



Tallinn Airport  
**Annual report 2016**



# Contents

<b>Chairperson’s statement</b> .....	<b>6</b>
<b>Company overview</b> .....	<b>10</b>
<b>Events in 2016</b> .....	<b>16</b>
<b>Strategies and values</b> .....	<b>22</b>
<b>Management of the company</b> .....	<b>34</b>
<b>Operations of the company</b> .....	<b>50</b>
<b>Employees and work environment</b> .....	<b>94</b>
<b>Overview of the environment</b> .....	<b>106</b>
<b>A look into the future</b> .....	<b>120</b>
<b>About the report</b> .....	<b>130</b>
<b>2016. CONSOLIDATED FINANCIAL STATEMENTS</b> .....	<b>138</b>
General information and contact data .....	139
Consolidated statement of financial position .....	140
Consolidated statement of comprehensive income .....	141
Consolidated statement of cash flows .....	142
Consolidated statement of changes in equity .....	143
Notes to the consolidated financial statements .....	144
Lisa 1. General information .....	144
Lisa 2. Overview of key accounting and reporting policies .....	144
Lisa 3. Management of financial risks.....	163
Lisa 4. Key accounting estimates .....	168
Lisa 5 Property, plant and equipment.....	169
Lisa 6 Intangible assets.....	172
Lisa 7. Investment property .....	172
Lisa 8. Operating lease.....	173
Lisa 9. Inventories.....	174
Lisa 10.Receivables and prepayments .....	175



Lisa 11. Financial instruments.....	176
Lisa 12. Cash and cash equivalents .....	178
Lisa 13. Borrowings.....	179
Lisa 14. Loan collateral and pledged assets .....	180
Lisa 15. Government grants .....	180
Lisa 16. Derivative instruments.....	182
Lisa 17. Trade payables and prepayments .....	183
Lisa 18. Tax liabilities .....	183
Lisa 19. Accrued expenses to employees.....	184
Lisa 20. Equity .....	184
Lisa 21. Revenue.....	185
Lisa 22. Other income .....	186
Lisa 23. Goods, materials and services .....	186
Lisa 24. Other operating expenses.....	187
Lisa 25. Staff costs.....	187
Lisa 26. Financial income and costs.....	188
Lisa 27. Contingent liabilities and commitments.....	188
Lisa 28. Related party transactions.....	189
Lisa 29. Financial information on the parent company .....	190
Separate statement of financial position.....	190
Separate statement of comprehensive income .....	191
Separate statement of cash flows .....	192
Separate statement of changes in equity .....	193
Adjusted unconsolidated equity of as tallinna lennujaam (parent company).....	193
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>194</b>
<b>Profit allocation proposal .....</b>	<b>197</b>
<b>Signatures to the annual report .....</b>	<b>198</b>
<b>Revenue of AS Tallinna Lennujaam according to EMTAK 2008 .....</b>	<b>199</b>



1912

## *First engine-propelled flight in Estonia*



*Russian aeronaut Sergey Utochkin completed several successful airborne flights on a biplane among the barracks at Raadi. Two months later, he also completed a demonstration flight at Kadriorg in Tallinn. Those were the first engine-propelled flights on Estonian soil.*

1921

## *Estonia's first airline, Aeronaut*

*Robert Holst, Jakob Tillo, Otto Strandman, Madis Jaakson and Martin Luther founded Estonia's first airline, Eesti Õhusõidu Aktsiaselts Aeronaut.*





*Lennart Georg Meri (1929–2006) was an Estonian writer, producer, diplomat and politician, President of Estonia from 1992 to 2001.*



*In a changing world, those keeping up with or a step ahead of the world will be the winners. Those a step ahead of the world, able to foresee the problems, the issues, the solutions that life will send their way.*

*Lennart Meri*



# Chairperson's statement

Dear Reader,

Welcome and thank you for taking the time to explore this summary of the operations of Tallinn Airport in 2016. I am most delighted to provide this overview of a highly eventful year that held many changes and new developments for Tallinn Airport. The Supervisory Board of Tallinn Airport entrusted me with the management of the company in the middle of last year, after the long-serving head of the airport, Rein Loik, stepped down from his position. In one of the biggest initiatives, I began to work out the details of the operational strategy for the company for the following three years together with the management of the airport. Together, we have come to a clear understanding of our objectives and the indicators for our operations in terms of the four main target groups for the airport: airlines, partners, passengers and employees. We wish to affirm to airlines that every flight counts, to passengers that we are the world's cosiest airport, to our business partners that we are reliable and to our employees that they all are important to us. In our operations, we are driven by three core values: we are open, caring and responsible.

Last year, we celebrated the 80th anniversary of Tallinn Airport. 1936 saw the unveiling of a triangular concrete runway and an initial airfield building on the shores of Lake Ülemiste, which instantly transformed Tallinn into the capital with the most modern airfield in Eastern Europe. Decades later, we continue to keep up with the most modern trends in aviation, whilst at the same time retaining a delightful cosiness, which is prized highly by passengers from both Estonia and elsewhere.

The clearest proof of this is a survey published by the Sleeping in Airports portal, based on which passengers consider Tallinn Airport the third most comfortable in Europe.

An airport alone, however, is not a reason to visit a country. Thanks to low fuel prices on the global market, flying has become accessible to many more people than ever before, and Tallinn Airport has gained from this trend as well. In 2016, a record 2,221,615 passengers passed through Tallinn Airport. We are most delighted that the operations of the Estonian airline Nordica have played a decisive role in the achievement of this result and that its collaboration with LOT Polish Airlines provides a positive outlook also going forward.

Today, Tallinn Airport is in the middle of the most extensive construction period of its history: during the years of 2016–2020, almost EUR 130 million in total is being invested. The construction works, begun last year, culminated on 16 November in the completion of the works to extend the runway, as part of which the runway of the Tallinn Airfield extended to a length of 3,480 metres, thereby gaining the title of the longest runway in civil use in the Baltic States. Although a longer runway does not imply an ability to receive the world's biggest aircrafts, the length of the runway is directly linked to the capacity of the airport and, above all, flight safety. Furthermore, the investments being made in the airside area will help to mitigate the environmental impact of the airport and to reduce its ecological footprint. During the construction activities, mostly carried out at night, compliance with all the safety requirements in all respects was ensured, and the intensive construction process went by smoothly.

In addition to increased passenger numbers in global aviation, another development, with negative undertones, was also observable last year. Last year, even more attention than before had to be devoted to security at airports and in general after several European airports were struck by terrorist attacks. At Tallinn Airport, too, security measures were made more stringent to ensure the security of passengers in all respects. However, no serious incidents were registered at Tallinn Airport last year.

In 2017, implementation of the construction and development projects at the airport will continue, allowing both for a general increase in passenger numbers and for the Presidency of the European Union that will feature in the second half of 2017. As the aerial gateway to Estonia, our role comes with great responsibility towards visitors to Estonia, and it is for this reason primarily that we must complete the extension of the passenger terminal on time, thereby expanding the pre-flight security control area and the foreign visitors' welcome centre. From the autumn of 2017, we will be able to consider ourselves also the airport closest to the city in the world, as the airport will be accessible from the city centre also by light rail, in addition to the other means of transport.



Happy reading!  
Piret Mürk-Dubout,  
Chairman of the Management Board



1929

*Preparations got underway for the construction of an aerodrome at Ülemiste*



*Consultations were held to that end, and it was decided to expropriate more than 30 hectares of land on the shores of Lake Ülemiste.*

1932

*LOT Polish Airlines launched its Tallinn-Riga-Warsaw route*

*The first aircraft on the Warsaw-Vilnius-Riga-Tallinn route landed at the Lasnamäe aerodrome of the Estonian Defence Forces on the evening of 17 August. At 11 a.m. on 18 August, Prime Minister Karl Einbund cut the blue, black and white and red and white ribbons around the three-engine aircraft at the Lasnamäe aerodrome of the Estonian Defence Forces.*







*The office building of Tallinn Airport is housed in the old terminal building, not completed until 1955. The design was completed as early as 1938 by Arthur Jürvetson, grandfather of Steve Jürvetson, the renowned venture capitalist of Estonian descent.*



*At the time of its unveiling in 1936, Tallinn Airport was Europe's largest!*



*The grounds of Tallinn Airport are the biggest lit area in Estonia.*



# Company overview



## We connect Estonia to the world!

The objective of the operations of AS Tallinna Lennujaam is to provide international air links that contribute to the development of entrepreneurship and tourism in the country and, thereby, to an increase in the country's competitiveness. We wish to become the most attractive airport in Europe, and our focus is on customer-centric functioning. At the regional airports, we wish to provide functioning regional air links, with a focus on efficient operation in this segment.

We are active in the areas of operating airfield infrastructure and providing ground handling for passengers, cargo and aircraft used for international and domestic scheduled flights and general aviation. The company operates and develops airports in Tallinn, Kuressaare, Kärdla, Pärnu and Tartu and airfields on Kihnu and Ruhnu.

AS Tallinna Lennujaam together with its subsidiary AS Tallinn Airport GH form the Tallinn Airport Group. The shares in AS Tallinna Lennujaam are held by the Republic of Estonia; the company operates within the jurisdiction of the Ministry of Economic Affairs and Communication and is headquartered in Tallinn.

The Tallinn Airport Group employed 607 people as at the end of last financial year (2015: 590). Tallinn Airport is the busiest international aerial gateway in Estonia.

In 2016, Tallinn Airport had 40,938 movements (2015: 41,513) and handled 2,221,615 passengers (2015: 2,166,820). Cargo weighing 13,940 tonnes (2015: 16,156) was carried. The regional airports had a total of 9,576 movements (2015: 10,856) and handled 53,360 passengers (2015: 48,098).

Tallinn Airport has a substantial impact on the economy of both Tallinn and Estonia overall. Research confirms that every 100,000 passengers arriving at or departing from Tallinn Airport create an average 146 jobs in the service area of the airport, which in turn increases income from employment and the GDP volume. The total impact of the air transport sector on Estonia's GDP in 2016 was estimated at 3%, or EUR 622 million. Thus, 2.2 million air passengers created a total of 3,243 jobs (2015: 2.95% of GDP, or EUR 607 million; 3,163 jobs created) (based on the methodology of the "Impact of passengers of Tallinn Airport on the Estonian economy" study by Maris Lauri in 2013).

## Key operating indicators of Tallinn Airport in 2016 compared to the year 2015

	Passengers	%
Tallinn Airport	2,221,615	↑ 2,5
Regional airports	53,360	↑ 10,9

	EUR million	%
Revenue	36,9	↑ 9
Total income	46,8	↑ 7
Net profit	6,2	↑ 19
Total assets	155,5	↑ 8
Capital expenditures	25,6	↑ 814

## Key indicators of Tallinn Airport infrastructure

- The administrative area of 366 ha
- 3,490 metres in length (as of 31.12.2016) and 45 metres in width the east-west runway
- Taxiways in total length of 5,550 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 terminal 28,000 m<sup>2</sup>, capacity of 2.5 million passengers annually
- 4 cargo terminals with total area of 11,600 m<sup>2</sup>
- Rescue service level CAT VIII (incl waterworks capabilities)

- 3 aircraft maintenance hangars with a total area of 21,520 m<sup>2</sup> and 4 tents with a total area of 3,955 m<sup>2</sup>
- Commercial space of 32 buildings
- Total floor area of buildings of 85,189 m<sup>2</sup>
- 40,059 m<sup>2</sup> are used for core activity
- 45,009 m<sup>2</sup> are used for commercial activity
  - incl 42,715 m<sup>2</sup> of space that is being leased out
  - incl 2,294 m<sup>2</sup> available commercial space

## Regional airports

- Total administrative area of regional airports accounts for 630 ha
- Regional airports have 51 buildings
- Total floor area of buildings of 22,503 m<sup>2</sup>

## Main business activities of the Group

- airfield service, including air navigation service
- handling of passengers
- rental services

1934

*Civil flight operations launched at Ülemiste Civil Airfield*



*Ülemiste Civil Airfield, predecessor to Tallinn Airport, unveiled. Already at the time of its unveiling, Ülemiste Civil Airfield was among the biggest in Northern and Eastern Europe, handling approximately 40 passengers a day.*

1936

*The unveiling of a three-way runway transformed the airfield into Tallinn Airport*

*A triangular runway paved in concrete was unveiled on land. This historic runway is still visible today, at the Tartu Highway end of the runway.*





*Tartu Airport has been at its current location at Ülenurme since 1946, when a link of medical emergency medical care aircrafts was located in a field on a farm.*



*Skis were used for take-off and landing on the Tartu Airfield when there was snow in winter.*



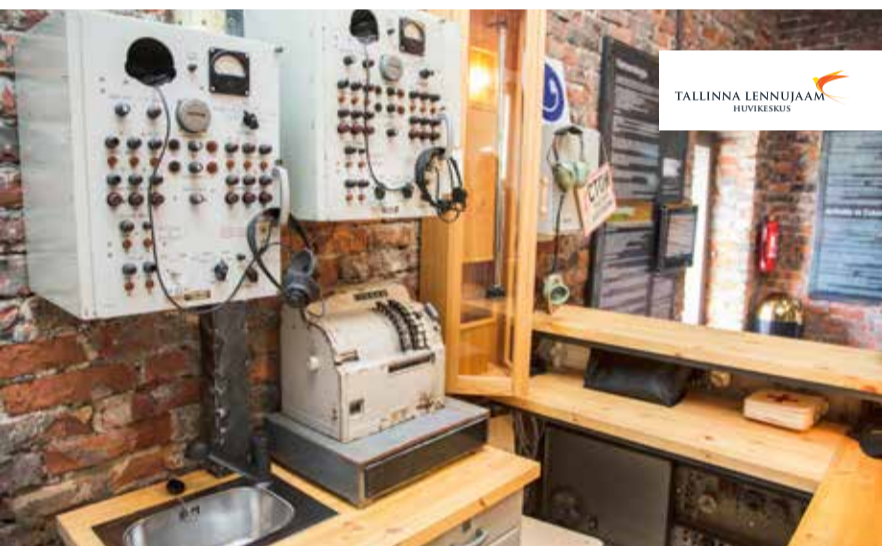
*The location of the sign on the main building of Tartu Airport and the four points at which it was attached are readily visible on the wall to this day.*



# Events in 2016







### January

- For its operations in 2015, AS Tallinna Lennujaam was recognised with the golden award for responsible and sustainable entrepreneurship.

### March

- Construction contract signed with Lemminkäinen Eesti AS for the first stage of the construction works to expand the airside area.

### May

- 16 May, Tartu Airport celebrated its 70th anniversary.
- 30 May, Tallinn Airport GH named one of Estonia's most family and employee friendly companies by the Ministry of Social Affairs, the Estonian Human Resource Management Association PARE, the Äripäev newspaper and the Pere ja Kodu magazine.

### August

- 29 August, Piret Mürk-Dubout elected Chairperson of the Management Board of AS Tallinn Airport.
- Tallinn Airport activity centre completed.

### September

- 2 September, extension of the maintenance service facilities unveiled.
- 20 September, 80th anniversary of Tallinn Airport.

### October

- 5 October, AS Tallinna Lennujaam awarded the Responsible Company 2016 title as part of the 2016 Tallinn Entrepreneurship Awards.



- Based on the results of the survey conducted among visitors to the Sleeping In Airports portal, Tallinn Airport rose to the third position in Europe in the rankings of Europe's best airports and from the 11th position to the 9th position in the world rankings. In terms of the comfort of sleeping at the airport, Tallinn Airport was considered the third co-siest airport in the entire world.

### November

- 17 November, with the upgraded infrastructure in the eastern areas of the airfield, Tallinn Airport launched an extended runway with a total length of 3,490 metres, the longest in the Baltic States, as part of the airside area development project.
- During the corporate sport season organised by the Estonian Corporate Sport Association, the Tallinn Airport Sport Club gained the title of Estonia's Most Athletic Company for the second year in a row.
- The reputable Rotten WiFi ranked the airport's internet network second among the world's airports.
- Mapping of business processes began with the aim of achieving the best customer service through process management, managing customer experience as efficiently as possible and assuming a clear customer service role.





## December

- 2 December, the Estonian Chamber of Disabled People recognised providers of cultural, sport and tourism services at a conference held on the occasion of Disabled People Day. Tallinn Airport cares and has seen to it in every way that also people with reduced mobility can board aircrafts, providing assistance with getting dressed, carrying their luggage or in any other manner.
- From 3 to 4 December, the vicinity of Tallinn Airport hosted the Defence League's NORTH STAR 2016 exercise, which included the rehearsal of the movement of walking patrols and the defence of specified sites.

*Trust is not some kind of dowry accumulated in a stocking until it is full. Trust has to be renewed on every God-given morning, restored day in, day out, grown like capital and looked after like a nest egg.*

*Lennart Meri*



1937

*Europe's longest air route connected Tallinn to Palestine*



*LOT Airlines launched the route, nearly 3,200 kilometres long, Helsinki - Tallinn - Riga - Warsaw - Luou - Bucharest - Thassaloniki - Athens - Rhodes - Lydda - Jerusalem..*

1938

*Top Gear's antics preceded by 40 years!*

*At Ülemiste, motorcycles and aircrafts were positioned behind the starting line as early as 1939!*

*AEO, Estonian Airlines Public Limited Company, founded.*





*Every summer, the Pärnu Airfield hosts the biggest parachuting camp in the Baltic States, Parasummer, whose keywords include a beautiful view of the sea, a public landing on a sandy beach in front of hundreds of people and numerous terrific jumps*



*Up until 2014, Pärnu Airport was the second biggest civil airfield in Estonia, also visited by presidents and prime ministers from time to time.*



*After the shortening of the runway, the biggest visitor has been the historical DC-3*



# Strategies and values



## The objectives of the owner and the strategy of the company

One of the key objectives of Tallinn Airport is to provide international air links that contribute to the development of entrepreneurship and tourism in the country. We strive towards increases in the number of destinations and in the frequency of air links. Of equal importance to us are also the safety and security of passengers and services.

Although Tallinn Airport cannot become the world's biggest airport, it can become the world's cosiest one. It is important for us to make our customers feel only delight in the use of our services. We would like for a passenger to feel at home at our airport. We wish to be the world's cosiest airport, specifically by caring – about our passengers, employees and partners!

In the autumn of 2016, the Republic of Estonia, as the sole shareholder of AS Tallinna Lennujaam, affirmed the owner's expectations for the operations of the company. The company was defined as a company with predominantly public purposes. Meeting the objectives set by the State is the responsibility of the supervisory and management boards of companies. Balancing various objectives and protecting the owners' interests harmoniously in the long term is also the responsibility of the supervisory boards of companies.

### Objectives set for the company by its owner

- Engage in effective economic activity in the chosen sector, ensuring the development of the company as well as optimal and stable ownership revenue for the state
- Meet the strategic objectives set by the State in accordance with all the national and international laws, regulations and development plans applicable to the company
- Set an example of good management practices, social responsibility and high business culture for Estonian companies
- Maintain and increase air traffic
- Operate the company in a commercially profitable and efficient manner
- Function sustainably and responsibly (safety and environmental friendliness)
- Operate regional airports to support the development of the economic environment in various regions of Estonia within the scope of grants received from the state
- Meet the financial objectives set by the State profitably and conservatively and ensure the sustainability of operations

The operations of Tallinn Airport affect a lot of stakeholders – from its employees and the members of the community, airlines and business partners all the way to the interests of passengers, taxpayers, its owner and society. Therefore, annual objectives are reviewed based on the expectations of both the owner and the other stakeholders. Through an open dialogue and by considering the various interests in the operational strategy of the company, we can create and maintain confidence in our operations.

### Main dimensions of corporate social responsibility

- Management of the company considers the expectations of the stakeholders; sustainable business practices have been integrated into the corporate management process
- Focused attention on a safe and secure service
- Having a say on responsible entrepreneurship in society, pursuing sustainable entrepreneurship, implementing these principles consistently in work and increasing society's awareness of the issue at the same time
- Creating a responsible work organisation and safe working conditions, incentivising employees, maintaining a dialogue between the employer and the employee
- Green focus in providing and designing services
- Responsibility-related reporting, that is, disclosure of information about social, economic and environmental impacts according to the guidelines of the Global Reporting Initiative
- Being a trustworthy partner for one's business partners, employees, owner and society
- Direct interaction with the public and the media, communication of only accurate and true information and planned provision of information about one's operations





## Strategy of AS Tallinna Lennujaam

The strategic objectives of the company are aimed at profitable operations; safe, secure and quality services; and the development of destinations and connectivity, whilst ensuring both employee and customer satisfaction and keeping the environmental footprint of the company small.

## Stakeholders

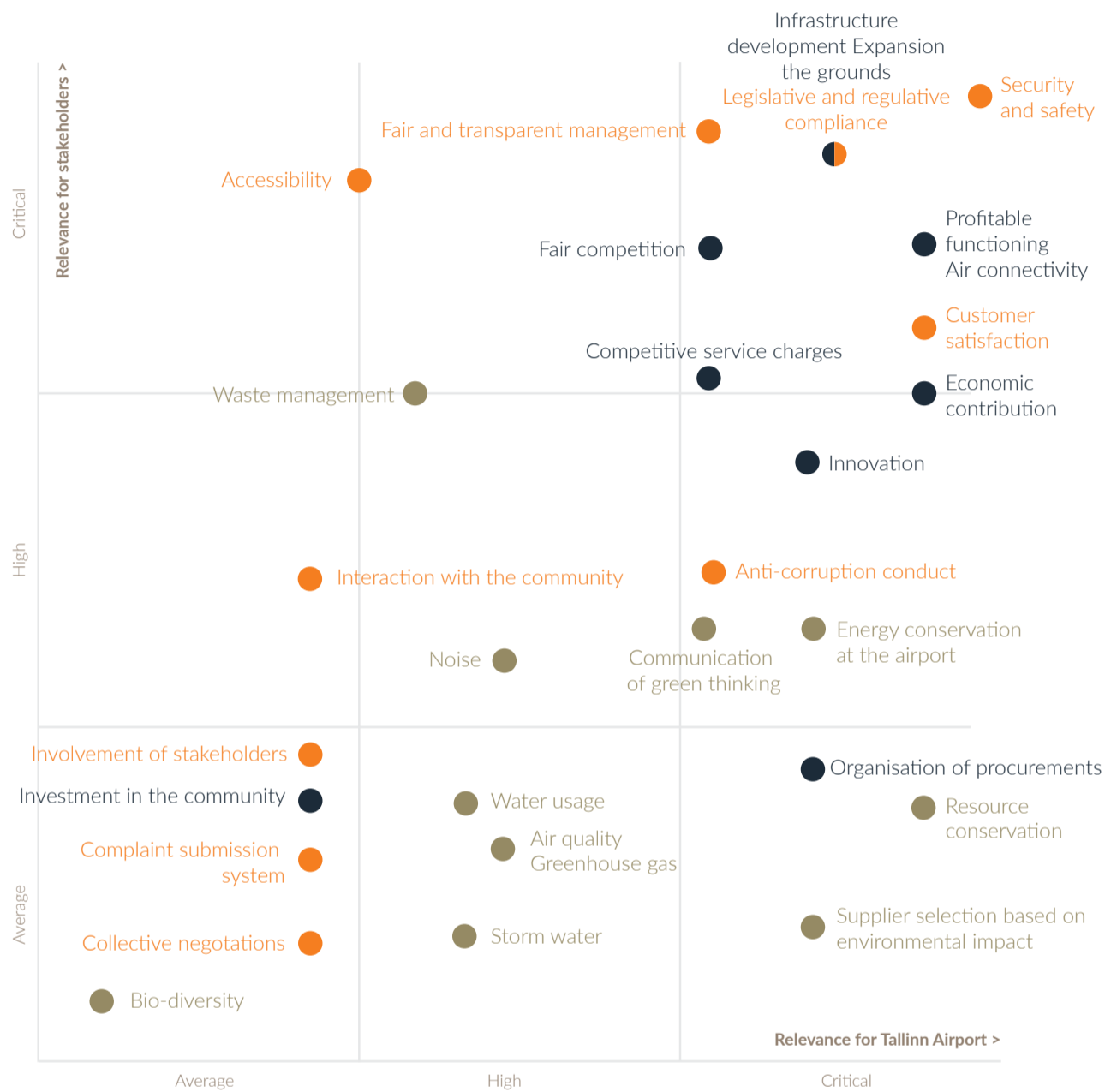
AS Tallinna Lennujaam considers its key stakeholders to include its customers, partners and companies operating on the grounds of the airport, employees and local governments, whose divisions have a say in infrastructure development through the process of approvals and the issuing of permits. In addition, people living nearer and farther away, who may be affected by its operations.

In order to report on the company's key performance indicators, the impact points of the operations of the airport were mapped. The impact points were defined and their extent was delimited by interviewing representatives of various stakeholders, employees and the management of the company and by analysing data and the media.

The most important economic impact points are the safety and security of the airfield services; the conformity of the operations to the expectations of society, legislation and regulations; fair and transparent management; and customer satisfaction with the services. The main environmental expectations are the energy efficiency of the operations of the airport and promoting green thinking. In terms of society's expectations, the most important ones are developing infrastructure, maintaining good air links, profitable functioning and fair competition.

Based on the expectations of the stakeholders, three focus areas were approved for 2016:

- World's cosiest airport: we care about passengers, customers, employees, the community and Estonia.
- Quality services: we are reliable. Our objective is to honour agreements; provide a smooth, secure and safe service; and achieve efficiency.
- Sustainable company: profitable functioning through collaboration; timely investments on the right scale with appropriate payback periods; conservation of the environment and increase in non-aviation revenues

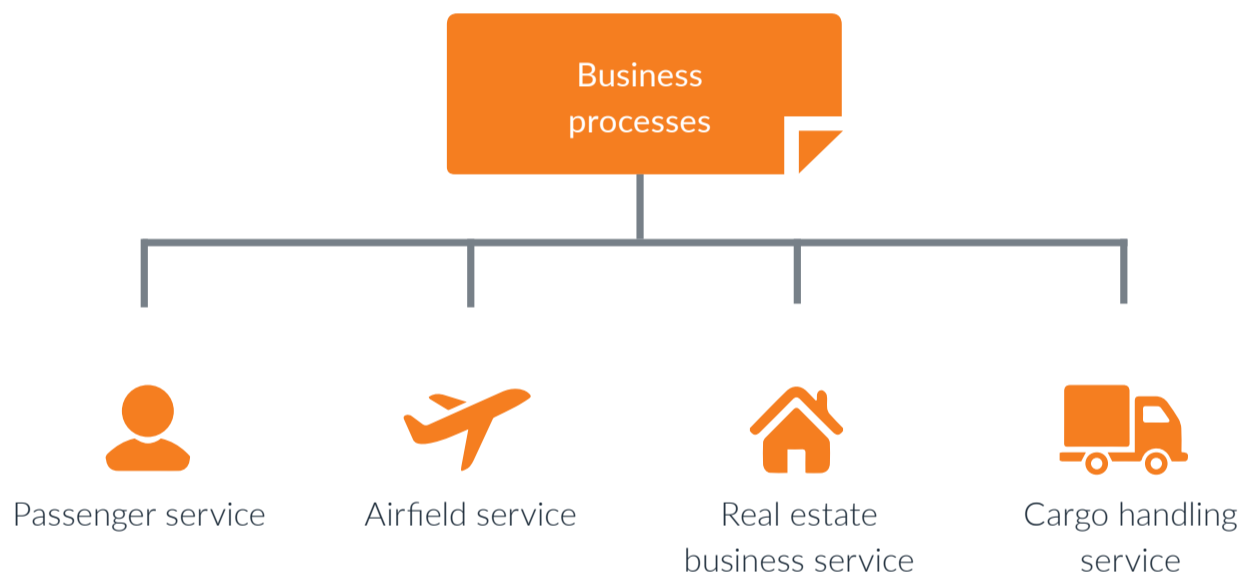


Source: Henrik Kutberg. Analysis of the stakeholders of the airport, 2017

## Passengers

For over ten years, Tallinn Airport has been conducting regular customer satisfaction surveys, and there is also a well-functioning customer feedback system. Through both, customers can contribute directly on how the operations of the company are shaped.

In the autumn of 2016, business processes began to be mapped with the aim of achieving the best customer service, managing customer experience in the most efficient manner possible and assuming a clear customer service function through process management. We wish to achieve a level of customer service whereby we could say in this regard, too, that we are the world's cosiest airport. The 4 most important business processes are:



In 2017, a process map will be created for AS Tallinna Lennujaam and the focus will be mainly on operations related to the provision of a passenger service, to generate better value for customers.

*“We are the aerial gateway and calling card for Estonia, which places a great deal of responsibility on us yet also provides opportunities. Largely, confidence in Estonian precision, in Estonian matter-of-factness and also friendliness and warmth is in our hands.”*

*Lennart Meri*

## Achievement of the objectives set for AS Tallinna Lennujaam



### Handling of air traffic is sustainable

The processes/technologies of operating the airport place no constraints on smooth flight operations. The infrastructure of the airport places no constraints on smooth flight or passenger operations.

#### ⊕ Air traffic has not been suspended extraordinarily for reasons to do with us.

Handling of air traffic is sustainable, and interruptions due to the airport were limited to scheduled closures of the runway due to the reconstruction project.

#### ⊕ During reconstruction projects, air traffic functions according to plan, without extraordinary closures, and the construction project is completed on time.

Interruptions due to the airport were limited to scheduled closures of the runway due to the reconstruction project.

#### ⊕ Investments are completed according to the scale and time limits in the investment plan.

The Group invested EUR 20.5 million, including EUR 19.5 million by Tallinn Airport, EUR 0.75 million by the regional airports and EUR 0.2 million by Tallinn Airport GH.



### The airfield services and the work environment are secure and safe

- ⊕ **No aircraft accidents or serious incidents have occurred as a result of our operations.**  
0 aircraft accidents / serious aircraft incidents.
- ⊕ **We have valid airfield, air navigation service provider and equipment and system certificates.**  
The airfields have valid service provider certificates.
- ⊕ **We have been issued with 0 orders by a supervisory body in the areas of operation, security or safety.**  
0 orders.



### The number and frequencies of flights to destinations are increasing

The number of passengers is increasing. The number and frequencies of flights to destinations are increasing.

- ⊕ **The number of passengers is increasing by 2%.**  
The number of passengers increased by 2.5%.
- ⊕ **Year-round, 20 destinations from Tallinn.**  
Year-round, 23 routes were operated, for a total of 34 routes including seasonal destinations.



### Profitable functioning

The Group's return on equity is increasing. Productivity is increasing.

- ⊕ **The Group's return on equity is increasing by 5.9%.**  
Return on equity increased by 9%.
- ⊕ **Productivity is increasing.**  
Productivity increased by 6.1%.



### Customers' assessment of the airport's services is high

Passenger satisfaction with the airport's services is high. Business customer satisfaction with the quality of services is high. The company has the reputation of a responsible company. The company is an attractive employer.

#### ⊕ Passenger and business customer satisfaction is high.

Overall satisfaction of 9.4 on a 10-point scale. Business customer satisfaction of 9.3 on a 10-point scale.

#### ⊕ The company has the reputation of a responsible company.

Gold level of responsible entrepreneurship. Responsible company 2016 title. One of Estonia's most family and employee friendly companies in 2016.

#### ⊕ Voluntary staff turnover is below 10%.

Voluntary staff turnover is 4.9% at AS Tallinna Lennujaam and 10.05% at AS Tallinn Airport GH.

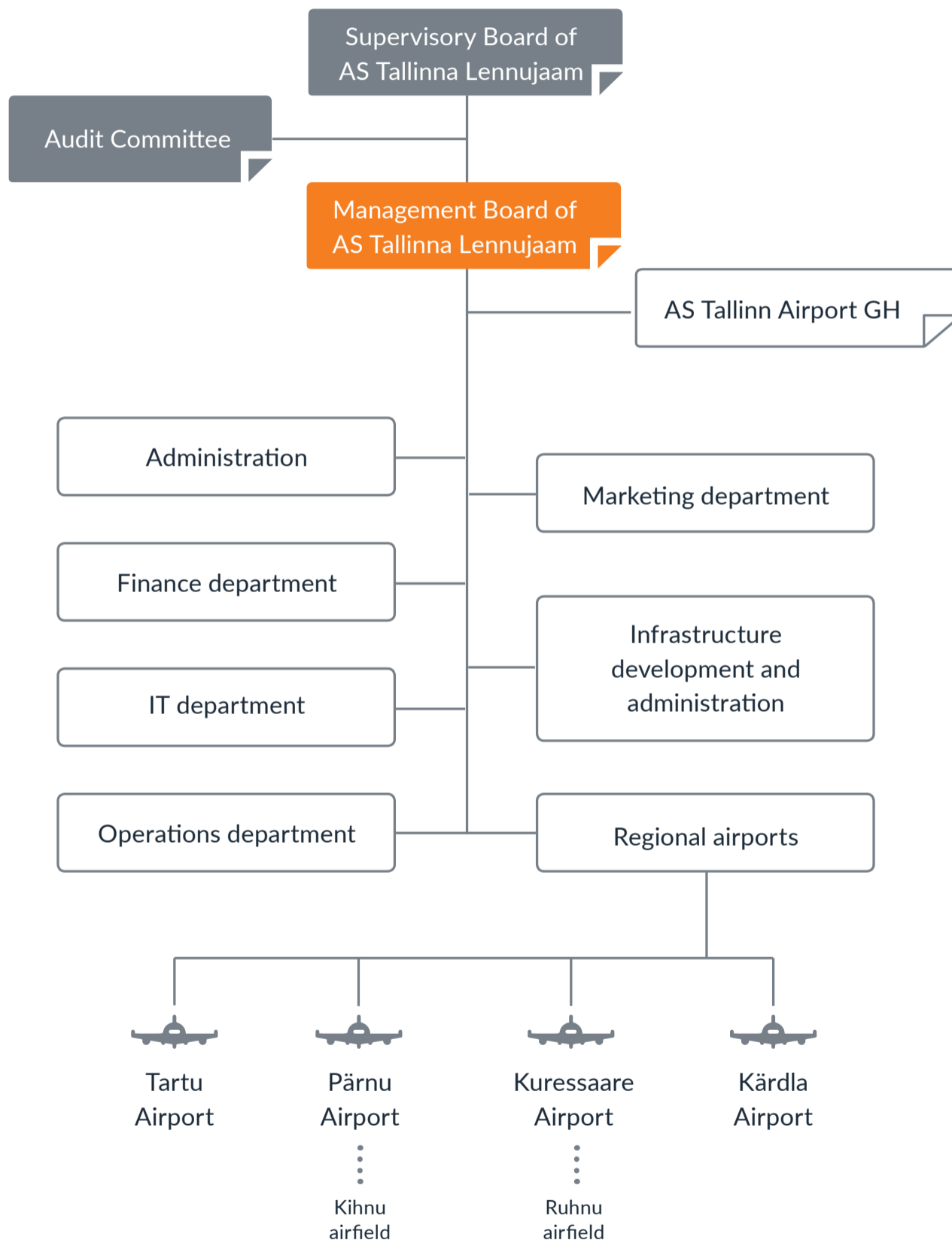


### The ecological footprint of airfield services is decreasing

#### ⊕ The environmental indicators developed begin to be implemented on the principle of the ecological footprint.

Indicators have begun to be implemented.

## Organizational structure



1945-  
1989

## *Hectic activity at Tallinn Airport*



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

1955

## *The airport launched a new passenger terminal*

*The building provided all the amenities for the passengers of the time. For example, the building also housed guest rooms for those who needed to stay at the airport at night. Alongside the launch of the passenger terminal, the better performing pilots were awarded as well.*







Source: <http://myairfields.com/>

*Pärnu Airport also includes Kihnu Airport, located 42 kilometres from Pärnu, on the Island of Kihnu in the Gulf of Riga*



Photograph by: Hiiu Sailing Society

*Did you know that the Kihnu Airfield is next door from the Sigatsuaru boat harbour?*



*The Kihnu Airfield has 600 metre long unlit grass runways with a bearing capacity of 7 tonnes*



# Management of the company



## 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 in AS Tallinna Lennujaam are owned by the Republic of Estonia. The company belongs within the jurisdiction of the Ministry of Economic Affairs and Communications. The Group includes the parent AS Tallinna Lennujaam and its subsidiary AS Tallinn Airport GH.

### General Meeting

The General Meeting of shareholders of AS Tallinna Lennujaam held on 12 April 2016 approved the audited annual report for 2015, the profit allocation proposal and the auditor's report.

### Supervisory Board of AS Tallinna Lennujaam

Under the articles of association, the Supervisory Board has six Members. The Minister of Economic Affairs and Infrastructure selects three Members on the proposal of the Minister of Finance and three at his or her discretion. Members are appointed for five-year terms. Their remuneration is set by the General Meeting.

The Supervisory Board supervises the activities of the Management Board and participates in the making of important decisions. The Supervisory Board acts independently in the best interests of the Group and the shareholders. The Supervisory Board determines the Group's strategy, general plan of action, risk management policies, and annual budget.

In 2016, the Supervisory Board included Margus Puust, Chairperson, and Kalle Palling (until 8 December 2016), Kai-Riin Meri, Väino Linde (until 8 December 2016), Hendrik Agur and Toivo Jürgenson. On 8 December 2016, Indrek Gailan and Hindrek Allvee were appointed. In 2016, the Supervisory Board convened eleven times, and the Management Board provided the Supervisory Board with regular overviews of the company's financial performance on a quarterly basis. In 2016, the staff costs for the Supervisory Board Members (remuneration inclusive of social taxes) were EUR 37 thousand (2015: EUR 38 thousand).

### Audit Committee

In 2016, the members of the Audit Committee were Kalle Palling (Chairperson), Väino Linde and Priit Lomp. At the end of the year, the Supervisory Board removed Priit Lomp from the Audit Committee and appointed Kai-Riin Meri instead.

The Audit Committee convened four times. It reviewed and approved the 2015 annual report of the airport and brought itself up to date on the results of the interim audit for the 2016 report. The airside area development project and the risks involved in it were addressed separately.

### Management Board of AS Tallinna Lennujaam

The Management Board represents and manages the company's day-to-day operations in compliance with legislation and the articles of association. The Management Board is required to act in the most economical manner and make decisions in the best interests of the company and the shareholder and undertakes to ensure the sustainable development of the company according to the objectives and the strategy that have been set. The Management Board ensures the functioning of risk management and internal control at the company.

On 1 March 2016, the size of the Management Board of AS Tallinna Lennujaam changed from three Members to two Members due to the removal of Rein Loik. Einari Bambus, Member of the Management Board, was appointed by the Supervisory Board to perform the duties of the Chairperson of the Management Board until the election of the new Chairperson of the Management Board. The Supervisory Board announced a competition to elect the Chairperson of the Management Board. Based on the competition, Piret Mürk-Dubout took up the position of the Chairman of the Management Board from 29 August 2016.

In 2016, the Management Board held 49 meetings. The staff costs for the Management Board Members (remuneration and social taxes) totalled EUR 342 thousand (2015: EUR 339 thousand).

### Management and Supervisory Boards of AS Tallinn Airport GH

The Management Board of the subsidiary AS Tallinn Airport GH is appointed and the remuneration of its Management Board Members is set by the Supervisory Board of the subsidiary. The powers and responsibilities of the Supervisory Board derive from the company's articles of association; its Members are elected by the Management Board of AS Tallinna Lennujaam.

In 2016, the lineup of the Members of the Management and Supervisory Boards did not change. The Chairman of the Management Board was Tiit Kepp, and the Member of the Management Board was Jarno Mänd; the Members of the Supervisory Board were Einari Bambus (Chairperson), Anneli Turkin, Martin Männik and Tõnu Ader. No remuneration is provided to the Members of the Management Board of AS Tallinna Lennujaam for serving on the Supervisory Board of the subsidiary. In 2016, the staff costs (inclusive of social taxes) for the Members of the Management Board totalled EUR 171 thousand (2015: EUR 131 thousand), whereas those for the Members of the Supervisory Board totalled EUR 9 thousand (2015: EUR 9 thousand).

### 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.

In 2016, the Management Board submitted to the Supervisory Board financial and operational progress reports on a quarterly basis.

Information about the Members of the Management and Supervisory Boards is published on the website of the company. The annual report of the company is published by 1 May at the latest.

## Supervision

The risk management system supports the achievement of the company's safety and business objectives. Using uniform risk management principles, the system analyses, assesses and manages the flight safety, operational, business, work environment and financial risks of the entire company, including the regional airports. The internal auditor's activities are planned based on the risk management report.

The internal audit function is based on international standards and internal procedures that organise internal audit activities. 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. Highlights of the activities in the area of internal audit in 2016 include first-ever participation in Airports Council International Europe's Internal Audit Expert Group. The Expert Group convenes twice a year, and the purpose of the meetings is to share experience and best practice on the auditing and handling of aviation-specific topics. The key topics addressed included the prevention of fraud and corruption and the auditing of information technology and construction projects.

Internal audits of the management system are those internal audits at the company during which the quality auditors of AS Tallinna Lennujaam audit the divisions of AS Tallinna Lennujaam and the companies located on the grounds of the Tallinn Airfield. The management system includes activities related to quality, the environment, risks, flight safety and occupational safety. These audits are organised and conducted by specialists in the relevant fields who report to the Management Board. The management system audits are conducted according to the annual schedule. In 2016, a total of 18 audits (2015: 24) were carried out in the divisions of AS Tallinna Lennujaam and at the companies operating at the Tallinn Airfield. Periodically, meetings to review the management system are held, with the Management Board assessing the functioning of the management system, the results of the audits held, overviews of the regional airfields and customer feedback.

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



## Ethics

In order to prevent corruption and agree on rules for ethical conduct, the company has developed internal regulations on the prevention of the risk of corruption and introduced a Code of Business Ethics. Review of and compliance with the agreed rules are mandatory for all employees.

Good business ethics covers the following topics:

- protection and appropriate use of the Group's assets
- conflicts of interest
- bribery and corruption
- hosting and gifts
- fair competition and sustainable business activity
- secure work environment
- conflict with ethical principles

Since 2015, employees have been able to anonymously report potential ethics violations, corruption or similar cases via the organisation's internal network. Notifications received are automatically forwarded to the internal auditor and handled by the ethics committee set up by the Management Board. In 2016, no requests were received for the initiation of proceedings.

## Membership

AS Tallinna Lennujaam is a member in the following organisations:

- ACI Airports Council International Europe (various committees)
- International Civil Aviation Organisation (ICAO)
- Responsible Business Forum (MTÜ Vastutustundliku Ettevõtluse Foorum)
- Saaremaa Tourism Foundation (SA Saaremaa Turism)
- Saaremaa Association of Entrepreneurs (MTÜ Saaremaa Ettevõtjate Liit)
- Estonian Employers' Confederation
- Estonian Taxpayers' Association
- Estonian Chamber of Commerce and Industry
- Estonian Travel and Tourism Association
- Estonian Association for Environmental Management

## Committees and their members

To focus on issues and areas that require more attention, we have set up committees at Tallinn Airport to enable communication directly with specific target groups.

### Safety Committee

Meetings of the Tallinn Airfield's Safety Committee, held once a quarter, are attended by representatives of all the companies operating at the Tallinn Airfield. In 2016, 4 meetings were held on the topics of the promotion of a safety culture, increasing the level of safety and exchanging experience between the companies operating at the airfield. Safety experience and information about proposed changes in infrastructure and procedures were shared. Also, incidents and improvement activities to prevent them going forward were analysed.

### Airport Users' Committee

Members of the Airport Users' Committee are all representatives of companies operating on the grounds of Tallinn Airport. At meetings, important news and information about the airport's operations and procedures are provided. At regular gatherings, an overview is provided also about aviation and financial results, flight safety and security and community activities. All participants may put forward their own proposals if they wish. In 2016, 1 meeting was held.

### Terminal Users' Committee

Meetings of the Terminal Users' Committee of Tallinn Airport are attended by all the tenants and collaboration partners of the passenger terminal. At meetings, information is provided about current topics, changes in procedures as well as proposed changes and activities, with all of the terminal users able to share their experience and exchange information.





In 2016, 2 meetings were held to inform the attendees about the passenger terminal reconstruction project, developments in air traffic, passenger survey results, developments at the airport and proposed construction projects and general news

### Work Environment Council

Both AS Tallinna Lennujaam and AS Tallinn Airport GH have set up Work Environment Councils that have equal numbers of employee and employer representatives. The Work Environment Council is the cooperation body between the employer and employee representatives that handles occupational safety and health related issues at the company, regularly analysing the working conditions and work environment problems at the company.

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

*“What matters when making the right decisions is not the quantity of information but rather its quality.”*

*Lennart Meri*

## Risk management

Risk management is an important part of managing a business. Risk management supports the achievement of the company's safety and business objectives, and also provides the preparedness to tackle those risks whose impact or probability cannot be reduced. In order to do this, risks that arise during various operations or that may hinder the achievement of objectives and their consequences are identified, assessed, analysed and managed, and risk-aware conduct of staff is also developed.

The company pays constantly attention to legislative requirements for the performance of various risk analyses and to business, operational and project risk analyses aimed at supporting management quality at the company.

### Business risks

In terms of the external environment, we continue to be influenced by changes in both the political and economic environments on the adjacent markets. Due to low fuel prices, there are extraordinarily many seats for sale at low prices on the aviation market. A prospective rise in the price of fuel will affect the sustainability of operating routes significantly. In 2016, the charter market declined by approximately 14% mainly due to political instability in the main tourism areas, as a result of which our assessment is that continued political instability, interacting with risks in the economic environment, may result in a reduction in the frequencies at which routes are operated and in lower-than-expected growth in passenger volumes.

The external economic environment also significantly affects partners operating on the grounds of the Tallinn Airfield, with a cessation in their business operations or with their relocation out of Estonia resulting in the absence of a long-term tenant and in a temporary reduction in the profitability of investment for the airport.

In terms of 2017, the key business risks resulting from development activities concern large-scale investment projects with tight timetables: reconstruction of the airside area, expansion of the passenger terminal and construction of a multi-storey car park. Keeping to the timetable proposed for construction works is particularly critical given Estonia's role as the country to hold the Presidency of the Council of the European Union in the second half of 2017.

Another significant risk is a lack of certainty with respect to regulations: changes in regulations may result in forced investments and reduce the profitability of business.



## Operational risks

The number one priority for the companies in the Group's is the sustainable provision of an airfield service, including the prevention of flight safety risks and the ensuring of security. Accordingly, there is a constant focus on ensuring the continuity of the technical systems needed for the principal activity and on maintaining acceptable flight safety levels.

Daily operation of the airport is based on the principle that flight safety is a priority. There is a functional safety management system involving all the employees and members of the community, which aims to prevent and avoid accidents and to protect people, property and the environment. We have made significant efforts to diversify options for notification about incidents that may affect safety, to create a preventive safety culture and to analyse incidents with the objective of making sure that no aviation incidents take place. The safety policy of the company is reviewed and approved annually.

## Preparedness for crisis situations

In order to be prepared, in the event of various crises, for supporting the resolution of an event, the management of emergencies or their consequences at any airports of AS Tallinna Lennujaam and the restoration of the regular functioning of the company, a crisis management group has been set up as a permanent task force, consisting of the managers of various areas at AS Tallinna Lennujaam and specialists. The activities of the crisis management group are governed by the crisis management manual and the crisis communication plan.

In the event of an accident, the first to respond is the rescue service at Tallinn Airport, whose function is to provide a rapid and prompt response in the event of fires, an aviation accident or the risk of one; eliminate fuel or oil contamination; and provide security during the fuelling of aircraft. The availability and preparedness of the rescue service provides the Tallinn Airfield with Category 8 rescue year-round.



*On 20 April 2016, a maritime distress training event was held in the vicinity of Kärddla Airfield, in the waters of Roograhu Harbour, under the conditions of limited visibility in the evening. The objective was to train and check the capacity for action of the rescue crew of the airfield, the work organisation of the air traffic control unit, the activation of the alarm circuit and collaboration with various collaboration partners. A strong northwesterly wind made a contribution of its own on the rescue event, blowing at speeds borderline acceptable for the use of recreational craft, up to 14 metres per second.*

*The training event was attended by several divisions of Tallinn Airport, JROCC Tallinn, the Police and Border Guard Board, the emergency medical service of the North Estonia Medical Centre, the Rescue Board, National Defence League, the Estonian Maritime Rescue Organisation, Reval Marine and Offshore Training, and the Estonian Civil Aviation Administration.*

### **Illegal interference in flight operations**

All airports all over the world are making an effort to ensure passenger safety. Tallinn Airport buys a security service from its partner company G4S Eesti AS. We work with them closely, carry out constant checks on their activities and manage and maintain equipment used for security scanning.

### Environmental risks

Runway and plane de-icing and fuelling have the biggest environmental impact. Relevant procedures have been developed for avoiding and cleaning up fuel and oil contamination, and the rescue service of the airport is equipped with the necessary resources. In 2016, the rescue service of the Tallinn Airfield was called in eight times to eliminate contamination. In order to prevent any contamination of the environment, the environmental condition of the soil, water and air is monitored continuously, and the compliant and green actions of the partners operating on the grounds are also checked in addition to the internal procedures.

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 proposes cost-effective measures to reduce energy consumption.

To manage environmental risks, relevant quality standards have been introduced, and these risks are managed by complying with all the regulatory requirements and through supervision. Environmental risks are also considered when new investment decisions are made. The environmental specialist of the company is involved in the preparation of construction projects in order to ensure the consideration of environmental aspects in the best possible manner.

### Information security risks

In order to prevent the materialisation of any risks to information systems or data management and in order to minimise their potential impact on the operations of the airport, information security and protection activities were added to the risk focus in 2016. The implementation of the appropriate organisational, technological and physical security measures is managed by the information security manager of the company.

Every employee, business partner and customer of the airport has a role in the provision of information security. As in other areas of activity, so, too, the processes at the airport function via information systems; accordingly, every employee with their conduct sees to it that their actions allow for potential risks and prevent the occurrence of incidents. In order to obtain a better overview of the existing information systems and the links among them, information systems were mapped in the autumn of 2016, providing the company with an overview of the sustainability of the information systems used and of potential areas of improvement. In 2017, mapping activities are continuing in the light of the entry into force of the General Data Protection Regulation.

In 2016, seminars on information security were attended by 107 managers and specialists of Tallinn Airport, with the study materials and recommendations available to all the employees via e-learning.



### Protection of customer data

Since one of our operational risks is related to information security, the protection of customer data is of special importance for us. In our activities, we adhere to legislation governing the areas of information security and data protection, a three-level baseline protection system for information systems and IT management best practices. Similarly to the regular approach to risk, information security and data protection risks are also assessed, with efforts made to minimise the materialisation of risks. This protection is provided through internal rules of procedure, technical measures, relevant software and incident prevention systems. Physical security measures have been also put in place, the key components of which include the appropriate training of data processing operators and regular security audits. Customer data related to passengers and other information belong to the relevant airlines and are subject to strict protection. Their disclosure by us is prohibited.

In order to obtain a better overview of the existing information systems and their sustainability, information systems were mapped in the autumn of 2016.

### Staff risks

Primarily, staff risks originating in the external environment include low unemployment levels, decreased numbers of workers available on the labour market, companies' desire to recruit additional workforce and a structural shortage of workforce in various sectors. A specific feature of the Group is the requirement for background checks, resulting from security considerations, which extends the time requirement for manning positions.

Internal risks primarily include the maintenance of adequate competences among employees, the ensuring of the substitutability of the key positions and changes in workloads due to rapid swings in the needs for labour. Given the wave-like pattern in the investment period characteristic of the airport and the temporary dramatic increase in the volume of work, there is a risk of employees leaving key positions. Manning is also made difficult by work in shifts, including on weekends and at night.



## Development project risks

Construction works in connection with a large-scale development project co-financed by the European Union were begun in 2016 and are being continued in 2017. We have conducted an in-depth analysis of the risks related to the project, of which the main ones are related to keeping to the timetable, achieving a quality outcome and staying within the budget.

The main risk management measures include the performance of an expert assessment of the project, stringent requirements in terms of construction supervision and the requirement for the builder to have broader and higher liability insurance. The daily risk management measures include a constant exchange of information with those performing the works with respect to keeping the performance of works to the schedule, monitoring safety levels and the quality of the works performed.

Also critical are potential breaches by the builder or other parties of the procedures or safety requirements established at the airfield, which may result in situations affecting safety. Therefore, prevention of safety-related risks is a priority for the project team. The main risk management measures include:

- continuous multilateral information exchange;
- mandatory completion of flight safety and security training;
- conformity of the contractor's key staff to the requirements;
- safe and uninterrupted flight operations;
- continuous supervision of parties during construction works.

## Management of risks in purchase processes

Since Tallinn Airport lacks a supply chain in the classical sense, procurements are organised. The rules of procedure are established in the procedure for the organisation of procurements. When conducting procurements, the contracting authority has to comply with the best practices for organising them, use financial means for their intended purpose, reasonably and sustainably, and achieve the objective of a public procurement at reasonable cost, ensuring the best possible price to quality ratio by comparing various bids if there is competition. Public procurements are carried out in a transparent and verifiable manner. In 2016, a total of 157 procurement procedures were carried out; of those, 23 procurement procedures via the public procurement register, including 3 procurements over the international limit and 20 simplified procurement procedures. Of the procurements carried out in the electronic public procurement register, 22 were e-procedures.

1963

## *Tallinn-Simferopol direct route launched*



*The Tu-124 aircraft flew at an altitude of nine kilometres, allegedly 'as if down a board, and the waves of the Black Sea were just a hop, skip and jump away from now.*

1980

## *The airport got a new passenger terminal in time for the Olympic Games*

*In creating the distinctive look of the terminal building, the architect Mikhail Piskov was inspired by the Estonian cottage cum threshing barn. The interior design of the terminal, very modern for its time, was authored by Maile Grünberg.*







*On Saaremaa, the history of aviation got its inception by chance when the Norwegian Hans Fraenkel and the Swede Carlson performed an emergency landing on the shore of Atla Bay due to poor weather on 17 December 1904.*



*Indeed, a grass runway was completed in Kuressaare in 1940 and used also as sports grounds by sailors of the Red Banner Baltic Fleet the following year.*



# Operations of the company



## Financial results of 2016

thousand EUR	2016	2015	Change %
<b>GROUP'S KEY SALES AND FINANCIAL FORECASTS</b>			
<b>Operating income total</b>	<b>46 763</b>	<b>43 576</b>	<b>7,3</b>
Sales revenue	36 897	33 829	9
• incl. aviation revenue	13 167	13 155	0
• incl. non-aviation revenue	23 730	20 673	15
Other income	9 866	9 748	1
• incl. government grants for assets	4 352	3 783	14
• incl. government grants for security and rescue expenses	3 653	4 135	-12
• incl. government grants for regional airports	1 615	1 615	0
• incl. other income	246	215	15
Operating profit before depreciation*	13 743	12 330	11
Net profit	6 158	5 153	20
Cash flows from main activity	11 343	12 390	-8
Investments	25 634	2 610	882
Assets (year-end)	155 455	142 632	9
Assets excluding government grants* (year-end)	99 058	91 861	8
Equity (year-end)	71 793	65 635	9
Borrowing (year-end)	16 857	21 453	-21
Equity/assets (year-end)*	72%	71%	
Debt/operating profit before depreciation *	1,23	1,74	
Operating expenses total	40 486	38 228	6
• incl. goods, materials and services	11 237	11 073	1
• incl. other operating expenses	1 340	1 855	-28
• incl. staff costs	16 015	14 463	11
• incl. other expenses	77	73	5
• incl. depreciation, amortisation and impairment	11 818	10 764	10
Operating profit (EBIT)	6 277	5 348	17

\* does not include a government grant for fixed asset

## Revenue

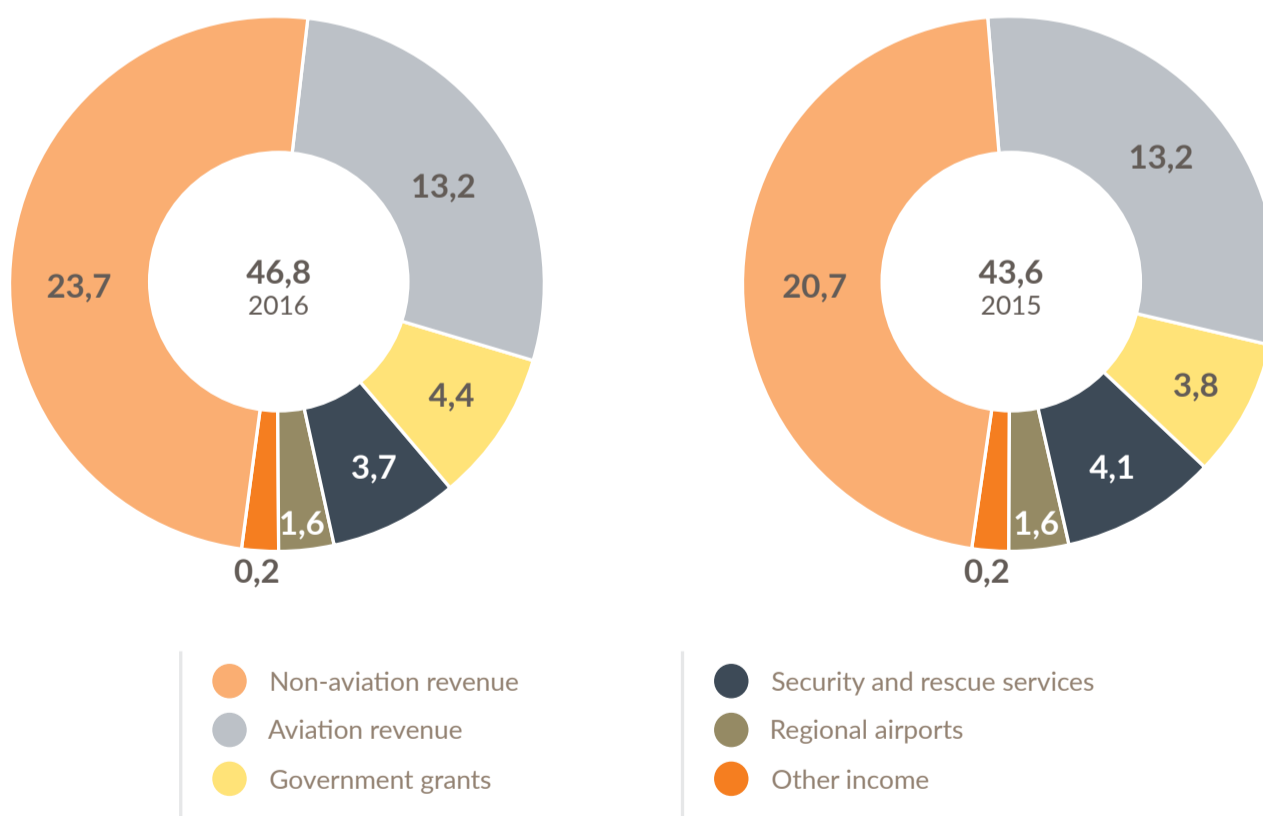
In 2016, the total income of the Tallinn Airport Group amounted to EUR 46.8 million (2015: EUR 43.6 million), a growth of EUR 3.2 million or 7.3% in comparison to the previous year. Aviation and non-aviation revenues accounted for 79% and other income for 21% of total income (2015: 78% and 22%, respectively).

In 2016, the revenue of the Tallinn Airport Group amounted to EUR 36.9 million, a growth of 9% compared to previous year (2015: EUR 33.8 million). Aviation revenues accounted for 36% and non-aviation revenues for 64% of total sales revenue (2015: 39% and 61%, respectively).

In 2016, total aviation revenue amounted to EUR 13.2 million (2015: EUR 13.2 million), in the line with prior year.

The number of passengers in regional airports increased by 2.5% in 2016 compared to 2015 (2016: 2,221,615 and 2015: 2,166,820) and the number of flight operations decreased by 1.4% compared to 2015 (2016: 40,938 and 2015: 41,513).

Flight operations decreased in non-business flights. For passenger and cargo flights the number of flight operations remained similar compared to year 2015. The average passenger fee per enplaned passenger was down by 2.6% compared to 2015 (2016: EUR 6.07, 2015: EUR 6.23).



Total income of the group EUR million

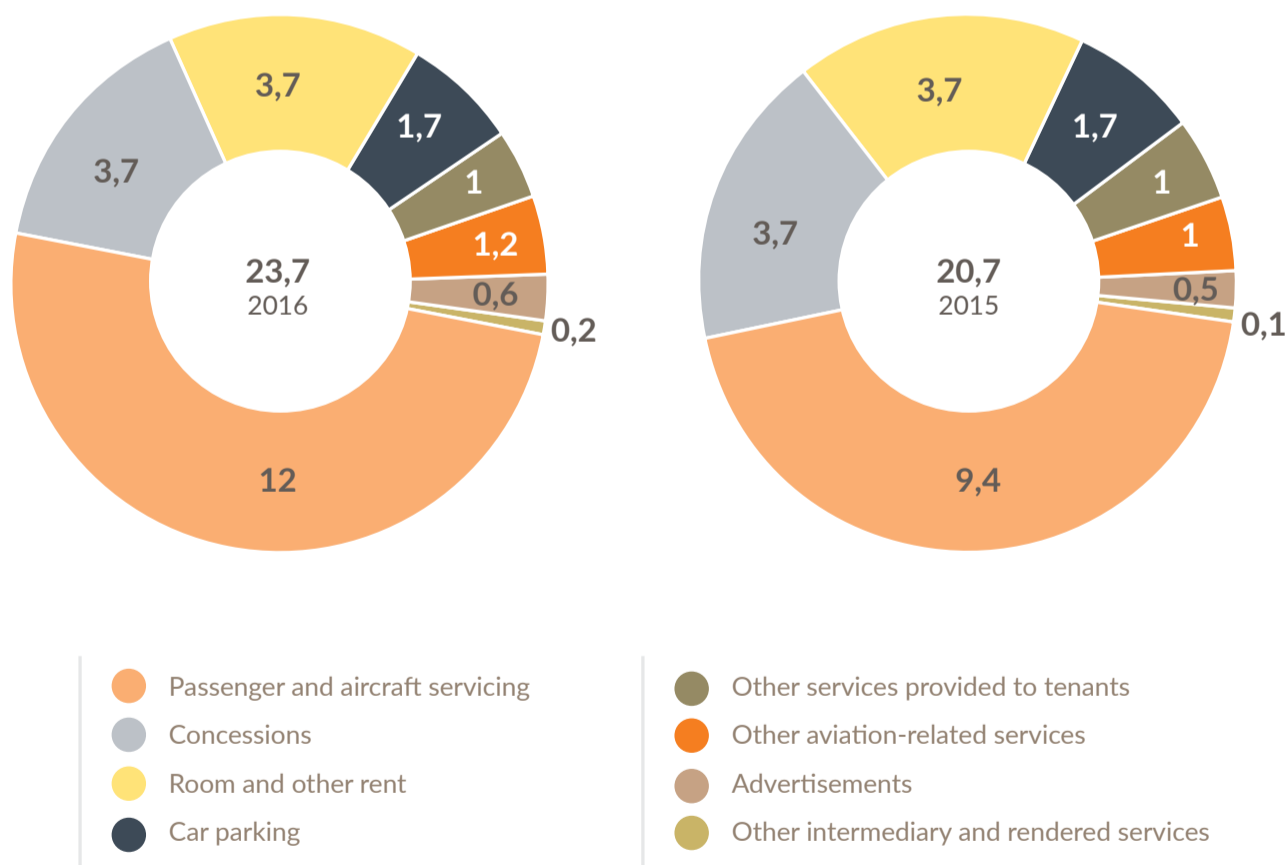
From the beginning of 2016, a new route support programme began to apply for a period of 5 years, adding some new support measures, not available under the previous programme: additional operation-based support and new line support over a 3-year cycle. In 2016, 21.6% of the total passengers of the outgoing flights had passenger fee discounts (2015: 14.8%).

The number of passengers in regional airports increased by 11% in 2016 compared to 2015 (2016: 53,360 and 2015: 48,098).

The major increase comes from Tartu airport, where the number of passengers grew by 40%, total number of passengers amounts to 29,594 (2015: 21,117). Meanwhile, number of passengers in Kuressaare and Kärdla airports decreased by 8% and 6% respectively. The reason was the bankruptcy of the present operator Avies and suspension of scheduled flights for about three months.

Considering those, it was a good result that the revenues of regional airports stayed on the same level compared to 2015 (2016: EUR 0.363 million and 2015: EUR 0.362 million).

Non-aviation revenue in 2016 amounted to EUR 23.7 million (2015: EUR 20.7 million), which made up growth of 15% compared to the previous year.



Total non-aviation revenues of the group EUR million

The subsidiary Tallinn Airport GH experienced growth of non-aviation revenue by 29% (2016: EUR 11.7 million and 2015: EUR 9.1 million). However, non-aviation revenue of the parent company AS Tallinna Lennujaam grew only by 4.6% (2016: EUR 13.8 million, 2015: EUR 13.2 million). The main reason for that modest growth of revenue is that the concession revenues, which are one of the most important sources of revenue, decreased by 4.2%. This was due to the lower turnover of shops in the non-schengen area of the passenger terminal, which resulted also in lower concession fees. However, the advertising revenues were by 32.2%, VIP client and business client service revenues by 23.2% and infrastructure revenues by 10.7% higher than in the previous year. Tallinn Airport GH had significant increase in de-icing services, which amounted to EUR 2.8 million in 2016 (2015: EUR 1.1 million), increase EUR 1,7 million or 155%. This source of income is highly dependent on the weather conditions and thus variable over the years. Other sales, except for de-icing income, increased by 12% (2016: EUR 9.0 million and 2015: EUR 8.0 million). Main reason for revenue growth were the changes in the package fees of airline companies and including infrastructure charges in the contracts. Other income amounted to EUR 9.9 million in 2016 (2015: EUR 9.7 million), or 1% higher compared to the previous year.

Government grants intended for covering the costs of aviation security and rescue services remained on the same level in 2016 compared to 2015 (2016 and 2015: EUR 4.1 million), from which EUR 3.6 million was allocated to cover the operating expenses and EUR 0.5 million to investments in 2016.

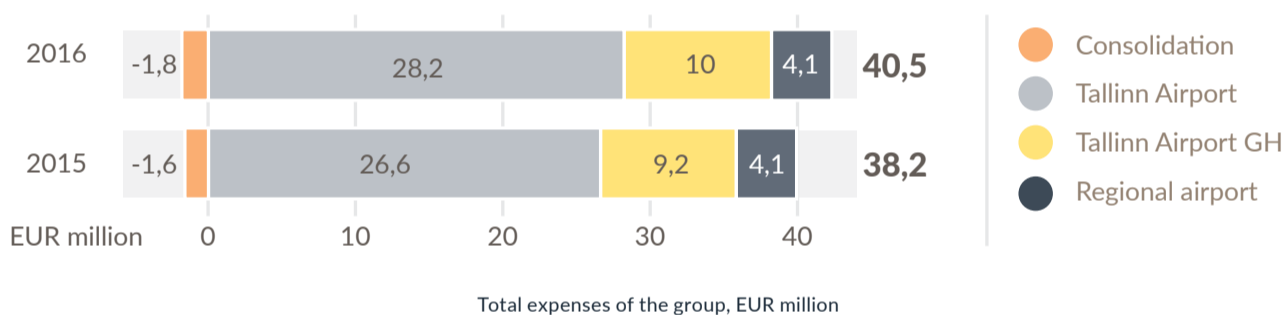
Government grants are not recognized as revenue, but are being amortized with acquired fixed assets during the amortization period. Government grants for covering the cost of operating activities of regional airports remained unchanged in 2016 (2016 and 2015: EUR 1.6 million).

Income from government grants related to assets were EUR 0.6 million higher in 2016 than in previous year (2016: EUR 4.4 million and 2015: EUR 3.8 million). This was caused by the reason that due the renovation of the Tallinn Airport airside and southern part of the passenger terminal, the value of the fixed assets was reviewed and some fixed assets were written off in the residual value. Government grants related to those assets were recognized as revenue in 2016. The growth was also caused by the acquired land supported by the European Union Cohesion Fund.

## Expenses

Expenses of the Group amounted to EUR 40.5 million (2015: EUR 38.2 million); a growth of EUR 2.3 million or 5.9%.

Labour costs grew by EUR 1.5 million or 10.7%. Depreciation of fixed assets in 2016 was EUR 11.8 million (2015: EUR 10.8 million). Increase in amount of EUR 1.0 million or 9.3% is caused by the renovation of the Tallinn Airport airside and southern part of the passenger terminal. As a result the value of the fixed assets was reviewed and some fixed assets were written off in the residual value. Miscellaneous operating expenses decreased by EUR 0.7 million and amounted to EUR 0.1 million. The reason behind it is write off of trade receivables from Estonian Air and Avies in 2015 in total amount of EUR 0.75 million (AS Tallinna Lennujaam EUR 0.22 million and Tallinn Airport GH EUR 0.53 million), which was due to the bankruptcy of the abovementioned companies. Cost of goods, materials and services remained at the same level compared to 2015 (2016: EUR 11.2 million, 2015: EUR 11.1 million), including outsourced aviation security service costs in amount of EUR 3.1 million (in line with prior year).



## Profit

Operating profit before depreciation (excluding government grants for non-current assets) and finance income and expense (EBITDA) amounted to EUR 13.7 million, which is EUR 1.4 million higher than in the previous year. Operating profit (EBIT) in the year 2016 amounted to EUR 6.3 million (2015: EUR 5.3 million); an increase of EUR 0.9 million or 17%, including increase of operating income by EUR 3.2 million and operating expenses by EUR 2.3 million compared to 2015.

Financial expenses in 2016 were in amount of EUR 0.1 million (2015: EUR 0.2 million), including loans, bonds and interest expenses in amount of EUR 0.3 million and gains on derivatives revaluation in amount of EUR 0.2 million.

The Group's profit in 2016 was EUR 6.2 million, being EUR 1.0 million or 19.0% higher than in previous year (2015: EUR 5.2 million). Total revenues in 2016 were EUR 3.2 million higher, expenses were EUR 2.3 million higher, which gives a positive result of EUR 0.9 million. The financial costs were EUR 0.1 million lower compared to 2015.

## Cash flow

The cash balance of the Group as of the beginning of 2016 stood at EUR 15.1 million. Cash flows from operating activities in the year 2016 were EUR 11.3 million (2015: EUR 12.4 million), cash flows from investing activities were EUR 20.4 million (2015: EUR - 2.4 million), and cash flows from financing activities were EUR 2.6 million (2015: EUR -4.5 million). The cash balance of the Group as of the year-end of 2016 stood at EUR 8.7 million. In the year 2016, the cash balance decreased by EUR 6.4 million or 42%.

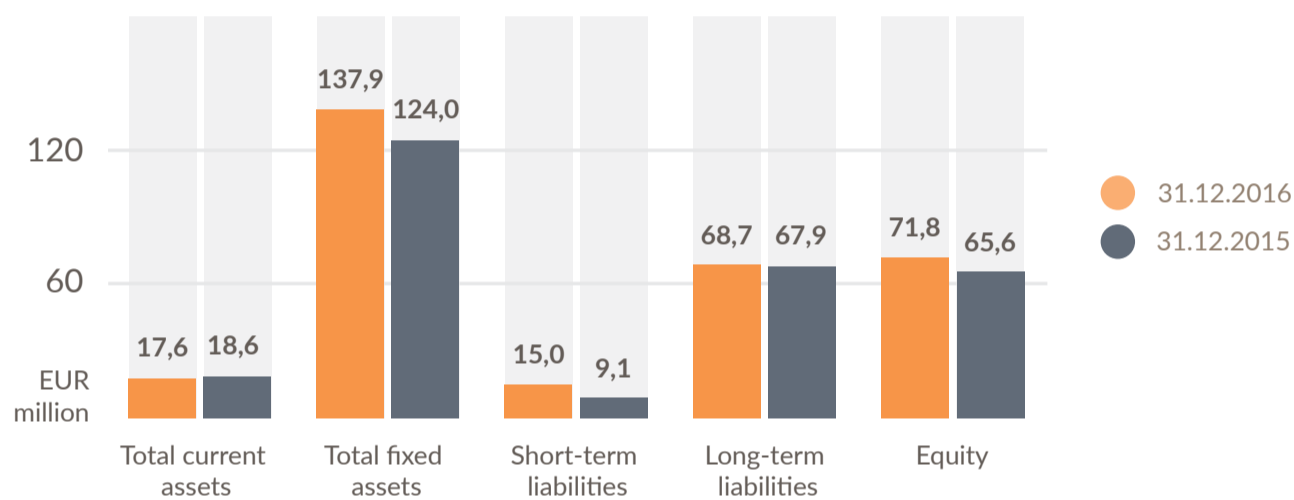
The Group repaid loans in total amount of EUR 4.6 million (2015: EUR 4.6 million). As of the year-end of 2016, the loans outstanding amounted to EUR 16.8 million (2015: EUR 21.5 million), including NIB loan of EUR 3.6 million, Pohjola loan of EUR 5.7 million, and bonds of EUR 7.5 million.

The group entered into two new loan agreements in December 2016: EUR 30 million will be borrowed from the European Investment Bank and EUR 24 million from the Nordic Investment Bank. Loans shall be used to finance the expansion and modernization works in the period 2017-2020.



## Balance sheet

At the year-end of 2016, total assets amounted to EUR 155.5 million (2015: EUR 142.6 million). Total assets have increased by EUR 12.9 million or 8.5%. Fixed assets have increased by EUR 13.8 million, cash and cash equivalents have decreased by EUR 6.4 million and receivables and prepayments have increased by EUR 5.4 million. Liabilities have increased by EUR 6.7 million or 8.7% and net assets have increased by EUR 6.2 million or 9.4%. In 2016 equity accounted for 46% and liabilities for 54% of total assets, which is in line with prior year.



The Group's balance sheet, EUR million

*"Travel is discovery, and the person is its destination."*

*Lennart Meri*

## Investments

The Group invested EUR 25.6 million, including EUR 25.3 million by Tallinn Airport, EUR 0.7 million by the regional airports and EUR 0.3 million by Tallinn Airport GH.

In 2016, the most important project for Tallinn Airport was the expansion of the airside area to the east and south, in which EUR 16.6 million was invested. Government grants from the Cohesion Fund for the project were EUR 8.3 million. The investment included also the purchase of land bordering on the airport from AS Ragn Sells for the amount of EUR 2.7 million. The project is continuing in 2017, and the investment is expected to be EUR 20.7 million, of which EUR 10.3 million is government grants from the Cohesion Fund.

Key investments in 2016:

- completion of an extension of the maintenance service facilities at a cost of EUR 1.2 million, for garaging runway cleaning equipment
- purchase of dedicated equipment for runway maintenance at a cost of EUR 542.1 thousand
- purchase of vans for EUR 227.5 thousand
- beginning of the alteration of the southern section of the passenger terminal, investment of EUR 594.0 thousand, construction to continue in the spring of 2017
- total investment of EUR 566.6 thousand in the area of security due to Directive requirements
- completion of an activity centre at a cost of EUR 248.9 thousand
- investment of EUR 198.2 thousand in IT infrastructure
- Reconstruction of the maintenance service building of Tartu Airport in the amount of EUR 195.1 thousand
- Construction of an additional lounge for the passenger terminal of Tartu Airport in the amount of EUR 146.7 thousand
- Construction of ground heating at Kuressaare Airport for EUR 91.4 thousand

## Air traffic

### Air traffic in 2016

In 2016, Tallinn Airport achieved its all-time best result: the total number of passengers rose to 2,221,615. Lower fuel prices have made flying more accessible than ever before and added seats significantly, whereas fares have dropped. Over the course of the year, the number of passengers grew 2.5%, including a 4.8% increase in scheduled flights.

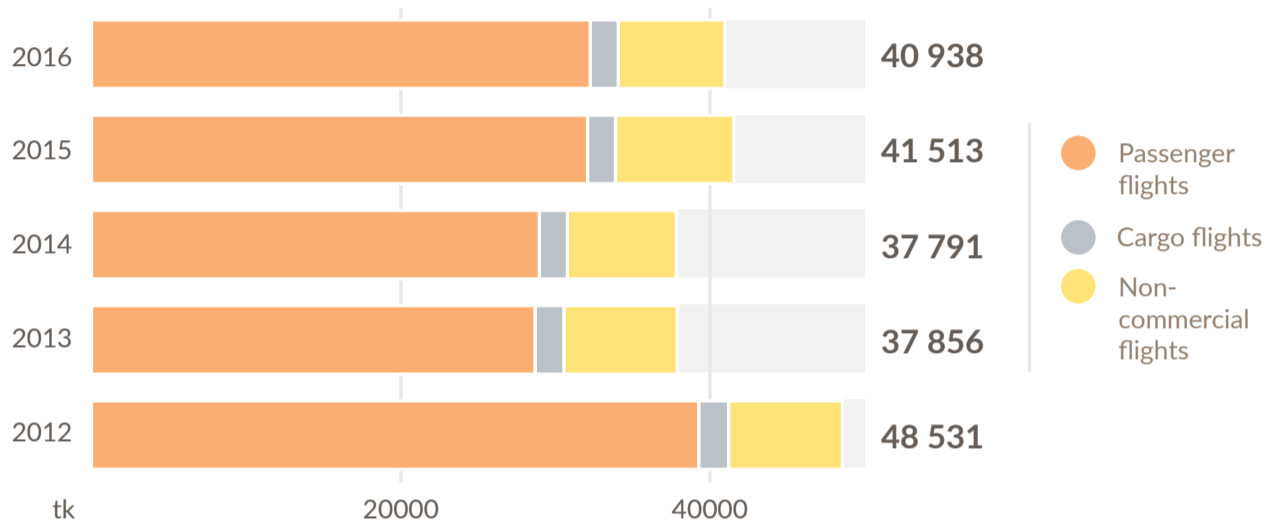
According to forecasts, over the next quarter century the European aviation market is set to grow 3.7 per cent per annum on average, whereas the global market is set to grow 4.9 per cent. If it kept up with the average rate in Europe, Tallinn Airport would reach 5.3 million passengers by 2040 or, in parallel to the global trends, as many as 7 million passengers per annum. Our objective, however, is to focus on stable growth and increase the number of passengers by 5 per cent per annum on average over the next five years; in the next few years, this will translate into an additional 100 thousand passengers every year, whose contribution to the Estonian economy would be an estimated EUR 30 million per annum.

For Tallinn Airport, 2016 was a multi-faceted year: its beginning was still quite a bit affected by the aftermath of the bankruptcy of Estonian Air and a degree of uncertainty surrounding the launch of the operations of Nordica. In terms of events with a minor impact, there followed the terrorist attack at Brussels Airport (March) and the bankruptcy of the airline Avies (April); however, by autumn the market had finally returned to growth, with the number of passengers rising as much as 19% in December. Chartered flights, alas, are trending downwards, with the resort areas of Turkey having lost especially many passengers. Overall, the charter market declined 14.2% due to political instability in the main tourism regions. That said, there is no room for empty space, and Estonian tour operators are actively seeking opportunities to reshape the market by adding new routes for holiday passengers, with the numbers of passengers bound for Greece and Bulgaria increasing most.

## Tallinn Airport

### Movements

In 2016, Tallinn Airport had 40,938 movements, down 575 compared to the year before. Commercial flights accounted for 83% of the total number of flights.



Movements at Tallinn Airport, 2012-2016

### Passengers

In 2016, Tallinn Airport achieved its all-time best result: 2,221,615 passengers. Passengers on scheduled flights accounted for 90% of all passengers. The five largest scheduled routes in terms of volume remained the same as in the previous year. Year-round, 23 routes were operated, for a total of 34 routes including seasonal destinations (20 and 33 routes, respectively, in 2015). In various months, 15 different airlines operated the scheduled routes. In November, Nordica launched its strategic collaboration with LOT Polish Airlines, as a result of which the passengers and route networks of Nordica and LOT in Tallinn are treated on a consolidated basis from 19 November 2016.

The market shares of the airlines at Tallinn Airport are divided quite evenly, with the six biggest airlines holding more or less similar market positions. This translates into a better distribution of risks and provides better protection against foreseeable events. Although the fastest growth was exhibited last year by the number of passengers flying airBaltic and SAS, which had launched flights at the end of 2015, Nordica, effectively built up from scratch, showed a very good rate of growth over the course of 2016, rising to be the biggest carrier by the end of the year.

- ◉ Regular flight
- ◉ Seasonal destination

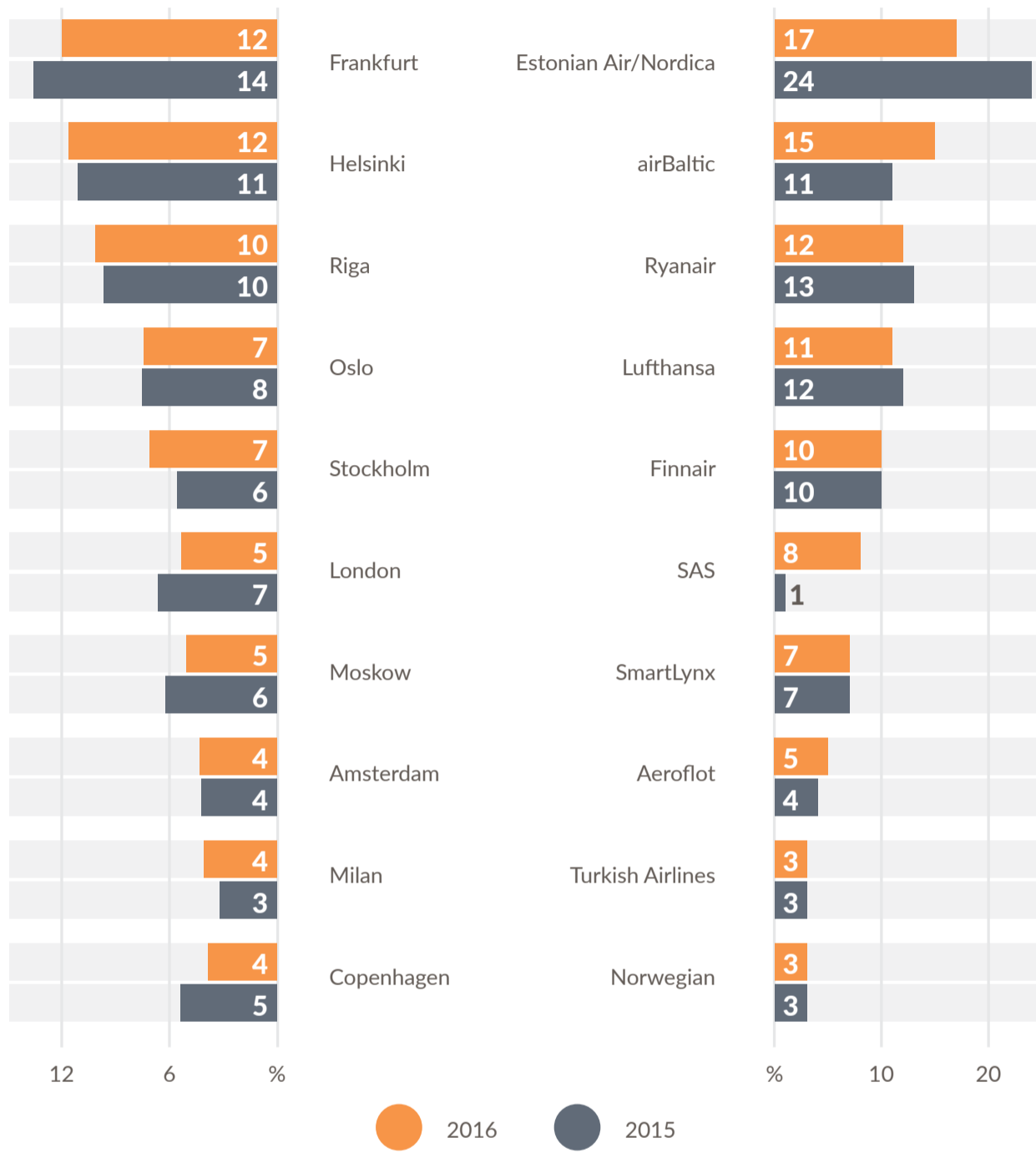
Map of route network. Summer 2016



	2016	2015	2014	2013	2012
<b>PASSENGERS</b>					
Total passengers:	2 221,615	2 166,820	2 017,371	1 958,801	2 206,791
• Incl. domestic flights	18,079	20,271	17,441	19,274	25,185
• Incl. international	2 203,536	2 146,549	1,999,930	1,939,527	2 181,606
• Incl. connecting flights	25,678	55,960	47,034	72,270	229,728
• Incl. turnarounds	0	9,369	14,161	14,687	16,150

Number of passengers in Tallinn Airport (2012-2016)

Last year, the biggest hubs – Frankfurt, Helsinki and Riga – remained the main destinations. The newcomers last year included Rijeka, Odessa, Rome and Thessaloníki. In 2017, the new routes are Hamburg and London. The former route has been flown by Estonian Air at various times previously, whereas the London route is a significant development, since British Airways is linking Tallinn Airport to Heathrow, deemed the crown jewel among the world’s airports.



Market shares of destinations and airlines in percentages, 2015-2016



## Cargo

The bulk (49%) of the cargo volumes handled was made up of express services.

Cargo volumes carried on non-scheduled cargo flights have decreased since the end of 2014 and made up 40% of all the cargo carried last year.

	2016	2015	2014	2013	2012
<b>CARGO</b>					
<b>total</b>	<b>13,940</b>	<b>16,156</b>	<b>19,860</b>	<b>20,941</b>	<b>23,921</b>
• incl. post	1,886	1,762	1,782	1,620	1,438
• Incl. air cargo	12,054	14,394	18,078	19,321	22,482

Cargo and post in the Tallinn Airport 2011-2016, tonnes

## Regional airports

AS Tallinna Lennujaam is tasked with ensuring the safe operation of Kärdla, Kuressaare, Tartu and Pärnu Airports as well as the Kihnu and Ruhnu Airfields to enable to continue the provision of a regular service and, whenever required, the handling of other flights. Regional airports are operated to support the development of the economic environment in various regions in Estonia within the scope of grants received from the State and additionally also using the own funds of the Group. In 2016, AS Tallinna Lennujaam provided the regional airfields with operational and air navigation services that covered regular flights, emergency medical flights, environmental monitoring flights, training flights, flights for national defence purposes and other flights.

### Air traffic

The number of movements at regional airports primarily depends on regional policy and on the public procurement of scheduled flights. An exception in this respect is Tartu Airport, which is the only regional airport to receive a scheduled international flight. The numbers of passengers flying to Kuressaare and Kärdla were affected last year by the suspension of the air operator certificate of the airline Avies from 1 April, as a result of which scheduled flights from these airports were ceased for more than two months. As a result of public procurement, Transaviabaltika relaunched flights from 20 June.

A new record in passenger numbers was set by Tartu Airport. The number of passengers on the Kihnu-Pärnu route fell as a result of the decrease of flight volumes at these airports.

	2016	2015	2014	2013	2012
<b>PASSENGERS</b>					
Tartu	29,594	21,117	14,493	13,717	20,302
Kuressaare	13,289	14,458	13,665	13,163	11,421
Kärdla	7,547	8,029	7,750	10,222	9,700
Pärnu	1,196	2,067	2,752	3,538	5,634
Kihnu	319	1,188	1,968	2,434	2,474
Ruhnu	1,415	1,239	1,299	1,214	1,364

The number of passengers in regional airports, 2012-2016



	2016	2015	2014	2013	2012
<b>FLIGHT OPERATIONS</b>					
Tartu	4,727	5,052	5 173	5 159	6,356
Kuressaare	1,883	2,148	2 342	2 073	1,817
Kärdla	1,233	1,460	1 305	1 340	1,512
Pärnu	1,017	1,326	914	1 465	1,562
Kihnu	198	400	538	754	648
Ruhnu	518	470	490	540	555

umber of flight operations in regional airports, 2012-2016

### Kärdla Airport

In 2016, the Kärdla Airfield had 1,233 movements (2015: 1,460) and handled 7,547 (2015: 8,029) air passengers, 93.1% of whom were passengers on scheduled flights.

The decrease in passenger numbers was affected significantly by the revocation of the aviation certificate of the long-standing carrier AVIES in early April, as a result of which air links between the mainland and Hiiumaa ceased until 20 June, when operations were launched by Transaviabaltika, the new carrier that had won the public procurement.

Furthermore, the total number of passengers has been affected by flight cancellations due to poor weather. In 2018, AS Tallinna Lennujaam plans to develop at Kärdla Airport GPS-based non-precision approach procedures (GNSS – Global Navigation Satellite System) together with Lennuliiklusteeninduse AS, to improve the frequency of passenger flights by an estimated 50 per cent provided that the aircraft and crews operating the flights also have the relevant equipment and competence.

There were 8 incidents affecting flight safety (2015: 4).

On 20 April, the coastal sea areas near the airport hosted a rescue exercise with the involvement of the Police and Border Guard Board, Rescue Board, emergency medical service and Estonian Maritime Rescue Organisation, to check the functioning of joint action under the conditions of limited visibility and low temperatures. Furthermore, last year saw the introduction of new airfield and aviation security manuals together with supplemented contingency plans and risk analyses.

No investments financed by government grants were made at Kärdla Airport last year; the perimeter fence of the airport was maintained and repaired using own funds. In terms of major projects, data communication speed was increased by shifting the equipment to Telia's 4G network. The low voltage installations and signalling equipment of the diesel generator, boiler house and workshop were upgraded.

### Tartu Airport

In 2016, the Tartu Airfield handled 4,727 movements (2015: 5,052) and a total of 29,594 passengers (2015: 21,117). Finnair, which launched flights on the Tartu-Helsinki route in 2015, has gained the confidence of customers with its provision of an on-time and quality service, thanks to which Tartu Airport set its passenger record of the past decade at nearly 30 thousand passengers.

In 2016, when the 70th anniversary of Tartu Airport was celebrated with an exhibition, investments were also made in the comfort of handling passengers: the lounge for departing passengers was expanded and an open area with toilet facilities was created. The building of the workshop was reconstructed, and electrical heating was replaced with more affordable gas-powered heating. The reconstruction of the workshop required an expense of EUR 195 thousand and the expansion of the terminal an expense of EUR 147 thousand.

Since April 2016, an ATIS (Automatic Terminal Information Service) system has been operating at Tartu Airport, transmitting weather reports to aircraft every half an hour.

In collaboration with the Estonian Aviation Academy, the Droonilabor project was launched with the aim of building a full-scale laboratory to provide training and development related to unmanned aircraft. With Lennuliiklusteeninduse AS, the Remote Tower pilot project was launched in order to develop and certify technology to enable the transfer of air traffic control at the regional airports to internet-based remote control.

### Pärnu Airport

In 2016, the Pärnu Airfield handled 1,017 movements (2015: 1,326) and a total of 1,196 passengers (2015: 2,067).

The biggest impact on the operations of the Pärnu Airfield was the cessation of scheduled flights to Kihnu, due to the completion of a new vessel with an improved ice classification. However, fluctuating sea levels and challenging wind conditions affecting shipping necessitated the operation of some scheduled flights in early 2016; nevertheless, these, too, ceased by the autumn/winter period.

On the apron of the Pärnu Airfield, seams were repaired and the video surveillance system was upgraded. Investments funded the purchase of a new aviation communications radio station.

In terms of more unique visitors, the historic Douglas C-53C Skytrooper (DC-3) passenger aircraft of Finnish Airlines stood out on the Pärnu Airfield last year. As part of the Parasummer international parachuting camp, 157 take-offs and 1,747 jumps were completed with support from favourable weather conditions. As for non-aviation events, the Pärnu Airfield hosted the Speedest international drag racing competition.

### Kihnu Airfield

In 2016, the Kihnu Airfield had 198 movements (2015: 400) and handled 319 passengers (2015: 1,188).

### Kuressaare Airport

In 2016, the Kuressaare Airfield had 1,883 movements (2015: 2,148) and handled 13,289 passengers (2015: 14,458).

Kuressaare Airport has scheduled flights to Tallinn year-round and to the Island of Ruhnu seasonally, from October to May. Similarly to Kärdla Airport, the passenger numbers at Kuressaare Airport, too, were affected by the cessation of the handling of the scheduled flights of the airline Avies in April. During the spring to autumn season, there were series of chartered flights to Visby and various cities in Finland.

The biggest investment was the conversion of Kuressaare Airport to ground heating from April to July.

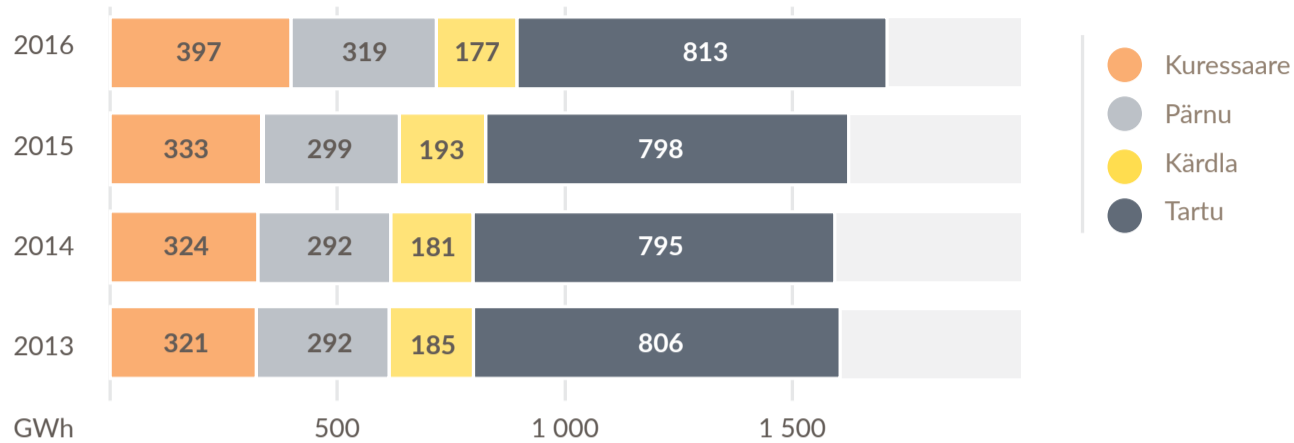
On 12 October 2016, the Kuressaare Airfield was issued with a new airport certificate in compliance with the requirements of EASA (European Flight Safety Agency).

### Ruhnu Airfield

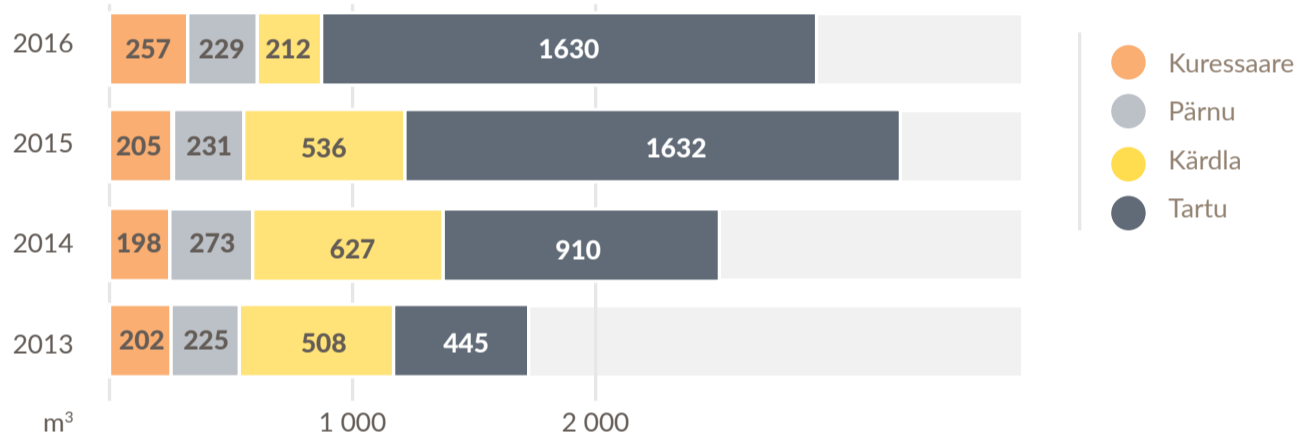
In 2016, the Ruhnu Airfield had 518 movements (2015: 470) and handled 1,415 passengers (2015: 1,239).

### Environmental indicators at regional airports

The decrease in water use at Tartu Airport is due to the fact that up until the summer of 2015 Tartu Airport also supplied a nearby housing estate from the existing bore well. From the summer of 2015, both Tartu Airport and the housing estate switched to the public water supply and the housing estate was separated from the airport. Water use in 2016 reflects consumption by Tartu Airport alone.



Electricity consumption at regional airports, 2013-2016, GW/h\*  
\*Total figures for previous years have been modified due to revised methodology.



Water use at regional airports, 2013-2016, m³\*  
\*Total figures for previous years have been modified due to revised methodology.

## Airfield operation

### Certificates

AS Tallinna Lennujaam has a valid Group-based certificate for providing air navigation services and is certified according to the ISO 9001:2015 and ISO 14001:2015 international standards. In 2016, there was a major change also in the management system: a transition towards process-centric and risk-based management is in progress. This is proven by the fact that from 3 November 2016, the airport has been certified to the updated requirements of the ISO 9001:2015 and ISO 14001:2015 international standards. Certification was by Bureau Veritas Eesti OÜ, and the certificates are valid for 3 years.

The management system encompasses all of our activities, the scope of certification includes:

- operation of airfields,
- provision of air navigation services,
- ground handling of aircraft and passengers,
- flight safety and aviation security activities.

In 2015, in accordance with European Commission Regulation (EC) No 216/2008, which entered into force in 2014 and requires airports to be certified according to the requirements of EASA (European Flight Safety Agency), national certificates issued for the airfields in Tartu, Kärdla, Kuressaare and Tallinn began to be converted to EASA-compliant certificates.

The first airport to be issued by the Civil Aviation Administration with a new certificate was the Tartu Airfield on 23 October 2015. Certification of the Tartu Airfield included an assessment of the conformity of the management system of the operator of the airfield to the Regulation and its implementing rules. As a result, the issuing of the certificate also meant that AS Tallinna Lennujaam as the organisation operating the airfield complies with the requirements set out in the regulation. A certificate was issued for the Kärdla Airfield on 18 December 2015, and the Kuressaare Airfield was certified on 12 October 2016.

The existing certificate of the Tallinn Airfield was renewed by the Civil Aviation Administration until 31 December 2017, and the next certification, in compliance with the requirements of EASA, will be carried out before the end of 2017.

## Flight safety

Safety is the key to achieving the objectives for all the fields of activity AS Tallinna Lennujaam. Indeed, the main purposes of flight safety include ensuring safety in all the fields of activity on the grounds of Tallinn Airport, regular and uninterrupted flight operations and serving customers at any time and in any weather, in compliance with the international safety requirements and standards. For this reason, we have in our community an open and transparent culture of safety that involves all the employees and members of the community and a well-functioning safety management system that ensures the prompt transmission of safety information and aims to prevent and avoid accidents and to protect people, property and the environment. The safety management system supports the reporting of occurrences during work of all incidents affecting flight safety, so that the occurrences can be investigated and it can be made certain that they do not recur. Meetings of the Safety Committee, held at Tallinn Airport once a quarter, are attended by representatives of all the companies operating on the airfield.

Based on the development begun in 2015, the Tallinn Airfield has successfully introduced in 2016 an innovative apron information and warning system. On the airfield, 7 LED screens were installed to display the time of day and the temperature of ambient air to those on the airfield. If any warnings are received about the Tallinn Airfield, the content of the relevant message is displayed in the system (e.g. thunderstorm, snowfall, strong winds). If visibility on the airfield deteriorates, the system is used to display the notice 'Limited visibility'.

Furthermore, 2016 saw the continuation of the updating of the training programmes and the development of the first video-based flight safety training programme. Introduction of such solutions increases flexibility in holding training events and the ability to accommodate partners and employees when training times best suited for them are being identified.

## CNS, MET and AFIS services

AS Tallinna Lennujaam is a certified air navigation service provider. The services provided include CNS communication and navigation services, MET meteorological services and AFIS flight information services. In 2016, uninterrupted services could be provided, and the number of incidents caused at AS Tallinna Lennujaam across service types was 0.

The type of service provided depends on the airport:

AFIS: Kärdla, Kuressaare, Pärnu

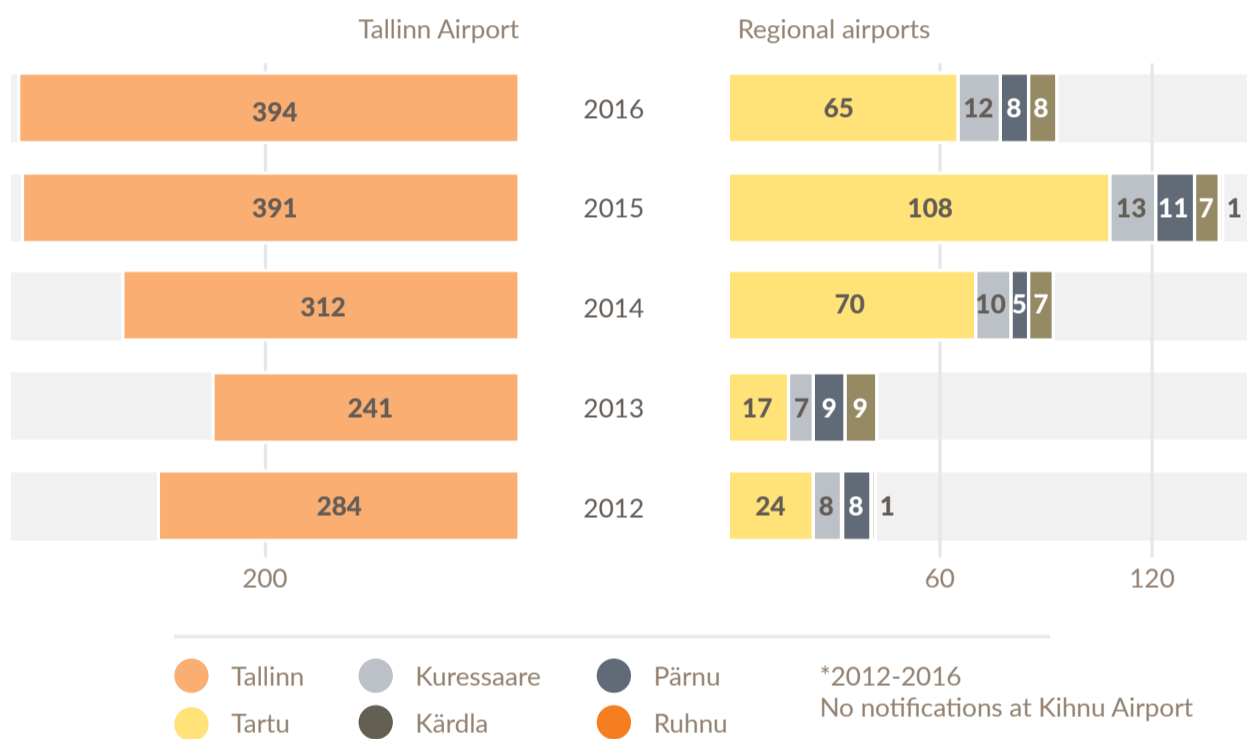
CNS: Tallinn, Tartu, Pärnu, Kärdla, Kuressaare

MET: Tallinn, Tartu, Pärnu, Kärdla, Kuressaare

## Registered notifications

The notification system created at the company supports the reporting of occurrences during work of all incidents affecting flight safety, so that the occurrences can be investigated and it can be made certain that they do not recur.

Implementation of the anonymous notification system launched in 2015 included the installation of notification mailboxes also at all the regional airfields in 2016, in order to support a no blame safety culture, in addition to anonymous e-mails, the intranet and a community website

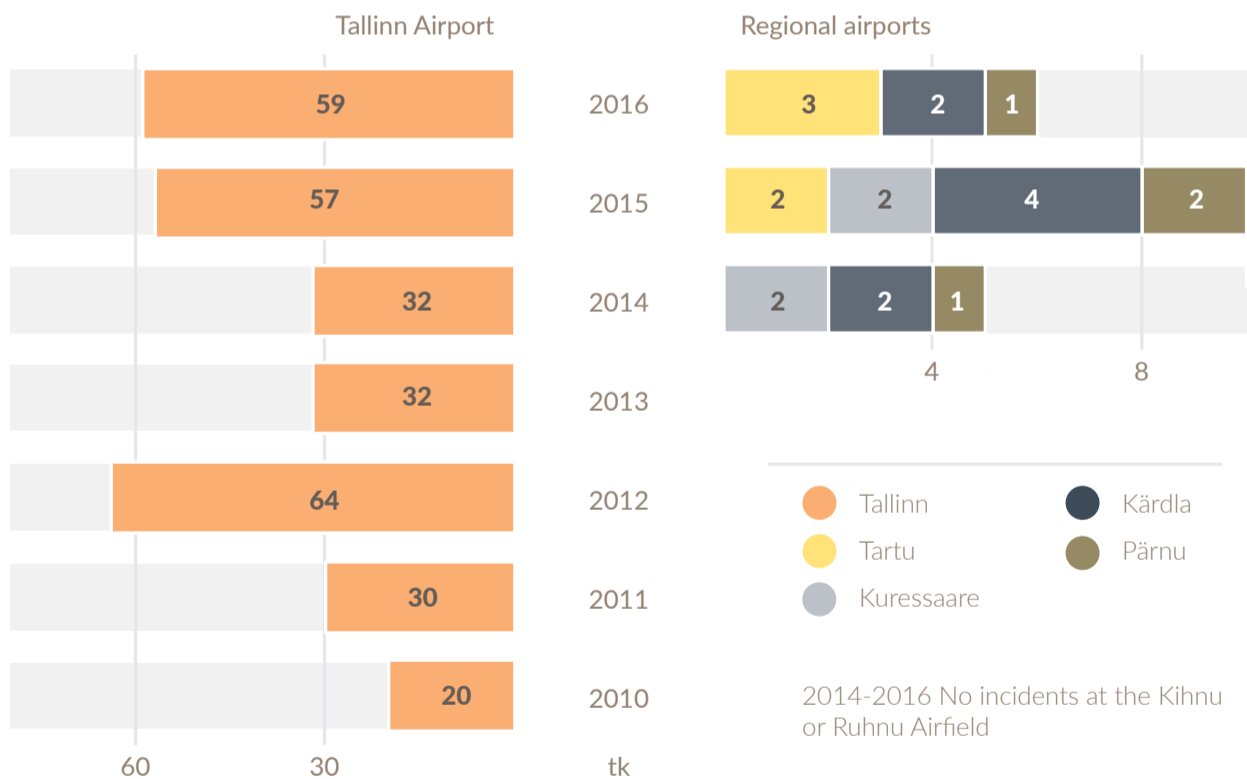


Number of registered notifications, 2012-2016

### Incidents related to birds and animals

Birds and animals may cause extensive damage to aircraft. In 2016, the Tallinn Airfield registered 59 incidents related to birds and animals (2015: 57), with 14.4 incidents related to birds and animals per 10,000 movements (2015: 13.7). The biggest problem at the Tallinn Airfield is presented by swallows and seagulls. The increase in incidents related to birds and animals compared to 2015 was caused by extensive excavation at the Tallinn Airfield resulting from the project of airfield reconstruction project.

Development of industrial parks and housing estates in surrounding agricultural land is gradually reducing stopover locations for migratory birds near the airport and decreasing the number of nesting sites. Also, the demolition of old buildings and the construction of new ones in the vicinity of the airport have a similar effect, as does the elimination of the Soodevahe area of summer cottages. Such changes in the terrain are having a positive impact on flight safety. Birds and animals are deterred using pyrotechnical equipment, gas cannons and also acoustic equipment. The airfield employs a professional ornithologist who observes birds both on the Tallinn Airfield and in its vicinity and prepares risk assessments and action plans to reduce the impact of birds.



Incidents related to birds and animals, 2010-2016





## Aviation security

After a long while, 2016 was a year in which aviation security had to deal with bomb threats. All together, Tallinn Airport received six bomb threats. Fortunately, these were mere threats, and no actual explosive device was found.

The work of aviation security and its planning were given inputs by the terrorist attacks perpetrated in Europe and the explosions that took place at Brussels Airport and at Atatürk Airport in Turkey. Analyses undertaken after those events revealed the facts of the attacks, which provide a foundation for targeting activities going forward.

The project of the reconstruction of the runway of the Tallinn Airfield resulted in additional activities also for aviation security, mainly consisting in the adaptation of additional security measures due to construction. After the completion of the runway extension, the security restricted area subject to security patrols became bigger.

As part of the project to expand the passenger terminal, passenger security control is going to be relocated from the middle of the passenger terminal to its southern end. The plan is to install new control lines with higher passenger handling capacities. During the planning of the location of the security control area it was important to provide a good work environment for employees and the convenient and speedy handling of passengers.

In the second half of 2017, Estonia will hold the Presidency of the European Union, as a result of which preparations have been made already to provide visitors with a secure environment during the Presidency.

To raise aviation security awareness, 128 training events were conducted in 2016 (2015: 113), attended by 1,092 employees involved in aviation (2015: 1,030).

One of the main objectives of the area of aviation security is to detect prohibited items/substances in the luggage of passengers. In 2016, a total of 14,483 items included on the list of prohibited items/substances were detected by security screenings at Tallinn Airport (2015: 7,868 items). The regulation that took effect in the spring of 2015 placed the responsibility for the supervision of known suppliers of stocks to airports on airports.

Key investments included equipment for the detection of explosive particles and replacement of the outdated technology for X-raying items that passengers have with them.

## Non-aviation

### Ground handling of aircraft and passengers

#### AS Tallinn Airport GH

Ground handling services at Tallinn and Tartu Airports are provided by AS Tallinn Airport GH, founded and owned by AS Tallinna Lennujaam. The company launched operations in 2005.

The image of Tallinn Airport GH is to be a flexible, innovative, friendly and caring handling organisation with a quality handling service. The main fields of activity include the aviation-related ground handling of legal and natural persons using the airport, rental of means of transport and special equipment, cashier services, acting as an intermediary and the preparation and sale of documents for the carriage of passengers and cargo. The company has implemented an integrated management system that complies with the requirements of the ISO 9001:2015 and ISO 14001:2015 international standards.

In 2016, the main keyword for Tallinn Airport GH was rapid response to various changes in airline handling processes, which required major resource allocations to deal with and incentivise the team and support the workforce. In November, Nordica changed collaboration partners, ending its collaboration with the Slovenian airline Adria and launching its strategic collaboration with LOT Polish Airlines. This rapid change was a big challenge for the entire team of Tallinn Airport GH.



- Thanks to the conclusion of the Post11 contract with AliExpress, the volume of handling cargo flights increased, and the quantity of cargo handled increased nearly 19% in a year.
- Collaboration with the Estonian Aviation Academy continues – trainees are recruited for the summer. In the summer, a contribution was made to the organisation of Estonian Aviation Days by the Estonian Aviation Museum.
- AirBaltic began operating flights with the Bombardier CS300 model, for the ground handling of which Tallinn Airport GH is fully prepared and has the necessary equipment and resources.
- AS Tallinn Airport GH launched its social media channel on Facebook.
- The cost-effectiveness of a new mobile aircraft loading system began to be mapped.
- Most family and employee friendly company 2016
- Nominee for the Estonian Aviation Deed

### Investments and innovations

Due to an increase in the volume of handling and a winter with very unsettled weather, investments of EUR 345.5 thousand in 2016 mostly targeted dedicated equipment needed for handling aircraft. Due to an increase in the handling of cargo flights, a platform hoist, a pallet and container transporter, pallet and container trucks, a tractor, a forklift cage and pallet roller tracks were purchased.

To increase efficiency, two towbarless towing tractors (Kalmar TBL-50) were purchased and introduced; their operation does not require more than two people and thus enables more movements to be handled by the same number of people. Furthermore, all de-icing vehicles were operated by one user in 2016.

Tallinn Airport GH has established a strategic quality objective for the 2014–2018 period – become the highest-quality provider of ground handling services in Northern Europe. The quality management system is being continually improved to accomplish this objective in compliance with the International Air Transport Association’s 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. Through standardisation, even better efficiency in work processes may be achieved, harmonising the quality of customer service and increasing the competitive advantage of the company.

In 2016, the use of self-service kiosks for passenger check-in trended dramatically downwards, caused by an outdated information technology platform. Self-service kiosks were used in 2015 by 13.7% of the total number of passengers; in 2016, they were used by just 2.6% of passengers to check in for their flights. Due to the development of technology, online check-in for flights is on the rise: this option was used by 49% of



passengers in 2015 and by 52% of passengers in 2016. Use of check-in desks by passengers has also increased; they were used by 45% of the total number of passengers in 2016 (2015: 37%).

In 2016, the objective of the company was to provide on-time handling at least 97% of the time for all the airlines handled. The actual results show on-time handling to be as follows:

- airBaltic - 98.6%
- Lufthansa - 98.4%
- Finnair - 98.5%
- SmartLynx - 97.3%
- Ryanair - 96.9%
- easyJet - 96.8%

In 2016, the on-time handling of movements was 98% on average.

Revenue from de-icing in 2016 was EUR 2,782.3 thousand (2015: EUR 1,103.6 thousand), up 152% compared to 2015, mainly caused by the weather conditions (year with heavy snowfall).

thousand EUR	2016	2015	Change %
<b>KEY FINANCIAL INDICATORS OF TALLINN AIRPORT GH IN 2016</b>			
Operating income	11,753	9,198	28
Operating profit before depreciation (EBITDA)	2,224	459	384
Net profit	1,764	39	4,438
Total assets	9,734	7,780	25
Investments	375,4	223,5	55

## Passenger experience

It continues to be our greatest wish that passengers should feel good during their stay inside the passenger terminal, that their journey should be as cosy as possible and that they should have ready access to everything they need. Furthermore, it is important to have various shops and eateries and a wide range of services provided.

From August 2016, payment in the various customer car parks of Tallinn Airport may be made conveniently using one's mobile phone, either traditionally by making a phone call or by using the pargi.ee mobile app. Traditional payment methods remain in use both at the cash register and in the parking meters.

### Passenger's journey in the passenger terminal

At the end of 2016, the passenger terminal of Tallinn Airport had a total of 12 shops and 9 eateries. To identify the operator of a toy and lolly shop and the operator of snack and coffee dispensers, 2 competitions were held. On the other hand, we continue to look for new operators and categories of goods that do not compete with the existing ones but bring added value for passengers and additional revenue for the operator and the airport. Compared to last year, average retail spend per departing passenger decreased by 87 cents, with the decline affected by passengers' price sensitivity, the continued onslaught of e-commerce and a reduction in the number of non-Schengen flights. In 2016, retail spend remained at EUR 8.17. Retail turnover and concession revenue overall also declined. In catering, spend rose 19 cents per departing passenger, averaging EUR 3.04 in 2016.





- January – Pack n Fly, a new and modern luggage cling wrapping operator, was added to the terminal.
- February – the light boxes in the baggage claim area were replaced with more energy efficient and prettier LEDs; in catering, the sushi operator changed, with the operations taken over by the much-praised Tokumaru.
- April – excitement was added by a robot mower moving around the terminal during Husqvarna’s campaign.
- May – a ship landed at the passenger terminal as the Tallink Gate was completed.
- June – the operator of coffee and snack dispensers changed, and both the range for passengers and our revenue improved.
- July – procurement held for an interior designer for the passenger terminal with the aim of identifying a partner for the upcoming alterations.
- September – at the Estonian Design Awards, a gold medal went to Viru Keskus for its branding of a baggage carousel and a silver medal was awarded to Rahva Raamat for our delightful library.
- October – we garnered international recognition when users of the Sleeping In Airports portal picked Tallinn as Europe’s third best airport.
- November – we garnered even more international recognition when Rotten WiFi ranked our internet network as second among the world’s airports.





## Anniversary year of Tallinn Airport

### 100 years of flying, airport turns 80

In 2016, Tallinn Airport as a 'real' airport turned 80: on 20 September 1936, a runway paved in concrete had been unveiled on the shores of Lake Ülemiste. The new runway enabled aircrafts to land no matter what direction the wind was blowing from and at any time of the year. This provided Tallinn with year-round air links to the rest of the world, and indeed the date marks the official beginning of Tallinn Airport. The length of the runway at the time was 300 x 300 metres; the current runway will be extended from 3,070 metres to 3,480 metres by the expansion in progress. The historic concrete runway triangle is visible to this day, lying as it does at the Tartu Highway end of the runway. In September 1936, the Uus Maa newspaper printed this on its pages: "Ülemiste Airport is designed to be as spacious as possible, and once the proposed runways with their cement pavement are completed by next autumn, Tallinn will have the most modern airfield in Eastern Europe." This is exactly what happened, and at the time Tallinn Airport was considered the most modern and biggest airport in the entire region.

The 80th anniversary of Tallinn Airport was celebrated throughout 2016, with activities and events aimed at passengers, the airport community and people in Estonia more generally. A dedicated anniversary year quiz was held for the community of Tallinn Airport, with anyone interested able to participate.

As part of the anniversary year, passengers were also exposed to activities related to the anniversary: on display were posters with anniversary insignia inside the passenger

terminal, flags in front of the passenger terminal and screens telling the story of the 80-year-old airport. On the occasion of the anniversary, dedicated pages were created on Facebook and the website of Tallinn Airport, providing images and video material about the exciting and rich history of the airport, for example, how one would have travelled with a baby on the Tallinn-Kiev-Simferopol route in 1963 or how Top Gear had been done Tallinn Airport-style in 1939.

In September, the passenger terminal was decked out festively, and passengers were greeted by musical intermissions, with the performers including employees of the airport and their friends.

The anniversary year saw the launch of an activity centre, created at the initiative of the employees, which provides information about flying and the airport for all those who are curious. The activity centre features displays both inside and outside, picnic spots and an area suitable for photographing aircrafts. The purpose of the displays is to explain to visitors what is going on behind the scenes at the airport and its history. Before the start of the school year, members of the Group's employees' families were invited to visit, and the activity centre hosted Family Days, with the attendees able to find out more about the newly launched activity centre and what is happening at the airport and on the apron and to go on tours of the airfield.

Did you know that ...

- The office building of AS Tallinna Lennujaam is housed in the old terminal building, which was not completed until 1955 yet whose design was completed as early as 1938 by Arthur Jürvetson, grandfather of Steve Jürvetson, the renowned venture capitalist of Estonian descent.
- The longest air route in Europe at the time also passed through Tallinn and extended from Helsinki to Jerusalem with stopovers in Riga, Warsaw, Lviv, Bucharest, Thessaloniki, Athens, Rhodes and Lydda.
- In designing the new terminal building, completed in time for the 1980 Olympic regatta, the architect Mikhail Piskov was guided by the look of an Estonian cottage cum threshing barn.
- International air links to the rest of the world were restored in Tallinn in 1989, when an SAS flight from Stockholm landed at the airport.
- The mark of a million passenger per annum was topped by Tallinn Airport in 2007, with the mark of two million passengers topped already in 2012

### Passengers with special needs

The number of passengers with special needs among air passengers continues to rise and increased to 4.7% at Tallinn Airport in 2016 (2015: 10.5%), when 3,894 (2015: 3,720) passengers with special needs, 174 more than in 2015, were served.



All the airports have specially trained customer service attendants to assist passengers with special needs. In 2016, an e-course on general awareness began to be created to provide training on customer service for passengers with special needs; passengers with special needs have also been involved in the process of designing it, so that training supports actual needs for assistance at the airport. The website also features very thorough flight information and an overview for one's flight to proceed smoothly.

At all the airports, information has been posted in visible locations about the rights of passengers with special needs; in addition, prompt information may be obtained by telephoning the staff responsible for handling passengers with special needs.

### Feedback

When it comes to feedback, we are happy that customers are sharing their joys and sorrows with us. Customer feedback is mainly received through the website or by e-mail, it is registered, and each instance of contact is provided with a reply. In writing, 52 instances of contact were registered in 2016. They included 31 complaints/notifications, 2 commendations and 19 suggestions/queries. Recognitions and words of gratitude are also published on the intranet, in order to support a culture of recognition and share joy in a job well done with the members of the community.

Passengers have expressed their dissatisfaction with the pre-flight security control; understandably, also changes to one's travel plans caused by flight delays/changes cause dissatisfaction. To provide the best customer service experience, feedback is highly appreciated, and in the case of any issues each incident is discussed and an attempt is made to identify a solution to the specific situation, in order to learn from it for the future.

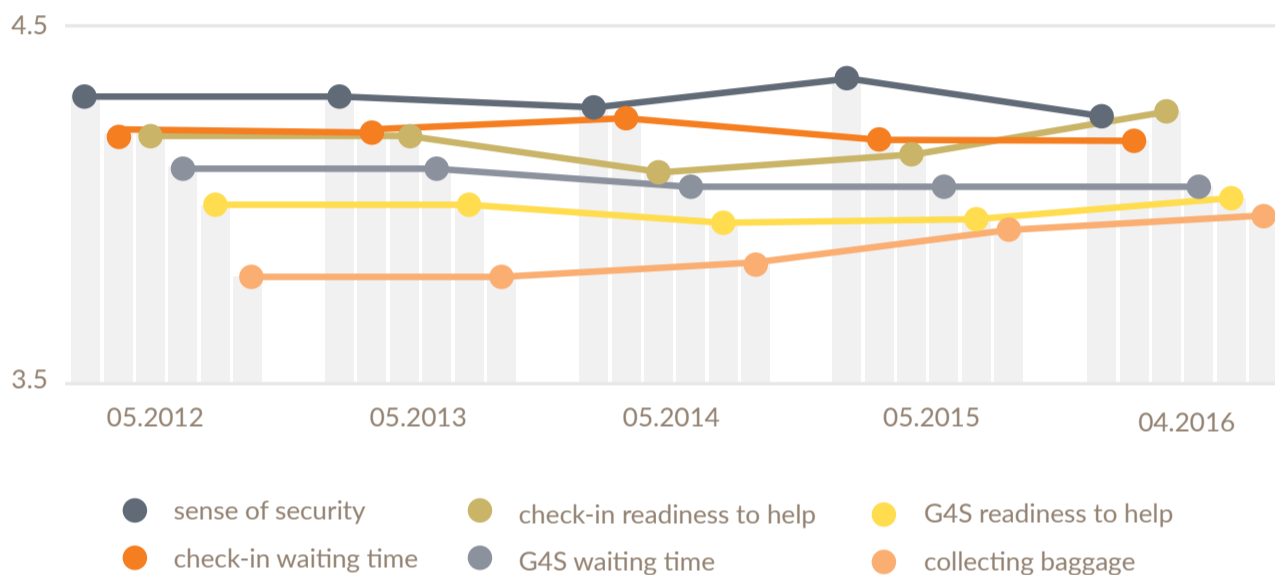
*Totally stunning young fellows you have got on your team: the way they helped the old lady in a wheelchair on the midnight flight from Riga was stunning. Not that they were particularly strong guys, far from it: one was tall and the other was thin – completely ordinary lads. What made them brilliant was their attitude: sincerely helpful and caring, as if they had been wheeling and handling the millionaire grandmother of their dear girlfriend. Actually, she was a perfectly ordinary stranger, an old person with reduced mobility, unlucky enough to be chained down in a wheelchair. Thank you, vagabonds!*

*Passenger's commendation of handlers of passengers with special needs*

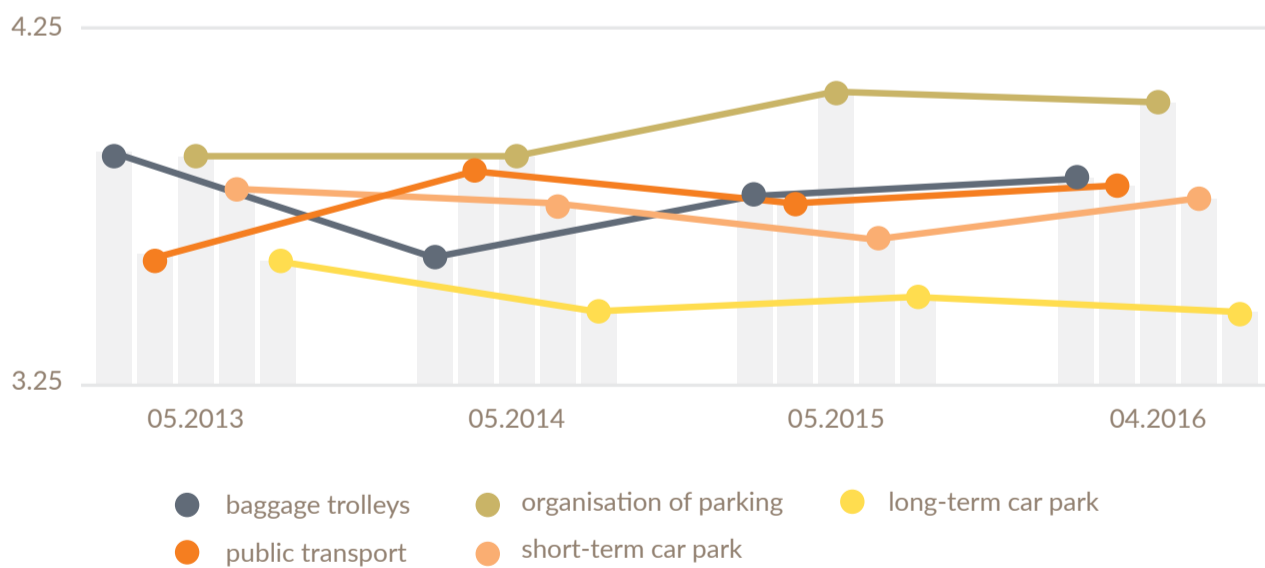
There have been submitted 7 complaints about noise (2015: 2). There have been no complaints about the environment, working conditions, discrimination or other human rights, rules of free competition, social impact, customer privacy or compliance with the law.

### Passenger survey

The annual passenger survey at Tallinn Airport to provide an overview of passengers' profiles and assessments has shown constantly high assessments of the services and environment at the airport. For the purposes of spreading out the assessments, a different scale was trialled in 2016; the results shown have been converted to be common-size. The plan is to switch from 2017 from the current passenger survey to the international air passenger research programme ASQ (Airport Service Quality), to enable a comparison of service quality at other airports and take the quality of research to a new level.



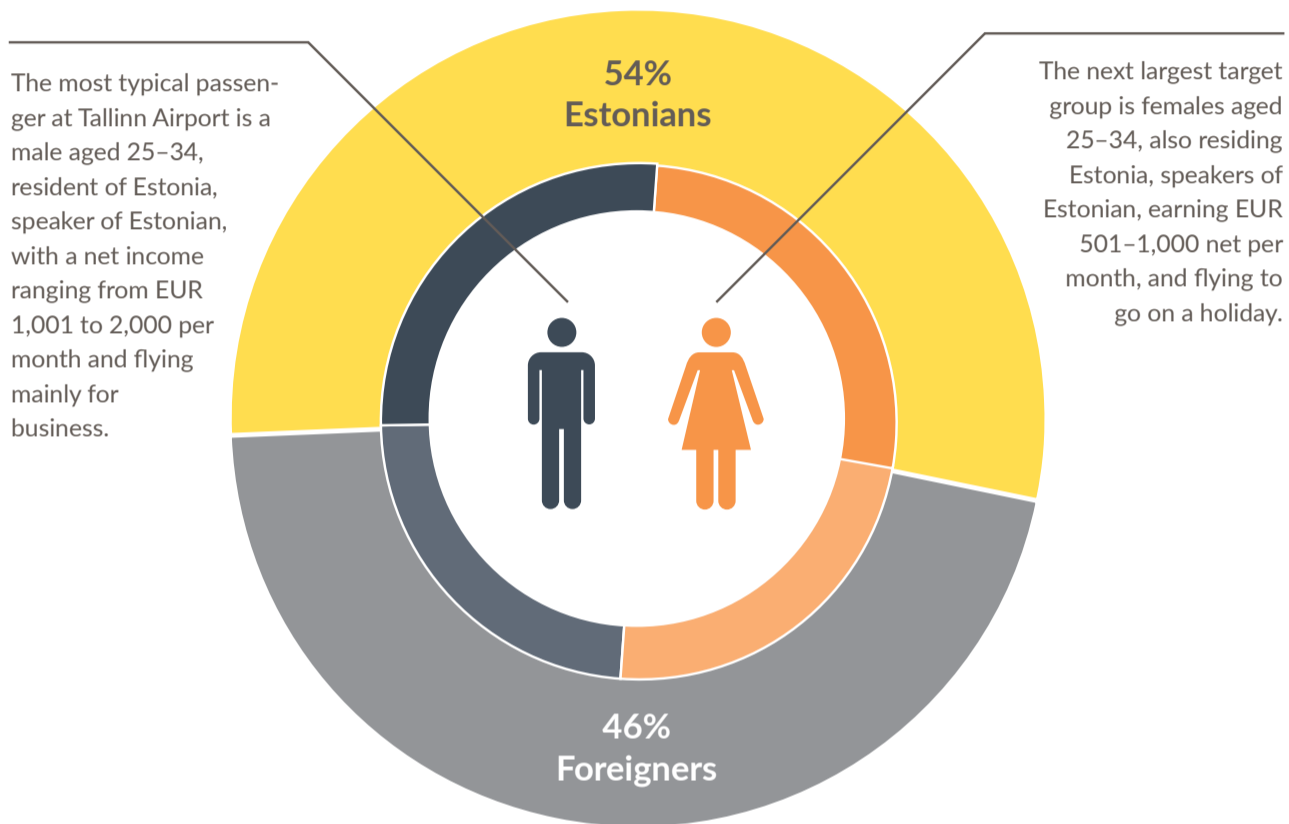
Assessment of services, 2012-2016



Assessment of services, 2013-2016

## Passenger profile at Tallinn Airport

Of the air passengers passing through Tallinn Airport, over a half are residents of Estonia (approximately 54%), over a half of whom, in turn, are female. Among foreigner passengers, males prevail; however, the overall gender distribution is equal: both males and females make up 50% of the passengers.



Estonian is the native language of 48% of the passengers, and the next biggest language group, 17% of the passengers, are native speakers of Russian.



Age-wise, 40% of the passengers are younger than 35 and 2/3 of the passengers are younger than 45.



Over a half of the females are travelling for holidays or for the purpose of visiting relatives/friends.

Among the passengers over 55, the majority are travelling for holidays.



For the males, the purpose of travel is mainly related to business or professional activities.

In the age groups under 55, the main purpose of travel is related to work.

On average, 44% of the passengers are travelling for business.



## Airport community

The airport community includes the nearly 2,000 employees of almost 80 companies operating on the grounds of the airport. The airport community understands that every employee contributes to the final result and is responsible for creating an overall good image for the airport. In addition to handling passengers and airlines, the airport community is united by a love for and interest in aviation and the opportunity to contribute to the creation of the world's cosiest airport.

The airport community and its members are valued, with constant interaction and information exchange organised as part of various collaborative councils (user committees); one of the communication channels for the community is the extranet, where 49 commendations (from an employee for their fellow employee, from a passenger for the airport or from one community member for another) were published in 2016. All new members of the community are provided with information about the airport and welcomed at an introductory training event run by employees of the airport. Members of the community are also involved in the marking of key events.

The Best Together 2016 series of events, now popular among the staff of the airport, were held for the fifth time and are aimed at the continued deepening of smooth communication in work situations, creating a sense of community, supporting the creation of a positive image for the airport and involving partners in joint activities, to create a shared field of thought between the parties.

In 2016, 16 teams participated in the activities of the Community Month, with partners from the passenger terminal, service providers on the apron, airlines, private pilots and employees of Tallinn Airport and Tallinn Airport GH represented.

## Collaboration with universities

We consider it important to be involved with the next generation of our staff. Accordingly, fixed-term summer traineeship opportunities are provided for students in collaboration with the Estonian Aviation Academy. Our employees also include those acquiring a new formal education whilst working at the same time. As an employer, we provide opportunities for part-time work during the study period and strive to consider learners' study needs when preparing work schedules.

In addition to collaboration with the Estonian Aviation Academy to organise both introductory and professional traineeships, traineeships at airports have been secured by learners in various fields of study.

Both AS Tallinna Lennujaam and Tallinn Airport GH annually support and recognise high-performing learners in aviation specialties. In 2016, 4 scholarships were awarded (2015: 2).

## Development

### Tallinn Airport airside area development project

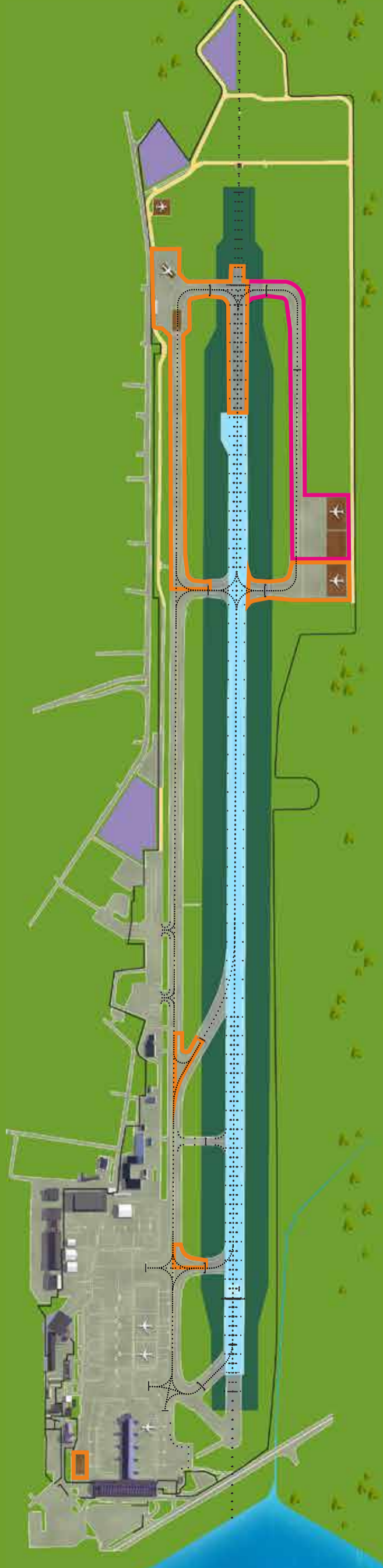
**The airside area development project will help to increase the level of flight safety at Tallinn Airport and enhance the green and efficient operation of the airfield.**

As part of the project, the pavement structure, 20 years old, of the existing runway will be reconstructed, the runway will be extended to a length of 3,480 metres and the system of taxiways and aircraft apron areas will be improved. Construction will replace the current system of airfield lights with energy-efficient green systems, whereby higher-category approach lighting and navigation systems installed. To improve the environmental conditions, an additional de-icing area will be built in the east of the airfield, construction of environmentally compliant snow melting areas will be completed, snow melt water drainage and monitoring systems will be constructed and a compliant aircraft engine testing area will be built.



Of the cost of the airside area development project, EUR 70 million has been declared eligible by the European Union Cohesion Fund, with EUR 35 million contributed by the Cohesion Fund and the rest of the investments financed with own funds and loans, including from the European Investment Bank and the Nordic Investment Bank.

The European Commission has issued an authorisation for State aid to co-finance the airside area development project under the Cohesion Fund.





	Lennuraja asfaltkatte rekonstrueerimine ja uute navigatsioonitulede paigaldus/ Runway pavement reconstruction and installation of new navigation lights		Tugevdatud pinnas / Reinforced soil
	Teenindustee asfaltkate / Perimeter road asphalt		Uus betoonkate / New concrete pavement
			Lumekogumisala / Snow storage area

	I ehitusetapp / First construction phase
	II ehitusetapp / Second construction phase

The figure shows the main works and constructions stages of the airside





The first stage of the construction works to expand the airside area will be completed by the end of 2017, with the works in the second stage of construction scheduled for 2019–2020. The construction works in the first stage will be carried out by Lemminkäinen Eesti AS.

#### Activities in 2015 related to preparations for the airside area development project

- The European Commission has issued the project with an authorisation for State aid.
- The project has been issued with a decision to approve the grant application, setting out the terms for the financing of the project and the amount of aid under the Cohesion Fund's 2014–2020 programme.
- International public procurements have been held to identify a contractor and to commission FIDIC engineering owner supervision services.
- In 2015, activities required for ensuring the safe operation of air traffic and the airfield during construction works were planned both within the organisation and in collaboration with Lennuliiklusteeninduse AS and the Civil Aviation Administration. All the flight operators and airfield users active at Tallinn Airport were informed.
- In the summer, preliminary archaeological surveys were carried out, but no archaeological finds were identified.



### Activities in 2016 related to the airside area development project

- In March, a construction contract was signed with Lemminkäinen Eesti AS. Owner supervision and FIDIC engineering services are being provided by Taalri varahaldus AS.
- In the summer and autumn of 2016, construction works resulted in restrictions on nighttime flight operations; however, the restrictions did not affect scheduled air traffic or flight safety.
- **In 2016, for construction works to be carried out, the configuration of the runway (i.e. its length) was changed four times in total. Changes in the length of the runway, or in the location of the threshold, during every transition between stages translated into the removal of the old runway markings, the resetting and testing of the navigation lights system and the lights control system, and the painting of new pavement markings on the runway between 00:30 a.m. and 06:00 a.m. over the course of one night.**
- Information about all the transitions between stages resulting in runway configuration changes was duly published in the AIP (Aeronautical Information Publication) ahead of time.
- By the end of 2016, the runway had been extended by 420 metres, whilst the width of the runway remains 45 metres (60 metres together with the runway shoulders).
- The works carried out in 2016 included the construction of the extensions of the runway and the main taxiway in the east and the installation of a new navigation lights system.
- In terms of flight safety, it is important that the safety area surrounding the extended runway has been provided with reinforced soil, which minimises any risks in the event of aircraft running off the runway.
- **The construction works included the laying of approximately 60 kilometres of new cable ducts and approximately 100 kilometres of new cables, the installation of approximately 400 new navigation lights, the construction of approximately 10 kilometres of new storm water mains, including approximately 260 new wells, and the excavation of approximately 3 kilometres of new ditches.**
- Due to the significant expansion of the airside area, the security area of the airport increased by 41 hectares, with approximately 5 kilometres of new perimeter roads constructed. The Soviet-period concrete fence surrounding the grounds of the airfield have been now demolished, and the grounds have been demarcated with a modern secure fence.
- A new additional de-icing area and an aircraft engine testing area have been completed in the east of the airfield, and the construction of a new aircraft parking position has been completed in its south. The areas will begin to be used in 2017.



- Two sacrificial boulders registered as heritage sites that got in the way of the expansion of the airside area were relocated to the east of the airfield.
- In the spring of 2016, large-scale construction works began in the airside area of Tallinn Airport; on 17 November 2016, the runway, its length extended by 420 metres, was made available for use at Tallinn Airport as part of the project. This was an important stage in the construction works.
- The works carried out in 2016 significantly upgraded the infrastructure in the eastern areas of the airfield.

### Activities in 2017 related to the airside area development project

Large-scale construction works will continue in the spring of 2017. With the runway reconstruction works, next year will see the completion of the installation of navigation lights, as a result of which Tallinn Airport will be able to transition to CATII, the highest category of approach lights and navigation systems. Furthermore, reconstruction of the western section of the runway will begin, and the pavement structure, 20 years old, of the existing runway will be replaced.

Tallinn Airport will continue the application of restrictions on nighttime flight operations also in 2017, when the reconstruction of the existing runway pavement structure and the replacement of the lights system will be an extremely important job. The upcoming works will require great dedication from both the builder and the employees of Tallinn Airport, so that it will be possible to re-open the airport to air traffic at 6 a.m. every morning after construction works have been carried out at night. In 2017, Tartu Airport will provide Tallinn Airport with back-up airport services at night. Accordingly, aircraft will be able to use the Tartu Airfield from 00:30 a.m. to 06:00 a.m.



### Tallinn Airport passenger terminal expansion project

Design was completed in 2016. A public procurement was held to identify a contractor. Construction works were begun in the autumn of 2016, and the construction schedule was accelerated due to the Estonian Presidency of the European Union being brought forward in time, in order to complete the section needed for passengers already at the beginning of the summer of 2017.

As part of the project, the passenger terminal is being extended 9 metres to the south, with the front façade brought forward by 33 metres. A new, spacious pre-flight security control area, approximately 650 square metres in size and compliant with modern requirements, will be built. On the basement level, the VIP area and the outgoing baggage handling area will be expanded and the embankment under the deck will be replaced with numerous offices, storage facilities and leisure and changing rooms.

### Light rail link

In 2016, coordination of the light rail link to be built by the City of Tallinn and of a public transport stop continued. Construction works started in the autumn of 2016, and the light rail link will be completed in August 2017. Construction is being coordinated by Tallinna Linnatranspordi AS. The new light rail link to be built will increase convenience for passengers at the airport and improve the traffic conditions, since the light rail link will be built to reach the passenger terminal of Tallinn Airport. The new modern public transport hub will have a gallery equipped with escalators to connect it to the passenger terminal.



### Multi-storey car park

To relieve the shortage of parking spaces and provide passengers and customers with a more convenient parking service, a preliminary design for a multi-storey car park was completed in 2015, prepared by Ideab Project Eesti AS. The multi-storey car park will be on 3 levels and accommodate approximately 1,200 cars and 150 taxis. For the construction of the multi-storey car park, a public procurement for design and construction was announced in 2016, with bids submitted by 8 companies. Since the costs of the bids exceeded the projected cost, all of the bids were rejected.

### Painting hangar of AS Magnetic MRO

In late 2015, a memorandum of understanding was signed with AS Magnetic MRO for the construction of an aircraft painting hangar. The painting hangar will create the facilities to increase the range of services by Magnetic MRO and thereby increase the competitiveness of Magnetic MRO and Tallinn Airport. Due to increased volumes, the number of movements will rise, and this real estate development will make it possible to earn additional revenue for the airport. The hangar will be capable of handling aircrafts up to the size of Boeing 737 MAX9 or Airbus 321 neo. Construction of the hangar began in 2016 and is due for completion in 2017. For the design and construction of the hangar, a contract was concluded with Astlanda Ehitus OÜ.

1989

*After 50 years, Tallinn Airport became international again*



*A significant moment for Estonia and Tallinn Airport when, after a hiatus of 50 years, the first international scheduled flight landed on the runway.*

1991

*The Estonian branch of Aeroflot transformed into RAS Estonian Air.*

1992

*The Estonian Air Public Stock Company divided into AS Estonian Air and Eesti Lennujaamad.*

1995

*The runway reconstructed completely, with the new length of the runway extending to 3,070 metres.*

1997

*The following companies founded: AS Tallinna Lennujaam, AS Tartu Lennujaam, AS Kuressaare Lennujaam, AS Kärdla Lennujaam and AS Pärnu Lennujaam.*



*Kuressaare Airport also includes the Ruhnu Airfield, located 75 kilometres from Kuressaare, on the Island of Ruhnu in the Gulf of Riga. The AN-2 passenger aircraft flew to Ruhnu for the first time in 1956.*



Photograph by: ruhnase blogi

*A floatplane was seen to land on Ruhnu in January 2009.*



Photograph by: ruhnase blogi

*In addition to the maritime gateway running high gear, the aerial gateway was busy with action, too.*



# Employees and work environment



**Reliable, open and caring – these are the values that aim to support the implementation of the vision and strategy of the company and to shape a values-based organisational culture. Competent staff, rapid manning of positions, incentivising and developing employees are the mainstays of a human resources strategy whereby the realisation of the business strategy and the business concept is supported.**

The reputation of Tallinn Airport as an employer continues to be very good, and according to a survey of the reputations of the employers of students, the airport ranks among Estonia's best employers. Based on the survey of attractive employers conducted by Instar among students, the Group ranked 9<sup>th</sup>.

## Group workforce

As at the end of 2016, AS Tallinna Lennujaam had 350 employees, including 6 employees on parental leave; the employees of Tallinn Airport GH numbered 257, including 19 employees on parental leave and 1 employee serving in the Estonian Defence Forces. In 2016, 1 employee returned from parental leave or service in the Estonian Defence Forces at AS Tallinn Lennujaam, with 7 employees returning at Tallinn Airport GH. Those returning from parental leave are provided with the option of working also part-time to support work-life balance and the reintegration of the employee into their working life. Furthermore, in-service training is provided for all to update their knowledge and skills to be able to cope successfully in their jobs.

For the provision of safe, secure and quality airport services, the skills, experience and reliability of the workforce are important. Quality performance at work is also significantly affected by the low level of staff turnover. In 2016, 23 staff recruitment and public competitions were held, with a total of 1,172 applicants participating.

The company operates only in Estonia, in compliance with the laws applicable to its Estonian staff. All the employees at the regional airports come from the respective counties.

The diversity of its workforce is the wealth of every company and a contributor to its success, providing valuable experience on the one hand and enrichment on the other through new ideas and points of view from those entering the organisation. The human resources strategy is based on supporting diversity in terms of gender, age, education and points of view.

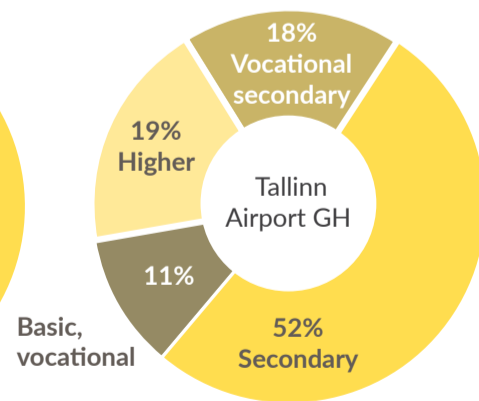
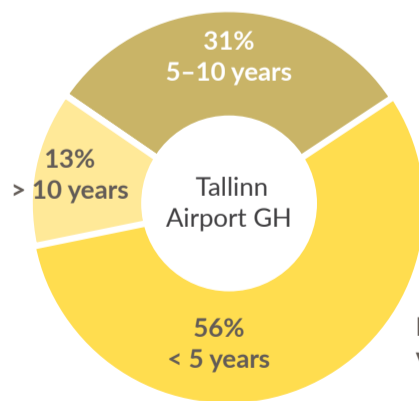
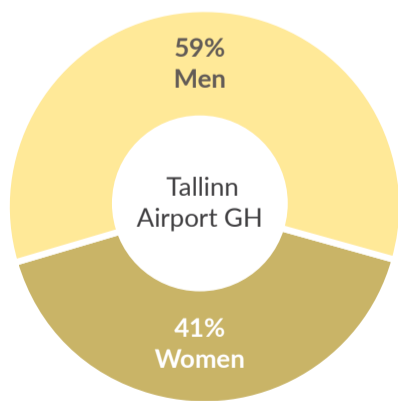
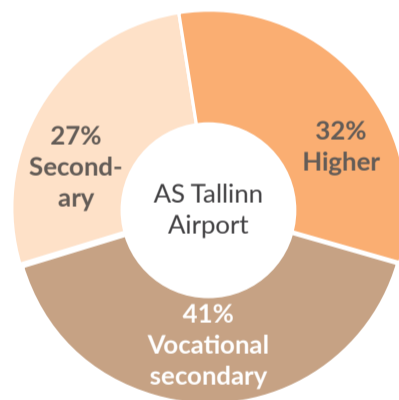
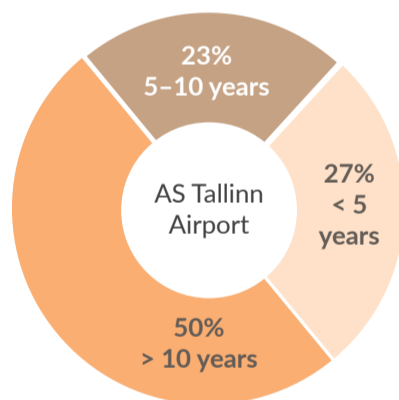
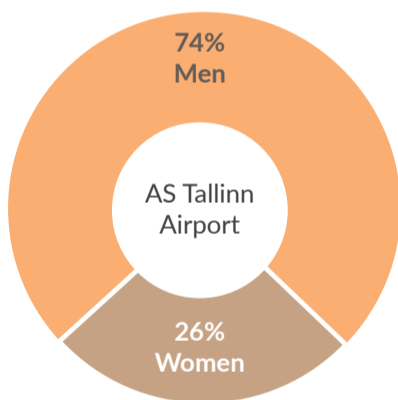
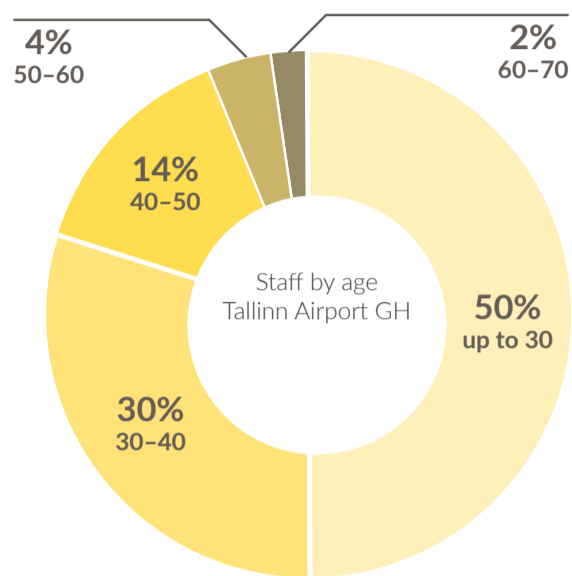
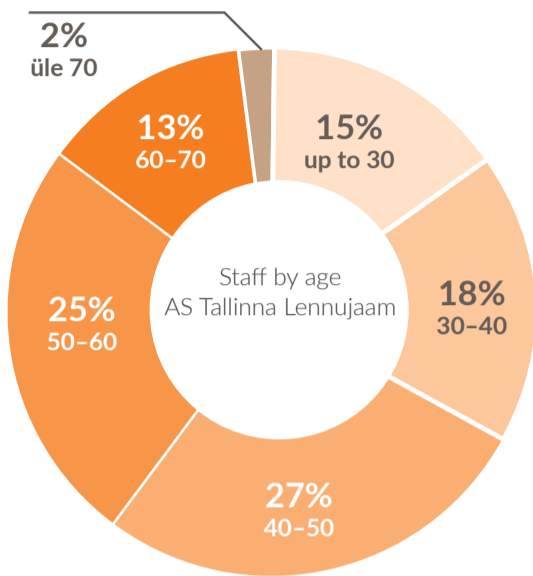
The difference in the proportions of females and males at the company both results from the nature of their jobs and reflects the preferences of the genders for professions among the Estonian population more generally. There are both females and males working in all of the positions.



The principles of remuneration at the company follow external competitiveness, the distribution of job groups and the policy of equal treatment irrespective of the gender or other traits of employees. Thus, the base wages of all employees in given positions are uniform.

	2016	2015
<b>GROUP WORKFORCE</b>	<b>607</b>	<b>590</b>
Women	219	210
● Incl. women in the management board	2	1
Men	388	380
● Incl. men in the management board	3	4
Average length of service	8.9 years	8.6 years
Trade union members in AS Tallinna Lennujaam	2	3
Trade union members in Tallinn Airport GH	10	13
Sickness days, incl. care days, pregnancy and maternity leave	4 392	5 194
Returning from parental leave (100% women)	8	10
Employees on an unspecified-term contract	558	542
● Incl. men	374	366
● Incl. women	184	176
Employees on a specified-term contract	23	48
● Incl. men	13	14
● Incl. women	10	34





Gender distribution

Length of service

Education

WORKFORCE TURNOVER	2016	2015
AS Tallinn Airport		
● Total turnover	8.69%	6.70%
● Employees terminated for voluntary reasons	4.92%	4.40%
● Temporary employees	2.32%	1.50%
Tallinn Airport GH		
● Total turnover	13.92%	16.40%
● Employees terminated for voluntary reasons	10.05%	12.30%
● Temporary employees	3.48%	2.46%
New employees (the Group)		
● Incl. men	51	55
● Incl. women	31	26

## Work organisation and employment relations

At AS Tallinna Lennujaam and AS Tallinn Airport GH, most employees work based on working time schedules; customers are served 24/7 at Tallinn Airport and based on the business hours determined by flight schedules at the regional airports. To provide compensation for work based on working time schedules, i.e. on holidays or at night, employees are provided with:

- 7 calendar days of fully paid additional leave
- separate calculation of and pay for work outside the work schedule
- additional pay for employees certified as instructors for supervising their fellow employees
- flexibility in the preparation of work schedules in terms of both workloads and working times to enable study
- implementation of part-time work for those returning from parental leave or for students if they wish
- Benefits and incentives provided for employees:
- Free parking in the immediate vicinity of one's workplace in a car park subject to surveillance

- Childbirth benefit
- Benefit for an employee or their next of kin in the event of a death in the family
- Insurance for an employee against a serious work accident, including a fatality
- Provision of more extensive health checks than required by law
- Partial reimbursement of the cost of spectacles regardless of the duration of computer use
- Sport benefits through SportID
- Purchase of ergonomic aids and furniture, employee consultation and review of workplaces by an ergonomist
- Furnishing and equipment of leisure rooms
- Fixed compensation for uniforms, work clothes and footwear
- Benefits for reservists to participate in training exercises. Employees called to reserve training are reimbursed for that part of their income that they would otherwise lose by participating in the training.

## Promotion of a healthy lifestyle

Promotion of a healthy lifestyle and recognition of athletic lifestyles among employees are considered important. The Tallinn Airport Sport Club, to which employees of the Group belong, operates actively and effectively year-round. Its members participate in competitions organised by the Estonian Corporate Sport Association.

**In 2016, the Tallinn Airport Sport Club gained the title of Estonia's Most Athletic Company for the second year in a row.**

In addition to the activities of the Sport Club, sports activities among employees of the Group are supported through the SportID sport benefit management portal, which has over 400 users already. This provides every employee with the option of flexibly choosing their sport club, the timing of their sports activities and the type of their activities.



## Recognising and incentivising employees

Recognition of employees' excellent work performance maintains motivation and is part of the culture at the company. Options for financial recognition are part of the remuneration system at the company; however, taking notice of a fellow employee's accomplishments and promoting a culture of the public recognition of one another are considered equally important. The Praise Good Service (KIIDAN TEGIJAT) section of the intranet is popular and is used to publish all words of gratitude from customers. The Praise Good Service section is also used actively to share recognition and thanks among fellow employees. In 2016, 18 such expressions of gratitude were transmitted. Collaboration and taking initiative, readiness to help, diligence and joy in doing one's work as well as seeing the 'big picture' of the airport in the broader sense are considered important!

Selection of the Deed of the Year and of the Operator of the Year aims to highlight the work contribution of outstanding employees who uphold the values of the company, innovative projects and initiatives by both fellow employees and the employer. Recognition and attention are given to fellow employees who have innovative solutions, an open style of communicating and show commitment, willingness to collaborate and initiative in their contributions. The golden award is given in a token of recognition and respect to employees who uphold the values of the company and who are valued by their customers and fellow employees for their long-term and outstanding contributions.

Traditionally, Tallinn Airport GH annually selects GH Kuldvara, created for the recognition of high-performing fellow employees who value collaboration.



In 2016, recognition was conferred on the following projects:

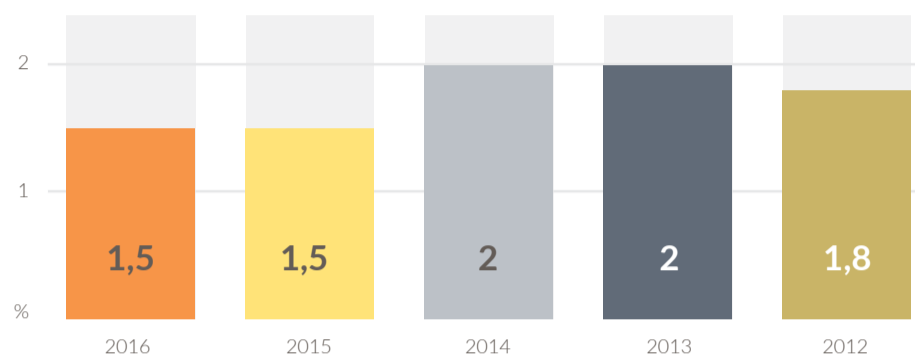
- Preparation of transitional processes and provision of continued smooth services for passengers when the national carrier changed
- Management of the airport activity centre project
- Introduction of an employee portal and development of user amenities
- Management and coordination of the airside area reconstruction project co-financed by the European Union
- Creation of a flight safety training video
- Programming of an information technology solution on a volunteer basis to integrate the flight schedule, map of aircraft parking positions, services provided and the daily schedule of work organisation in the apron handling department
- Launch of the training and activities of the auxiliary policemen at the airport

In addition, our maintenance service employees exhibited initiative and resourcefulness and an innovative approach by producing a piece of equipment to transport small aircraft in the event of a broken tyre or technical fault in aircraft. Furthermore, they improved airstairs, making daily activities simpler and more convenient for their fellow employees.

A good example of innovative thinking and initiative is also the apron information and warning system, whereby 7 LED screens were installed on the airfield to display the time of day and the temperature of ambient air to those on the airfield.



## Employee development



Training and development costs as a share of staff costs

In 2016, learning at the company focused on the following:

- Creation of flexible learning opportunities by means of technology
  - Replacement of initial training on flight safety with video training
  - Provision of instruction on fire safety at the passenger terminal as e-learning. Training was conducted via the Univocus Safety Academy online portal. To import training results into the Edutizer learning management system used at Tallinn Airport, a relevant development was created to enable results to be imported also from other learning portals and to thereby reduce the administrative burden.
  - Creation of an e-course on general awareness began to provide training on customer service for passengers with special needs. Passengers with special needs have also been involved in the process of designing it, so that training supports actual needs for assistance at the airport. The objective is to create interactive learning material to enable learning flexibly, at the time suitable for the learner.

**Whereas in 2015 training on fire safety at the passenger terminal was completed as in-class training by 267 passenger terminal employees, more flexible e-learning in 2016 enabled the same training to be pursued by 593 employees. Training was completed by 26 employees from various agencies/companies.**

- Increasing awareness of information security at the organisation
  - Seminars on information security were attended by 107 managers and specialists of Tallinn Airport, with the study materials and recommendations available to all the employees via e-learning. The seminars were conducted in collaboration with SecTeam. In addition to the training, useful feedback was provided by the transmission of a phishing letter to the employees of the organisation. Employees who had not completed the training and failed to notice the suspicious background of the sender of the e-mail or to doubt the appropriateness of the context of the content of the letter were likelier to fall prey to the phishing letter.
- Specialist international training events brought to Estonia
  - Declaring Runway Distances and Displacing Thresholds, airsight GmbH
  - Obstacle Assessment, airsight GmbH
  - Aerodrome Wildlife Hazard Management; MJ Airport Associates Ltd

The training events were attended by employees of the Civil Aviation Administration, Ämari Airbase and Lennuliiklusteeninduse AS, in addition to employees of Tallinn Airport.

Attendees are selected at the company without preference for gender or age. Equal opportunities to attend have been created for all employees in the target group.

**The oldest male to have participated in e-learning was 64, the youngest 18. The oldest female to have participated in e-learning was 72, the youngest 17.**

## Occupational safety

- Occupational accidents at Tallinn Airport 2 (2015: 2)
- Occupational accidents at regional airports 0 (2015: 0)
- Occupational accidents at Tallinn Airport GH 8 (2015: 5)
- These were minor occupational accidents: falls and sprains.



1989 -  
1999

## *Tallinn Airport got a new look*



*A cargo terminal and a modern airport rescue service building were completed at Tallinn Airport. During extensive renovations, Tallinn Airport got both a new look and new contents.*

2004

*The airport joined the Open Skies Treaty of the European Union, enabling a significant expansion of flight operations. Flights to Tallinn launched by EasyJet, the first low-cost airline.*

2005

*AS Pärnu Lennujaam, AS Tartu Lennujaam, AS Kuressaare Lennujaam and AS Kärdla Lennujaam were merged with AS Tallinna Lennujaam. For the first time, the number of passengers per annum exceeded one million at Tallinn Airport. Subsidiary AS Tallinn Airport GH founded.*

2008

*Airside area and passenger terminal reconstructed at Tallinn Airport.*

2009

*Tallinna Lennujaam takes on the name of Lennart Meri.*





*Kärddla Airport did not become connected through a regular aircraft service until July 1945, when the first scheduled flight landed near Putkaste.*



*The airport relocated from Käina to its current site in the Village of Hiessaare in 1964.*

*The Kärddla runway has a bearing capacity of up to 70 tonnes, a length of 1,520 metres and a width of 30 metres.*



# Overview of the environment



## Environmental management

**The objective of AS Tallinna Lennujaam is to ensure the efficient and responsible operation of the airports in the Group and to provide a quality service whilst conserving the natural environment and reducing emissions.**

The principles and directions of environmental management have been established in the environmental policy of the company, which is closely linked to the internal control system at the company. In 2016, the environmental policy of the company was updated. In compliance with the requirements of the ISO 14001:2015 environmental management system certificate, the environmental procedures and activities have been described and the responsibilities applicable to positions have been documented. Potential risk areas are reviewed periodically as part of the environmental management system. There have been no instances of environmental non-compliance; no fines or sanctions have been imposed in 2016. As part of the environmental management system, spot checks are carried out also among the corporate partners of AS Tallinna Lennujaam, who are subject to all the requirements applicable at the airport. To date, collaboration has been smooth and no material breaches have been observed. In terms of flights, environmentally friendly landings are supported, so that descents are not steep, 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
- noise caused by air traffic

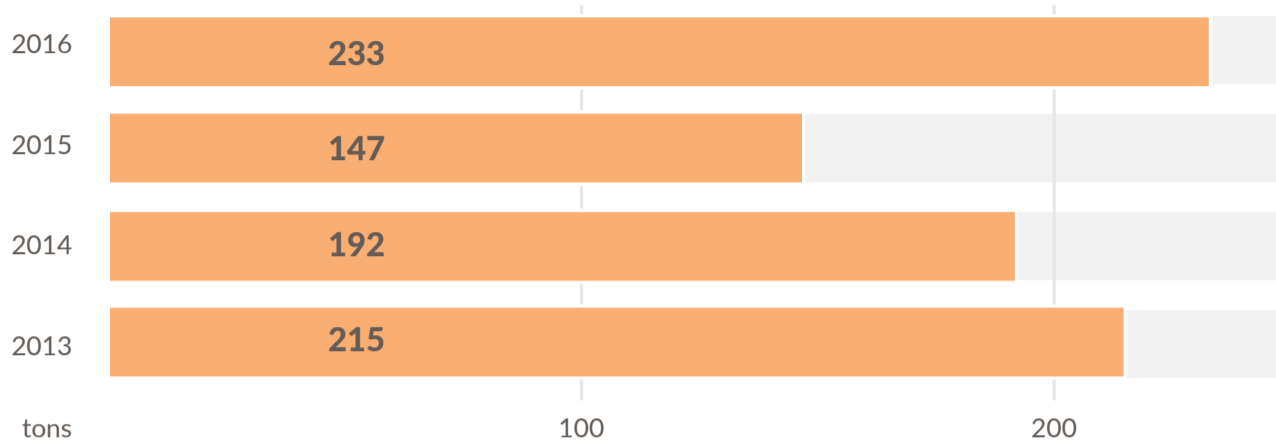
Main environmental impact is reflected in the use of resources, including energy and water consumption, air emissions, noise levels, quality of drainage water and waste generation.

### 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 increased in 2016 compared to 2015 from 153 to 233 tons. As fuel, land-based transport uses petrol and diesel as well as natural gas that is used by passenger buses and runway maintenance machines. The increased fuel consumption was largely caused by heavy snowfalls which forced us to increase the amount of runway maintenance. 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 from work, we opened a bicycle parking lot at the airport passenger terminal.



Fuel usage of ground transportation in Tallinn Airport 2013 - 2016 in tonnes

### 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 exercises on the lake from spring to autumn on a weekly basis.

## Power consumption

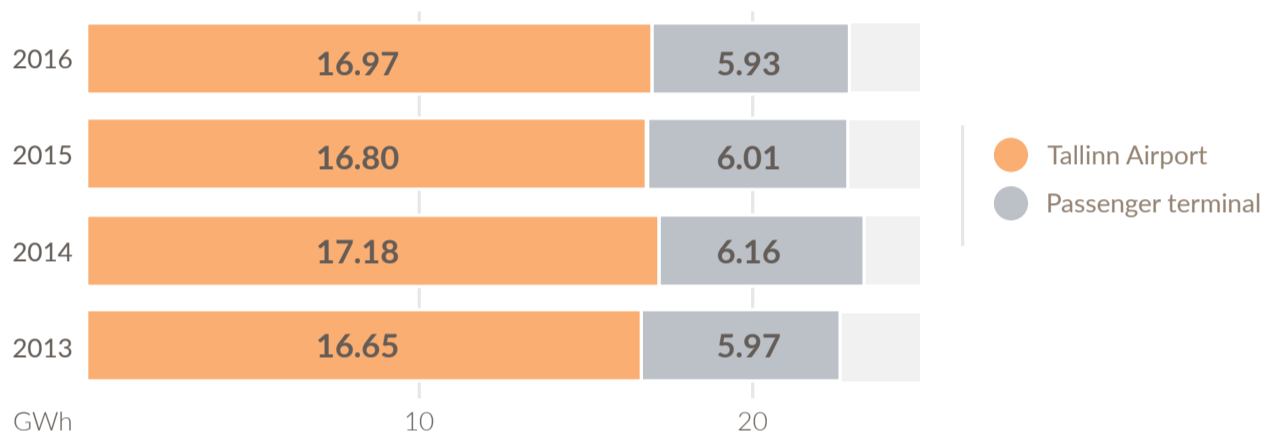
The bigger consumers of electricity are mainly the passenger terminal of the Tallinn airport and the runway navigation and runway illumination system in the Tallinn airport.

In 2016, electricity consumption in the Tallinn airport increased from 16.80 GWh to 16.97 GWh. Own power consumption increased also on the whole territory from 10.54 GWh to 10.79 GWh, but decreased in the passenger terminal from 5.02 GWh to 4.98 GWh.

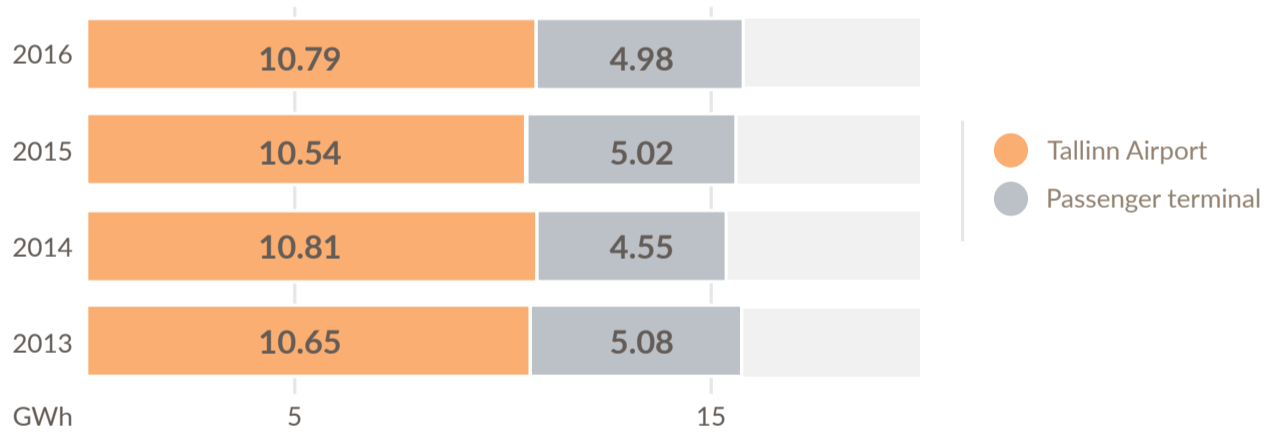
Our objective is to reduce power consumption by the passenger terminal of Tallinn Airport from year to year and, if possible, to increase the consumption of renewable energy. Setting targeted objectives in the area of energy consumption lays a foundation for the systematic and informed management of power consumption

To reduce power consumption, the following investments were made in 2016:

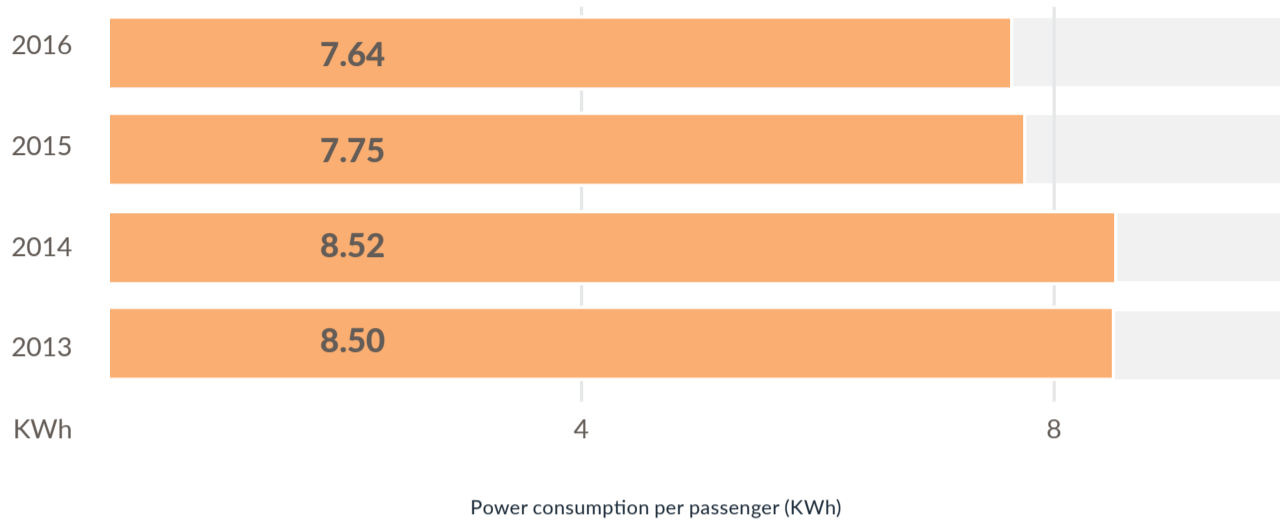
- Sensors measuring CO2 and temperature were installed inside the passenger terminal to control the operating mode of the ventilation system in order to ensure the conservation of electricity.
- Circulation pumps for ventilation heating were replaced with more efficient pumps, providing the conservation of electricity



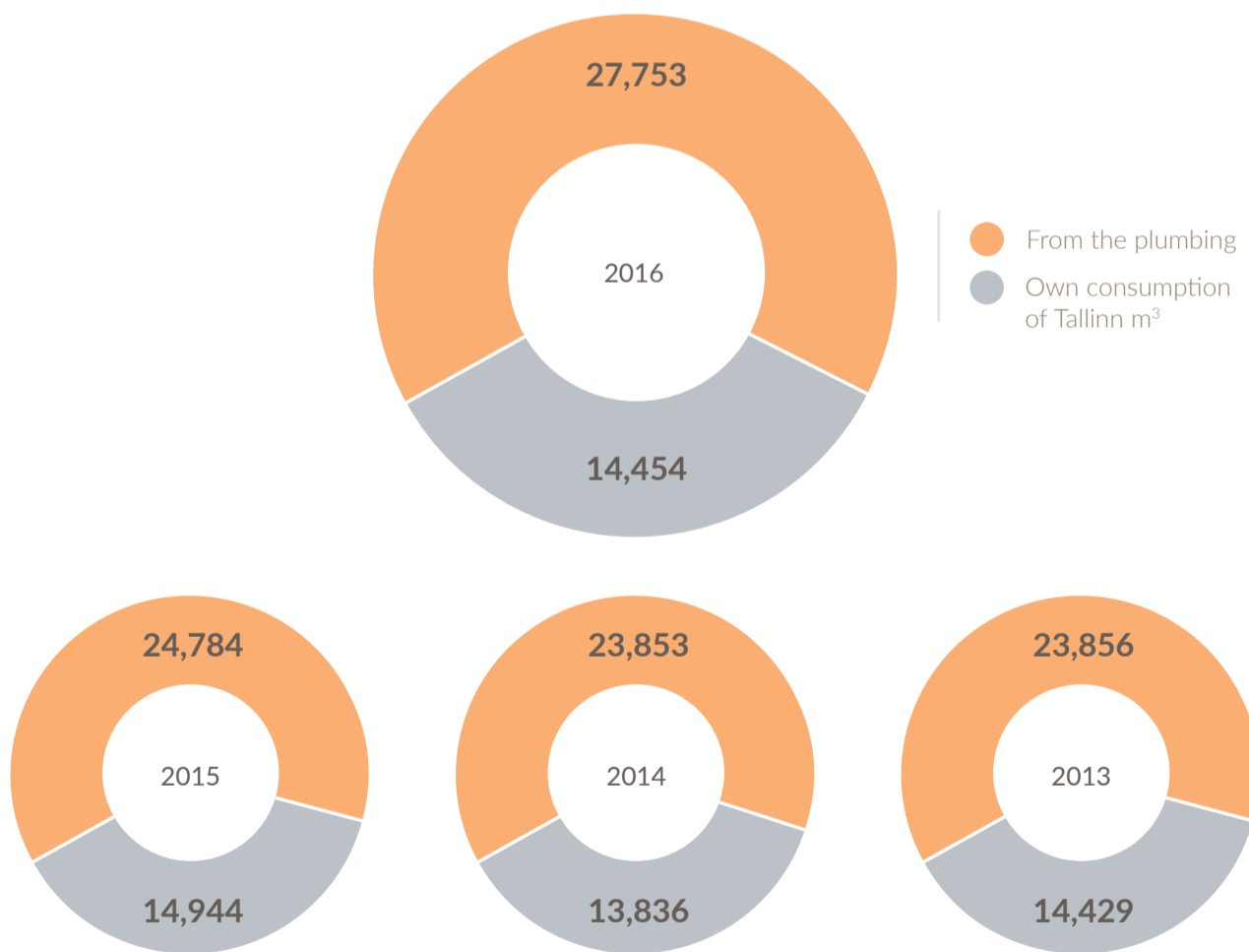
Total power consumption in Tallinn Airport (GWh) and total power consumption of passenger terminal (GWh)



Own power consumption(GWh) in Tallinn Airport 2013-2016



## Water consumption



Water consumption (m³) of Tallinn Airport 2013-2015

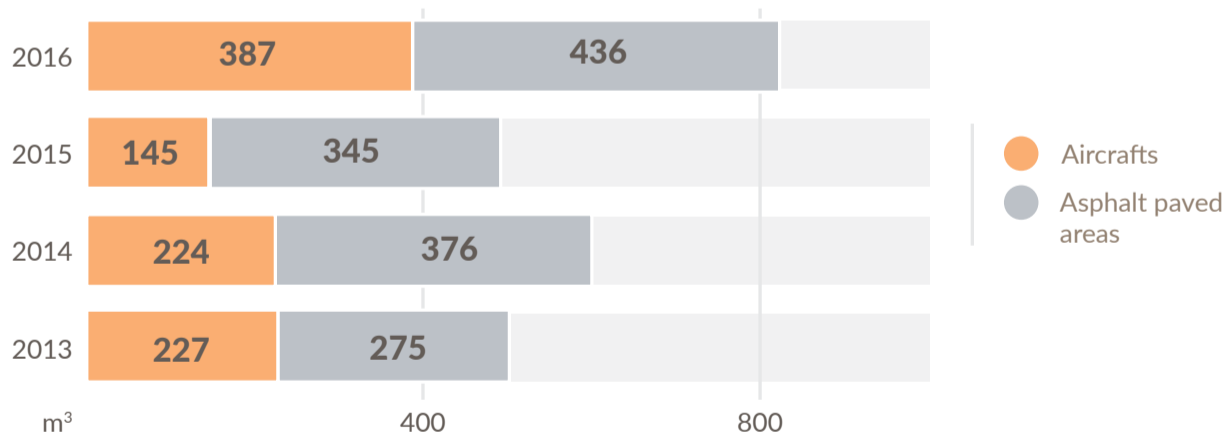
In 2016, Tallinn airport consumed 27,753 cbm of water from AS Tallinna Vesi (2015: 24,784 m<sup>3</sup>). A similar trend is seen in own consumption.

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
- In 2016 most of the premixing taps in the passenger terminal were replaced 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 2016, use of de-icing was increased due to a warm winter and long chilly spring, which forced us to use more de-icing for paved surfaces and aircrafts for a longer period of time compared to 2015.



De-icing of aircrafts and paved surfaces in Tallinn Airport 2013 - 2016 m<sup>3</sup>



### 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.



## Emissions

### Air pollution

The quality of ambient air at Tallinn Airport is affected by air traffic, boiler houses and road transport in the airport area. In the immediate vicinity of the airport, the quality of ambient air is affected by the Lasnamäe industrial area to the north and road transport on the Tallinn-Tartu Highway and in Suur-Sõjamäe Street. No direct measurements of air pollution are made, since the vicinity of the airport has both industrial areas and highways with heavy traffic loads, which affect the quality of ambient air significantly more than aircraft traffic.

Results of the dispersal calculations provided in the study “Dispersal calculations in the direction of Lake Ülemiste of air pollution from aircrafts taking off or landing at Tallinn Airport” show that air pollution produced by aircrafts only has an effect in the areas near the airport. The results of the calculations revealed that even at the beginning of the flight cycle (i.e. when an aircraft is close to the ground), the concentrations obtained do not exceed the applicable standards.

Based on the measurements made in previous years, the highest concentration of NO<sub>x</sub> occurred specifically in the immediate vicinity of the airport, reaching 0.056 µg/m<sup>3</sup> at the most. At the same time, it was 700 times lower than what is permitted under the standards in the Ambient Air Protection Act. Based on the calculations, the CO levels are also under control.

The environmental impact assessment prepared in 2014 pointed out that Tallinn Airport has no significant adverse effect on air quality in its vicinity, particularly given that aircraft emissions are discharged under higher pressure and at higher elevations. The same assessment considered the impact of the boiler houses powered by natural gas (which used to be calculated annually) to be negligible.

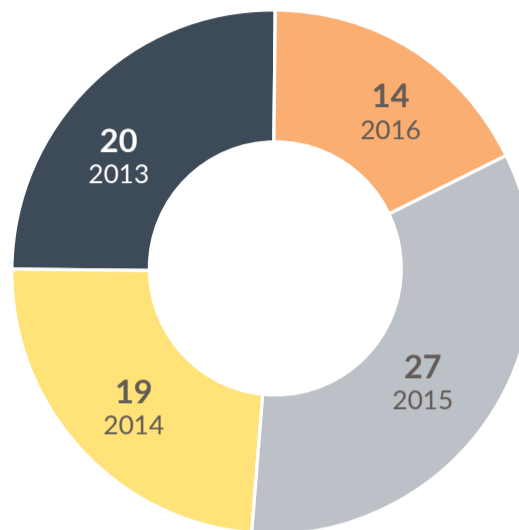
### Greenhouse gases

We have started mapping the main sources of CO<sub>2</sub> emissions and assessing their volumes. In addition, we are calculating the CO<sub>2</sub> footprint for every business trip. The mapping is followed by creating measures for reducing CO<sub>2</sub> 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.

## Chemical leaks

As compared to 2015, the number of chemical leaks in Tallinn airport went down by 13, decreasing from 27 to 14. No chemical leaks were reported in regional airports in 2016.

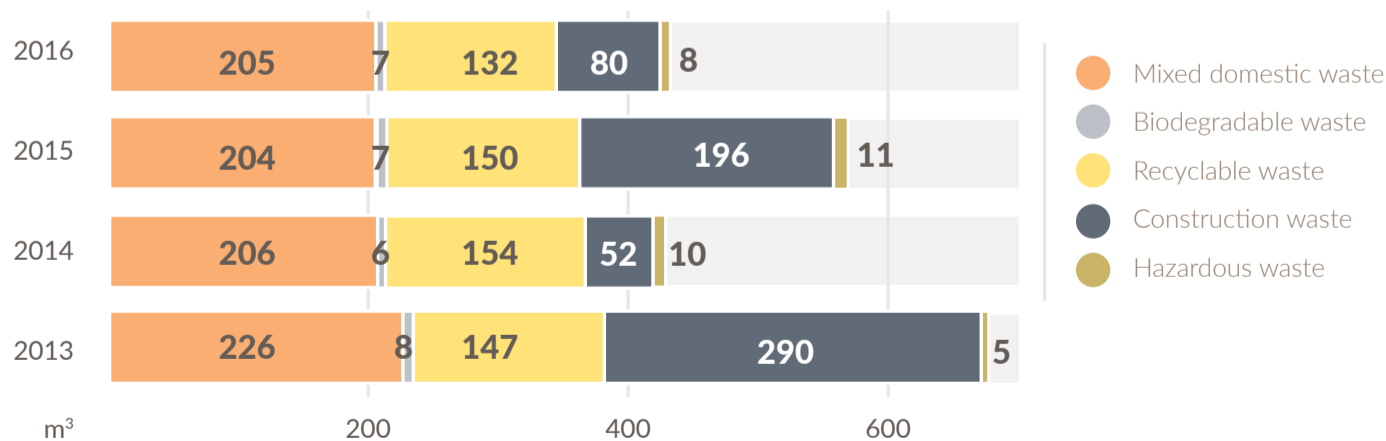


Number of chemical leaks in Tallinn Airport 2013-2016

## Waste

In 2016, Tallinn Airport generated a total of 432 tons of waste, of which 19% was construction waste, 47% was mixed domestic waste and 31% was recyclable waste. Hazardous waste and biodegradable waste make up 3% of the total quantity of waste.

As compared to 2015, the total amount of waste in the airport has decreased ca 137 tons. The decrease was attributable to decrease of construction waste. The objective of our waste handling is to keep decreasing the amount of mixed domestic waste and to increase the share of recyclable waste.

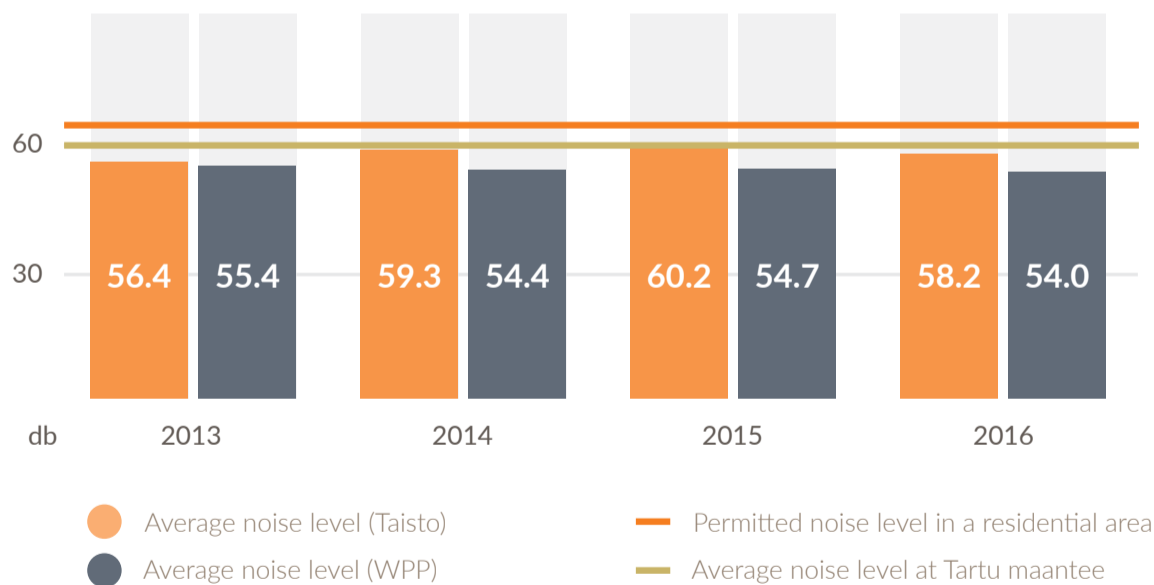


Quantities of waste by types in 2013 - 2016 \*

\* The total numbers of the previous years have been changed in relation to the clarification of the methodology

## 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 2016, the average daily noise level decreased from 56.4 to 56.2 decibel (in comparison: the level of constant traffic noise coming from Tartu manatee at the airport is ca 65-70 db). 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. 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. 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 2016, seven noise complaints were filed (2015: 2).



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 manatee in 2013-2016

## 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.



2010

*Visual identity of Tallinn Airport updated.  
Ryanair commenced flights to Tallinn Airport*

2011

*First cruise ship turnaround completed,*



*with 7,100 passengers served in  
5 turnarounds.*

2012

*Tallinn Airport became a two-million  
airport*

*On 16 November, for the first  
time Tallinn Airport became  
a two-million airport, that is, the  
annual number of passengers  
exceeded the two million mark.*





*Convening on 27 June 2016, the Supervisory Board of Tallinn Airport appointed Piiret Mürk-Dubout the new Chairperson of the Management Board of the company, and she took up the position on 29 August. A contract was concluded with the new Chairperson of the Management Board for a term of five years.*



*Piiret has studied law and journalism at the University of Tartu as well as international business management at EBS. Previously, she has held various high-ranking positions at the Eesti Telekom Group, in Estonia and abroad.*



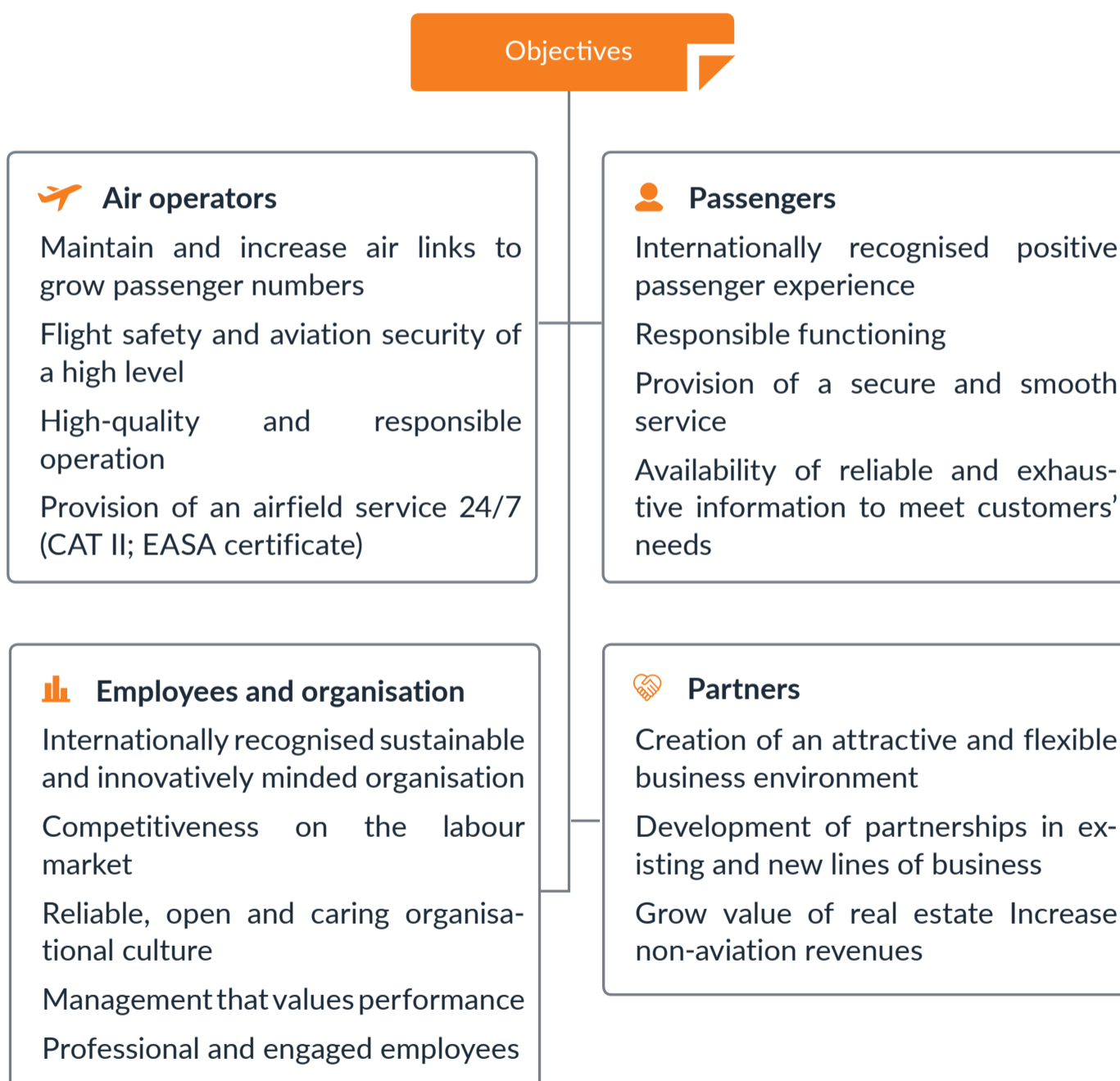
# A look into the future





## Operating environment

On average, the 2017–2020 period will be characterised by 3% economic growth, a 2.5% increase in the consumer price index, low borrowing costs, a rapid decrease in the working-age population and a 5% to 6% increase in staff costs. The turnover and passenger numbers of AS Tallinna Lennujaam will increase in step with economic growth, whereas the costs of services related to labour and staff costs will grow significantly faster.



The Estonian market is characterised by a limited service area and a peripheral geographic location, the combination of which means that routes originating or terminating in Estonia are not particularly profitable for airlines. As a result, airlines examine every cost component in great detail when flying to Estonia, and airport charges are definitely a weighty consideration. The availability of quality air links, however, is extremely important for the competitiveness of the country, in particular for it to be able to attract foreign investments, development units or businesses but also to increase tourist numbers. In its 2015–2019 action plan, the Government of the Republic of Estonia has set the objective of improving air links. Given the attractiveness of the location in Europe, airport charges cannot be increased to cover rising costs. One of the key challenges in the coming years will be efficiency in operations (ensuring safety and security at the present levels) and expanding into new lines of business.

## SWOT analysis, 2017–2020

### Internal environment

#### Strengths

- Distribution of portfolio of airlines
- Distribution of portfolio of revenues
- Flexibility
- Turnover of commercially valuable staff is low
- Data analysis opportunities
- Good reputation

#### Weaknesses

- Decrease in the share of low-cost airlines
- Long recruitment and preparation period
- High and rising fixed costs (regulation and outsourced services: security and cleaning)
- Financing of regional airports
- Financing of security and rescue costs

## External environment

### Opportunities

- Development of a State-owned airline
- EU Presidency
- Focus on the development of new business opportunities
- Collaboration with Enterprise Estonia and the Ministry of Economic Affairs and Communications
- Growing the attractiveness of the airport environment

### Threats

- Costs rising faster than revenues
- High fixed costs
- Labour shortage in the unskilled sector
- Low economic growth
- Decrease in airline competition
- Decrease in the global sense of security
- Regulation factors

## Strategy

The 2017 passenger number forecast for Tallinn Airport is 2.34 million. Compared to 2016, growth will be 5.4%. Primarily, the reason for this rapid growth is the development of Nordica due to the replacement of its collaboration partner and increasing demand due to the Estonian Presidency of the European Union, as a result of which approximately 35 thousand additional passengers may be expected in the second half of 2017. British Airways, a new airline, is due to launch seasonal flights from London Heathrow Airport during the summer period.

Traffic at the regional airports will not grow significantly, with the passenger numbers at Kuressaare, Kärdla and Tartu Airports remaining stable. The 2017 budget estimates that the regional airports will handle a total of 54 thousand passengers, which is the same level as in 2016. Given the completion of a vessel with an ice classification for Kihnu, the State has decided to terminate the air links between Pärnu and Kihnu.

The revenue budgeted for the Group is EUR 37.5 million (2016: EUR 34.6 million), or 8% more than in 2016. Revenue growth will be driven by increased passenger numbers.

Government grants for covering security and rescue expenses will remain at the same level of EUR 4.1 million as in 2016 and this also applies to government grants for regional airports in the amount of EUR 1.6 million. The Group's total business revenue will increase 0.2%.

Costs will increase from EUR 40.5 million to EUR 41.1 million, or 1.5%. Staff costs are estimated to increase 3.4%. The profit planned for the Group is EUR 5.5 million.

During the 2017–2023 period, the Group plans to invest a total of EUR 137.6 million, including EUR 33.4 million in 2017. The most important investment is the continuation of the airside area development project at Tallinn Airport, estimated to cost EUR 20.7 million in 2017. Expansion of the southern area of the passenger terminal (investment of EUR 4.0 million) and construction of the aircraft painting hangar (investment of EUR 2.5 million) have begun. As part of the project to expand the southern area of the passenger terminal, the passenger security control area is going to be relocated from the middle of the passenger terminal to its southern end. There is a plan to install new security control lines with better passenger capacities, costing EUR 1.1 million. In spring, construction will begin on the traffic junction in the southern section of the passenger terminal, estimated to cost EUR 0.9 million. In the process, preparatory works will be carried out for the construction of a multi-storey car park, due to begin in 2018.



Value propositions of Tallinn Airport for various customer groups

 **Air operators**

*Every flight counts!*

Segment attitude and expectation

„Efficient, reliable and speedy handling of aircraft, apron and passengers!“

Competitive advantage

Flexible route handling of excellent quality ensures on-time flights (reliable)

 **Passengers**

*We are the world's cosiest airport!*

Segment attitude and expectation

„Planning air travel and passing through an airport is stressful!“

Competitive advantage

The airport provides a comfortable and secure customer experience (caring)

 **Partners**

*Reliable partnership!*

Segment attitude and expectation

„An open, flexible and innovatively minded business environment is important for us!“

Competitive advantage

Provider of infrastructure and services who meets the needs whilst providing for its partner's growth ambition (reliable and open)

 **Employees and organisation**

*Everybody counts!*

Segment attitude and expectation

„I want to feel that I am able to add value and that I am valued!“

Competitive advantage

Clear and valued responsibilities and roles that help to create positive emotions for customers every day (caring and open)

thousand EUR	2017 EA	2016	Change %
<b>FORECAST FOR ECONOMIC AND FINANCIAL INDICATORS</b>			
<b>Total income</b>	<b>46,866</b>	<b>46,763</b>	<b>0.2</b>
Sales revenue	37,515	36,897	2
● incl. aviation revenue	13,908	13,167	6
● incl. non-aviation revenue	23,606	23,730	-1
Other income	9,351	9,866	-5
● incl. government grants for assets	3,565	4,352	-18
● incl. government grants for security and rescue expenses	4,135	3,653	13
● incl. government grants for regional airports	1,615	1,615	0
● incl. other income	36	246	-85
Operating profit before depreciation*	12,751	13,743	-7
Net profit	5,516	6,158	-10
Cash flows from main activity	12,931	11,343	10
Investments	33,437	25,634	63
Revenue per outgoing passenger (EUR)	32.04	32.71	-2
Net profit per outgoing passenger (EUR)	4.71	5.46	-14
Revenue per employee (EUR)	66,516	65,933	1
Net profit per employee (EUR)	9,779	11,004	-11
Total assets at the year-end	184,129	155,455	18
Assets at the year end*	124,445	99,060	26
Equity at the year-end	77,309	71,793	8
Borrowings at the year-end	32,994	16,857	96
Equity/assets at the year-end*	60%	72%	,
Borrowings/ operating profit before depreciation*	2.59	1.23	,

thousand EUR	2017 EA	2016	Change %
<b>FORECAST FOR ECONOMIC AND FINANCIAL INDICATORS</b>			
Operating expenses total	41,057	40,484	1
• incl. goods, materials and services	12,413	11,237	10
• incl. other operating expenses	1,703	1,340	18
• incl. staff costs	16,385	16,015	3
• incl. other expenses	49	77	-66
• incl. depreciation, amortisation and impairment	10,507	11,816	-11
Operating profit before depreciation, amortisation and interest* (EBITDA)	12,751	13,743	-7
Operating profit (EBIT)	5,809	6,279	-7

\* excluding government grants for property, plant and equipment

2013

*Tallinn Airport was awarded a silver award for its responsible entrepreneurship practices.*



Photograph by: Estonian Association for Quality

*The purpose of the index is to help companies to analyse how to act more responsibly towards the environment and the community and how to thereby shape a sustainable business model and be more successful financially*

2014

*Quality Deed 2013 – Best Together! project*

*Tallinn Airport's Best Together! project awarded the recognition of the Estonian Association for Quality for its Quality Deed of the Year.*

*Pictured: Raul Ratasep, Quality Manager at Tallinn Airport, and Tiia Tammaru, Chairperson of the Management Board of the Estonian Association for Quality*



Photograph by: Estonian Association for Quality



2015

## Aviation Deed of the Year 2015



Tallinn Airport ranked second and third together with Cork Airport in the category of airports with fewer than 5 million passengers at the Europe Best Airport Awards by ACI. Also selected as the Aviation Deed of the Year 2015 by the Estonian Aviation Academy.

2016

## Repairs of the airport, the biggest in decades, begun

During the repairs, the runway, nearly 20 years old at the time, got a new look. The runway got a brand new pavement already during the upgrades begun that summer and was extended to 3,480 metres, with infrastructure improved on taxiways and in aircraft apron areas.



# About the report



This annual report presents the operations for the whole 2016, is prepared annually and is a follow-up to the annual report 2015.

## 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 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.

At least one indicator was chosen for each aspect for preparing the report to cover the whole extent of the possible impact. Exceptions were only the indicators for which the data was missing or the ones that the company assessed as irrelevant, without compromising the thoroughness of the report and compliance with the guidelines.



## GRI index

GRI content index		Page number	Internal or external impact
<b>GENERAL</b>			
<b>STRATEGY AND PROFILE</b>			
G4-1	Statement of the management board	7	Both
<b>ORGANIZATIONAL PROFILE</b>			
G4-3	Name of the organization	13	Internal
G4-4	Primary brands, products, and/or services	13, 14	Internal
G4-5	Location of organization's headquarters	13	Internal
G4-6	Countries where the organization operates	88	Internal
G4-7	Nature of ownership and legal form	13	Internal
G4-8	Markets served	13, 14, 43, 57, 59, 88	External
G4-9	Scale of the reporting organization	13	Internal
G4-10	Structure of the labour force	88	Internal
G4-11	Percentage of total employees covered by collective bargaining agreements	88	Internal
G4-12	The organization's supply chain	46, 70	External
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	18	Internal
G4-14	Precautionary approach or principle, which is addressed by the organization	24, 42	Both
G4-15	Externally developed charters, principles, or other initiatives to which the organization subscribes or which it endorses	25, 39	External
G4-16	Memberships	39	External
<b>SCOPE AND PROFILE OF REPORT</b>			
G4-17	Structure of the organization	32	Internal
G4-18	Process for defining the report content	118	Both
G4-19	Material Aspect Boundary of the report within the organization	118	Both
G4-20	Aspect Boundary of the report within the organization	119-124	Internal



GRI content index		Page number	Internal or external impact
G4-21	Aspect Boundary of the report outside the organization	119-124	External
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	118	Internal
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	118	Internal
<b>STAKEHOLDER ENGAGEMENT</b>			
G4-24	Stakeholder groups engaged by the organization	26	Both
G4-25	Basis for identification and selection of stakeholders with whom to engage	26	Both
G4-26	The organization's approach to stakeholder engagement	26, 56	Both
G4-27	Key topics and concerns that have been raised through stakeholder engagement	26	Both
<b>REPORT PROFILE</b>			
G4-28	Reporting period (such as fiscal or calendar year) for information provided	118	Internal
G4-29	Date of most recent previous report	118	Internal
G4-30	Reporting cycle	118	Internal
G4-31	Contact point for questions regarding the report or its contents	118	Internal
G4-32	GRI Content Index	119	Internal
G4-33	Audit of the report	38	External
<b>GOVERNANCE</b>			
G4-34	Governance structure of the organization	32, 40	Internal
<b>ETHICS</b>			
G4-56	The organization's strategy, values and ethics	24, 26, 39	Internal
<b>ECONOMIC PERFORMANCE MEASUREMENT</b>			
<b>ECONOMIC PERFORMANCE</b>			
G4-EC1	Direct economic value generated and distributed	13	Internal
<b>MARKET PRESENCE</b>			
G4-EC6	Local labour recruitment	88	Internal
G4-AO1	Number of passengers	57, 58, 61	Both



GRI content index		Page number	Internal or external impact
G4-AO2	Number of flights	57, 62	Both
G4-AO3	Cargo volume	60	Both
<b>INDIRECT ECONOMIC IMPACT</b>			
G4-EC7	Infrastructure investments	13, 80, 84	Internal
<b>PROCUREMENT PRACTICES</b>			
G4-EC9	Proportion of spending on local suppliers	88	Both
<b>ENVIRONMENTAL</b>			
<b>MATERIALS</b>			
G4-EN2	Percentage of materials used that are recycled input materials	105	Internal
<b>ENERGY</b>			
G4-EN3	Energy consumption within the organization	100	Internal
G4-EN4	Indirect energy consumption	100	External
G4-EN5	Energy intensity	101	Internal
G4-EN6	Reduction of energy consumption	100	Internal
<b>WATER</b>			
G4-EN8	Total water withdrawal by source	101	Internal
G4-EN9	Water sources significantly affected by withdrawal of water	102	External
G4-EN10	Percentage and total volume of water recycled and reused	102	Internal
G4-AO4	Quality of drainage water	103	Both
<b>BIODIVERSITY</b>			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas	106	External
G4-EN12	Description of significant impacts on biodiversity in protected areas and nearby areas	106	External
<b>EMMISSIONS</b>			
G4-AO5	Quality of air	103	External
<b>EFFLUENTS AND WASTE</b>			
G4-EN22	Total water discharge by quality and destination	103	Both
G4-EN23	Total weight of waste	104	Both
G4-EN24	Total volume of significant spills	104	Both
G4-EN25	Transport of hazardous wastes	104	Both



GRI content index		Page number	Internal or external impact
G4-EN26	Impact of wastewater on biodiversity	106	External
G4-AO6	Usege of de-icing substances	102	Internal
<b>PRODUCTS AND SERVICES</b>			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	98	Both
<b>COMPLIANCE</b>			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	98	Both
<b>TRANSPORT</b>			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	99	Internal
<b>NOISE</b>			
G4-AO7	Number and percentage change of people residing in the direct vicinity of the airport	105	External
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>			
G4-EN32	Screening of new suppliers using environmental criteria	46	External
G4-EN33	Environmental impacts in the supply chain	98	External
<b>ENVIRONMENTAL GRIEVANCE MECHANISMS</b>			
G4-EN34	Grievances about environmental impacts	76, 105	External

## SOCIAL

### EMPLOYMENT

G4-LA1	Employee turnover	88	Internal
G4-LA3	Parental leave	88	Internal

### LABOUR - MANAGEMENT RELATIONS

G4-LA4	Minimum notice period(s) regarding significant operational changes	88	Internal
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### OCCUPATIONAL HEALTH AND SAFETY

G4-LA5	Workforce representation in health and safety committees	41	Internal
G4-LA6	Injuries, occupational diseases and work-related accidents	94	Internal



GRI content index		Page number	Internal or external impact
<b>TRAINING AND EDUCATION</b>			
G4-LA9	Training and education	94	Internal
G4-LA11	Performance and career development reviews	88	Internal
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
G4-LA12	Composition of governance bodies and breakdown of employees	88	Internal
G4-LA15	Impacts on labor practices in the supply chain	46	External
G4-LA16	Grievances about labor practices	26	Internal
<b>HUMAN RIGHTS</b>			
<b>NON-DISCRIMINATION</b>			
G4-HR3	Incidents of discrimination and actions taken	26	Internal
<b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>			
G4-HR4	Violation of the right to exercise freedom of association or collective bargaining	76	Internal
<b>SUPPLIER HUMAN RIGHTS ASSESSMENTS</b>			
G4-HR11	Human rights impacts in the supply chain	46	External
<b>HUMAN RIGHTS GRIEVANCE MECHANISM</b>			
G4-HR12	Number of grievances related to human rights filed	76	Internal
<b>SOCIETY</b>			
<b>LOCAL COMMUNITIES</b>			
G4-SO2	Operations with significant potential or actual negative impacts on local communities	98	External
<b>ANTI-CORRUPTION</b>			
G4-SO3	Business units analyzed for risks related to corruption	39	Internal
G4-SO5	Actions taken in response to incidents of corruption	39	Internal
<b>ANTI-COMPETITIVE BEHAVIOR</b>			
G4-SO7	Legal actions for anti-competitive behavior	76	Both
<b>COMPLIANCE</b>			
G4-SO8	Penalties for non-compliance with laws and regulations	76	Both
<b>SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</b>			
G4-SO10	Impacts on society in the supply chain	46	External





GRI content index		Page number	Internal or external impact
<b>GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>			
G4-SO11	Grievances related to impacts on society	76	External
<b>PRODUCT RESPONSIBILITY</b>			
<b>CUSTOMER HEALTH AND SAFETY</b>			
G4-PR1	Health and safety impacts during product life cycle stages	66	Both
G4-AO9	Total annual number of bird strikes	68	Both
<b>PRODUCT AND SERVICE LABELING</b>			
G4-PR5	Results of surveys measuring customer satisfaction	78	Internal
<b>CUSTOMER PRIVACY</b>			
G4-PR8	Complaints regarding breaches of customer privacy and losses of customer data	26	Internal
<b>COMPLIANCE</b>			
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	76	Both



# 2016. Consolidated financial statements



## General information and contact data

The Group operates Lennart Meri Tallinn Airport, Kärđla 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 604 people on average in 2016 (2015: 590).

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.

Business name:	AS Tallinna Lennujaam
Commercial registry number:	10349560
Legal address:	Lennujaama tee 12, 11101 Tallinn, Republic of Estonia
Phone:	+372 6 058 701
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E-mail:	administration@tll.aero www.tallinn-airport.ee
Auditor:	AS PricewaterhouseCoopers
Beginning of financial year:	01.01.2016
End of financial year:	31.12.2016

# Consolidated statement of financial position

in EUR thousand	Note	31.12.2016	31.12.2015
<b>ASSETS</b>			
Non-current assets			
• Property, plant and equipment	Note 5	120,225	105,269
• Intangible assets	Note 6	133	143
• Investment property	Note 7	17,511	18,633
<b>Total non-current assets</b>		<b>137,869</b>	<b>124,045</b>
Current assets			
• Inventories	Note 9	260	253
• Receivables and prepayments	Note 10	8,613	3,188
• Cash	Note 12	8,713	15,145
<b>Total current assets</b>		<b>17,586</b>	<b>18,586</b>
<b>TOTAL ASSETS</b>		<b>155,455</b>	<b>142,632</b>
<b>LIABILITIES AND EQUITY</b>			
Equity	Note 20		
• Share capital		25,095	25,095
• Statutory reserve capital		2,510	2,436
• Retained earnings		44,188	38,104
<b>Total equity</b>		<b>71,793</b>	<b>65,635</b>
Liabilities			
Non-current liabilities			
• Borrowings	Note 13	12,250	16,806
• Government grants	Note 15	56,394	50,771
• Derivative instruments	Note 16	0	231
• Other payables		41	41
<b>Total non-current liabilities</b>		<b>68,685</b>	<b>67,848</b>
Current liabilities			
• Borrowings	Note 13	4,607	4,648
• Payables and prepayments	Note 17	10,312	4,501
• Derivative instruments	Note 16	58	0
• <b>Total current liabilities</b>		<b>14,977</b>	<b>9,148</b>
<b>Total liabilities</b>		<b>83,662</b>	<b>76,997</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>155,455</b>	<b>142,632</b>

The notes to the financial statements presented on pages 132-193 form an integral part of the consolidated financial statements.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
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## Consolidated statement of comprehensive income

in EUR thousand	Note	31.12.2016	31.12.2015
Revenue	Note 21	36,897	33,828
Other income	Note 22	9,866	9,748
Goods, materials and services	Note 23	-11,237	-11,073
Other operating expenses	Note 24	-1,340	-1,855
Staff costs	Note 25	-16,015	-14,463
Depreciation, amortisation and impairment	Note 5, 6, 7	-11,816	-10,764
Other expenses		-77	-73
<b>OPERATING PROFIT</b>		<b>6,279</b>	<b>5,348</b>
Finance income and costs	Note 26	-121	-196
<b>Net profit for the year</b>		<b>6,158</b>	<b>5,153</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>6,158</b>	<b>5,153</b>

The notes to the financial statements presented on pages 132-193 form an integral part of the consolidated financial statements.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
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## Consolidated statement of cash flows

in EUR thousand	Note	31.12.2016	31.12.2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collections from customers		40,307	35,652
Payments to suppliers and employees		-33,929	-28,549
Interest received	Note 26	2	6
Interest paid		-337	-501
Government grants received from state budget	Note 15	5,268	5,750
Other grants related to income received	Note 15	32	32
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>11,343</b>	<b>12,390</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Paid for acquisition of intangible assets, property, plant and equipment and investment property	Note 5,6,7	-20,547	-2,610
Proceeds from sale of property, plant and equipment	Note 5	181	171
Loan granted		-2	0
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-20,368</b>	<b>-2,439</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of borrowings	Note 13	-4,556	-4,556
Government grants received from state budget for non-current assets	Note 15	482	0
Government grants received for non-current assets	Note 10, 15	6,668	0
<b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>2,594</b>	<b>-4,556</b>
<b>NET CASH FLOWS</b>		<b>-6,431</b>	<b>5,396</b>
Cash and cash equivalents at beginning of the period		15,145	9,749
Cash ja Cash ekvivalendid aruandeperioodi lõpul		8,713	15,145
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	Note 12	<b>-6,431</b>	<b>5,396</b>

The notes to the financial statements presented on pages 132-193 form an integral part of the consolidated financial statements.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## Consolidated statement of changes in equity

in EUR thousand	Note	Share capital	Statutory reserve capital	Retained earnings	Total
<b>BALANCE AS AT 31.12.2014</b>		<b>24,361</b>	<b>2,436</b>	<b>32,951</b>	<b>59,748</b>
Increase of share capital by non-monetary contribution	Note 5	735	0	0	735
Comprehensive income for 2015		0	0	5,153	5,153
<b>BALANCE AS AT 31.12.2015</b>		<b>25 095</b>	<b>2,436</b>	<b>38,104</b>	<b>65,635</b>
Profit allocation to reserve capital	Note 5	0	73	-73	0
Comprehensive income for 2016		0	0	6,158	6,158
<b>BALANCE AS AT 31.12.2016</b>		<b>25,095</b>	<b>2,510</b>	<b>44,188</b>	<b>71,793</b>

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

The notes to the financial statements presented on pages 132-193 form an integral part of the consolidated financial statements.

<p><b>Initsialiseeritud ainult identifitseerimiseks</b>  <b>Initialed for the purpose of identification only</b>          Initsiaalid/initials <u>R.T.</u>          Kuupäev/date <u>3.04.2017</u>          PricewaterhouseCoopers, Tallinn</p>
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# Notes to the consolidated financial statements

## 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 2016 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 3 April 2017.

## 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

Initsialiseeritud ainult identifitseerimiseks
Initialed for the purpose of identification only
Initsiaalid/initials <u>R.T.</u>
Kuupäev/date <u>3.04.2017</u>
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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

The following new or revised standards and interpretations became effective for the Group from 1 January 2016.

Disclosure Initiative – Amendments to IAS 1 – effective for annual periods beginning on or after 1 January 2016. The standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The new standard does not have a material impact on the Group's financial statements.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2016 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 2017, and which the Group has not early adopted:

- IFRS 9, Financial Instruments: Classification and Measurement – effective for annual periods beginning on or after 1 January 2018. Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

(or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The new standard has an impact on the disclosure of financial instruments and their valuation.

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 standard may change the presentation of information in the financial statements.

Revenue from Contracts with Customers - Amendments to IFRS 15 – The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. 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 would not have a material impact on the Group's financial statements.

Revenue from Contracts with Customers - Amendments to IFRS 15 - effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

IFRS 16, Leases - 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:

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value;
- 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

<p>Initsialiseeritud ainult identifitseerimiseks  Initialled for the purpose of identification only  Initsiaalid/initials <u>R.T.</u>  Kuupäev/date <u>3.04.2017</u>  PricewaterhouseCoopers, Tallinn</p>
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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

<p>Initsialiseeritud ainult identifitseerimiseks  Initialled for the purpose of identification only  Initsiaalid/initials <u>R.T.</u>  Kuupäev/date <u>3.04.2017</u>  PricewaterhouseCoopers, Tallinn</p>
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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.

- Cost of a fixed asset comprises its purchase price and any costs directly attributable to its acquisition, which are required for bringing the asset to its operating condition and location.
- 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

Initsialiseeritud ainult identifitseerimiseks  
Initialed for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

estimates, i.e. prospectively. The estimated useful lives are reviewed during the annual stocktaking, in case of recognition of subsequent expenditures and significant changes in development plans. When the asset's estimated useful life differs considerably from the previous estimate, it is recognised as a change in the accounting estimate, changing the remaining useful life of the asset, as a result of which the depreciation calculated for the asset changes in subsequent periods.

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

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

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

- Buildings and facilities:
  - Aprons, runways 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

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

off the consolidated statement of financial position. Ongoing maintenance and repair costs are charged to expenses in the statement of comprehensive income.

#### Derecognition

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

#### Impairment of assets

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

### G. Intangible assets

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

#### Software

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

- 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.

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Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

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

## H. Investment property

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

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

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

- Hangars:
  - Buildings 15 – 50 years
  - Other facilities (sewer and other utility lines) 3 – 20 years
- Office complex:
  - Office building 30 years
  - Outhouses 15 – 20 years
  - Constructions 5 years

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

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 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
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which it is possible that the income generated by the assets will fall;

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

Internal indicators of possible impairment:

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

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

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

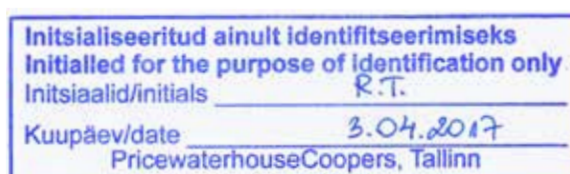
Impairment losses of assets are charged to the expenses of the accounting period.

At each following 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 amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. Reversals of impairment losses are recognised in the consolidated statement of comprehensive income as a reduction of the impairment loss.

## J. Financial assets

### Classification

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 or 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.

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## 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

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

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 statement 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 completing 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.

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

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

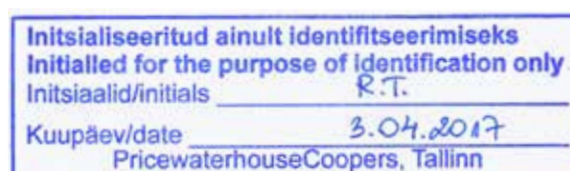
Ordinary shares are included within equity. The Group has not issued any preference shares. The transaction costs attributable to the issue of new shares are subtracted from equity under the assumption that they can be treated as unavoidable additional expenses directly attributable to the transaction.

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

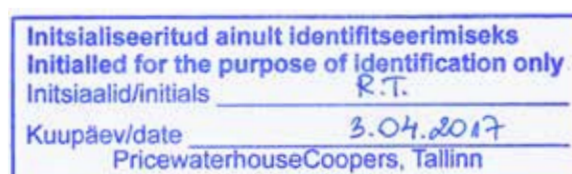
All financial liabilities recognised at amortised cost (trade payables, loans taken, accrued expenses) are initially recognised at their cost, including all direct transaction costs incurred.

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. 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(2015: 0.8%)
- Fringe benefit income tax – 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 – 20/80on expenses not related to business activities
- 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..

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
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## 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, experience and if necessary, opinions of independent experts.

Provisions are not recognised to cover future operating losses.

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

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

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

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

<p>Initsialiseeritud ainult identifitseerimiseks  Initialled for the purpose of identification only  Initsiaalid/initials <u>R.T.</u>  Kuupäev/date <u>3.04.2017</u>  PricewaterhouseCoopers, Tallinn</p>
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## 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 measureable 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

<p>Initsialiseeritud ainult identifitseerimiseks  Initialled for the purpose of identification only  Initsiaalid/initials <u>R.T.</u>  Kuupäev/date <u>3.04.2017</u>  PricewaterhouseCoopers, Tallinn</p>
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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

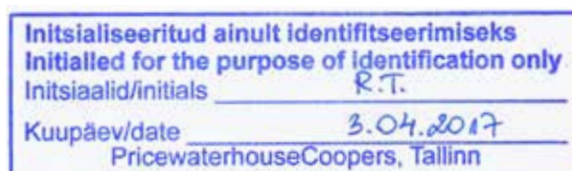
The accounting policies for items of property, plant and equipment are applied to assets leased out under operating lease terms. Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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.

## 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.

<p>Initsialiseeritud ainult identifitseerimiseks  Initialled for the purpose of identification only  Initsiaalid/initials <u>R.T.</u>  Kuupäev/date <u>3.04.2017</u>  PricewaterhouseCoopers, Tallinn</p>
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## 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 2016 and 2015, 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 2016 compared to 2015.

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.

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn

- 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;

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 8,713 thousand (31.12.2015: EUR 15,145 thousand) (Note 12).

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 2,610 thousand (31.12.2015: EUR 9,437 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.

<p>Initsialiseeritud ainult identifitseerimiseks  Initialled for the purpose of identification only  Initsiaalid/initials <u>R.T.</u>  Kuupäev/date <u>3.04.2017</u>  PricewaterhouseCoopers, Tallinn</p>
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thousand EUR	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 un-discounted cash flows	Carrying amount
As at 31.12.2016							
Borrowings (Note 13)	92	1,961	2,600	11,591	752	16,996	16,857
Trade payables (Note 17)	4,679	2,162	0	0	41	6,882	6,882
Derivative instruments (Note 16)	0	0	58	0	0	58	58
<b>Total</b>	<b>5,044</b>	<b>4,123</b>	<b>2,658</b>	<b>11,591</b>	<b>793</b>	<b>23,936</b>	<b>23,798</b>
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
<b>Total</b>	<b>1,325</b>	<b>1,982</b>	<b>2,638</b>	<b>15,533</b>	<b>1,806</b>	<b>23,284</b>	<b>23,007</b>

<sup>1</sup> For determining the undiscounted cash flows, the interest rate at the year-end 2016 has been used

<sup>2</sup> For determining the undiscounted cash flows, the interest rate at the year-end 2015 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 31.12.2016 and 31.12.2015, 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 (31.12.2015: EUR 25,095 thousand), statutory reserve capital in the amount of EUR 2,510 thousand (2015: EUR 2,436 thousand) and retained earnings in the amount of EUR 44,188 thousand (2015: EUR 38,104 thousand). Statutory reserve capital forms 10% of share capital. In 2016 debt and cash and cash equivalents of AS Tallinna Lennujaam decreased, primarily due to volume growth of fixed asset investments; in 2015, debt decreased, cash and cash equivalents increased. Ratio of debt to equity has decreased by 9 pp compared to 2015. Taking into account revenue, equity and debt of AS Tallinna Lennujaam, the optimum ratio is 40%.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

The Group's debt to equity ratio is projected to grow in 2017 due to investments and loans taken for their financing (Note 13).

in EUR thousand	31.12.2016	31.12.2015
<b>RATIO OF DEBT TO EQUITY AND THE RATIO OF NET DEBT TO TOTAL CAPITAL</b>		
Borrowings (Note 13)	16,857	21,453
Cash and cash equivalents and term deposits with maturities greater than 3 months (Note 12)	-8,713	-15,145
Net debt (borrowings-cash and cash equivalents)	8,144	6,309
Equity	71,793	65,635
<b>Total capital (net debt + equity)</b>	<b>79,937</b>	<b>71,944</b>
<b>Debt to equity</b>	<b>21%</b>	<b>30%</b>
<b>Net debt to total capital</b>	<b>10%</b>	<b>9%</b>

## F. Fair value estimates

The Group estimates that the fair values of financial assets recognised at amortised cost do not materially differ from the carrying amounts reported in the consolidated statement of financial position of the Group As at 31.12.2016 and 31.12.2015. 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.

Initsialiseeritud ainult identifitseerimiseks  
 Initialled for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

#### 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 2016, the carrying amount of the Group's property, plant and equipment was EUR 120,225 thousand (31 December 2015: EUR 105,269 thousand), the depreciation charge for the reporting period was EUR 9,273 thousand (2015: EUR 9,543 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 758 thousand (2015: EUR 710 thousand).

As at 31 December 2016, the carrying amount of the Group's investment property was EUR 17,511 thousand (31 December 2015: EUR 18,633 thousand) (see Note 7). If the useful lives of investment property were changed by one year, the profit would change by EUR 85 thousand (2015: EUR 86 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 2016, the Group had doubtful receivables in the amount of EUR 1,035 thousand (31 December 2015: EUR 971 thousand) (Note 10).

Initsialiseeritud ainult identifitseerimiseks  
Initialled for the purpose of identification only  
Initsiaalid/initials R.T.  
Kuupäev/date 3.04.2017  
PricewaterhouseCoopers, Tallinn



## 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 air-line 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 2016 to conclude that the assets had lost a major share of their cash generation ability and no impairment test was performed (similarly to 2015).

### 5 Property, plant and equipment

In 2016, development of the airside area, with a total investment of EUR 70 million, has begun. The Cohesion Fund is contributing EUR 35 million (see Note 15), with the rest of the investments is financed using own funds and loans (see Note 13). In 2016, expansion of the passenger terminal and construction of the aircraft painting hangar were begun. The new developments are reflected in the residual value of the unfinished structures and of prepayments.

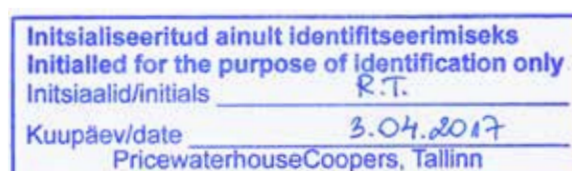
Due to the extension of the Tallinn runway and the alteration of the passenger terminal and also in the course of the standard business process, assets of the Group worth EUR 1,360 thousand were written off. All write-offs were stated at their residual value and, in the consolidated statement of comprehensive income, under the depreciation and impairment of fixed assets.

Asset write-offs related to government grants were allocated to revenue in the amount of EUR 513 thousand (see Note 15).

In 2016 land with historical cost of EUR 45 thousand was sold, resulting in a profit of EUR 94 thousand. The machines were sold in the residual value of EUR 1 thousand and revenue from the sale of machines was EUR 45 thousand. The revenue from the sale of assets are recognized in the comprehensive income statement under Other expenses in total amount of EUR 135 thousand (Note 22).

As of 31.12.2016 and 31.12.2015 year-ends the Group had no assets acquired under the finance lease terms.

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 (Note 8).



in EUR thousand	Const- ruction in progress and pre- payments	Land	Buildings and facili- ties	Machinery and equip- ment	Other inventory	Total
<b>Balance as at 31.12.2014</b>						
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
<b>CARRYING AMOUNT 31.12.2014</b>	<b>1,902</b>	<b>4,933</b>	<b>76,126</b>	<b>27,387</b>	<b>1,134</b>	<b>111,483</b>

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-mone- tary 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
<b>CHANGES OCCURRED IN 2016</b>	<b>1,136</b>	<b>5,670</b>	<b>72,383</b>	<b>25,103</b>	<b>978</b>	<b>105,269</b>

2016. aastal toimunud muutused

Acquisitions and improvements	21,725	2,659	1	1,123	125	25,634
Reclassifications	-3,307	4	2,032	1,183	89	0
Depreciation charge	0	0	-3,906	-5,054	-313	-9,273
Carrying amount of assets sold	0	-45	0	-1	0	-46
Carrying amount of assets written off	0	0	-938	-255	-167	-1,360
<b>Balance As at 31.12.2016</b>						
Cost	19,554	8,288	123,766	72,145	1,917	225,670
Accumulated depreciation	0	0	-54,195	-50,046	-1,204	-105,446
<b>CARRYING AMOUNT 31.12.2016</b>	<b>19,554</b>	<b>8,288</b>	<b>69,571</b>	<b>22,099</b>	<b>713</b>	<b>120,225</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

in EUR thousand	2016	2015
<b>BUILDINGS AND CONSTRUCTIONS LEASED OUT UNDER OPERATING LEASE</b>		
Depreciation charge for the accounting period	-1,455	-1,522
Cost at 31.12	35,615	35,746
Accumulated depreciation at 31.12	-11,342	-10,065
<b>TOTAL CARRYING AMOUNT OF BUILDINGS AND CONSTRUCTIONS LEASED OUT UNDER OPERATING LEASE AT 31.12</b>	<b>24,273</b>	<b>25,681</b>

in EUR thousand	31.12.2016	31.12.2015
<b>PROPERTY, PLANT AND EQUIPMENT IN USE WITH THE CARRYING AMOUNT OF ZERO IN ACQUISITION COST</b>		
Tallinn Airport	19,189	18,961
Pärnu Airport	2,822	2,225
Tartu Airport	2 058	1,591
Kuressaare Airport	1 917	1,909
Kärdla Airport	1 048	650
Tallinn Airport GH	724	669
<b>TOTAL NON-CURRENT ASSETS IN USE WITH THE CARRYING AMOUNT OF ZERO</b>	<b>27,757</b>	<b>26,004</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 6 Intangible assets

in EUR thousand	2016	2015
<b>SOFTWARE</b>		
Cost as at 01.01.	614	614
Accumulated amortisation as at 01.01.	-470	-401
<b>CARRYING AMOUNT AS AT 01.01.</b>	<b>143</b>	<b>213</b>
Movements in intangible assets in the period		
Purchases and improvements	53	0
Amortisation charge	-62	-70
Written-off assets in depreciated cost	-1	0
<b>Total movements in intangible assets in the period</b>	<b>-10</b>	<b>-70</b>
Cost as at 31.12.	597	614
Accumulated amortisation as at 31.12.	-464	-470
<b>TOTAL CARRYING AMOUNT OF INTANGIBLE ASSETS AS AT 31.12.</b>	<b>133</b>	<b>143</b>

## 7. Investment property

The majority of lease agreements for investment property have a short cancellation notice except for the maintenance hangars that are being rented for 15-30 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 1,938 thousand (2015: EUR 1,941 thousand) (Note 8) and direct operating expenses were EUR 384 thousand (2015: EUR 466 thousand) (Note 23).

The management believes that the fair value of the aircraft maintenance hangars do not significantly differ from their carrying amount. The management estimates that the fair values of the office building, hangar and garage do not differ from their carrying amount because the assets were acquired by way of public tender at regular market conditions. The Group's investment properties are classified as level 3.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

EUR thousands	2016	2015
Cost as at 01.01.	21,954	21,954
Accumulated depreciation as at 01.01.	-3,321	-2,179
<b>CARRYING AMOUNT AS AT 01.01.</b>	<b>18,633</b>	<b>19,775</b>
Movements in the investment properties during the period		
Depreciation charge	-1,122	-1,142
Disposed assets in depreciated cost	-5	0
<b>Total movements in the investment properties during the period</b>	<b>-1,127</b>	<b>-1,142</b>
Cost as at 31.12.	21,949	21,954
Accumulated depreciation as at 31.12.	-4,443	-3,321
<b>CARRYING AMOUNT AS AT 31.12.</b>	<b>17,506</b>	<b>18,633</b>

## 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

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

### Rental expense

In 2016, total rental expenses for passenger cars were EUR 41 thousand (2015: EUR 50 thousand). Deferred rental expenses from non-cancellable leases amounted to EUR 105 thousand (2015: EUR 134 thousand).

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.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

in EUR thousand	2016	2015
Concessions from the activities of the lessees in the passenger terminal	3,083	3,123
Rent of investment properties	1,938	1,941
Rent of passenger terminals	776	743
Rent of rooms in the cargo terminal	703	691
Concessions from other activities	502	505
Infrastructure fees	356	264
Other rentals	290	299
<b>TOTAL RENTAL INCOME (NOTE 21)</b>	<b>7,648</b>	<b>7,564</b>

in EUR thousand	2016	2015
<b>FUTURE RENTAL INCOME UNDER NON-CANCELLABLE LEASE AGREEMENTS<sup>3</sup></b>		
< 1 year	2,947	3,663
1 - 5 years	8,813	9,918
> 5 years	7,980	10,620
<b>TOTAL RENTAL INCOME</b>	<b>19,740</b>	<b>24,201</b>

<sup>3</sup> 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.

## 9. Inventories

No inventory write-downs were recognised during the period or in 2015.

thousand EUR	31.12.2016	31.12.2015
De-icing materials of aircraft	168	155
Runway maintenance and rescue service materials	33	49
Fuel	43	36
Other inventories	16	13
<b>TOTAL INVENTORIES</b>	<b>260</b>	<b>253</b>

No inventory write-downs were recognised during the period or in 2015.

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 10. Receivables and prepayments

### 10.1 Trade receivables

in EUR thousand	31.12.2016	31.12.2015
Accounts receivable	4,990	3,723
Allowance for doubtful receivables	-1,035	-971
<b>TOTAL TRADE RECEIVABLES</b>	<b>3,956</b>	<b>2,752</b>

Trade receivables include receivables from related parties in the amount of EUR 279 thousand (2015: EUR 24 thousand) (see Note 28)

### 10.2 Other receivables

in EUR thousand	31.12.2016	31.12.2015
Government grants receivable	2,804	0
Other receivables	6	4
<b>TOTAL OTHER RECEIVABLES</b>	<b>2,810</b>	<b>4</b>

### 10.3 Prepayments

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.

in EUR thousand	31.12.2016	31.12.2015
VAT receivable	1,535	157
Prepayments	309	274
Accrued income	3	2
<b>TOTAL PREPAYMENTS</b>	<b>1,848</b>	<b>433</b>
<b>TOTAL RECEIVABLES</b>	<b>8,613</b>	<b>3,188</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 10.4 Changes in doubtful receivables

in EUR thousand	31.12.2016	31.12.2015
Allowance for doubtful receivables at beginning of the period	-971	-197
Receivables deemed doubtful during the reporting period (Note 24)	-109	-798
Receivables deemed uncollectible	4	0
Receivables deemed doubtful collected during the reporting period	42	24
<b>ALLOWANCE FOR DOUBTFUL RECEIVABLES AT END OF THE PERIOD</b>	<b>-1,035</b>	<b>-971</b>

## 11. Financial instruments

### A. Financial instruments by category

in EUR thousand	31.12.2016	31.12.2015
<b>ITEMS OF FINANCIAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION</b>		
Trade receivables, government grant related to non-currents not received and other receivables (Note 10.1 and 10.2)	6,765	2,755
Cash and cash equivalents (Note 12)	8,713	15,145
<b>TOTAL ITEMS OF FINANCIAL ASSETS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>15,478</b>	<b>17,900</b>

in EUR thousand	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>ITEMS OF FINANCIAL LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION</b>			
<b>As at 31.12.2016</b>			
Borrowings (Note 13)	0	16,857	16,857
Trade and other payables (Note 17)	0	6,882	6,882
Derivative instruments (Note 16)	58	0	58
<b>TOTAL ITEMS OF FINANCIAL LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>58</b>	<b>23,740</b>	<b>23,798</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn



in EUR thousand	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>As at 31.12.2015</b>			
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
<b>TOTAL ITEMS OF FINANCIAL LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>231</b>	<b>22,776</b>	<b>23,007</b>

## B. Financial instruments by credit quality

### Analysis of accounts receivable

Under the government grants agreement with the Cohesion Fund (ISPA), the Group has purchased fixed assets. In the assessment of the management of the Group, these investments have been made in accordance with the eligibility requirements under the grants agreement, as a result of which the recognition of an accrually calculated receivable is warranted. Under the existing agreement and in the light of its previous collaboration with ISPA, the Group believes that there are no indications for a write-down as to the collectibility of the receivable.

According to the groups accounting principles receivables which are overdue more than 90 days should be recognized as doubtful receivables. Receivables are assessed individually.

in EUR thousand	2016	2015
<b>ANALYSIS OF ACCOUNTS RECEIVABLE</b>		
Accounts receivable (less than 12 month relationship) that are not overdue as at 31.12.	3,084	2,321
• Incl. new customers (less than 12 month relationship) that are not overdue as at 31.12.	36	152
• Incl. existing customers (over 12 month relationship) that are not overdue as at 31.12.	3,048	2,169
Accounts receivable (less than 12 month relationship) that are overdue as at 31.12.	872	431
• Incl. new customers (less than 12 month relationship) that are overdue as at 31.12.	49	51
• Incl. existing customers (over 12 month relationship) that are overdue as at 31.12.	823	380
<b>TOTAL ACCOUNTS RECEIVABLE</b>	<b>3,956</b>	<b>2,752</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialled for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

in EUR thousand	2016	2015
<b>RECEIVABLES THAT HAVE NOT BEEN WRITTEN OFF AT THE END OF THE PERIOD</b>	<b>872</b>	<b>431</b>
Incl. payments overdue 1-30 days	752	565
Incl. payments overdue 31-60 days	113	476
Incl. payments overdue >61 days	7	361
<b>ALLOWANCE FOR DOUBTFUL RECEIVABLES AT END OF THE PERIOD</b>	<b>1,034</b>	<b>971</b>

in EUR thousand	31.12.2016	31.12.2015
<b>ALLOCATION OF BANK ACCOUNTS AND DEPOSITS BY BANKS WITH DIFFERENT CREDIT RATINGS</b>		
Banks with Moody's credit rating of Aa3	8,581	8,612
Banks with Moody's credit rating of A2	27	6,440
<b>TOTAL AMOUNTS OF BANK ACCOUNTS AND DEPOSITS EXPOSED TO CREDIT RISK (NOTE 12)</b>	<b>8,608</b>	<b>15,052</b>

## 12. Cash and cash equivalents

in EUR thousand	31.12.2016	31.12.2015
Cash on hand	106	93
Bank accounts	8,592	15,049
Overnight deposit	16	3
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>8,713</b>	<b>15,145</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

### 13. Borrowings

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 December 2016, AS Tallinna Lennujaam signed two loan agreements: loan from European Investment Bank would be taken in amount of EUR 30 million and from Nordic Investment Bank in amount of EUR 24 million. Loans would be used to finance the expansion and renewal of the Tallinn Airport airside (Note 5). No loan disbursements to the borrower as per abovementioned loan agreements took place in 2016.

in EUR thousand	31.12.2016	31.12.2015
<b>Long-term borrowings</b>		
Long-term bank loans	4,750	9,306
Bonds issued	7,500	7,500
<b>TOTAL LONG-TERM BORROWINGS</b>	<b>12,250</b>	<b>16,806</b>

<b>Short-term borrowings</b>		
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	52	92
Total short-term borrowings	4,607	4,648
<b>TOTAL BORROWINGS</b>	<b>16,857</b>	<b>21,453</b>

	Date of entry into contract	Due date	Security	Loan amount	Interest rate
<b>PRINCIPAL OF LONG-TERM BANK LOANS, BONDS (AT NOMINAL VALUE) AND CONDITIONS</b>					
Nordic Investment Bank	31.01.2007	15.09.2017	See Note 14	32,000,000	6m Euribor +0,12%
Pohjola Bank	28.11.2011	30.09.2022	See Note 14	10 000,000	3m Euribor +1,0%
Pohjola Bank bonds	28.03.2013	2.04.2018	Unsecured	7 500,000	3m Euribor +1,1%

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

EUR Thousands	NIB	Pohjola	Pohjola bonds	Total
<b>As at 31.12.2016</b>				
Loan balance at beginning of the period	7,111	6,750	7,500	21,361
Paid off during the period	-3,556	-1,000	0	-4,556
Loan balance at end of the period	3,556	5,750	7,500	16,806
Loan interest payable	37	0	15	52
<b>As at 31.12.2015</b>				
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

#### 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.

#### 15. Government grants

##### 15.1 Government grants receivable

in EUR thousand	2016	2015
Government grants receivable	2,804	0

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 15.2 Government grants related to operating expenses

in EUR thousand	2016	2015
Allocation for a specific purpose from state budget	5 268	5,750
• Incl. security and rescue expenses aid <sup>4</sup>	3,653	4,135
• Incl. aid for regional airports	1,615	1,615
Other domestic grants related to operating expenses	82	32
<b>Government grants related to income recognised as income (Note 22)</b>	<b>5,350</b>	<b>5,782</b>

<sup>4</sup> Toetus on ette nähtud regionaalsete lennujaamade: Kärkla-, Kuressaare-, Tartu-, Pärnu lennujaamade ja Ruhnu ning Kihnu lennuväljade käigus hoidmiseks.

## 15.3 Government grants related to assets

The airside area development project (see Note 5) has been declared eligible by the Cohesion Fund of the European Union, and the Cohesion Fund is contributing 50%, or EUR 35 million, of the cost of the project. The European Commission has issued an authorisation for State aid to provide government grants for the airside area development project under the Cohesion Fund.

in EUR thousand	2016	2015
<b>Long-term government grants received as at beginning of the period</b>	<b>50,771</b>	<b>54,554</b>

### Movements of the government grants in the accounting period

Assets acquired with government grants	9,976	0
• Incl. allocation for a specific purpose from state budget	482	0
• Incl. domestic government grant	23	0
• Incl. Cohesion Fund (ISPA)	9,471	0
Recognised as income	-3,839	-3,776
• Incl. domestic government grant	-282	-267
• Incl. Cohesion Fund (ISPA)	-2,182	-2,082
• Incl. European Regional Development Fund (ERDF)	-1,375	-1,427
Write-off of asset and liability acquired with government grants	-513	-7
• Incl. domestic government grant	-5	0
• Incl. Cohesion Fund (ISPA)	-484	0
• Incl. European Regional Development Fund (ERDF)	-24	-7

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

in EUR thousand	2016	2015
<b>Total long-term government grants recognised as income (Note 22)</b>	<b>-4,352</b>	<b>-3,783</b>
<b>TOTAL LONG-TERM GOVERNMENT GRANTS AS AT END OF THE PERIOD</b>	<b>56,395</b>	<b>50,771</b>
• Incl. domestic government grant	2,354	2,138
• Incl. Cohesion Fund (ISPA)	44,534	37,727
• Incl. European Regional Development Fund (ERDF)	9,507	10,907

## 16. Derivative instruments

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

	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
<b>INTEREST RATE SWAP</b>		
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:	18,000,000 eurot;	13,222,222 eurot;
Fixed SWAP rate	4,015%.	2,395%
Floating interest base rate	6-month Euribor	6-month Euribor

in EUR thousand	2016	2015
<b>CHANGES IN INTEREST RATE SWAPS</b>		
Fair value as at 01.01. (negative market value)	231	491
Change in fair value in 2016 (Note 26)	-173	-260
Fair value as at 31.12. (negative market value)	58	231

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 17. Trade payables and prepayments

### 17.1 Trade payables and prepayments

in EUR thousand	31.12.2016	31.12.2015
Payables for goods and services	1,741	1,206
Payables for non-current assets	5,091	61
Other payables	10	15
<b>TOTAL TRADE PAYABLES</b>	<b>6,842</b>	<b>1,282</b>

### 17.2 Accrued expenses to employees, tax liabilities and prepayments

in EUR thousand	31.12.2016	31.12.2015
Accrued expenses to employees (Note 19)	2,195	1,896
Tax liabilities (Note 18)	1,180	1,076
Prepayments	95	247
Total other payables and prepayments	3,470	3,219
<b>TOTAL PAYABLES AND PREPAYMENTS</b>	<b>10,312</b>	<b>4,501</b>

## 18. Tax liabilities

See note 27 for potential liabilities from tax revision.

in EUR thousand	31.12.2016	31.12.2015
Social security taxes on wages and salaries, and fringe benefits	709	645
Income tax on wages and salaries, and fringe benefits	380	345
Unemployment insurance tax	47	42
Pension insurance	39	35
Excise tax	6	6
Corporate income tax	0	2
<b>TOTAL TAX LIABILITIES</b>	<b>1,180</b>	<b>1,076</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 19. Accrued expenses to employees

thousand EUR	31.12.2016	31.12.2015
Bonus reserve liability	1,078	863
Wages and salaries accrued but not yet paid	710	684
Holiday pay liability	406	346
Other payables to employees	1	3
<b>TOTAL ACCRUED EXPENSES TO EMPLOYEES</b>	<b>2,195</b>	<b>1,896</b>

## 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.

As at 31.12.2016, the share capital of the Group's parent consisted of 2,509,540 ordinary shares (31.12.2015: 2,509,540) with nominal value of EUR 10 each.

As at 31 December 2016, the retained earnings of the Group amounted to EUR 44,188 thousand (31 December 2015: EUR 38,104 thousand). In case of payment of dividends to shareholders, the income tax expense is 20/80 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 35,350 thousand (31 December 2015: EUR 30,483 thousand) and the corresponding income tax would amount to EUR 8,838 thousand (31 December 2015: EUR 7,621 thousand).

	31.12.2016	31.12.2015
Share capital	25,095,400	25,095,400
Number of shares	2,509,540 pcs	2,509,540 pcs
Nominal value of shares	EUR 10	EUR 10

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn



## 21. Revenue

in EUR thousand	2016	2015
<b>AVIATION REVENUE</b>		
Passenger fees	6,997	6,982
Landing fees	5,756	5,784
Parking fees	392	362
Navigation fees	18	22
Take-off fees	3	4
<b>TOTAL AVIATION REVENUE</b>	<b>13,167</b>	<b>13,155</b>
<b>NON-AVIATION REVENUE</b>		
<b>Aircraft handling and passenger servicing revenue</b>	<b>12,029</b>	<b>9,378</b>
<b>Rental income (Note 8)</b>		
Concessions	3,707	3,673
Rent for premises and hangars	3,585	3,627
Infrastructure fees	356	264
<b>Total rental income</b>	<b>7,648</b>	<b>7,564</b>
<b>Other services sold</b>		
Parking services for cars	1,699	1,676
Services provided to tenants	1,078	1,015
Advertising services	646	478
Aviation related services	450	432
Other services provided and intermediated	179	130
<b>Total other services sold</b>	<b>4,052</b>	<b>3,732</b>
<b>Total non-aviation revenue</b>	<b>23,730</b>	<b>20,673</b>
<b>TOTAL REVENUE</b>	<b>36,897</b>	<b>33,828</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 22. Other income

in EUR thousand	2016	2015
Government grants related to operating expenses (Note 15)	5,350	5,782
Government grants related to assets recognised as income (Note 15)	4,352	3,783
Gain from disposal of machinery and equipment	135	171
Other income	29	12
<b>TOTAL OTHER INCOME</b>	<b>9,866</b>	<b>9,748</b>

## 23. Goods, materials and services

in EUR thousand	2016	2015
Security, safety and rescue*	3,693	3,679
Utilities expenses	2,352	2,421
Maintenance of runways	1,220	817
Vehicle operation expenses	1,152	901
Cost of provision of services to passengers and aircrafts	991	914
Maintenance expenses of buildings and facilities	971	1,467
IT and communication expenses	857	874
<b>TOTAL GOODS, MATERIALS AND SERVICES</b>	<b>11,237</b>	<b>11,073</b>

\* Includes only outsourced security services. Other security and rescue expenses are recognised on other expense lines. In 2016, all other security and rescue expenses amounted to EUR 4.9 million (2015: EUR 5.4 million).

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 24. Other operating expenses

in EUR thousand	2016	2015
Administrative expenses	427	296
Marketing and public relations	361	389
Training costs	271	207
Special clothing and uniforms	140	137
Business trips	73	95
Costs related to doubtful receivables (Note 10)	69	732
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>1,340</b>	<b>1,855</b>

## 25. Staff costs

in EUR thousand	2016	2015
Wages and salaries, performance pay, holiday pay, bonuses	11,642	10,498
Average monthly salary in EUR	1,734	1,607
Taxes calculated on staff costs	4,104	3,702
Staff costs classified as fringe benefits	171	148
Other remuneration fees paid to supernumeraries	61	69
Benefits and allowances	37	46
<b>TOTAL STAFF COSTS</b>	<b>16,015</b>	<b>14,463</b>

Staff count	2016	2015
Number of employees at beginning of the period	590	537
Number of employees at end of period	607	590
Average number of employees	560	544

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 26. Financial income and costs

in EUR thousand	2016	2015
Change in fair value of derivative instruments (Note 16)	173	260
Interest income on deposits	2	6
Other finance income and costs	0	0
Interest expense on loans secured by derivatives	-179	-283
Interest expense on loans with floating interest rates	-52	-94
Interest expense on bonds	-66	-85
<b>TOTAL FINANCE INCOME AND COSTS</b>	<b>-121</b>	<b>-196</b>

## 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.

### Binding future obligations under construction contracts

As at 31 December 2016, the Group had future commitments of EUR 43 million under contracts concluded for the construction of fixed assets (see Notes 5, 13 and 15).

### Binding future obligations under government grants

In the event of a breach of the agreement, the Cohesion Fund of the European Union, which has financed the reconstruction of the runway and the passenger terminal, will be entitled to recover the funds financed.

As at 31 December 2016, EUR 9 million has been received in government grants (Note 15).

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 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 2016, the remuneration of the Supervisory and Management Boards, including social security taxes totalled EUR 551 thousand (2015: EUR 517 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 during the period and in 2015, except for trade receivables from Estonian Air.

in EUR thousand	2016	2015
Assets	279	24*
Liabilities	42	13
Sales	1,569	5,627
Purchases	240	228

\* Total receivables amount to EUR 606 thousand, of which EUR 583 thousand are recognised as doubtful, which is the receivable to Estonian Air

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## 29. Financial information on the parent company

# Separate statement of financial position

in EUR thousand	31.12.2016	31.12.2015
<b>ASSETS</b>		
Non-current assets		
• Long-term financial investments	1,028	1,028
• Property, plant and equipment	118,085	103,081
• Intangible assets	133	143
• Investment property	17,511	18,633
<b>Total non-current assets</b>	<b>136,757</b>	<b>122,885</b>
Current assets		
• Inventories	88	90
• Receivables and prepayments	7,052	2,098
• Cash	3,002	10,985
<b>Total current assets</b>	<b>10,142</b>	<b>13,173</b>
<b>TOTAL ASSETS</b>	<b>146,899</b>	<b>136,058</b>
<b>LIABILITIES AND EQUITY</b>		
Equity		
• Share capital	25,095	25,095
• Statutory reserve capital	2,510	2,436
• Retained earnings	36,976	32,692
<b>Total equity</b>	<b>64,581</b>	<b>60,223</b>
Liabilities		
• Non-current liabilities		
• Borrowings	12,250	16,806
• Government grants	56,395	50,771
• Derivative instruments	0	231
<b>Total non-current liabilities</b>	<b>68,645</b>	<b>67,808</b>
• Current liabilities		
• Borrowings	4,607	4,648
• Payables and prepayments	9,008	3,379
• Derivative instruments	58	0
<b>Total current liabilities</b>	<b>13,673</b>	<b>8,027</b>
<b>Total liabilities</b>	<b>82,318</b>	<b>75,835</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>146,899</b>	<b>136,058</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## Separate statement of comprehensive income

in EUR thousand	2016	2015
Revenue	26,922	26,325
Other income	9,849	9,645
Goods, materials and services	-9,518	-9,763
Other operating expenses	-1,086	-1,125
Staff costs	-10,223	-9,357
Depreciation, amortisation and impairment	-11,393	-10,342
Other expenses	-73	-70
<b>OPERATING PROFIT</b>	<b>4,479</b>	<b>5,311</b>
Finance income and costs (net)	-121	-196
<b>Net profit for financial year</b>	<b>4,358</b>	<b>5,115</b>
<b>COMPREHENSIVE INCOME FOR FINANCIAL YEAR</b>	<b>4,358</b>	<b>5,115</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## Separate statement of cash flows

in EUR thousand	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections from customers	30,692	28,738
Payments to suppliers and employees	-26,084	-22,054
Interest received	2	6
Interest paid	-337	-501
Government grants received from state budget	5,268	5,750
Other grants related to income received	32	32
<b>TOTAL CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>9,573</b>	<b>11,971</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Paid for purchase of property, plant and equipment, and intangible assets	-20,329	-2,427
Proceeds from sale of property, plant and equipment	179	68
<b>TOTAL CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-20,150</b>	<b>-2,359</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	-4,556	-4,556
Government grants received from state budget for non-current assets	482	0
Government grants received for non-current assets	6,668	0
<b>TOTAL CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>2,594</b>	<b>-4,556</b>
<b>NET CASH FLOWS</b>	<b>-7,983</b>	<b>5,057</b>
Cash and cash equivalents at beginning of year	10,985	5,928
Cash and cash equivalents at end of year	3,002	10,985
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-7,983</b>	<b>5,057</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn



## Separate statement of changes in equity

in EUR thousand	Share capital	Statutory reserve capital	Retained earnings	Total
<b>BALANCE AS AT 31.12.2014</b>	<b>24,361</b>	<b>2,436</b>	<b>27,577</b>	<b>54,374</b>
Non-monetary contribution to the share capital	735	0	0	735
Net profit for 2015	0	0	5,115	5,115
<b>BALANCE AS AT 31.12.2015</b>	<b>25,096</b>	<b>2,436</b>	<b>32,692</b>	<b>60,224</b>
Profit allocation to reserve capital	0	73	-73	0
Net profit for 2016	0	0	4,358	4,358
<b>BALANCE AS AT 31.12.2016</b>	<b>25,095</b>	<b>2,509</b>	<b>36,977</b>	<b>64,581</b>

### Adjusted unconsolidated equity of as tallinna lennujaam (parent company)

in EUR thousand	2016	2015
Unconsolidated equity of the parent	64,581	60,224
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)	8,240	6,439
<b>TOTAL</b>	<b>71,793</b>	<b>65,635</b>

Initsialiseeritud ainult identifitseerimiseks  
 Initialed for the purpose of identification only  
 Initsiaalid/initials R.T.  
 Kuupäev/date 3.04.2017  
 PricewaterhouseCoopers, Tallinn

## SÕLTUMATU VANDEAUDIITORI ARUANNE

AS Tallinna Lennujaam aktsionärile

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### Meie arvamus

Meie arvates kajastab konsolideeritud raamatupidamise aastaaruanne kõigis olulistes osades õiglaselt AS Tallinna Lennujaam ja selle tütarettevõtte (koos Kontsern) konsolideeritud finantsseisundit seisuga 31. detsember 2016 ning sellel kuupäeval lõppenud majandusaasta konsolideeritud finantstulemust ja konsolideeritud rahavoogusid kooskõlas rahvusvaheliste finantsaruandluse standarditega, nagu need on vastu võetud Euroopa Liidu poolt.

Meie poolt auditeeritud Kontserni konsolideeritud raamatupidamise aastaaruanne sisaldab:

- konsolideeritud finantsseisundi aruannet seisuga 31. detsember 2016;
- konsolideeritud koondkasumiaruannet eeltoodud kuupäeval lõppenud majandusaasta kohta;
- konsolideeritud rahavoogude aruannet eeltoodud kuupäeval lõppenud majandusaasta kohta;
- konsolideeritud omakapitali muutuste aruannet eeltoodud kuupäeval lõppenud majandusaasta kohta; ja
- konsolideeritud raamatupidamise aastaaruande lisasid, mis sisaldavad oluliste arvestuspõhimõtete kokkuvõtet ja muud selgitavat infot.

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### Arvamuse alus

Viisime auditi läbi kooskõlas rahvusvaheliste auditeerimisstandarditega (ISA-d). Meie kohustused vastavalt nendele standarditele on täiendavalt kirjeldatud meie aruande osas „Audiitori kohustused seoses konsolideeritud raamatupidamise aastaaruande auditiga“.

Usume, et kogutud auditi tõendusmaterjal on piisav ja asjakohane meie arvamuse avaldamiseks.

Oleme Kontsernist sõltumatud kooskõlas Rahvusvaheliste Arvestusekspertide Eetikakoodeksi Nõukogu (IESBA) poolt välja antud kutseliste arvestusekspertide eetikakoodeksiga (IESBA koodeks) ja Eesti Vabariigi audiitortegevuse seaduses sätestatud eetikanõuetega. Oleme täitnud oma muud eetikaalased kohustused vastavalt IESBA koodeksile ja Eesti Vabariigi audiitortegevuse seaduse eetikanõuetele.

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### Muu informatsioon

Juhatus vastutab muu informatsiooni eest, mis sisaldub aastaaruandes lisaks konsolideeritud raamatupidamise aastaaruandele ja meie audiitori aruandele.

Meie arvamus konsolideeritud raamatupidamise aastaaruande kohta ei hõlma muud informatsiooni ja me ei avalda muu informatsiooni kohta kindlustandvat arvamust.

Konsolideeritud raamatupidamise aastaaruande auditeerimise käigus on meie kohustus lugeda muud informatsiooni ja kaaluda seda tehes, kas muu informatsioon sisaldab olulisi vasturääkivusi konsolideeritud raamatupidamise aruandega või meie poolt auditi käigus saadud teadmistega või tundub muul viisil olevat oluliselt väärkajastatud. Kui me teeme tehtud töö põhjal järelduse, et muu informatsioon on oluliselt väärkajastatud, oleme kohustatud selle info oma aruandes välja tooma. Meil ei ole sellega seoses midagi välja tuua.

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## **Juhatus ja nende, kelle ülesandeks on Kontserni valitsemine, kohustused seoses konsolideeritud raamatupidamise aastaaruandega**

Juhatus vastutab konsolideeritud raamatupidamise aastaaruande koostamise ja õiglase esitamise eest kooskõlas rahvusvaheliste finantsaruandluse standarditega, nagu need on vastu võetud Euroopa Liidu poolt, ja sellise sisekontrollisüsteemi rakendamise eest, nagu juhatus peab vajalikuks, võimaldamaks pettusest või veast tulenevate oluliste väärkajastamisteta konsolideeritud raamatupidamise aastaaruande koostamist.

Konsolideeritud raamatupidamise aastaaruande koostamisel on juhatus kohustatud hindama Kontserni jätkusuutlikkust, avalikustama vajadusel infot tegevuse jätkuvusega seotud asjaolude kohta ja kasutama tegevuse jätkuvuse printsiipi, välja arvatud juhul, kui juhatus kavatses Kontserni likvideerida või tegevuse lõpetada või tal puudub realistlik alternatiiv eelnimetatud tegevustele.

Need, kelle ülesandeks on valitsemine, vastutavad Kontserni finantsaruandlusprotsessi üle järelevalve teostamise eest.

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## **Audiitori kohustused seoses konsolideeritud raamatupidamise aastaaruande auditiga**

Meie eesmärk on saada põhjendatud kindlus selle kohta, kas konsolideeritud raamatupidamise aastaaruanne tervikuna on pettusest või veast tulenevate oluliste väärkajastamisteta, ja anda välja audiitori aruanne, mis sisaldab meie arvamust. Kuigi põhjendatud kindlus on kõrgetasemeline kindlus, ei anna ISA-dega kooskõlas läbiviidud audit garantiid, et oluline väärkajastamine alati avastatakse. Väärkajastamised võivad tuleneda pettusest või veast ja neid peetakse oluliseks siis, kui võib põhjendatult eeldada, et need võivad kas üksikult või koos mõjutada kasutajate poolt konsolideeritud raamatupidamise aastaaruande alusel tehtavaid majanduslikke otsuseid.

Kooskõlas ISA-dega läbiviidud auditi käigus kasutame me kutsealast otsustust ja säilitame kutsealase skeptitsismi. Samuti me:

- tuvastame ja hindame riske, et konsolideeritud raamatupidamise aastaaruandes võib olla olulisi väärkajastamisi tulenevalt pettusest või veast, kavandame ja teostame auditiprotseduure vastavalt tuvastatud riskidele ning kogume piisava ja asjakohase auditi tõendusmaterjali meie arvamuse avaldamiseks. Pettusest tuleneva olulise väärkajastamise mitteavastamise risk on suurem kui veast tuleneva väärkajastamise puhul, sest pettus võib tähendada varjatud kokkuleppeid, võltsimist, tahtlikku tegevusetust, vääresitiste tegemist või sisekontrollisüsteemi eiramist;
- omandame arusaama auditi kontekstis asjakohasest sisekontrollisüsteemist, selleks, et kujundada auditiprotseduure sobivalt antud olukorrale, kuid mitte selleks, et avaldada arvamust Kontserni sisekontrollisüsteemi tõhususe kohta;
- hindame kasutatud arvestuspõhimõtete asjakohasust ning juhatuse poolt tehtud raamatupidamislike hinnangute ja nende kohta avalikustatud info põhjendatust;
- otsustame, kas juhatuse poolt kasutatud tegevuse jätkuvuse printsiip on asjakohane ning kas kogutud auditi tõendusmaterjali põhjal on olulist ebakindlust põhjustavaid sündmusi või tingimusi, mis võivad tekitada märkimisväärset kahtlust Kontserni jätkusuutlikkuses. Kui me järeldame, et eksisteerib oluline ebakindlus, oleme kohustatud oma audiitori aruandes juhtima tähelepanu infole, mis on selle kohta avalikustatud konsolideeritud raamatupidamise aastaaruandes, või kui avalikustatud info on ebapiisav, siis modifitseerime oma arvamust. Meie järeldused tuginevad audiitori aruande kuupäevani kogutud auditi tõendusmaterjalil. Tulevased sündmused või tingimused võivad siiski põhjustada Kontserni tegevuse jätkumise lõppemist;



- hindame konsolideeritud raamatupidamise aastaaruande üldist esitusviisi, struktuuri ja sisu, sealhulgas avalikustatud informatsiooni, ning seda, kas konsolideeritud raamatupidamise aastaaruanne esitab toimunud tehinguid ja sündmusi viisil, millega saavutatakse õiglane esitusviis;
- hangime piisava asjakohase tõendusmaterjali Kontserni kuuluvate majandusüksuste või äritegevuste finantsinformatsiooni kohta, avaldamaks arvamust konsolideeritud raamatupidamise aastaaruande kui terviku kohta. Me vastutame Kontserni auditi juhtimise, järelevalve ja läbiviimise eest ja oleme ainuvastutavad oma auditiarvamuse eest.

Me vahetame infot nendega, kelle ülesandeks on Kontserni valitsemine, muu hulgas auditi planeeritud ulatuse ja ajastuse ning oluliste auditi tähelepanekute kohta, sealhulgas auditi käigus tuvastatud oluliste sisekontrollisüsteemi puuduste kohta.

AS PricewaterhouseCoopers

/allkirjastatud digitaalselt&/

Ago Vilu  
Vandeaudiitor, litsents nr 325

3. aprill 2017

/allkirjastatud digitaalselt/

Janno Hermanson  
Vandeaudiitor, litsents nr 570



### Profit allocation proposal

Retained earnings as at 31.12.2015	EUR 38,030 thousand
Net profit for 2016	EUR 6,158 thousand
Total distributable profit as at 31.12.2016	EUR 44,188 thousand

The management board proposes to not distribute the net profit for 2016 in the amount of EUR 6,158 thousand and transfer it to retained loss.

Retained earnings after profit allocation	EUR 44,188 thousand
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Piret Mürk-Dubout	Chairman of the board	3.04.2017
Einari Bambus	Member of the Management Board	3.04.2017
Anneli Turkin	Member of the Management Board	3.04.2017

## Signatures to the annual report

The Management Board of AS Tallinna Lennujaam has prepared the management report and financial statements for the year 2016. The Management confirms the correctness of information presented in the annual report.

Management board:

Piret Mürk-Dubout	Chairman of the board	3.04.2017
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Einari Bambus	Member of the Management Board	3.04.2017
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Anneli Turkin	Member of the Management Board	3.04.2017
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The Supervisory Board has reviewed the annual report prepared by the Management Board and which consists of the management report, financial statements, profit allocation proposal and independent auditor's report and approved it for presentation at the General Meeting of Shareholders. The Supervisory Board confirms the correctness of the information presented in the annual report.

Supervisory Board:

Margus Puust	Chairman of the Supervisory Board	4.04.2017
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Kai-Riin Meri	Member of the Supervisory Board	4.04.2017
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Toivo Jürgenson	Member of the Supervisory Board	4.04.2017
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Hendrik Agur	Member of the Supervisory Board	4.04.2017
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Hindre Allvee	Member of the Supervisory Board	4.04.2017
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Indrek Gailan	Member of the Supervisory Board	4.04.2017
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### Revenue of AS Tallinna Lennujaam according to EMTAK 2008

in EUR thousand	2016	2015
<b>EMTAK code</b>		
35131 Distribution of electricity	641	627
52231 Operation of airports and airport passenger terminals	24,165	23,776
52239 Other support activities for air transportation	12,029	9,378
85599 Other education	62	47

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