 31.12	-10,065	-7,615
TOTAL CARRYING AMOUNT OF BUILDINGS AND CONSTRUCTIONS LEASED OUT UNDER OPERATING LEASE AT 31.12	25,681	25,849

The assets leased out are included within the group of non-current assets Buildings and facilities and are used partially for core business and partially for rental income purposes (see Note 8).

PROPERTY, PLANT AND EQUIPMENT IN USE WITH THE CARRYING AMOUNT OF ZERO IN ACQUISITION COST		
in EUR thousand	31.12.2015	31.12.2014
Tallinna Airport	18,961	17,334
Pärnu Airport	2,225	2,031
Kuessaare Airport	1,909	1,739
Tartu Airport	1,591	1,228
Tallinn Airport GH	669	650
Kärdla Airport	650	527
TOTAL NON-CURRENT ASSETS IN USE WITH THE CARRYING AMOUNT OF ZERO	26,004	23,510

Note 6. Intangible assets

SOFTWARE		
in EUR thousand	2015	2014
Cost as at 01.01.	614	1,016
Accumulated amortisation as at 01.01.	-401	-802
CARRYING AMOUNT AS AT 01.01.	213	214
Prepayments for non-current assets as at 01.01.	0	57
TOTAL INTANGIBLE ASSETS AS AT 01.01.	213	271
MOVEMENTS IN INTANGIBLE ASSETS IN THE PERIOD		
Purchases and improvements	0	81
Amortisation charge	-70	-82
Reclassification of prepayments	0	-57
Cost as at 31.12.	614	1,096
Accumulated amortisation as at 31.12.	-470	-883
TOTAL CARRYING AMOUNT OF INTANGIBLE ASSETS AS AT 31.12.	143	213



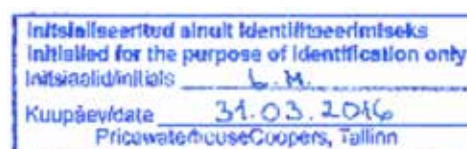
Note 7. Investment property

in EUR thousand	Construction in progress and prepayments	Investment property	Total
BALANCE AS AT 31.12.2013			
Cost	2,601	17,825	20,426
Accumulated depreciation	0	-1,101	-1,101
CARRYING AMOUNT AS AT 31.12.2013	2,601	16,724	19,325
CHANGES OCCURRED IN 2014			
Purchases and improvements	-2	1,252	1,250
Amortisation charge	0	-1,078	-1,078
Reclassification from property, plant and equipment to investment property	210	68	278
Reclassifications	-2,809	2,809	0
BALANCE AS AT 31.12.2014			
Cost	0	21,954	21,954
Accumulated depreciation	0	-2,179	-2,179
CARRYING AMOUNT AS AT 31.12.2014	0	19,775	19,775
CHANGES OCCURRED IN 2015			
Depreciation charge	0	-1,142	-1,142
BALANCE AS AT 31.12.2015			
Cost	0	21,954	21,954
Accumulated depreciation	0	-3,321	-3,321
CARRYING AMOUNT AS AT 31.12.2015	0	18,633	18,633

The majority of lease agreements for investment property have a short cancellation notice except for the maintenance hangar built in 2014 which has been leased out for 15 years (maintenance hangar built in 2013 has been leased out for 30 years). All contractual obligations related to the development, repairs and maintenance of investments properties are the responsibility of the Group as the lessor. The rental income from investment properties totalled EUR 1,941 thousand (2014: EUR 2,077 thousand) and direct operating expenses were EUR 466 thousand (2014: EUR 609 thousand).

There were no purchases of investment property in 2015. In 2014, the main capital expenditure was aircraft hangar, which cost of construction

amounted to EUR 3.9 million. The company has entered into a 15-year lease with the tenant that will be using the building. The management believes that the fair value of the aircraft maintenance hangar built in 2014 does not significantly differ from its carrying amount. The management estimates that the fair values of the office building, hangar and garage acquired in 2013 do not differ from their carrying amount because the assets were acquired by way of public tender at regular market conditions. The Group's investment properties are classified as level 3.





Note 8. Operating lease

Rental income has been earned from the leasing of premises, hangars and land (see Notes 5, 7, 21).

Concessions are recognised as contingent leases. In case of service concession arrangements, AS

Tallinna Lennujaam grants a right to the recipient of the concession to provide services on its premises during the concession term. Contingent lease payments depend on the sale of the services provided on the airport premises and the number of passengers travelling through the airport during the year.

RENTAL INCOME			
in EUR thousand	2015	2014	
Concessions	3,627	3,499	
Buildings and facilities	3,673	3,857	
Infrastructure fees	264	102	
TOTAL RENTAL INCOME (NOTE 21)	7,564	7,458	

Future rental income under non-cancellable lease agreements ¹			
in EUR thousand	2015	2014	
< 1 year	3,663	3,149	
1 – 5 years	9,918	9,992	
> 5 years	10,620	12,595	
TOTAL RENTAL INCOME	24,201	25,735	

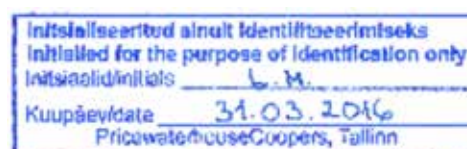
¹ This does not include contingent rent (concession), because the rental rate is not fixed but depends on the sales of the customer, number of passengers and the CPI.

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

RENTAL EXPENSE			
in EUR thousand	2015	2014	
Passenger cars	50	44	
TOTAL RENDIKULU	50	44	

Future operating lease payments under non-cancellable lease agreements			
in EUR thousand	2015	2014	
< 1 year	34	46	
1 – 5 years	48	87	
> 5 years	0	1	
TOTAL RENTAL EXPENSE	82	134	

The operating lease agreements of all vehicles are denominated in euros. The agreements set no restrictions on the Group's dividends and financing policies. The leased assets have not been subleased.



Note 9. Inventories

in EUR thousand	31.12.2015	31.12.2014
De-icing materials of aircraft	155	132
Runway maintenance and rescue service materials	49	31
Fuel	36	27
Food	9	8
Marketing materials	4	7
TOTAL INVENTORIES	253	205

No inventory write-downs were recognised during the period or in 2014.

Note 10. Receivables and prepayments

10.1 TRADE RECEIVABLES

in EUR thousand	31.12.2015	31.12.2014
Accounts receivable	3,723	3,841
Allowance for doubtful receivables	-971	-197
TOTAL TRADE RECEIVABLES	2,752	3,644

10.2 OTHER RECEIVABLES

in EUR thousand	31.12.2015	31.12.2014
Government grants receivable	0	25
Other receivables	4	5
TOTAL OTHER RECEIVABLES	4	30

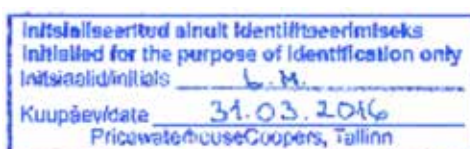
10.3 PREPAYMENTS

in EUR thousand	31.12.2015	31.12.2014
VAT receivable	157	87
Prepayments	274	153
Accrued income	2	1
Total prepayments	433	241
TOTAL RECEIVABLES	3,188	3,915

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 Note 11.

10.4 CHANGES IN DOUBTFUL RECEIVABLES

in EUR thousand	2015	2014
Allowance for doubtful receivables at beginning of the period	-197	-8
Receivables deemed doubtful during the reporting period (Note 24)	-798	-211
Receivables deemed uncollectible	0	16
Receivables deemed doubtful collected during the reporting period	24	6
ALLOWANCE FOR DOUBTFUL RECEIVABLES AT END OF THE PERIOD	-971	-197



Note 11. Financial instruments

(A) FINANCIAL INSTRUMENTS BY CATEGORY

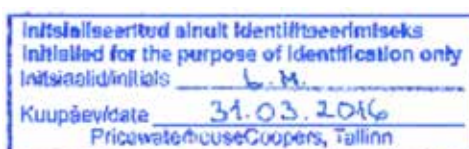
ITEMS OF FINANCIAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION			
in EUR thousand		31.12.2015	31.12.2014
Trade receivables, government grant related to non-currents not received and other receivables (Note 10.1 and 10.2)		2,755	3,674
Cash and cash equivalents (Note 12)		15,145	9,749
TOTAL ITEMS OF FINANCIAL ASSETS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		17,900	13,423

ITEMS OF FINANCIAL LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION				
in EUR thousand		Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
AS AT 31.12.2015				
Borrowings (Note 13)		0	21,453	21,453
Trade and other payables (Note 17)		0	1,323	1,323
Derivative instruments (Note 16)		231	0	231
TOTAL ITEMS OF FINANCIAL LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		231	22,776	23,007

AS AT 31.12.2014				
Borrowings (Note 13)		0	26,048	26,048
Trade and other payables (Note 17)		0	1,334	1,334
Derivative instruments (Note 16)		491	0	491
TOTAL ITEMS OF FINANCIAL LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		491	27,382	27,873

(B) FINANCIAL INSTRUMENTS BY CREDIT QUALITY

ANALYSIS OF ACCOUNTS RECEIVABLE			
in EUR thousand		2015	2014
Accounts receivable from new customers (less than 12 month relationship) that are not overdue as at 31.12.		152	23
Accounts receivable from new customers (less than 12 month relationship) that are overdue as at 31.12.		51	20
Accounts receivable from existing customers (over 12 month relationship) that are not overdue as at 31.12.		2,169	2,315
Accounts receivable from existing customers (over 12 month relationship) that are overdue as at 31.12.		380	1,286
TOTAL ACCOUNTS RECEIVABLE		2,752	3,644



Accounts receivable, which were overdue as at 31.12.2015 and were not recognised as doubtful receivable, are in total amount of EUR 1,401 thousand (2014: EUR 1,503 thousand), including accounts receivable, which were overdue more than 30 days, in amount of EUR 836 thousand (2014: EUR 821 thousand).

In the accounting period accounts receivable were impaired in amount of EUR 971 thousand (2014: EUR 197 thousand). Impairment recognised in 2015 is mainly connected with accounts receivable from Estonian Air in amount of EUR 583 thousand, which were impaired due to bankruptcy of Estonian Air.

Of the accounts receivable as at 31.12.2015, a total of EUR 974 thousand had not been collected by 13.03.2016 (13.03.2015: EUR 317 thousand), EUR 945 thousand of which has been already recognised

as doubtful receivable as at 31.12.2015 (31.12.2014: EUR 190 thousand).

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

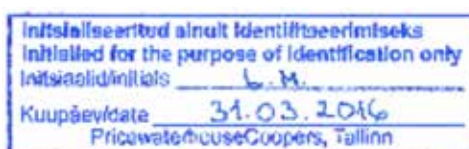
in EUR thousand	31.12.2015	31.12.2014
Banks with Moody's credit rating of Aa3	8,612	20
Banks with Moody's credit rating of A2	6,440	2,191
Banks with Moody's credit rating of A1	0	7,472
TOTAL AMOUNTS OF BANK ACCOUNTS AND DEPOSITS EXPOSED TO CREDIT RISK (NOTE 12)	15,052	9,683

Note 12. Cash and cash equivalents

in EUR thousand	31.12.2015	31.12.2014
Cash on hand	93	65
Bank accounts	15,049	9,683
Overnight deposit	3	0
TOTAL CASH AND CASH EQUIVALENTS	15,145	9,749

Note 13. Borrowings

in EUR thousand	31.12.2015	31.12.2014
LONG-TERM BORROWINGS		
Long-term bank loans	9,306	13,861
Bonds issued	7,500	7,500
TOTAL LONG-TERM BORROWINGS	16,806	21,361
SHORT-TERM BORROWINGS		
Repayments of long-term bank loans in the next period	4,556	4 556
Interest payable related to long-term bank loans as at 31.12	92	131
TOTAL SHORT-TERM BORROWINGS	4,648	4,687
TOTAL BORROWINGS	21,453	26,048



PRINCIPAL OF LONG-TERM BANK LOANS, BONDS (AT NOMINAL VALUE) AND CONDITIONS

	Date of entry into contract	Due date	Security	Loan amount
Nordic Investment Bank	31.01.2007	15.09.2017	Vt,Note,14	32,000,000
Pohjola Bank	28.11.2011	30.09.2022	Vt,Note,14	10 000,000
Pohjola Bank bonds	28.03.2013	2.04.2018	Puudub	7 500,000

All loans and issued bonds are denominated in euros (refer to Note 3 and Note 11).

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

in EUR thousand

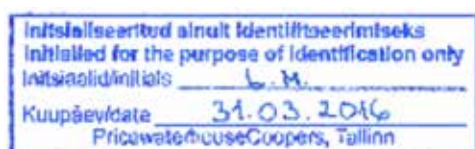
AS AT 31.12.2015	NIB	Pohjola	Pohjola bonds	Total
Loan balance at beginning of the period	10,667	7,750	7,500	25,917
Paid off during the period	-3,556	-1,000	0	-4,556
LOAN BALANCE AT END OF THE PERIOD	7,111	6,750	7,500	21,361
Loan interest payable	72	0	20	92
Interest rate	6-month Euribor +0.12%	3-month Euribor +1.0%	3-month Euribor +1.1%	

AS AT 31.12.2014	NIB	Pohjola	Pohjola bonds	Total
Loan balance at beginning of the period	14 222	8,750	7,500	30,472
Paid off during the period	-3,556	-1,000	0	-4,556
LOAN BALANCE AT END OF THE PERIOD	10,667	7 750	7,500	25,917
Loan interest payable	109	0	22	131
Interest rate	6-month Euribor +0.12%	3-month Euribor +1.0%	3-month Euribor +1.1%	

Note 14. Loan collateral and pledged assets

No assets have been pledged as collateral for the loan received from Nordic Investment Bank and Pohjola Bank, the loan contracts stipulate that without a prior written consent from the bank, AS Tallinna Lennujaam Group 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.



Note 15. Government grants

15.1 GOVERNMENT GRANTS RELATED TO INCOME

in EUR thousand	2015	2014
Allocation for a specific purpose from state budget	5,750	6 363
incl. security and rescue expenses aid	4,135	4,498
incl. aid for regional airports	1,615	1,865
Tartu City Government	32	22
Foreign financing	0	29,
GOVERNMENT GRANTS RELATED TO INCOME RECOGNISED AS INCOME (NOTE 22)	5,782	6,414

15.2 GOVERNMENT GRANTS RELATED TO ASSETS

in EUR thousand	2015	2014
LONG-TERM GOVERNMENT GRANTS RECEIVED AS AT BEGINNING OF THE PERIOD	54,554	58,381
GRANTS RECEIVED		
Domestic government grant	0	10
TOTAL GRANTS RECEIVED	0	10
RECOGNISED AS INCOME		
Grants related to assets	-267	-270
Cohesion Fund (ISPA)	-2,082	-2,082
European Regional Development Fund (ERDF)	-1,427	-1,485
WRITE-OFF OF ASSET AND LIABILITY ACQUIRED WITH GOVERNMENT GRANTS EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)	-7	0
TOTAL LONG-TERM GOVERNMENT GRANTS RECOGNISED AS INCOME (NOTE 22)	-3,783	-3,837
TOTAL LONG-TERM GOVERNMENT GRANTS AS AT END OF THE PERIOD	50,771	54,554
incl Domestic government grants	2,138	2,404
incl Cohesion Fund (ISPA)	37,727	39,809
incl European Regional Development Fund (ERDF)	10,907	12,341

Initsiaalsete arvud ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initiaals L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn

Note 16. Derivative instruments

Interest rate swap	1. Interest-rate swap on a floating rate loan from Nordic Investment Bank	2. Interest-rate swap on a floating rate loan from Nordic Investment Bank
Contract was entered into at	16.03.2007;	30.01.2009
Opening date:	17.09.2007;	16.03.2009
Closing date:	15.09.2017;	15.09.2017
Nominal amount:	EUR 18,000,000	EUR 13,222,222
Fixed SWAP rate	4,015%.	2,395%
Floating interest base rate	6-month Euribor	6-month Euribor

Classification of derivative instruments in accordance with the fair value hierarchy and method for determination of the fair value are described in Note 3.

Changes in interest rate swaps

in EUR thousand

FAIR VALUE AS AT 01.01.2014 (NEGATIVE MARKET VALUE)	880
Change in fair value in 2014. (Note 26)	-389
FAIR VALUE AS AT 31.12.2014 (NEGATIVE MARKET VALUE)	491
Change in fair value in 2015. (Note 26)	-260
FAIR VALUE AS AT 31.12.2015 (NEGATIVE MARKET VALUE)	231
Incl. non-current portion	231

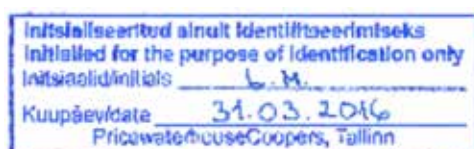
Note 17. Trade Payables and prepayments

17.1 Trade Payables and prepayments

in EUR thousand	31.12.2015	31.12.2014
Payables for goods and services	1,206	1,170
Payables for non-current assets	61	110
Other payables	15	14
TOTAL TRADE PAYABLES	1,282	1,294

17.2 Accrued expenses to employees, tax liabilities and prepayments

in EUR thousand	31.12.2015	31.12.2014
Accrued expenses to employees (Note 19)	1,896	1,951
Tax liabilities (Note 18)	1,076	990
Prepayments	247	225
TOTAL OTHER PAYABLES AND PREPAYMENTS	3,219	3,165
TOTAL PAYABLES AND PREPAYMENTS	4,501	4,459



Note 18. Tax liabilities

in EUR thousand	31.12.2015	31.12.2014
Social security taxes on wages and salaries, and fringe benefits	645	586
Income tax on wages and salaries, and fringe benefits	345	321
Unemployment insurance tax	42	43
Pension insurance	35	32
Excise tax	6	6
Corporate income tax	2	0
TOTAL TAX LIABILITIES	1,076	990

Note 19. Accrued expenses to employees

in EUR thousand	31.12.2015	31.12.2014
Bonus reserve liability	863	983
Wages and salaries accrued but not yet paid	684	648
Holiday pay liability	346	317
Other payables to employees	3	2
TOTAL ACCRUED EXPENSES TO EMPLOYEES	1,896	1,951

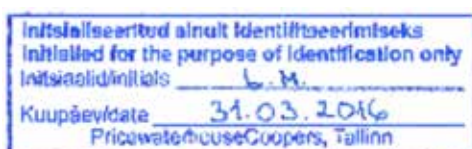
Note 20. Equity

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 Infrastructure, represented by the Minister of Economic Affairs and Communications at the General Meeting of Shareholders.

	31.12.2015	31.12.2014
Share capital	EUR 25,095,400	EUR 24,360,500
Number of shares	2,509,540 pcs	2,436,050 pcs
Nominal value of shares	EUR 10	EUR 10

As at 31.12.2015, the share capital of the Group's parent consisted of 2,509,540 ordinary shares (31.12.2014: 2,436,050) with nominal value of EUR 10 each. At the meeting held on September 16, the sole shareholder decided to increase the share capital of AS Tallinna Lennujaam by non-monetary contribution in the amount of EUR 734,900 as a result of issue of 73,490 new shares with a nominal value of EUR 10. Refer to Note 5.

As at 31 December 2015, the retained earnings of the Group were EUR 38,104 thousand (31 December 2014: EUR 32,951 thousand). In case of payment of dividends to shareholders, the income tax expense is 20/80 (2014: 21/79) of the amount paid out as net dividends. As at the balance sheet date, it is possible to pay out dividends to the shareholders in the amount of EUR 30,483 thousand (31 December 2014: EUR 26,361 thousand) and the corresponding income tax would amount to EUR 7,621 thousand (31 December 2014: EUR 6,590 thousand).



Note 21. Revenue

AVIATION REVENUE		
in EUR thousand	2015	2014
Passenger fees	6,982	6,502
Landing fees	5,784	5,532
Parking fees	362	295
Navigation fees	22	20
Take-off fees	4	11
TOTAL AVIATION REVENUE	13,155	12,360
NON- AVIATION REVENUE		
in EUR thousand	2015	2014
AIRCRAFT HANDLING AND PASSENGER SERVICING REVENUE	9,378	8,474
Rental income (Note 8)		
Concessions	3,627	3,499
Rent for premises and hangars	3,673	3,857
Infrastructure fees	264	102
TOTAL RENTAL INCOME	7,564	7,458
OTHER SERVICES SOLD		
Parking services for cars	1,676	1,495
Services provided to tenants	1,015	1,066
Advertising services	478	535
Aviation related services	432	391
Other services provided and intermediated	130	138
TOTAL OTHER SERVICES SOLD	3,732	3,626
TOTAL NON-AVIATION REVENUE	20,673	19,558
TOTAL REVENUE	33,828	31,918

Initsiaalidearitud ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initiaals L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn

Note 22. Other income

in EUR thousand	2015	2014
Government grants related to operating expenses (Note 15)	5,782	6,414
Government grants related to assets recognised as income (Note 15)	3,783	3,837
Other income	12	29
Gain from disposal of machinery and equipment	171	2
TOTAL OTHER INCOME	9,748	10,282

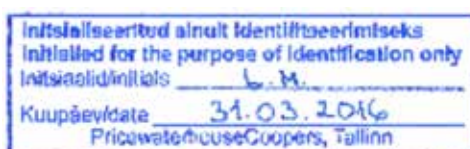
Note 23. Goods, materials and services

in EUR thousand	2015	2014
Security, safety and rescue*	3,679	3,406
Utilities expenses	2,421	2,713
Maintenance expenses of buildings and facilities	1,467	1,754
Cost of provision of services to passengers and aircrafts	914	746
Vehicle operation expenses	901	1,098
IT and communication expenses	874	753
Maintenance of runways	817	973
TOTAL GOODS, MATERIALS AND SERVICES	11 073	11,442

* Includes only outsourced security services. Other security and rescue expenses are recognised on other expense lines. In 2015, all other security and rescue expenses amounted to EUR 4.9 million (2014: EUR 5.4 million).

Note 24. Other operating expenses

in EUR thousand	2015	2014
Marketing and public relations	389	384
Training costs	207	296
Administrative expenses	296	236
Costs related to doubtful receivables (Note 10)	732	205
Special clothing and uniforms	137	110
Business trips	98	89
TOTAL OTHER OPERATING EXPENSES	1,855	1,320



Note 25. Staff costs

in EUR thousand	2015	2014
Wages and salaries, performance pay, holiday pay, bonuses	10,498	9,754
Average monthly salary in EUR	1,607	1,514
Taxes calculated on staff costs	3,702	3,430
Staff costs classified as fringe benefits	148	115
Other remuneration fees paid to supernumeraries	69	45
Benefits and allowances	46	36
TOTAL STAFF COSTS	14,463	13,380

STAFF COUNT

	2015	2014
Number of employees at beginning of the period	537	536
Number of employees at end of period	590	579
Average number of employees	544	537

Note 26. Financial income and costs

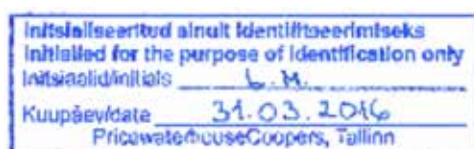
in EUR thousand	2015	2014
Change in fair value of derivative instruments (Note 16)	260	389
Interest income on deposits	7	5
Other finance income and costs	0	0
Interest expense on loans secured by derivatives	-283	-369
Interest expense on loans with floating interest rates	-94	-161
Interest expense on bonds	-84	-101
TOTAL FINANCE INCOME AND COSTS	-196	-237

Note 27. 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 Company'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 not any circumstances which may lead the tax authorities to impose additional significant taxes on the Company.



Note 28. Related party transactions

The shares of AS Tallinna Lennujaam are fully owned by the Republic of Estonia. In preparing the financial statements of the Group, the related parties include the members of the Management and Supervisory Board of the parent and other entities over which these persons have significant influence.

All entities which the state has control or significant influence over are also considered to be related parties. The Group's Management Board discloses the transactions with airline companies, over which the state has control or significant influence.

in EUR thousand	2015	2014
Assets	24*	598
Liabilities	13	25
Sales	5 627	5 854
Purchases	228	133

* Accounts receivable are in total amount of EUR 606 thousand, including doubtful receivables from Estonian Air in amount of EUR 583 thousand (Note 11).

Management and Supervisory Boards

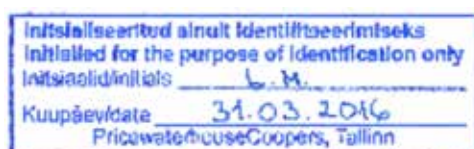
In 2015, the remuneration of the Supervisory and Management Boards, including social security taxes totalled EUR 517 thousand (2014: EUR 513 thousand).

AS Tallinna Lennujaam 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, except for trade receivables from Estonian Air (refer above).

Note 29. Subsequent events

After the balance sheet day the Group has signed the construction agreement on the improvement of environmental conditions of Tallinn Airport's air traffic area and increase of flight safety in total amount of EUR 34.6 million. We assess the compliance with the investment obligations, which is financed by the Group's own funds, the European Union's Structural Fund and the loan, essentially determined.



Note 30. Financial information on the parent company**Separate statement of financial position**

in EUR thousand

31.12.2015

31.12.2014

ASSETS		
NON-CURRENT ASSETS		
Long-term financial investments	1,028	1,028
Property, plant and equipment	103,081	109,095
Intangible assets	143	213
Investment property	18,633	19,775
TOTAL NON-CURRENT ASSETS	122,885	130,111
CURRENT ASSETS		
Inventories	90	67
Payables and prepayments	2,098	2,740
Cash	10,985	5,928
TOTAL CURRENT ASSETS	13,173	8,735
TOTAL ASSETS	136,058	138,846
EQUITY		
Share capital	25,095	24,361
Statutory reserve capital	2,436	2,436
Retained earnings	32,692	27,577
TOTAL EQUITY	60,223	54,374
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	16,806	21,361
Government grants	50,771	54,554
Derivative instruments	231	491
TOTAL NON-CURRENT LIABILITIES	67,808	76,406
CURRENT LIABILITIES		
Borrowings	4,648	4,687
Payables and prepayments	3,379	3,379
TOTAL CURRENT LIABILITIES	8,027	8,066
TOTAL LIABILITIES	75,835	84,472
TOTAL LIABILITIES AND EQUITY	136,058	138,846

Initsiaalsete arvud ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initiaals L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn

Separate statement of comprehensive income

in EUR thousand	2015	2014
Revenue	26,325	25,365
Other income	9,645	10,279
Goods, materials and services	-9,763	-10,154
Other operating expenses	-1,125	-1,180
Staff costs	-9,357	-8,864
Depreciation, amortisation and impairment	-10,342	-10,437
Other expenses	-70	-63
OPERATING PROFIT	5,311	4,946
Finance income and costs (net)	-196	-239
Net profit for financial year	5,115	4,707
COMPREHENSIVE INCOME FOR FINANCIAL YEAR	5,115	4,707

Initsiaalsetähted ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initialed L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn

Separate statement of cash flows

in EUR thousand

2015

2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from customers	28,738	27,493
Payments to suppliers and employees	-22,054	-23,139
Interest received	6	3
Interest paid	-501	-670
Government grant received from the state budget	5,750	6,363
Government grants related to income	32	32
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	11,971	10,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Paid for purchase of property, plant and equipment, and intangible assets	-2,427	-5,861
Proceeds from sale of property, plant and equipment	68	12
Government grant related to non-current assets	0	42
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	-2,359	-5,806
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	-4,556	-4,556
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	-4,556	-4,556
NET CASH FLOWS	5,057	-280
Cash and cash equivalents at beginning of year	5,928	6,208
Cash and cash equivalents at end of year	10,985	5,928
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	5,057	-280

Initsiaalsetähted ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initiaals L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn

Separate statement of changes in equity

in EUR thousand	Share capital	Statutory reserve capital	Retained earnings	Total
BALANCE AS AT 31.12.2013	24,361	2,436	22,871	49,668
Net profit for 2014	0	0	4,706	4,706
BALANCE AS AT 31.12.2014	24,361	2,436	27,577	54,374
Non-monetary contribution to the share capital	735	0	0	735
Net profit for 2015	0	0	5,115	5,115
BALANCE AS AT 31.12.2015	25,096	2,436	32,692	60,224

Initsiaalsetähted ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initiaals L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn

Restated statement of equity of AS Tallinna Lennujaam (parent company)

in EUR thousand	2015	2014
Unconsolidated equity of the parent	60 224	54 373
Carrying amount of subsidiaries in the separate balance sheet of the parent (minus)	-1 028	-1 028
Value of subsidiary under the equity method (plus)	6 439	6 402
TOTAL	65 635	59 748

Initsiaalsete arvude ainult identifitseerimiseks
 Initialed for the purpose of identification only
 Initsiaalid/initiaals L.M.
 Kuupäev/date 31.03.2016
 PricewaterhouseCoopers, Tallinn



INDEPENDENT AUDITOR'S REPORT (Translation of the Estonian original)

To the Shareholder of AS Tallinna Lennujaam

We have audited the accompanying consolidated financial statements of AS Tallinna Lennujaam and its subsidiary, which comprise the consolidated statement of financial position as of

31 December 2015 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Tallinna Lennujaam and its subsidiary as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

/signed/

Tiit Raimla

Auditor's Certificate No. 287

31 March 2016

/signed/

Janno Hermanson

Auditor's Certificate No. 570

** 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.*

AS PricewaterhouseCoopers, Pärnu mnt 15, 10141 Tallinn, Estonia; License No. 6; Registry code: 10142876

T: +372 614 1800, F: +372 614 1900, www.pwc.ee

Profit allocation proposal

retained earnings as at 31.12.2014	EUR 32,951 thousand
Net profit for 2015	EUR 5,153 thousand
Total distributable profit as at 31.12.2015	EUR 38,104 thousand

The Management Board proposes to distribute the net profit for 2015 in the amount of EUR 5,153 thousand as follows::

- 73 tEUR to statutory reserve capital
- transfer 5,079 tEUR to retained earnings.

Balance of retained earnings after profit allocation EUR 38,030 thousand

Einari Bambus
Member of the Management Board /signed/

March 31, 2016

Anneli Turkin
Member of the Management Board/signed/

March 31, 2016



Signatures to the annual report

The Management Board of AS Tallinna Lennujaam has prepared the management report and financial statements for the year 2015. The Management confirms the correctness of information presented in the annual report.

Management Board:

Einari Bambus

Member of the Management Board /signed/

March 31, 2016

Anneli Turkin

Member of the Management Board/signed/

March 31, 2016

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 Shareholders. The Supervisory Board confirms the correctness of the information presented in the annual report.

Supervisory Board:

Margus Puust

Chairman of the Supervisory Board/signed/

March 31, 2016

Hendrik Agur

Member of the Supervisory Board/signed/

March 31, 2016

Kai-Riin Meri

Member of the Supervisory Board/signed/

March 31, 2016

Kalle Palling

Member of the Supervisory Board/signed/

March 31, 2016

Toivo Jürgenson

Member of the Supervisory Board/signed/

March 31, 2016

Väino Linde

Member of the Supervisory Board/signed/

March 31, 2016



Revenue of AS Tallinna Lennujaam according to EMTAK 2008

in EUR thousand		2015	2014
EMTAK code			
35131	Distribution of electricity	627	637
52231	Operation of airports and airport passenger terminals	23,776	22,747
52239	Other support activities for air transportation	9,378	8,474
85599	Other education	47	60



