



Tallinn Airport

Annual report 2017

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

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

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

2 000 000
PASSENGER

Visual identity of Tallinn Airport updated.

Airside area and passenger terminal reconstructed at Tallinn Airport.

The airport joined the Open Skies Treaty of the European Union, enabling a significant expansion of flight operations.



2016

2014

2012

2010

2008

2004

2017



New VIP and security control area were completed. The first tram in Tallinn Airport. We opened a new public transport terminal.

The business lounge of Tallinn Airport was named as the best airport lounge in Europe.

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

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

First turnaround completed, with 7,100 passengers served in 5 turnarounds

Tallinn Airport takes on the name of Lennart Meri.

1 000 000
PASSENGER

Pärnu Airport Ltd, Tartu Airport Ltd, Kuressaare Airport Ltd, Kärdla Airport Ltd were merged with Tallinn Airport Ltd

The following companies founded: Tallinn Airport Ltd, Tartu Airport Ltd, Kuressaare Airport Ltd, Kärđla Airport Ltd, Pärnu Airport Ltd.

The Estonian Air Public Stock Company divided into AS Estonian Air and Estonian Airports.

Extensive renovation works started at Tallinn Airport.

After 50 years, Tallinn Airport became international again.

Tallinn-Simferopol direct route launched.

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

Europe's longest air route connected Tallinn to Palestine.

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

First engine-propelled flight in Estonia.



1997

1992

1989

1963

1945

1937

1929

1912

1999

1995

1991

1980

1955

1938

1932

1921



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.

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

The Estonian branch of Aeroflot transformed into RAS Estonian Air.

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

The airport launched a new passenger terminal.

AGO, Estonian Airlines Public Limited Company, founded.

Top Gear's antics preceded by 40 years! At Ülemiste, motorcycles and aircrafts were positioned behind the starting line as early as 1939!

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

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

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We trust each other





CHAIRPERSON'S STATEMENT

Dear reader!

The year 2017 was an extraordinary year for Tallinn Airport owing to large-scale construction activities, a record number of passengers and Estonia's Presidency of the Council of the European Union. Despite the challenging year, we have managed to keep our quality, safety and security at a high level, prevent serious incidents and ensure satisfaction of our customers and partners.

Estonia's presidency of the Council of the European Union was an enormous and significant challenge both for the Republic of Estonia as well as the airport group which greatly impacted the daily operations of the airport. Today we can confidently state that the guests related to the presidency and all partners of the airport had every reason to be satisfied with the quality of the services provided. Preparations for the presidency were launched at the airport almost a year before the opening event. During the presidency, almost 1,000 major delegations were welcomed at the VIP guest area at the airport. We are pleased that the Estonian "air gate" left an amicable, warm and friendly impression on our guests.

In 2017, our capital expenditures totalled EUR 34 million, with the largest investments being the development project of the air traffic area of Tallinn Airport. The large-scale

construction works launched in spring 2016 were completed successfully and on time by November 2017. Construction works were performed at the airport that was open to air traffic and as a result of risk assessment and implementation of mitigating measures, the works were performed without any major incidents that would have affected air safety. We handled 73,278 flight operations during that period, the configuration of runways was changed on six occasions over a period of two years and night works were performed on four to five nights a week over a 12-month period. The development of the air traffic area will continue until 2020.

The major projects of 2017 worth mentioning include a pre-flight security checkpoint with modern technology that was built during the expansion of the passenger terminal, a revamped VIP guest complex and an aircraft painting hangar, which is leased to AS Magnetic MRO under an operating lease agreement. In December 2017, the construction of the new parking garage was launched. It is also important to note that the tram line now runs to Tallinn Airport and airport guests can now conveniently get from the new public transport hub to the passenger terminal through the connecting gallery equipped with escalators.

The starting point for the strategy of Tallinn Airport is our mission to connect Estonia with the world and our ambition is to be the most attractive airport for airlines, passengers and business partners in Northern Europe. In 2017, the number of passengers at Tallinn Airport exceeded our expectations, increasing by 19% and reaching 2.65 million passengers. The total number of passengers passing through Tallinn Airport was 427 thousand more than last year. As a comparison, in 2017, the number of passengers increased by as much as over the last ten years combined. This is an excellent result, achieved through the contribution of every single employee of the Tallinn Airport Group. The high-quality and efficient operations of the airport group deserve praise because the average number of employees capable of handling the high workload related to the increase in the number of passengers grew only by 3.4%. Preserving quality as well as safe, responsible and at the same time more efficient operations are a testimony of our employees' dedication and professionalism. The airlines with the strongest growth at Tallinn Airport were Nordica/LOT Polish Airways and airBaltic. In the summer, it was possible to fly to 34 destinations from Tallinn.

The number of passengers has also increased to 60,878 at regional airports which is 14.1% higher than in 2016.

Although the volume of our investments and infrastructure-related development activities is already large today, it is also important to launch preparations for the next development period already this year. During the period of economic expansion it is important to determine the most important development projects and find resources for them so that we will be able to tackle new challenges ensuring growth in operational quality and business development alongside our daily work. The forecast for 2018 predicts another record year in terms of the number of passengers. Our challenge is to cope with very fast growth and not only cope with it but also attain it while taking into account the highest level of safety and quality of the service. Next year, we will start

planning the expansion of the passenger terminal of Tallinn Airport with the objective of increasing the passenger terminal capacity from 2.6 million passengers to 6 million passengers annually.

In order to cope with the future growth, the airport should focus more on efficient and smart operations, without compromising safety or provision of high-quality services to passengers and airlines. We now measure satisfaction of passengers at Tallinn Airport using the service quality parameters of ACI ASQ. We can be quite satisfied with the first survey results as in the 4th quarter 2017 we ranked third among 109 comparable European airports according to the measure of general passenger satisfaction.

According to the survey conducted by the international passenger portal Sleeping in Airports, passengers consider Tallinn Airport as the third most convenient airport in Europe and the ninth airport in the world.

At the end of 2017, the world's largest independent programme Priority Pass providing membership of airport lounges announced the best airport lounges for the year. Tallinn Airport business class lounge was selected as the best lounge in Europe in 2017. This is a great acknowledgement to us and we place great value on this passenger feedback.

Recently, Tallinn Airport was awarded the title of the most attractive employer in Estonia based on the results of the survey of CV Online. In addition we achieved several high rankings in the survey on determining the dream employer that was conducted by students. The contribution of each colleague into his/her work and creation of an excellent atmosphere play a great role in gaining such recognition.

We are successful today and wish to be even better in the future. In our strategy, the formula of the Company's future success consists of four parts:

- increasing the number of passengers and destinations, and provision of safe and effective airfield service to them on a 24/7 basis;
- preservation and development of the image of the world's cosiest airport;
- development of the current business partnership and growth of the business service volume;
- determined and resourceful team with a common vision.

The performance in 2017 provides assurance to the Tallinn Airport Group and raises confidence that development opportunities in the near future can be viewed positively and the threshold of three million passengers can definitely be exceeded.



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

Innovative vibes





COMPANY OVERVIEW

Tallinn Airport Ltd is an operator and a developer of airports in Estonia

The objective of the operations of Tallinn Airport Ltd 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.

Tallinn Airport Ltd together with its subsidiary Tallinn Airport GH Ltd form the Tallinn Airport Group. The shares in Tallinn Airport Ltd 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 632 people as at the end of last financial year (2016: 607). Tallinn Airport is the busiest international aerial gateway in Estonia.

KEY OPERATING INDICATORS OF 2017 COMPARED TO 2016



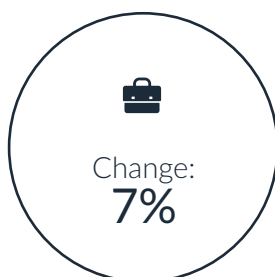
Number of passengers
in Tallinn Airport
2017 - 2 648 361
2016 - 2 221 615



Number of passengers
on regional airports
2017 - 60 878
2016 - 53 360



Revenue
2017 - EUR 40.3 million
2016 - EUR 36.9 million



Operating income
2017 - EUR 49.9 million
2016 - EUR 46.8 million



Net profit
2017 - EUR 6.5 million
2016 - EUR 6.2 million



Balance sheet total
2017 - EUR 181.4 million
2016 - EUR 155.5 million



Investments
2017 - EUR 32.8 million
2016 - EUR 25.6 million

In 2017, Tallinn Airport had 45,325 movements (2016: 40,938) and handled 2,648,361 passengers (2016: 2,221,615). Cargo weighing 11,345 tonnes (2016: 13,940) was carried. The regional airports had a total of 10,451 movements (2016: 9,576) and handled 60,878 passengers (2016: 53,360).

Key indicators of Tallinn Airport infrastructure

- The administrative area of 372 ha
- 3,490 metres in length and 45 metres in width the east-west runway
- Apron M 34 standing positions (C-rating)
- Apron Y3 2 standing positions
- Apron Y5
- Apron K 2 standing positions (C-rating)
- Passenger terminal 32,000 m², capacity of 2.5 million passengers annually
- 4 cargo terminals with total area of 11,600 m²
- Rescue service level CAT VIII (incl waterworks capabilities)
- 4 aircraft maintenance hangars with a total area of 22,200 m² and 4 tents with a total area of 4,000 m²
- Commercial space of 32 buildings
- Total floor area of buildings 91,600 m²

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 m²

Main business activities of the Group

- airfield service, including air navigation service
- handling of passengers
- sales and development

Great to be together





EVENTS IN 2017



March

direct flights of the British airline company British Airways were launched on Tallinn – London route



June

we opened the passenger security checkpoint at the new location of the passenger terminal of Tallinn Airport with five automatic security check lines using new technology



June

we opened the VIP area at the passenger terminal of Tallinn Airport



August

Tallinn Airport was named the most attractive employer in Estonia according to the data of CV Online



September

representatives of Tallinn Airport Ltd, KMG Inseneriehituse AS and Latvian company AS LNK Industries signed an agreement for construction of a parking garage for 1,100 vehicles by the year 2019.



September

20.09 is the 81st anniversary of Tallinn Airport



September

according to the results of the survey on work expectations that was conducted by Instar and the personnel management company PARE, Tallinn Airport ranked sixth among the students of higher education institutions and third among the students of the vocational education institutions.



October

according to the survey conducted by the international travel portal Sleeping in Airports, passengers consider Tallinn Airport as the third most convenient airport in Europe, and globally, Tallinn Airport ranked ninth



November

EasyJet launched its operations from Tallinn to Berlin Schönefeld Airport



November

opened the aircraft painting hangar, which is leased to AS Magnetic MRO under an operating lease agreement



December

opened a new public transport terminal



December

10th anniversary of Estonia's joining the Schengen area



December

customers of the Priority Pass voted the business lounge of Tallinn Airport as the best airport lounge in Europe



December

in the 4th quarter 2017, Tallinn Airport ranked third among 109 European airports according to the results of the ASQ (Airport Service Quality) survey measuring the overall satisfaction of passengers

Every flight counts



THE OBJECTIVES OF THE OWNER AND THE STRATEGY OF THE COMPANY

For every guest to feel welcomed and every Estonian proud!

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 Tallinn Airport Ltd, 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

- Maintain and increase air traffic
- Different target groups can travel from Tallinn Airport to main European destinations with reasonable frequency and traveltime.
- Operate the company in a commercially profitable and efficient manner.
- The operating activity of the entity is beneficial for its owners, internal and external clients as well as for the society as a whole. Entity contributes to the development of countrys economic environment.
- Function sustainably and responsibly
- Entity creates a safe and sustainable operating environment. Guarentees the compliance of operating airports, the level of service of passengers and cargo with International and local regulations and mutually agreed terms.
- Entity manages its effect on nature and economic environment. Entity will apply measures to reduce the impact.
- 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.

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 Tallinn Airport Ltd

The strategic objectives of the company are aimed at development of destinations and connectivity; safe, secure and quality services of operating air field and passenger services and sustainable operations.

MISSION: UNITE ESTONIA WITH THE WORLD

The vision
of Tallinn Airport

The most attractive
airport in Europe

AVIATION COMPANIES
FOR PASSENGERS
FOR PARTNERS (INCL
CARGO- AND LOGISTIC
COMPANIES, MRO'S)

The vision
of regional airports:

Functioning regional
connections

AVIATION COMPANIES
FOR PASSENGERS
FOR PARTNERS

Achievement of the objectives set for the Tallinn Airport Group

Performance Indicators of the Tallinn Airport Group



THE PROFITABILITY OF THE GROUP

Objective	Result 2017
The Group's return on equity is at minimum 7.4%	+ 8.5% (2016: 8.8%)
Revenue per a departing passenger is higher than EUR 31.3	- EUR 29.71 (2016: EUR 32.44). The revenue per passenger decreased as the purchasing habits of additional passengers at the airport differ from the average customer behavior
Revenue per employee is higher than EUR 66.55 thousand	+ EUR 69.6 thousand (2016: EUR 65.9 thousand)
Return on investments is higher than 5%	+ 5,9% (2016: 6,6%)
Net profit per employee is higher than EUR 9.8 thousand	+ EUR 11.2 thousand (2016: EUR 11 thousand)
Net profit for a departing passenger is higher than EUR 4.6	+ EUR 4.77 (2016: EUR 5.41)



PASSENGERS

Objective	Result 2017
Keeping the passenger satisfaction at the same level as 2016	+ ASQ overall satisfaction
Sleeping In Airports rating (Top 10)	+ 3rd in Europe
Passenger waiting time for the service to be max 15 minutes	+ Average waiting time for arriving luggage is 14.5 minutes; helpline standby time is 0.63 minutes; waiting time for taxis is 5-7 minutes; waiting time for security checks is 5.2 minutes (all meters are annual average)
Increase of VIP/Lounge profit by 10% (calculated as 3 year average)	+ Increase by 25.9% (+ EUR 127.8 thousand)



AVIATION ENTITIES

Objective	Result 2017
Increase in number of passengers is more than 5%	+ 19,2%
Number of direct flight destinations increases	+2 (25 destinations)
Delayed flights caused by Airport or GH in total does not exceed 3%	+ 2,3%
Keeping environmental index on "average" level	+ Level „average“
On the ground incidents in Tallinn Airport is not higher than 75 incidents per 10,000 flights	+ 48.7 incidents per 10,000 flights
On the ground incidents in Tallinn Airport GH is not higher than 0.06 incidents per 10,000 flights	+ 0.024 incidents per 10,000 flights
The airports main operations are in compliance with ISO 9001, 14001 standards	+ The Group has ISO 90001 and 14001 certificates
Valid air field certificates	+ According to EU regulation nr 216/2008 and its application laws, Tallinn Airport has a certificate EE-004 19.12.2017
Tallinn Airport GH operating processes are in compliance with ISAGO standards at a level of 80%	+ 88,4%



EMPLOYEES AND THE ORGANISATION

Objective	Result 2017
Estonian most attractive employers top 30, students top 10	+ General 6th place (2016: 9th); avocation studies 3rd place; technology students 6th place; economics students 7th place; working people 1st place (Instar)
Voluntary turnover in Tallinn Airport Ltd is at the same level as 2016 (does not exceed 6%)	+ Turnover decreased, total turnover 8%, voluntary turnover 4%
Effectiveness of worktime: over- and undertime +/- 10%	+ Tallinn Airport Ltd 95.97%



PARTNERS

Objective	Result 2017
Business customer satisfaction is above average	<p>⊕ The business lounge gained the recognition of „Best European lounge“ from Propriety Pass</p> <p>VIP service was recognised due to successful lead in EU presidency</p>
Advertising revenue growth is higher than 5%	<p>⊖ -7.1% (EUR -45 thousand) Involvement of new partners was more time consuming than anticipated</p>
Concession income growth is higher than 5%	<p>⊕ Concession income growth 11.3% (EUR 279 thousand)</p>
Max 10% of vacant space (from the total volume of the rented space)	<p>⊕ 4,3%</p>
Parking income growth 1%	<p>⊕ 14.1% (EUR 239 thousand)</p>
Increase in the volume and profitability of the logistics business	<p>⊖ Tallinn Airport cargo volume – 18.8%, decrease in revenue – 9.0% (EUR -163 thousand)</p>
Increase in income from renting seminar rooms	<p>⊕ Increase from EUR 11 thousand to EUR 13.3 thousand</p>

Process management

At the end of 2016, we launched process management at Tallinn Airport and in August 2017, we set up a quality and process management department, the main objective of which is to increase the awareness of process-based management throughout the Company and include process management in the fully functional integrated management system in addition to quality, environmental, work environment and safety management

The need for process management stemmed from the strategic objective to operate airports in a high-quality and responsible manner, enhance the efficiency of processes and based on the desire to manage the Company's activities in integrated value chains. When we divide areas activity and responsibility by processes, it will enable us to treat each process as a separate service with its development plan, and quality and efficiency measures. Over the long term, we will achieve transparency, quality and good economic results.

The processes have been in place at the airport for a long time, but with the changes implemented in 2017 we wish to reach the next level. The key reason is the airport's strategic ambition – while operating in the same manner it would be very difficult to achieve our strategic objectives (higher passenger satisfaction, capacity growth, etc.) – therefore we need to develop further the way how we have operated and managed until now. In addition to the current function-based management, we wish to organise our work so that it runs through the units, because people from various units and departments participate in most processes. In 2017, we laid down the objective of the first level of process management – to create an integrated view of the various levels of processes and their mutual relationships.

BUSINESS PROCESSES



Airfield services



Passenger services



Sales and development

We prepared a process map as the first step. The process map is divided into two parts; business processes and support processes. There are three business processes: airfield service, passenger service as well as sales and development. The management of the Company is regulated by strategic management, financial management, risk management, and personnel management processes. Related to infrastructure management processes are IT infrastructure development and management, management and maintenance of buildings and structures.

SUPPORT PROCESSES:



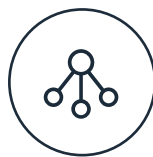
Human
Resources
management



Strategic
management



Financial
management



IT infrastruc-
ture devel-
opment and
management



Building and
facilities man-
agement and
maintenance



Risk
management

The passenger service process is the first process to be completed. With this we wish to ensure a secure and smooth service, i.e. to provide excellent and preventive services throughout the passenger journey. We expect the process management to provide clarity about who is responsible for what, which are the goals of one or another process and how we are doing in terms of meeting these objectives.

With the help of processes, we wish to start analysing the functioning of the whole – all units use the final target as their basis and through this, the processes help to create value for the customer and the partner. We also perform systematic and consistent work to make processes more productive.

Over the next few years, we wish to reach a point where through the work of functional units the processes will help us attain excellent customer experience and airport performance based on customer expectations and needs. We hope that working arrangements will be linked and reasonable, i.e. there is ongoing collaboration between the units and teams which is expressed as an ability to operate at an optimal level. This will help us manage the quality of customer service and attain a level where we can state with certainty: we are the world's cosiest airport where every flight counts.

You are welcome



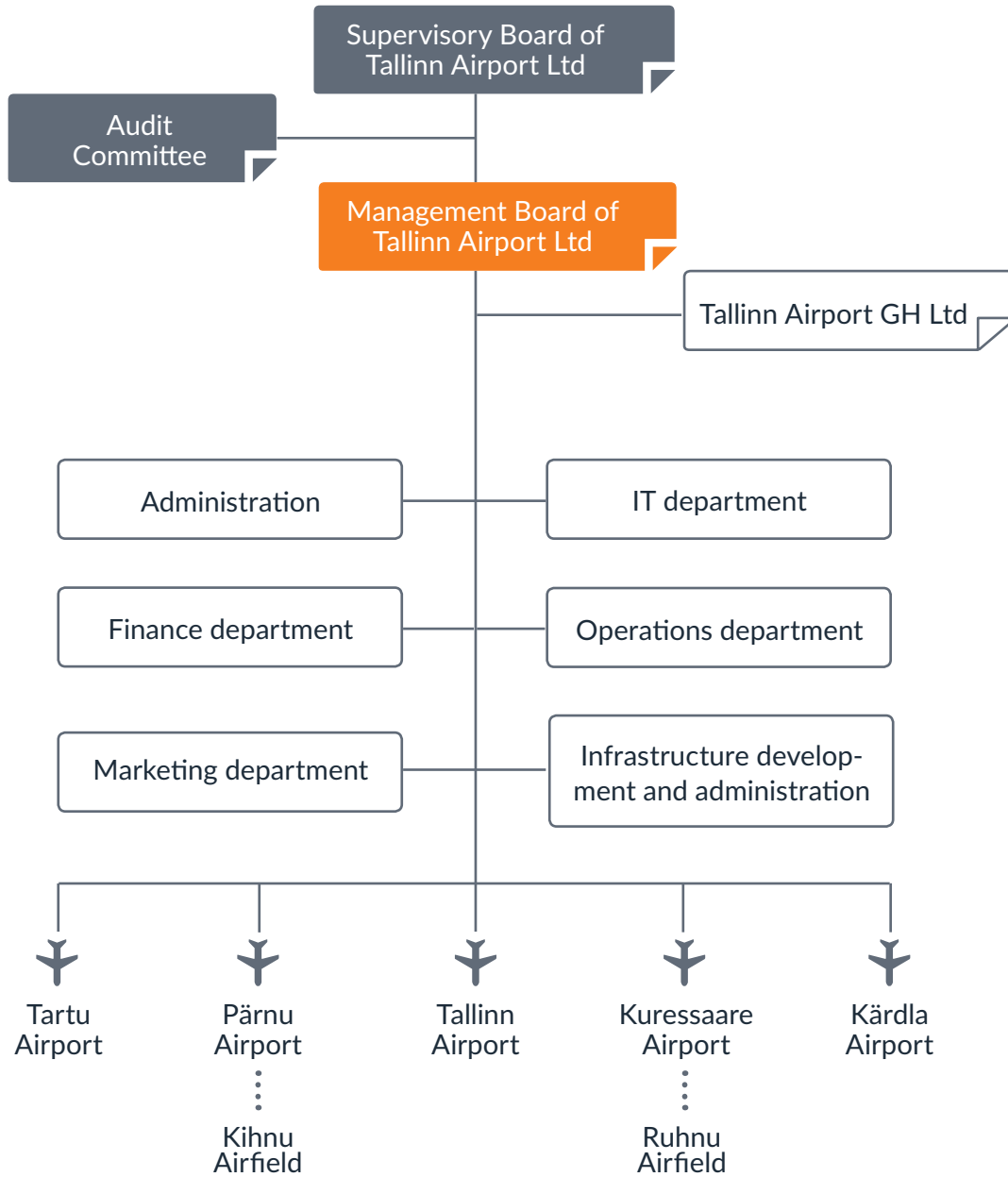
MANAGEMENT OF THE COMPANY

Corporate governance report

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

Shares in Tallinn Airport Ltd 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 Tallinn Airport Ltd and its subsidiary Tallinn Airport GH Ltd.

ORGANIZATIONAL STRUCTURE



General Meeting

The General Meeting of shareholders of Tallinn Airport Ltd held on 12 April 2017 approved the audited annual report for 2016, the profit allocation proposal and the auditor's report.

With the resolution of the sole shareholder from 17.08.2017, the articles of association of Tallinn Airport Ltd were amended in such a way that the Company's Supervisory Board has up to 5 members and their term of authority is up to 3 years. With the same resolution, Margus Puust, Kai-Riin Meri and Hindrek Allvee were recalled from the Supervisory Board.

Märten Vaikmaa (elected as the Chairman of the Supervisory Board at 31.08.2017), Piret Aava and Kadri Land were elected as members of the Supervisory Board of Tallinn Airport Ltd with the term of authority of 3 years.

The Minister of Finance proposed to recall Hendrik Agur from the Supervisory Board, and also Indrek Gailan and Toivo Jürgenson in order to harmonise the term of authority. Indrek Gailan and Toivo Jürgenson were elected as members of the Supervisory Board with the term of authority of 3 years.

Supervisory Board

Under the articles of association, the Supervisory Board has five Members. Members are appointed for three-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.

During the period 01.01.2017 - 17.08.2017 the Supervisory Board included Margus Puust (chairman), Kai-Riin Meri, Hendrik Agur, Indrek Gailan, Toivo Jürgenson and Hindrek Allvee. During the period 17.08.2017 - 31.12.2017 the Supervisory Board included Märten Vaikmaa (chairman), Indrek Gailan, Toivo Jürgenson, Piret Aava and Kadri Land.

In 2017, the Supervisory Board convened ten times (2016: 11), and the Management Board provided the Supervisory Board with regular overviews of the company's financial performance on a quarterly basis. In 2017, the staff costs for the Supervisory Board Members (remuneration inclusive of social taxes) were EUR 43 thousand (2016: EUR 37 thousand).

Audit Committee

In 2017, the members of the Audit Committee were Toivo Jürgenson (Chairperson), Indrek Gailan and Kai-Riin Meri. At the end of the year, the Supervisory Board removed Kai-Riin Meri from the Audit Committee and appointed Piret Aava instead.

The Audit Committee convened five times. It reviewed and approved the 2016 annual report of the airport and brought itself up to date on the results of the interim audit for the 2017 report. Airport's activities regarding implementation of the European Data Protection Regulation were addressed separately.

Management Board of Tallinn Airport Ltd

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.

There were no changes in the Management board members in 2017. Chairman of the Board was Piret Mürk-Dubout and the Board members were Anneli Turkin and Einari Bambus. In 2017, the Management Board held 60 (2016: 49) meetings. The fees of the members of the Management board (fee for service contract, remuneration and social taxes) amounted to EUR 412 thousand (2016: EUR 342 thousand). The 2017 fees include a performance bonus paid for the 2016 year, which is equivalent to salary for 1-3 months based on the time worked (2016: performance bonus equivalent to salary for 1-3 months).

Management and Supervisory Boards of Tallinn Airport GH Ltd

The Management Board of the subsidiary Tallinn Airport GH Ltd 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 Tallinn Airport Ltd.

In 2017, the lineup of the members of the Supervisory Board did not change. In 2017, the Supervisory Board held 8 meetings.

In 2017, there was a change in the lineup of the Management Board: On 06.12.2017 the member of the Management Board Jarno Mänd, was called back by the Supervisory Board.

In the Supervisory Board meeting on 14.12.2017 Tiit Kepp was elected to be the new Chairman of the Management Board for a three-year period.

The Chairman of the Management Board was Tiit Kepp and the member of the Management Board Jarno Mänd (until 06.12.2017), the members of the Supervisory Board were Einari Bambus (Chairman), Anneli Turkin, Martin Männik and Tõnu Ader. No remuneration is provided to the Members of the Management Board of Tallinn Airport Ltd for serving on the Supervisory Board of the subsidiary.

In 2017, the fees of the members of the Management board (fee for service contract, remuneration and social taxes) amounted to EUR 188 thousand (2016: EUR 158 thousand) and the fees of the members of the Supervisory Board amounted to EUR 9 thousand (2016: EUR 9 thousand). The 2017 fees include a performance bonus paid for the 2016 year, which is equivalent to salary for 3 months based on the time worked (2016: performance bonus equivalent to salary for 1-3 months). The reported data reflects the fees paid to the members of the management board and is not comparable to the accrued expenses presented in Note 27 to the financial statements, which also include vacation and bonus accrual of the Board members.

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 2017, 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 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 2017 auditing aspects related to investments and tenders. Participating in Airports Council International Europe's Internal Audit Expert Group was continued. The focus of the discussions was mainly preventing problems and risks arising from the implementation of EU General Data Protection Regulation.

Internal audits of the management system are those internal audits at the company during which the quality auditors of Tallinn Airport Ltd audit the divisions of Tallinn

Airport Ltd 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 2017, a total of 32 audits (2016: 18) were carried out in the divisions of Tallinn Airport Ltd 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, customer feedback and sufficiency of resources.

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

Ethics

Tallinn Airport proceeds from its three core principles – to be open, caring and reliable. These principles are standing firm in every activity we take on professionally. All the employees at the airport must behave ethically, responsibly and by obeying the law and protect the Group's good name and reputation.

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.

Code of Business Ethics covers the following principles - 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 and 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 2017, no requests were received for the initiation of proceedings.

Membership

Tallinn Airport Ltd is a member in the following organisations:

- Airports Council International (ACI) Europe (various committees)
- International Civil Aviation Organization 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 (Eesti Tööandjate Keskliit)
- Estonian Taxpayers' Association (Eesti Maksumaksjate Liit)
- Estonian Chamber of Commerce and Industry (Eesti Kaubandus-Tööstuskoda)
- Estonian Travel and Tourism Association (Eesti Turismifirmade Liit)
- Estonian Association for Environmental Management (Eesti Keskkonnajuhtimise Assotsiatsioon)

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 2017, 4 meetings (2016: 4) 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 2017, 1 meeting was held. The main subjects of the meeting were Tallinn Airport's ongoing activities and developments and information about future projects.

Terminal Users' Committee of Tallinn Airport

We have a good tradition that at the meetings of the users of the passenger terminal of Tallinn Airport that are conducted a couple of times a year we provide information about the ongoing activities at the airport in general as well as at the terminal. All tenants and cooperation partners of the passenger terminal participate in these meetings. In 2017, there were two meetings of the users of the terminal (2016: 2). We provided overviews of the year ended, shared information about the challenges and projects for the year 2017, discussed air traffic developments and passenger forecasts, informed everyone of ongoing construction activities at the airport (new security system, VIP lounges and reconstruction works of the apron) and preparations related to the EU presidency.

Work Environment Council

Both Tallinn Airport Ltd and Tallinn Airport GH Ltd 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.

Tallinn Airport Ltd 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. Tallinn Airport GH Ltd has 6 work environment representatives, 4 of whom are elected by employees and 2 are appointed by the employer.

Safety and quality groups of regional airports

At least once a quarter, safety and quality groups convene at the airports of Kuressaare, Kärdla, Pärnu and Tartu. At these meetings, the topics discussed include ongoing airfield operation, air safety and quality issues, customer feedback, shortcomings detected during audits performed at the airport. The companies operating on the airfield territory are also invited to participate in the meetings.

The objectives related to safety and quality groups include:

- perform primary checks of the functioning of the safety management system;
- raise awareness of the significance and functioning of the safety culture and safety management system;
- receive feedback from all parties in order to improve the safety management system;
- promote safety to and share expertise with all employees and collaboration partners of the airfield.

Risk management

Risk management is an integral part of the management process of a successful company, the goal of which is to support attainment of safety management and business objectives, create a methodology for risk assessment and help find possible hedging measures. An important part of risk management is collaboration between various areas of activity and the Management Board, learning from past experience and an ability to foresee future circumstances.

One of the key activities of risk management includes the annual updating of the risk map. Due to the renewal of the Company's strategy we also launched renewal of our risk map. The purpose of the risk map is to outline key risks by areas of activity and also describe their potential hedging measures.

In 2017, the focus was on involving various areas of activity in swift registration of cases and incidents. For this purpose we have created a database for registering cases and work flows which ensures an even better movement of information between the areas of activity, preservation of information and preparation of statistical reports. In addition, a number of developments have been planned to make the database even more user-friendly and create expanded operating opportunities (e.g. development of the audit module).

In 2017, we launched the renewal of the risk management procedure and the goal for 2018 is to create a risk management manual which as a uniform document would combine the assessment of risks in all areas of activity from the general level to details, assessment of the probability and impact of risks as well as a description of hedging measures.

Greater attention was paid to ensuring readiness to deal with crisis situations. A crisis group formed as a permanent working group gets together on a regular basis and its activities are regulated by the crisis management manual. The objectives for 2018 include approval of the training exercises plan and ensuring a more effective arrangement and conducting of training exercises.

Business risks

Due to its nature, the aviation market is directly linked to the economic environment. Success comes from productive sales activities, constant route development together with awareness of the expectations and needs of airlines and management of partnerships. This was manifested in the record number of passengers – 2.65 million, which was 19% more than in 2016. Using the cosiest airport image as the basis, we continue to contribute to provision of positive passenger experiences.

The partners operating on the territory of Tallinn Airport also depend on the economic environment. The shortage of tenants or their departure may lead to a temporary decline in revenue.

The business risks arising from development activities were primarily related to large-scale capital expenditure projects requiring on-time completion. These projects were successful in 2017 and there were no setbacks.

For hedging business risks, we have prepared an operating plan on the basis of the Company's strategy, we have an investment strategy drawing on our priorities and we hedge business plan risks with the help on additional guarantees, insurance or contracts.

Operational risks

The Company's key priority is a sustainable provision of the airfield service, one part of which is hedging aviation safety risks and ensuring security. The image of a secure airport requires constant work because in the context of increasing passenger volumes, there is a higher workload of the employees involved both in aviation security as well as flight safety. As an aviation company, we need to ensure compliance with the requirements of certificates, work of crucial systems without any disruptions to continuous operations, minimisation of incidents occurring in the air traffic area and maintenance of an acceptable aviation safety level. We have a well-functioning safety management system in place through which both employees as well as members of the community can report incidents. We continue to develop preventive safety culture and renew the Company's safety policy every year. Since Estonia hosted the EU presidency in the second half of 2017, ensuring safety was one of the high-priority activities for the airport.

In order to reduce operational risks, we have created a variety of procedures, including strict compliance with safety policy, assurance over recovery plans for critical systems (with testing) and continuous readiness to prevent and eliminate endangering disturbances.

Preparedness for crisis situations

In order to ensure the safe and compliant operation of all the airfields operated by Tallinn Airport Ltd, the actions of the company in various crisis or emergency situations have been set out in the crisis management manual.

In order to be able to support the resolution of an event of various crises, the resolution of emergencies or their consequences at any airport of Tallinn Airport Ltd and the restoration of the normal operation of the company, a crisis management group has been set up as a permanent task force, consisting of the managers and specialists of various areas at Tallinn Airport Ltd. 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 at Tallinn Airport, the first to respond is the rescue service, 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 directnd. Throughout 2017, Tallinn airfield operating in rescue category 8 and there were no serious rescue operations. In cooperation with various authorities, we carried out a rescue operation "Poison 2017" within the framework of which we practiced cooperation and activities in the event of a chemical attack on the passenger terminal of Tallinn Airport. At the initiative of the Health Board, there was also a tabletop training exercise related to epidemic control where the functioning of the rules and regulations of the epidemic control of Tallinn Airport was tested with all parties.

Regional airports are also completely ready to react and take actions in case of various crises and emergency situations. Various types of training exercises took place in 2017. During the training exercises at Kuressaare Airport the airport's rescue team, the Estonian Rescue Board, Emergency Medical Staff, and Police and Border Guard Board were tested on readiness to provide alerting services and search and rescue management in the event of an aviation accident, and cooperation was practiced. The purpose of training exercises at Tartu Airport was to practice and test the readiness and operational capability of the rescue team of Tartu Airport, other authorities and companies in the event of an aviation accident. The training exercises at Pärnu Airport focused on the way to act in case of an especially dangerous infectious disease.

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. Rescue and maintenance service employees are properly trained and are equipped with practical experience.

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, proposes cost-effective measures to reduce energy consumption and to fulfill set environmental objectives.

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.

Staff risks

Considering the shortage of employees on the labour market and the recruitment attempts of the companies in the growth stage, it is increasingly important for the company to be capable of filling positions in order to ensure its services.

For the entire group, the risk factor hindering recruitment is the need to ensure services on a 24-hour basis, which for employees means working in shifts, and working also at night. Working on a night shift has been listed as one of the key reasons for leaving a job or declining a job offer, this primarily among younger employees and those with less professional experience.

For hedging people-related risks we monitor the use of working time and place great value on the opportunities to rest, and for this purpose we offer 7 additional vacation days per calendar year to help employees recover more quickly, and balance their work and private lives. Another hedging measure is also awareness of dangers and knowledge of safe working practices. To this end, we conducted internal training sessions for the staff involved in operations and safety.

Information security and data protection

Data and information systems are of crucial importance for Tallinn Airport in order to ensure continuity of its operations. The use of modern technology inevitable raises various information security risks and it needs to be always made sure that the use of an information system or software does not lead to additional risks, and that the requirements of information security and data protection are taken into consideration by default. To lower the largest information security risk, i.e. the human factor, we arranged seven information security training sessions at Tallinn Airport and regional airports in 2017 to raise the employees' general information security awareness, inform them of various information security threats as well as to provide recommendations with respect

to the expected reaction. In addition, we carried out a phishing letter test at the entire group in order to test everyone's knowledge acquired in training sessions and to monitor reaction.

To get a better overview of the data to be collected and processed as well as the fulfilment of the requirements related to personal data protection, we reviewed the airport's databases in 2017. As a result, it became evident that the procedures for personal data processing require updating due to the requirements of the new general regulation on personal data. We compiled a privacy policy of Tallinn Airport which describes the principles of processing personal data, including passenger data, and which confirms the compliance with data protection requirements. In 2018, we plan to implement several new data protection and information security procedures and improve existing information systems in order to ensure the fulfilment of the requirements of the general regulation on personal data protection. In 2018, we will also continue developing the information security management system, which will ensure consistent and active participation of all parties in curbing and reducing information security risks. While developing processes, services and information systems, we will consider relevant requirements of information security and data protection in order to prevent occurrence of potential security incidents.

Management of risks in purchase processes

Since Tallinn Airport lacks a supply chain in the classical sense, procurements are organised, the rules and procedures of which are governed by the regulation of the organisation of procurements. When conducting procurements, the contracting authority has to comply with the good public procurement practice, use the funds expediently, reasonably and economically, and achieve the objective of a public procurement at reasonable cost, ensuring, in the event of competition, that the best possible price to quality ratio is compared among various offers. Public procurements are carried out in a transparent and verifiable manner. In 2017, 135 tendering procedures (2016: 157) were held, including 32 procurement procedures (2016: 23) carried out through the Public Procurement Registry, of which 2 (2016: 3) were beyond international boundary, 22 (2016: 20) were in a form of simple procurement procedure, 3 three non-negotiated procurements without announcement and 2 open procurements. In three cases, the procurement procedure was terminated without a contract. Of all the procurements, 3 procurement procedures were terminated without a contract. Of the procurements carried out in the electronic public procurement register, 28 (2016: 22) were e-procedures.

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 risk level was high, because the works related to the runway overlay and runway lighting system were performed at night and air traffic was resumed in the same area in the morning. It should be mentioned here that throughout the intensive construction process, not a single aviation safety incident took place that would have impacted the operations on the airfield or its reputation, and airlines had been informed in advance of the progress of the construction process. All systems were taken into use on time and no risks were materialised.

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 work with respect to keeping the performance of work to the schedule, monitoring safety levels and the quality of the work 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;
- higher rate of liability insurance.

In 2018, the largest development projects include construction of the parking garage (deadline December 2018), development of the functionality of the passenger terminal, preparation of the feasibility study of the passenger terminal and apron area with the capacity of 6 million passengers, increasing of the capacity of the air traffic area and reduction of the environmental impacts as well as preparation of the renewal of the airfield's long-term development plan (until 2040).

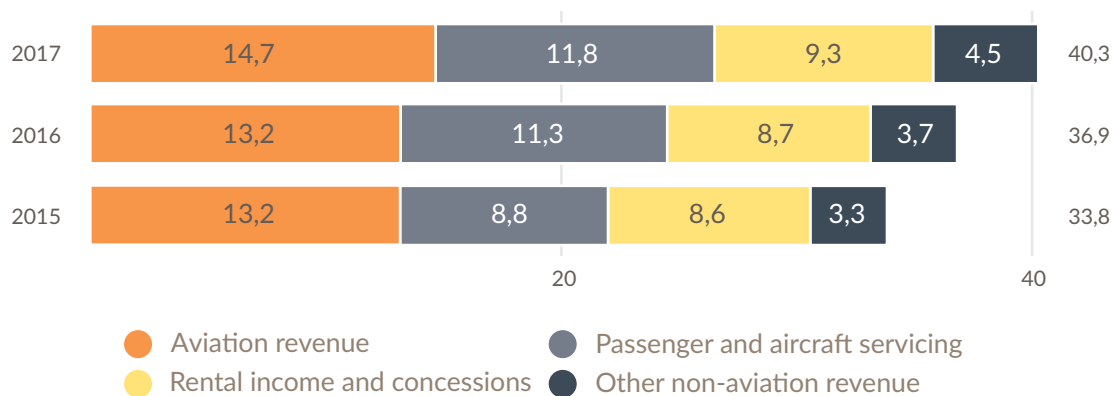
Financial results of 2017

	thousand EUR	2017	2016	Change %
GROUP'S KEY SALES AND FINANCIAL FORECASTS				
Operating income total		49 934	46 763	7
Sales revenue		40 250	36 897	9
● incl. aviation revenue		14 660	13 167	11
● incl. non-aviation revenue		25 589	23 730	8
Other income		9 684	9 866	-2
● incl. government grants for assets		3 789	4 352	-13
● 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		145	246	-41
Operating profit before depreciation (EBITDA)*		13 921	13 743	1
Net profit		6 464	6 158	5
Cash flows from main activity		15 102	11 343	33
Investments		32 813	25 634	28
Assets (year-end)		181 412	155 453	17
Assets excluding government grants* (year-end)		120 753	99 058	22
Equity (year-end)		78 257	71 793	9
Borrowing (year-end)		32 259	16 857	91
Equity/assets (year-end)*		65%	72%	
Debt/operating profit before depreciation*		2,32	1,23	
Operating expenses total		43 262	40 486	7
● incl. goods, materials and services		12 614	11 237	12
● incl. other operating expenses		1 283	1 340	-4
● incl. staff costs		17 747	16 015	11
● incl. other expenses		579	77	649
● incl. depreciation, amortisation and impairment		11 038	11 818	-7

* does not include a government grant for fixed asset

Revenue

In 2017, the total revenue of the Tallinn Airport Group amounted to EUR 40.3 million, which increased 9% compared to previous year (2016: EUR 36.9 million). 36% of the revenue comprised of aviation revenues and 64% comprised of non-aviation revenues (2016: 36% and 64% respectively).



Total income of the group 2015-2017, EUR million

In 2017, total aviation revenue amounted to EUR 14.7 million (2016: EUR 13.2 million), a growth of EUR 1.5 million (11%) compared to 2016. The number of passengers in regional airports increased by 19.2% in 2017 compared to 2016 (2017: 2,648,361 and 2016: 2,221,615) and the number of flight operations increased by 10.7% compared to 2016 (2017: 45,325 and 2016: 40,938). For passenger flights the number of flight operations increased by 4,626 departing flight, i.e. 14.4%. The flight operations decreased in the cargo flight section by 8.2%. The average passenger fee per enplaned passenger was down by 8.7% compared to 2016 (2017: EUR 5.54, 2016: EUR 6.07). The number of passengers and flight operations did not increase in the same proportion as revenue, because new route support programme is applied to new and growing routes. From the beginning of 2016, a new route support programme began to apply for a period of 5 years. In 2017, the route support was recognised for LOT/Nordica and Air Baltic.

The number of passengers in regional airports increased by 14.1% in 2017 compared to 2016 (2017: 60,878 and 2016: 53,360). The major increase comes from Kuressaare and Kärdla airports, where the number of passengers grew by 45% (2017: 19,231 and 2016: 13,289) and 22% (2017: 9,170 and 2016: 7,547) respectively. The increase is caused by the cancellation of regular routes in early summer of 2016 and the change of the operator, which caused the number of passengers to see a record growth in comparison of the low base-level of the previous year.

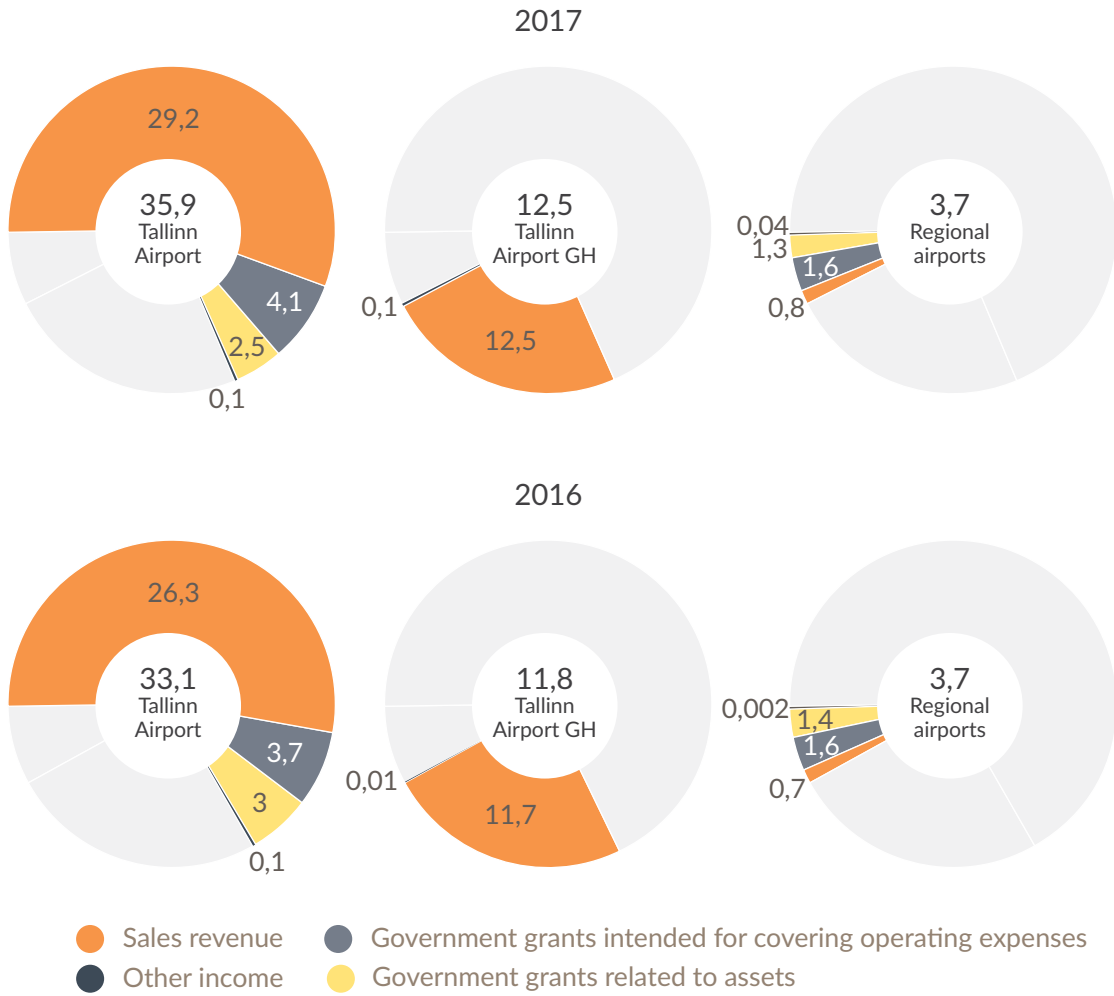
Aviation revenue in regional airports grew by EUR 0.04 million (+11.2%) compared to 2016 (2017: EUR 0.404 million and 2016: EUR 0.363 million).

Non-aviation revenue in 2017 amounted to EUR 25.6 million (2016: EUR 23.7 million), which made up growth of 8% compared to the previous year. The subsidiary Tallinn Airport GH experienced growth of non-aviation revenue by 6% (2017: EUR 12.5 million and 2016: EUR 11.7 million) and Tallinn Airport Ltd non-aviation revenue increased by 11%. The main reason for that growth is increase in VIP and business customer service revenue by EUR 0.5 million related to the presidency of the European Union. Increase in Other income was caused mainly by increase in concessions from catering and currency exchange services (20%), parking (14%) and concessions from trading goods (7%) compared to prior year.

Tallinn Airport GH faced a decrease in de-icing revenue by EUR 0.4 million, i.e. 13%, being at level of EUR 2.4 million (2016: EUR 2.8 million). That revenue stream is directly related to the weather conditions and therefore varies between years. Other sales, except for de-icing revenue, increased by 12% (2017: EUR 10.0 million and 2016: EUR 9.0 million). The main reason for the increase was the increased number of flight operations.

Other income amounted to EUR 9.7 million in 2017 (2016: EUR 9.9 million), or 2% lower compared to the prior year. Government grants intended for covering the costs of aviation security and rescue services remained at the same level in 2017 comparing to 2016 (2017 and 2016: EUR 4.1 million), from which, in 2016, EUR 3.6 million was allocated to cover the operating expenses and EUR 0.5 million to investments. Government grants are not recognized as revenue, but are being amortized during the amortization period of acquired fixed assets. Government grants for covering the cost of operating activities of regional airports remained unchanged in 2017 (2017 and 2016: EUR 1.6 million). Income from government grants related to assets were EUR 0.6 million lower in 2017 than in prior year (2017: EUR 3.8 million and 2016: EUR 4.4 million), because assets purchased using government grants amortized and accordingly decreased related income from government grants.

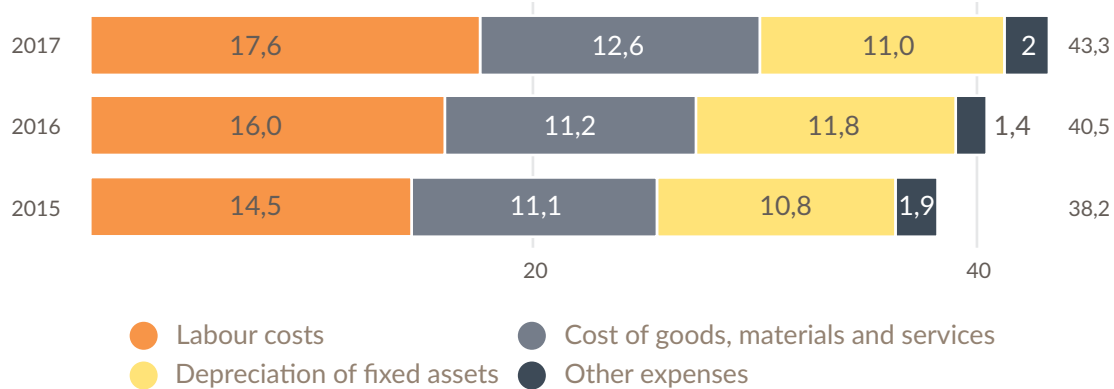
Total income of the Group amounted to EUR 49.9 million (2017: EUR 46.8 million). Intergroup transactions in the amount of EUR 2.2 million are deducted from calculations of the Group's total income. Revenue has increased by EUR 3.2 million, i.e. 6.8% compared to prior year, out of which 81% related to sales revenue and 19% to other income (2016: 79% and 21%).



Total income 2016-2017, EUR million

Expenses

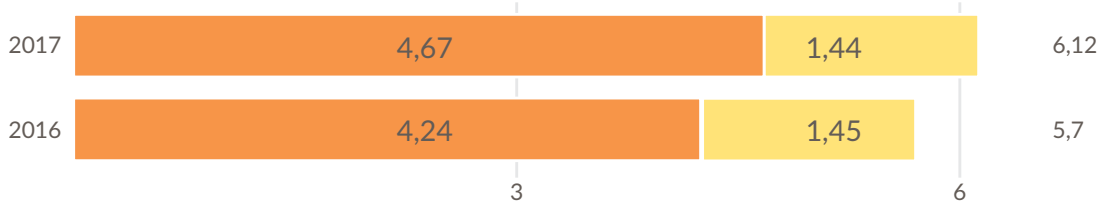
Expenses of the Group amounted to EUR 43.3 million (2016: EUR 40.5 million), increased by EUR 2.8 million or 6.9% compared to prior year. Labour costs grew by EUR 1.6 million or 9.8% (2017: EUR 17.6 million and 2016: EUR 16.0 million). Depreciation of fixed assets in 2017 was EUR 11.0 million (2016: EUR 11.8 million), decrease by EUR 0.8 million or 6.6%. Cost of goods, materials and services increased by EUR 1.4 million compared to 2016 (2017: EUR 12.6 million and 2016: EUR 11.2 million), including outsourced aviation security service costs EUR 3.4 million (2016: EUR 3.1 million), which increased by EUR 0.3 million or 10.5%. Other expenses totalled EUR 0.6 million (2016: EUR 0.1 million), including accrued expense relating to two insurance cases of Nordica against Tallinn Airport GH. Corresponding accrual was recognised in 2017 when a claim has arisen. Income would be recorded in the year, when insurance claims are reimbursed. The final amount of damages would be determined as a result of proceedings.



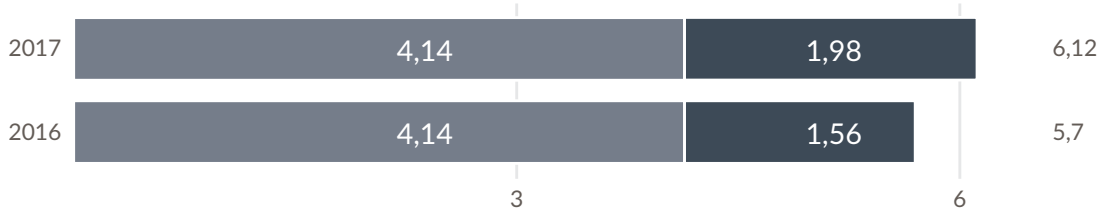
Total expenses of the group 2015-2017, EUR million

In 2017, the costs related to the provision of services to passengers with disabilities at Tallinn Airport totalled EUR 0.35 million (2016: EUR 0.28 million). The costs increased by EUR 0.07 million, including staff costs by EUR 0.03 million and the cost of outsourcing a special transportation service by EUR 0.04 million.

The government grants to cover security and rescue costs was EUR 4.1 million, the same as in 2016. At the same time, the costs of Tallinn Airport Ltd increased by EUR 0.4 million, i.e. 7.3%. In 2017, such costs totalled EUR 6.1 million (2016: EUR 5.7 million). Thus, while in 2016 Tallinn Airport Ltd incurred security and rescue costs in the amount of EUR 1.6 million, in 2017 they amounted to EUR 2.0 million.



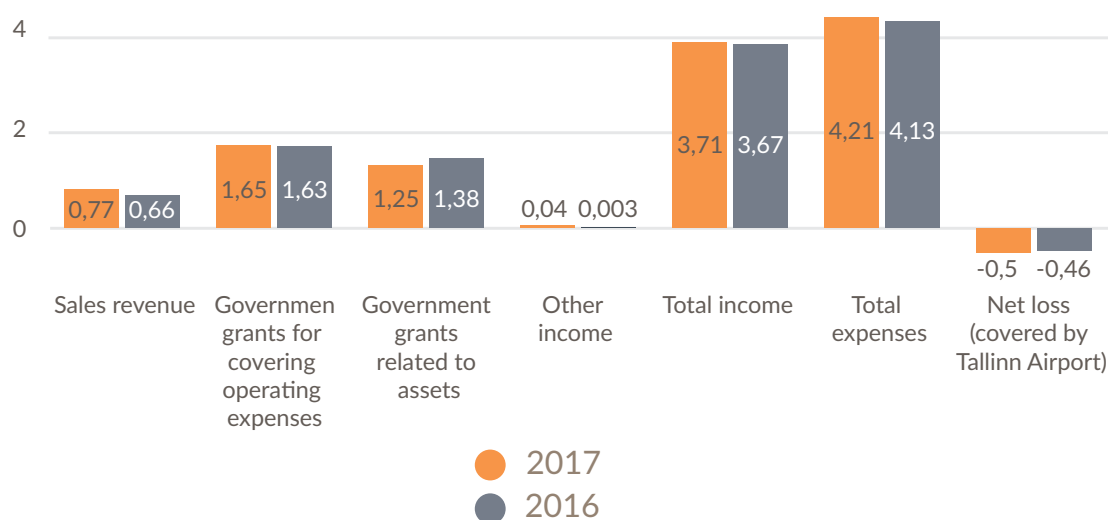
Security and rescue costs of Tallinn Airport 2016-2017, EUR million



Coverage of security and rescue costs of Tallinn Airport 2016-2017, EUR million

- Security costs
- Government grants
- Rescue costs
- Covered by Tallinn Airport

Revenue of regional airports resulted in EUR 3.7 million (2016: EUR 3.67 million), increased by EUR 0.04 million or 1.1% compared to prior year. Sales grew by EUR 0.1 million or 17.1% and government grants of assets decreased by EUR 0.1 million or 9.6%. Operating expenses were covered by the government grants in the amount of EUR 1.6 million, as well as in 2016. Expenses of regional airports amounted to EUR 4.2 million (2016: EUR 4.1 million), increased by 1.9%. Total loss was EUR 0.5 million (2016: EUR 0.5 million).



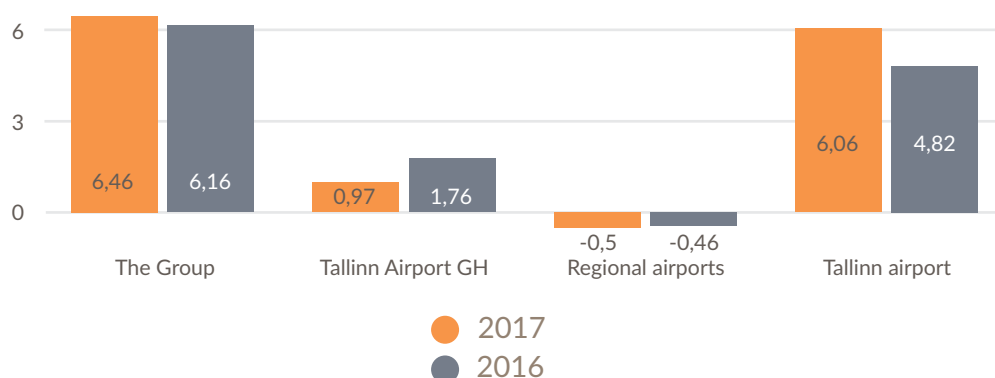
Total regional airports 2016-2017, EUR million

Profit

Operating profit before depreciation and finance income and expense (EBITDA) amounted to EUR 13.9 million, which is EUR 0.2 million higher than in the previous year. Operating profit (EBIT) in the year 2017 amounted to EUR 6.7 million (2016: EUR 6.3 million). Increase of EUR 0.4 million or 6.3%. The main reason behind that was, that operating income increased by EUR 0.4 million compared to operating expenses: operating income increased by EUR 3.2 million and operating expenses increased by EUR 2.8 million compared to 2016.

Financial expenses in 2017 were in amount of EUR 0.2 million (2016: EUR 0.1 million), including loans, bonds and interest expenses in amount of EUR 0.26 million and profit from revaluation of derivatives in amount of EUR 0.06 million.

The Group's profit in 2017 was EUR 6.5 million, being EUR 0.3 million or 5.0% higher than in previous year (2016: EUR 6.15 million). Total revenues in 2017 were EUR 3.2 million higher, expenses were EUR 2.8 million higher, which gives a positive result of EUR 0.4 million. The financial costs were EUR 0.1 million higher compared to 2016.



The Group's profit 2016-2017, EUR million

Balance sheet

At the year-end of 2017, total assets amounted to EUR 181.4 million (2016: EUR 155.5 million). Total assets have increased by EUR 26.0 million or 16.7%. Fixed assets have increased by EUR 20.1 million, cash and cash equivalents have increased by EUR 5.4 million and receivables and prepayments have decreased by EUR 1.1 million. Liabilities have increased by EUR 19.5 million or 23.3% and net assets have increased by EUR 6.46 million or 9.0%. Equity has increased by 2017 net profit. In 2017 equity accounted for 57% (2016: 54%) and liabilities for 43% (2016: 46%) of total assets.

Cash flow

The cash balance of the Group as of the beginning of 2017 stood at EUR 8.7 million. Cash flows from operating activities in the year 2017 were EUR 15.1 million (2016: EUR 11.8 million), cash flows from investing activities were EUR -33.6 million (2016: EUR -20.4 million), and cash flows from financing activities were EUR 24.0 million (2016: EUR 2.1 million). The cash balance of the Group as of the year-end of 2017 stood at EUR 14.1 million. The cash balance increased by EUR 5.4 million or 62%.

The Group repaid loans in total amount of EUR 4.55 million. As of the year-end of 2017, the loans outstanding amounted to EUR 32.2 million, including Pohjola loan of EUR 4.7 million, bonds of EUR 7.5 million, Nordic Investment Bank loan of EUR 10.0 million and European Investment Bank loan of EUR 10.0 million. NIB loan (for reconstruction of the passenger terminal of Tallinn Airport for the period 2007-2008), which balance as of the year-end of 2016 amounted to EUR 3.6 million, was repaid in 2017.

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 2017, a loan of EUR 10.0 million was received from both banks. In 2018, the Group is planning to borrow EUR 10.0 million from EIB and EUR 14.0 million from NIB. In 2019, the Group is planning to borrow EUR 10.0 million from EIB.

Investments

The Group invested EUR 32.8 million, including EUR 31.4 million by Tallinn Airport, EUR 0.2 million by the regional airports and EUR 1.2 million by Tallinn Airport GH.

In 2017, the most important project for Tallinn Airport was the expansion of the airside area to the east and south, in which EUR 15.3 million was invested in 2017 (2016: EUR 16.6 million). Government grants from the Cohesion Fund for the project were EUR 8.5 million (2016: EUR 6.7 million).

Key investments in 2017:

- completion of an extension of the south-side of Tallinn Airport passenger terminal at a cost of EUR 4.8 million; In 2016 the investment was EUR 0.6 million, the total cost of the Project EUR 5.4 million
- purchase of land in the amount of EUR 3.0 million to build new cargo terminals
- built the aircraft painting hangar at a cost of EUR 2.4 million. It is leased to AS Magnetic MRO under an operating lease agreement
- Related to building the parking house of Tallinn Airport (during 2018), the roundabout at the outside of the passenger terminal was completed, total costs related to this project were EUR 1.7 million
- 5 new control-lines were purchased for the security control in Tallinn Airport passenger terminal at a cost of EUR 1.1 million
- Tallinn Airport GH purchased a de-icing machinery at a cost of EUR 0.8 million

We grow together



GROUP'S OPERATIONS

Air traffic

Air traffic in 2017

In 2017, both Estonia and Europe were characterised by a positive economic environment leading to an extraordinary growth trend in aviation. Consumer confidence and income have increased and the ticket prices which continue to be reasonable have made flying affordable to a segment whose travelling opportunities had been more restricted in the past. The favourable macroeconomic environment supported demand throughout the year as a result of which Tallinn Airport achieved its best result ever. As compared to the year before, the total number of passengers increased by 19.2%, i.e. to 2,648,361 passengers. In Europe, the total number of passengers increased by 8.5% on average (ACI Europe).

Tallinn Airport

Passengers

The growth in the number of passengers at Tallinn Airport stayed at around 16% on average in the first half of the year, while increasing to 19.2% in the second half of the year on account of the Estonia's EU presidency. The number of passengers passing through Tallinn Airport was 427 thousand more than the year before. The number of passengers was impacted the most by the strategic cooperation launched in November 2016 between Nordica and LOT Polish Airlines, as a result of which the number of passengers of Nordica increased by 68%, from 370 thousand to 620 thousand passengers. Thus, more than a quarter of a million passengers boarded Nordica flights; thereby the Company increased its market share to 23 per cent and ensured its market leader position. In competition with Nordica, the number of passengers of airBaltic increased by 22%, resulting in a 15% market share. The market shares of the airlines at Tallinn Airport are quite evenly distributed; the next five airlines have more or less similar market positions. For the airport this translates into a better risk distribution and offers a better protection against unforeseen events. Scheduled flights were made by 16 airlines, including low-cost airlines which handled 14% of passengers. The effect of Estonia's EU presidency on the local aviation market was an estimated 48 thousand passengers.

	2017	2016	2015	2014	2013
PASSENGERS					
Total passengers:	2 648 361	2 221 615	2 166 820	2 017 371	1 958 801
● Incl. domestic flights	25 255	18 079	20 271	17 441	19 274
● Incl. international	2 345 240	2 203 536	2 146 549	1 999 930	1 939 527
● Incl. connecting flights	43 945	25 678	55 960	47 034	72 270
● Incl. turnarounds	0	0	9 369	14 161	14 687

Number of passengers in Tallinn Airport (2013-2017)

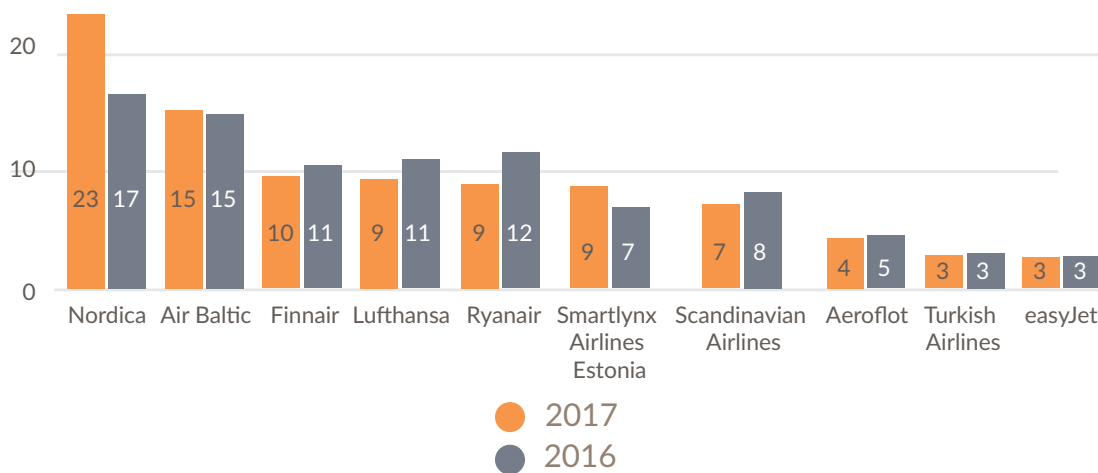
n a year, 17% more seats and 18% more passengers were added to scheduled flights which demonstrates a good balance between demand and supply. The average passenger load factor was 69% (2016: 68%).

The key destinations last year were still the largest hubs – Helsinki, Frankfurt and Riga. Throughout the year, it was possible to fly to 25 destinations from Tallinn, including Kärđla and Kuressaare. Combined with seasonal summer routes, there were 36 destinations at the peak moment. St. Petersburg, Göteborg and Hamburg were added as new destinations. The British aviation giant British Airways launched its flights to Tallinn from the largest airport in Europe, i.e. Heathrow in London.

The number of charter flight passengers increased by 31% in a year, propelled by the stabilised security conditions in Turkish and Egyptian holiday regions. In addition to these countries, charter planes flew primarily to Greek, Bulgarian and Spanish holiday destinations. The largest carrier of charter travel was SmartLynx Estonia, which increased the number of passengers to 50% in a year and handled 80% of charter flight passengers. Of the total number of airport passengers, charter flight passengers made up 11%.

Tallinn Airport expects the number of passengers to increase also in 2018 due to additional connections to existing destinations in London, Kiev and Copenhagen, and new destinations such as Malta, Paphos in Cyprus, Ohrid in Macedonia and Constanta in Romania.

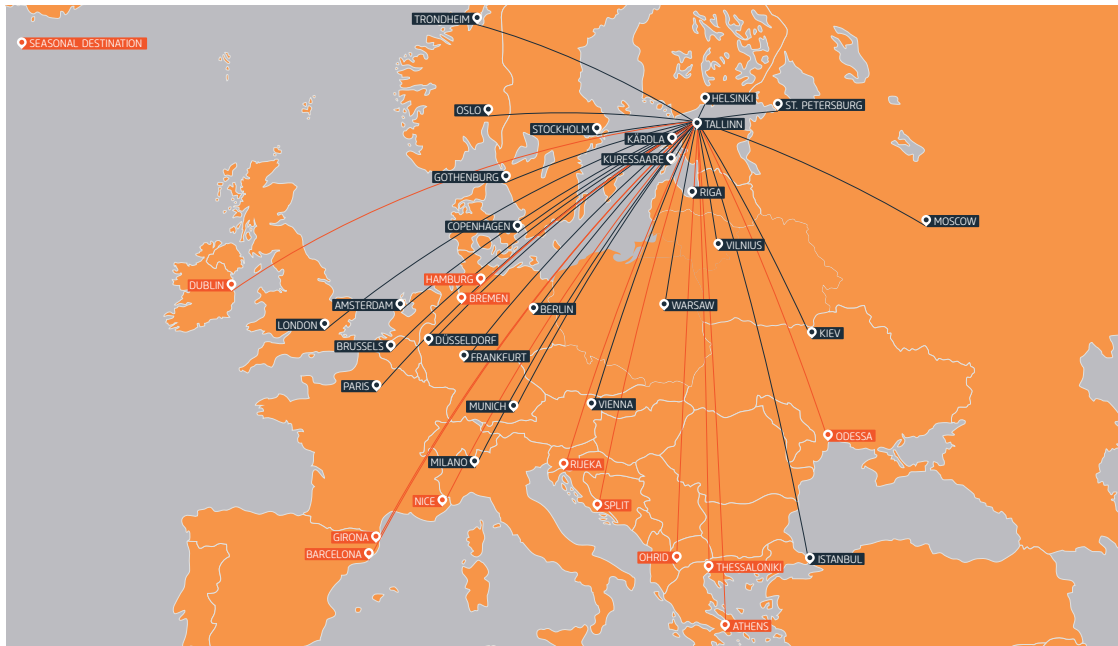
The number of passengers on scheduled flights made up 89% of the total number of passengers. The top three regular route airlines have been the same over the last five years. Throughout the year, there were 25 routes, including new routes to Göteborg and St. Petersburg. Together with seasonal destinations, there were 36 routes in the flight schedule while 23 and 34 routes were available in 2016. A total of 16 different airlines made scheduled flights in various months.



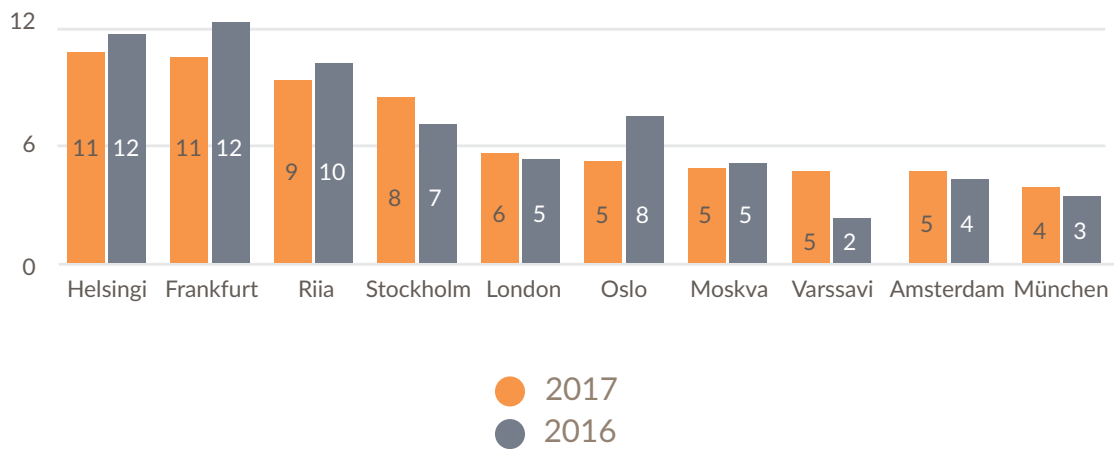
Market shares of airlines in percentages, 2016-2017

Flight operations

In 2017, there was 45,325 flight operations, which is 4,387 more operations compared to the previous year.



Liinivõrgustiku kaart. Suvi 2017



Market shares of destinations of Tallinn Airport in percentages, 2016–2017

	2017	2016	2015	2014	2013
FLIGHT OPERATIONS					
Total	45 325	40 938	41 513	37 791	37 856
● Incl. passenger flights	36 856	32 230	32 058	28 936	28 662
● Incl. cargo	1 662	1 810	1 803	1 817	1 868
● Incl. non-commercial flights	6 807	6 898	7 652	7 038	7 326

Number of flight operations, 2013-2017

Cargo

The bulk (68%) of the cargo volumes handled was made up of express services (2016: 49%). Cargo volumes carried on non-scheduled cargo flights have decreased since the end of 2014 and made up 18% of all the cargo carried last year (2016: 40%).

	2017	2016	2015	2014	2013
CARGO					
Total	11 345	13 940	16 156	19 860	20 941
● Incl. post	2 096	1 886	1 762	1 782	1 620
● ncl. air cargo	9 249	12 054	14 394	18 078	19 321

Cargo and post in Tallinn Airport 2013-2017, tonnes

Regional airports

Tallinn Airport Ltd 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 2017, Tallinn Airport Ltd 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. The number of passengers in Kuressaare and Kärdla airports was affected by the cancellation of regular flights in the early-summer of 2016 and the change of the operator, which is why the the number of passengers has a record increase compared to the low base-level in the previous year.

A new record in passenger numbers was set by Tartu Airport, which is the only regional airport, which has a regular International route. The number of passengers on the Kihnu-Pärnu route fell as a result of the cancellation of flight connections in these airports.

	2017	2016	2015	2014	2013
PASSENGERS					
Tartu	30 292	29 594	21 117	14 493	13 717
Kuressaare	19 231	13 289	14 458	13 665	13 163
Kärdla	9 170	7 547	8 029	7 750	10 222
Pärnu	856	1 196	2 067	2 752	3 538
Kihnu	0	319	1 188	1 968	2 434
Ruhnu	1 329	1 415	1 239	1 299	1 214

The number of passengers in regional airports, 2013-2017

The number of flight operations depends on the regional policy. As compared to other airports, the number of operations at Tartu Airport gets a significant boost from the training flights of the Estonian Aviation Academy.

	2017	2016	2015	2014	2013
FLIGHT OPERATIONS					
Tartu	5 074	4 727	5 052	5 173	5 159
Kuressaare	2 222	1 883	2 148	2 342	2 073
Kärdla	1 528	1 233	1 460	1 305	1 340
Pärnu	1 066	1 017	1 326	914	1 465
Kihnu	74	198	400	538	754
Ruhnu	487	518	470	490	540

Number of flight operations in regional airports, 2013-2017



Tartu Airport

In 2017, there were 5,074 (2016: 4,727) aviation operations at Tartu Airfield and services were provided to 30,292 (2016: 29,594) passengers which is the new record for Tartu Airport.

We reconstructed the aircraft fuel station which received a perimeter fence and a shelter in compliance with requirements. Due to this, the risk of potential environmental pollution decreased and the convenience of use of the fuel station improved. We installed a hydrant into the rescue service depot creating an opportunity to fill up the airport's rescue vehicle and provide maintenance to the rescue equipment at the depot. In addition, another water hydrant was added to the southern side of the airport terminal which improves the overall fire prevention level. The lounge in the public space of the terminal was revamped after the renovation.

With respect to airport equipment, we upgraded the management system of the runway's management system for measurement of the adhesion factor. After the renovation, the convenience of use as well as measurement precision was significantly improved. For example, it is possible to display the measurement trail where it is possible to remove skid sections, the total percentage of skid sections from the runway length, etc. In addition, all maintenance procedures and measurement protocols made with the adhesion factor have been documented automatically and in a digital form.

In cooperation with various national authorities we conducted flight rescue training sessions, the objective of which was to train and test the operating capability of the rescue service of Tartu Airport and its readiness to react to incidents. We also tested how to solve accidents outside the airfield territory in collaboration with other authorities and companies.

An exciting event was also the handling of one of the largest aircraft Boeing C-17 Globemaster III on Tartu airfield.

In cooperation with the Estonian Defence Industry Association, the Ministry of Defence and Tankent Link, we conducted a unique trade fair "Electronic Warfare and Military Cyber Live". Such a live demo has not been conducted previously in this field.

In 2017, a passenger survey was conducted at Tartu Airport between 4 and 28 May and 30 June and 31 August. The total number of responses was 527 and on average, 16% of the passengers traveling through the airport responded to the survey. There were as many male as there were female survey respondents, the average age of the passenger was 25–34 years (27.5% of all respondents) and 62% of passengers were younger than 45 years old. The reasons for visiting the airport included work or business (37%), vacation (34%) and visiting family and friends (23%).

Kärdla Airport

In 2017, Kärdla airfield had 1,528 (2016: 1,233) air traffic movements and services were provided to 9,170 (2016: 7,547) airline passengers. The majority of them – 8,566 passengers i.e. 93.4% of the total number of airline passengers – were made up of customers of a carrier providing scheduled flights. The growth in air traffic movements and number of passengers as compared to last year is related to the stable operations of the carrier Transaviabaltika providing scheduled flights. 30 flights were cancelled, 29 of which were weather-related and one was caused by technical issues. There were 19 delays, 17 of which were weather-related, one flight was delayed due to technical issues and 1 flight was delayed due to the late departure from the previous destination.

In December, flights on Tallinn-Kärdla route were made by the 40-seat ATR 42 aircraft, the suitability of which was tested by Transaviabaltika in order to make scheduled flights to Kärdla.

There were 8 incidents – 5 were on ground, and 3 were related to birds and animals.

The largest projects completed included reconstruction of the perimeter fence, as a result of which better air safety is ensured on the airfield.

At the beginning of 2017, we obtained a deforestation permit from owners of the registered immovable to ensure an obstacle limitation surface in the airfield protection zone.

The skiddometer used for measuring the friction factor on the airfield was modernised, new software was installed on it enabling to electronically transfer data through a wireless connection.

In 2018, the highest priority activity will be covering the runway with a new asphalt surface, in the course of which runway markings will also be renewed. Another plan calls for fixing the lighting system, in the course of which the approach flights will be brought to the runway's 32 threshold (milled into asphalt) and PAPI lights will be relocated. This will create preconditions for carrying out GNSS approach procedures. The state has allocated EUR 1 million grant for this investment.

Pärnu Airport

In 2017, Pärnu airfield had 1,066 (2016: 1,017) air traffic movements and services were provided to 856 (2016: 1,196) passengers, 725 of whom were on scheduled flights to Ruhnu. The decrease in the number of passengers was related to the cancellation of scheduled flights to Kihnu.

Scheduled flights on Ruhnu-Kuressaare route took place between 1 October and 30 April. There were no delays related to the airfield, however, some of them were caused by variable weather.

In the summer months, the airfield was used primarily by private pilots, and the landing mass of aircraft used was generally less than 2,700 kg.

We continuously repaired the runway, taxiway and joints of the apron.

In summer, Skydive Estonia organised an international skydiving camp Parasummer which arranged an open day for the first time enabling people to take a closer look at the skydiving sport and aircraft. The weather conditions were good during the skydiving camp and a total of 263 take-offs and 2,898 skydiving jumps were completed during the week.

Each summer, an international car and motorcycle drag race competition Speedest Legends also takes place, organised by non-profit association Motorsport Promotion Centre. In 2017, additional two smaller drag races also took place. There would have been even more drag races and drift events but unfortunately the poor quality of the runway prevented them from taking place.

The Estonian Ministry of Economic Affairs and Communications allocated EUR 20 million for the reconstruction of Pärnu airfield in 2018-2020. The project's preparatory work has been launched and the plan calls for a thorough renovation of the runway with measurements of 2,000 × 30 meters, construction of a new taxiway and expansion of the apron. The plan also calls for renewal of the communication and electricity supply, expansion of the current passenger terminal and construction of a new maintenance service building. The objective of the reconstruction is to enable 70-seat aircraft to land again so as to enable customers of the local tourism sector to use the services of charter flights.

In August, the Civil Aviation Authority renewed the certificate for Pärnu airfield and issued a new certificate with the validity until 31.08.2020.

The growth of non-aviation revenue was achieved only due to event organisation. The customers of rental premises decreased. It is difficult to increase the number of customers due to the distance of the airfield from the city. Another factor contributing to this is the availability of better quality rental premises in Pärnu, an inadequate bus connection and the location of some premises on a territory with a limited access.

Kihnu airfield

In 2017, Kihnu airfield had 74 (2016: 198) air traffic movements and there were no passengers.

Skydiving athletes were also active on the island of Kihnu where during four skydiving days, they made 30 take-offs and approximately 250 skydives. There were no scheduled flights to Kihnu. However, there were emergency flights and visitors on small airplanes.

The Health Board will build a helicopter landing area on the island of Kihnu in order to receive emergency care flights and Kihnu rural municipality will maintain the area. In order to find the best place for the construction of the area from the point of view of air safety and utilities, it was necessary to permanently shut down the runway 15-33.

Kuressaare airport

In 2017, Kuressaare airfield had 2,222 (2016: 1,883) air traffic movements and services were provided to 19,231 (2016: 13,289) passengers. The growth in the number of passengers as compared to 2016 was 44.7%. There were 1,455 scheduled flights, 56 charter flights and 711 other flights.

Charter flights carried people from Visby and Finland wishing to take a holiday in the spas of Kuressaare. The inhabitants of Saaremaa took a Nordica's charter flight from Kuressaare to the Islands Games in Visby. The members of the German theatre orchestra and actors arrived for Saaremaa Opera Days with two airBaltic charter flights. In July, 15 unique small planes from Switzerland visited Kuressaare Airport. At the same time, four Swedish antique planes visited Kuressaare Airport for the purpose of fuelling aircraft. During two days in August, the training exercises of the US military aircraft A-10 together with the tanker aircraft C130 took place on Kuressaare airfield.

Another extraordinary flight was made by an old gentleman William M. Charney, who restored his antique plane in New Zealand and during his flight around the world flew back home to the USA, stopping also for a few days in Saaremaa.

The antique plane DC-3 belonging to Finnish aviation veterans, visited us for a couple of times during the summer.

The air-water heating of the maintenance service buildings was the largest capital expenditure investment.

Ruhnu airfield

In 2017, Ruhnu airfield had 487 (2016: 518) air traffic movements services which were provided to 1,329 (2016: 1,415) passengers. In 2017, Ruhnu airport building was renovated.

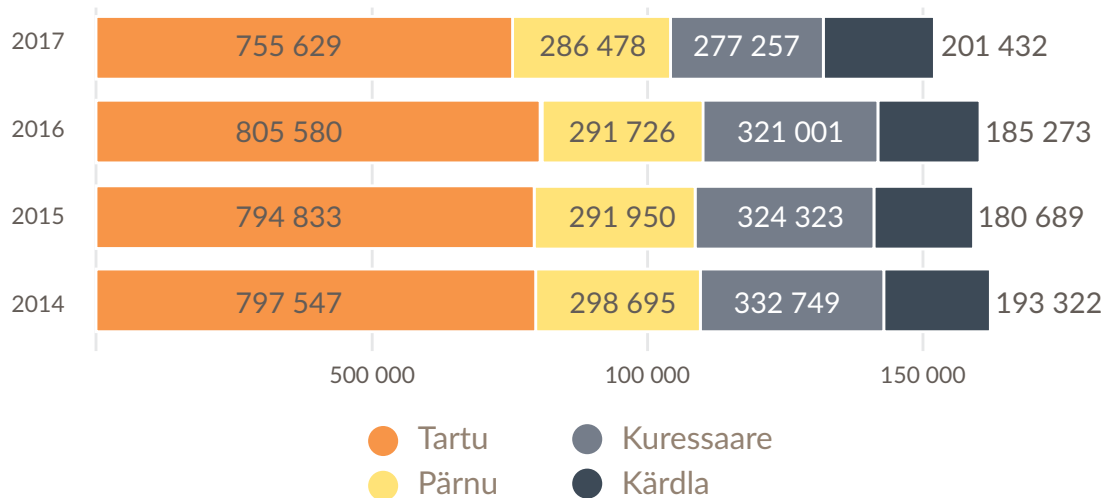
Environmental indicators at regional airports

Regional airports also take into consideration our environmental policy principles and environmental plan objectives, because the environmental management system ISO 14001 has been implemented throughout the company.

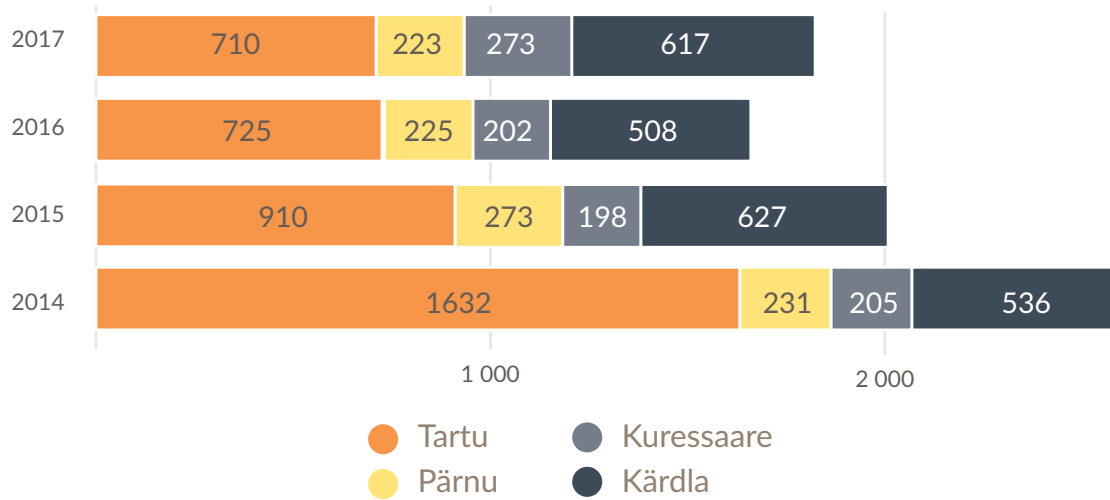
Consumption of natural resources at regional airports has largely remained the same as in 2016. The fluctuations are primarily related to the number of passengers and the working time of airports. Consumption of electricity at Kuressaare airport declined in 2017 as compared to 2016, because the airport started to use the new ground heating system.

The reduction of water consumption at Tartu Airport over the last couple of years is related to the fact that until summer 2015, Tartu Airport also supplied the adjacent residential area with water from the existing bore well. From summer 2015, both Tartu Airport as well as the residential area joined the public water supply system and the residential area was removed from the airport's water supply. In 2017, the use of water reflects only the consumption of Tartu Airport.

No environmental pollution incidents were registered at regional airports in 2017.



Electricity consumption at regional airports, 2014–2017, GW/h



Water use at regional airports, 2014–2017, m³

Airfield operation

Certificates

Tallinn Airport Ltd 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.

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;
- aviation safety and 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 Aviation 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 October 23, 2015, Kärdla Airfield on December 18, 2015 and Kuressaare Airfield on October 12, 2016.

The existing certificate of the Tallinn Airfield was renewed by the Civil Aviation Administration until December 31, 2017 related to the large development project of the air traffic area, which was completed successfully by November 1, 2017. The certification of Tallinn Airport with prior conformity assessment took place in November 2017 and a new certificate was issued to Tallinn Airport on December 19, 2017.

Aviation safety

Safety is the main objective among achieving the goals of all fields of activity of Tallinn Airport Ltd. The main goals of aviation safety are ensuring safety in all activities at all airports of Tallinn Airport Ltd, regular and uninterrupted air operations and customer service at all times and in all weather conditions, in compliance with the international safety requirements and standards. Therefore, our community includes an inclusive, open and transparent safety culture for all 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.

	2017	2016
AIRPORT		
Tallinn	473	394
Tartu	73	65
Pärnu	14	8
Kihnu	0	0
Kuressaare	9	12
Ruhnu	0	0
Kärdla	8	8

Number of registered notifications 2016-2017

The safety management system is supportive of informing all cases of work affecting aviation safety in order to investigate the event and ensure that it does not recur.

No serious incidents or events were related to the development project of the air traffic area. During the construction project, the Company was able to guarantee safe provision of the airfield service.

In 2017, a total of 577 notifications were registered on all airfields.

At Tallinn Airport, safety committee meetings take place twice a quarter where all representatives of the companies operating on the airfield participate. The promotion of safety culture continues to be the daily task of aviation safety. We continue to raise safety awareness through newsletters that we plan to issue at least once a quarter.

Safety and quality groups meet at regional airports at least once a quarter where airport employees as well as the partner companies operating on the airfield participate.

In 2017, the LED panel system used on Tallinn airfield was expanded. The panels were introduced in 2016 with the aim of improving the availability of information for the use of the airfield. The panels display information on limited visibility, time, temperature and other meteorological warnings issued for Tallinn airfield. The benefits of the system appeared quickly and, based on this, the decision to expand the system was easy to make. New panels will be installed on K-apron that was built during the development project of the air traffic area and also on 3 facades of the substation. One panel will be installed at a facade of the painting hangar built at the end of 2017.

CNS, MET and AFIS services

Tallinn Airport Ltd is a certified air navigation service provider. The services provided include CNS communication and navigation services, MET meteorological services and AFIS flight information services.

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

AIRPORT	ATS	CNS	MET
Tallinn	Not provided	3	4
Tartu	0	0	3
Pärnu	1	Not provided	1
Kuressaare	3	0	0
Kärdla	0	0	0

Incidents related to providing air navigation services in Tallinn Airport Ltd 2017

Incidents related to birds and animals

Birds and animals may cause extensive damage to aircraft. In 2017, the 107 incidents related to birds and animals were registered in all airfields, from which 95 took place in Tallinn Airport (2016: 59), with 18.8 incidents related to birds and animals per 10,000 movements (2015: 14.4).

Of the incidents that took place on Tallinn airfield, 65 were registered collisions, 29 potential collisions and one event in the category "Other". The high number of incidents on Tallinn airfield was directly related to the development project of the air traffic area and the associated effects. The black soil areas due to the construction significantly increased the number of birds flying to the airfield territory. In addition, the number of birds was also affected by the rainy summer and autumn.

In 2017, the Company used gas cannons, audio-visual and pyrotechnical measures to scare off birds and animals. Tallinn airfield employs a professional ornithologist to evaluate and monitor the ornithological situation.

In 2017, a database of the nesting and gathering sites of birds on Tallinn airfield and its vicinity was compiled, helping us to analyse the effect of birds on air traffic and plan measures to ensure safe air traffic.

	2017	2016
AIRFIELD		
Tallinn	95	59
Tartu	3	3
Pärnu	1	1
Kihnu	0	0
Kuressaare	5	0
Ruhnu	0	0
Kärdla	3	2

Incidents related to birds and animals in Tallinn Airport Ltd 2016-2017



Aviation Security in Tallinn Airport

The year 2017 was a year of innovation for aviation security. When making plans for the year we challenged ourselves that in addition to relocating the security checkpoint to a new location, we need to provide services to more passengers than in 2016. The challenge was intriguing and its solution was possible only due to the use of new technology. When analysing the practice of other airports, a trend was visible where automatic security checkpoint lines were taken into use which in addition to simplification of work processes also boosted passengers' self-service role and set a precondition for saving staff costs over the long run. In a public procurement, we selected the international company Vanderlande as our partner. Its product Scannojet is used at several European airports. After a 5-month production and installation period, the new checkpoint with new technology was ready to be used by passengers at a new innovative and qualitative level. Since that day, the specificity of the security check work changed. Instead of the previous 6-7 meters, the lines became 20 meters long. Passengers can use two spots at the same time for getting ready and the number of crates is not limited per passenger. Furthermore, preparation of one passenger does not interfere with the preparation of other passengers. The movement of crates on the line is fully automated – movement on the line with the passenger's items, automatic identification of empty crates and sending them to the passenger at the beginning of the line. Everything takes place without the physical intervention by the security staff.

The specificity of the work of employees also changed. The operators who previously sat by the x-ray equipment were taken into a separate room and their work is no longer related to a particular line. Such method enables us to save staff costs, because there is

no longer a need to have 5 operators for 5 lines, but the same work is performed by 4 operators at a maximum. With the new lines, the luggage requiring follow-up checking was also removed from other luggage, which provides an opportunity to a fully-prepared passenger to move faster through the checkpoint as compared to the passenger whose hand luggage contains prohibited items (as a general rule, more than 100 ml of liquid) and therefore he/she is directed into additional checking. The lines used at Tallinn Airport are the first such lines in use in the Baltic States.

In addition to the expansion project of the passenger terminal, the reconstruction of the runway that took place at the same time also required additional funds. There was an exceptional situation at the airport, where during night work, up to 10 additional security people were working each night and they did this for 4 consecutive months.

Another challenge for Estonia as a whole was the EU presidency which took place earlier than planned, in the course of which hundreds of VIP passengers moved through Tallinn Airport whose security was ensured and for whom services were provided by a separate unit that had received respective training.

To raise aviation security awareness, 116 training events were conducted in 2017 (2016: 128), attended by 1,414 employees involved in aviation (2016: 1,092).

One of the main objectives of the area of aviation security is to detect prohibited items/substances in the luggage of passengers. In 2017, a total of 13,843 items included in the list of prohibited items/substances were detected by security screenings at Tallinn Airport (2016: 14,483 items).

Key investments included replacing aged equipment with fully automated security control-lines to perform security screening of passenger luggage.



Non-aviation

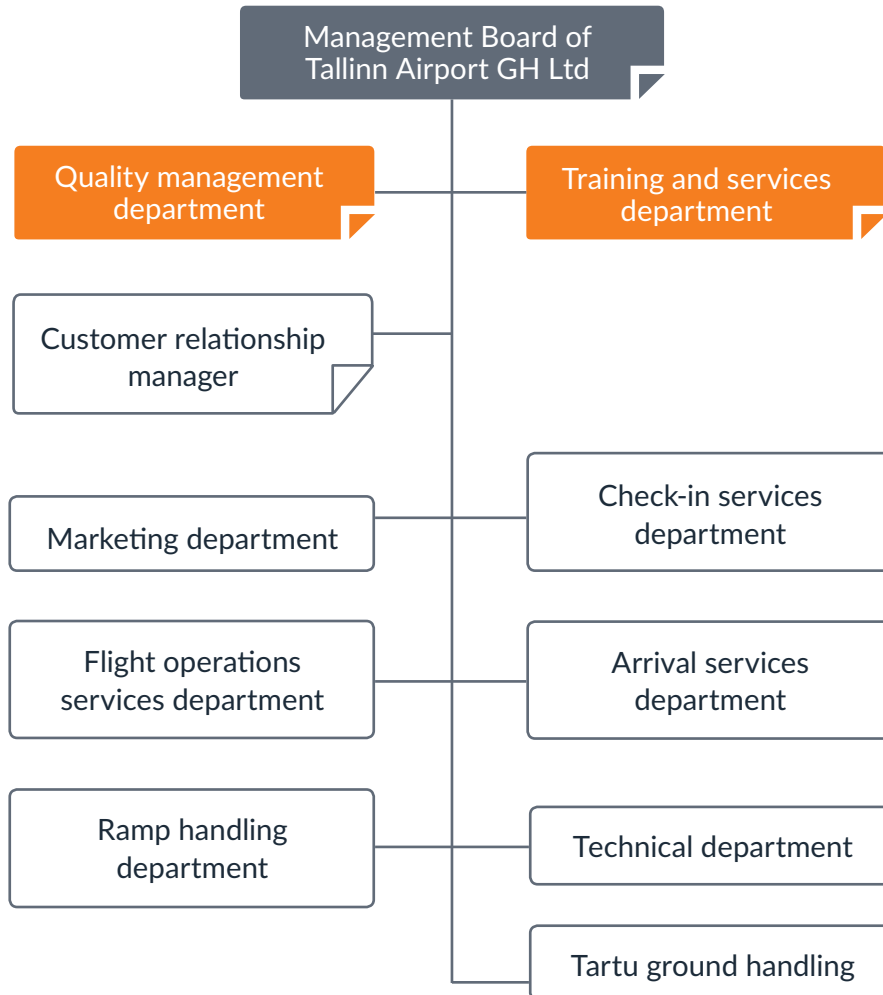
Ground handling of aircraft and passengers - Tallinn Airport GH Ltd

We just help to fly!

Tallinn Airport GH Ltd launched its operations on January 1, 2016, organising the ground services for passengers and aircraft at Tallinn Airport. The founder of the company and owner of its shares is Tallinn Airport Ltd. The key activities are provision of ground aviation-related services to legal and physical persons using the airport, renting of means of transport and special equipment, cashier services, intermediation services as well as preparation and sale of documents for passenger and freight transport. Our image is to be a flexible, innovative, friendly and caring service organisation providing high-quality services.

Tallinn Airport GH Ltd has implemented an integrated management system that complies with the international management system standards ISO 9001:2015 and ISO 14001:2015. In order to minimise operating risks and ensure air safety, the principles of the safety management system are followed at Tallinn Airport GH. The foundation of our human resources strategy includes existence of competent staff, prompt filling of positions, motivation and development of our employees, with which we support the re-orientation of the Company's business strategy and business concept.

THE STRUCTURE OF TALLINN AIRPORT GH LTD





Our services

The services targeted at passengers include a flight check-in, submitting of final flight data to the carrier, boarding services, parcel delivery services, solving of irregularities related to luggage transportation and search for lost luggage, transport services for passengers and aircraft teams, intermediation of services (catering services on board), etc.

Technological developments have created a situation where passengers usually check in on their personal computers or smart devices, due to which we liquidated self-service kiosks at Tallinn Airport in March 2017. Due to the outdated information technology capability of self-service kiosks, only 0.25% passengers used them (2016: 2.59%). As a result, the number of passengers using check-in desks increased by 12% compared to the previous year (2017: 57.47% and 2016: 45.43% of the total number of passengers). This represents the highest service volume over the last five years. In 2017, the online check-in option was used by 42.28% of passengers (2016: 51.98%). The decline was related to the larger number of charter flights and summer destinations, for which it was not possible to use the online check-in option.

Ramp services include aircraft positioning, towing and chaperoning, their supply with the ground power supply and drinking and technical water, aircraft toilet services, cabin heating, loading of cargo and mail, cargo inspection, de-icing of aircraft.

In 2017, de-icing revenue was EUR 2.42 million (2016: EUR 2.78 million). In 2017, de-icing revenue declined by 13% as compared to 2016.

Due to the growth in the service volume and extremely variable winter weather, most of the investments in 2017 were related to the special equipment necessary for provision of services to aircraft.

In 2017, the Company's objective was to ensure the timely delivery of services to all airlines at a minimum rate of 97%. Throughout the year 2017, the annual average was 97.7%.

The intermediary services include tanking of aircraft, ground transportation and accommodation of the crew and passenger, facilitation of the check-in system AMADEUS Altea in Europe, sale of international training services and cleaning of aircraft cabins.

In all of our activities, we adhere to the following principles:

- economic activities take place under the principles of honest competition;
- stable marketing policy;
- competent customer service;
- good price and quality relationship between services provided;
- cost-conscious operation with the goal of lowering the cost price of products through efficient working processes and information technology solutions.

Quality objectives

The strategic quality objective of Tallinn Airport GH for the years 2017-2021 is to grow into a company with the best high-quality ground services in Northern Europe and to be among the top five companies in the quality assessment of airline service stations. Tallinn Airport GH uses regular compliance monitoring (internal and external audits) to test the compliance of its operations and services. The scope and volume of compliance monitoring have been approved by the Company's Management Board and its objective is to provide sufficient feedback on the compliance of the Company's main processes with the requirements and regulations pertaining to the Company. In addition, the planning of compliance monitoring takes into account the Company's risk management results and estimates.

The Company is audited on average 12 times a year by our customers, authorities regulating aviation and the institutions involved in certification. The objective of all audits is ongoing improvement of our processes.

The Company's risk management is part of the management system and all activities related to the Company's key process are subject to risk management and a risk-based approach. The objectives related to the security of the Company's key process (safety, security) is divided into various categories based on risk management principles in order to give a better and clearer overview of the target levels set for the attainment of objectives related to the main process.

MAIN INDICATORS OF FINANCIAL RESULTS AND SALES



Operating income
2017 - 12 546 thousand EUR
2016 - 11 753 thousand EUR



Operating profit before
depreciation (EBITDA)
2017 - 1 426 thousand EUR
2016 - 2 224 thousand EUR



Net profit
2017 - 969 thousand EUR
2016 - 1 764 thousand EUR



Total assets
2017 - 11 331 thousand EUR
2016 - 9 734 thousand EUR



Investments
2017 - 1 138 thousand EUR
2016 - 375 thousand EUR

KEY EVENTS IN 2017



LOT Boeing 787-800 Dreamliner visited Tallinn Airport on February 23. Tallinn Airport GH was present with its equipment and addition to the requested services, we were able to test the suitability of various pieces of equipment and procedures with the new type of aircraft.



Tallinn Airport GH provided support to Finnair during the strikes. All passengers who had checked in to their flights found a suitable solution for themselves and they were flown on connecting flights to their destinations through other hubs.



Air China visited Tallinn with its delegations on board of Airbus A330 aircraft on April, 13-14. The representatives of Air China from Genova were extremely satisfied with the work of Tallinn Airport and GH.



Tartu department of Tallinn Airport GH handled two large charter flights (LOT Polish Airlines Embraer and Enter Air B737). These were charter flights carrying equipment and soldiers who participated in military training in Võru.



Within the framework of the EU presidency, Tallinn Airport GH provided services to operators handling various diplomatic flights. Tallinn Airport hosted French Air Force flights with the French Prime Minister on board on June, 28-29. In July, the airport hosted the flights of the President of the European Commission, J. C. Juncker and the 48th Vice President of the USA, M. Pence. The preparations for the visit of the US Vice President took place for several weeks and there was close cooperation between the airport, the Security Police and the US Embassy. The representative of the flights were very satisfied with the provision of services to the flights carrying all of the above-mentioned politicians, and the work of Tallinn Airport GH as a whole was carried out at a high level.



In 2017, the number of unscheduled flights also increased. Brussels Airlines made several charter flights to Tallinn Airport and also two to Tartu Airport. Austrian Airlines made two charter flights from Tallinn in July and August. Between 14 July and 1 September, the Royal Air Force military flights on A330 aircraft were made from Tallinn Airport each Friday.

Passenger experience

Our greatest wish is that our passengers feel comfortable while staying at the passenger terminal, to make the passenger's journey as coherent as possible and with everything at hand. It is also important to have a variety of shops and eating places and a wide range of services offered.

Provision of services to passengers at Tallinn Airport

At the end of 2016, we started passenger route mapping and in cooperation with Ernst & Young Baltic AS, we mapped the service process of the departing passenger. As a result, we received a document stating what steps a passenger must complete at the arrival and departure of Tallinn Airport and what activities a passenger and the airport must take on this journey (Customer Journey). We also mapped out who are the partners at contact points who provide services to a passenger.

In 2018, we will go even more in details with the mapping out a customer journey, and will document clear agreements and expectations both for our internal as well as external partners. Our objective is to offer excellent services and a smooth, safe and friendly experience to a passenger. In addition, there is a plan to draw the list of the needs of various passenger profiles during an entire passenger journey.



Passenger's journey in the passenger terminal

At the end of 2017, the passenger terminal of Tallinn Airport had a total of 10 shops (2016: 12) and 9 eating places (2016: 9). The contest was organized in order to find an operator of a duty free shop. Furthermore, we continue to look for new operators and categories of goods that do not compete with the existing ones but bring additional value for passengers and additional revenue for an operator and the airport. Compared to last year, average retail spend per departing passenger decreased by 66 cents. Decline

was affected by passengers' price sensitivity, the continued onslaught of e-commerce and change of operators of shops. In 2017, retail spend remained at EUR 7.64 (2016: EUR 8.17). In catering, spend rose 0.06 cents per departing passenger, averaging EUR 3.10 in 2017 (2016: EUR 3.04).

Commercial premises of the passenger terminal

- In March, a competition to find an operator for the duty free store took place which received 4 bids.
- In April, we signed an agreement with the operator of the new duty free store, Baltona Duty Free Estonia OÜ. The store under the new operator will be completed in April 2018 where the interior design of the store will focus on the elements of the Estonian nature as an innovative solution. Birchwood and its imitations are used extensively. The range of goods will include Estonian made products both in the key categories (alcohol, soft drinks, sweets, cosmetics) as well as clothes and accessories.
- In July, Vigala Apteek OÜ terminated its activities. The provision of the drugstore service will be postponed until the completion of the reconstruction of the former security checkpoint area. The cafe with three balconies Kohver Köök was opened in the southern part of the public area.
- In September, the store Riidekapp which sells clothes and accessories was shut down. The reason for this was that this product category was added to the range of products sold at the main duty free store to be opened in April 2018.
- In October, R-Kiosk opened its first cafe-kiosk with the new concept in the public area.
- MyFitness gym was opened at gate no 6. The store Hää Eesti Asi was moved to gate no 3.
- In November, the drugstore Südame apteek was opened under a new operator.
- In December, we opened a joint kiosk-store of R-Kiosk and Apollo on the former security checkpoint area. During the last days of December, our duty free operator Inflight Services Estonia Eesti OÜ terminated its operations at the airport.

In collaboration with the neuromarketing laboratory of the University of Tartu, we tested the convenience of use of the passenger terminal of Tallinn Airport with a special eye tracking device. We analysed how two people with different backgrounds and traveling experience would behave as “passengers” at Tallinn Airport, and how easy it is for them to move around and find various additional services/options at the airport.

Keywords related to the airport in conjunction with the experimental passenger

- Extraordinary
- Distinct
- With ambient atmosphere
- Cosy impression
- Simple
- Small
- Everything is close by
- All items are easy to find
- Full of surprises (gym, library, sleeping arrangements)



Business Lounge

In 2017, 55,954 passengers visited Tallinn Airport's business lounge, which made up 4.2% of all departing passengers. As compared to 2016, the number of visitors of the business lounge increased by 19%.

Business class passengers of Nordica LOT Polish Airlines, Aeroflot, Finnair, Lufthansa, airBaltic and Turkish Airlines can visit the lounge without paying a fee. The holders of the Priority Pass, Dragonpass, Diners Club, Lounge Key and Lounge Club can use it at a discount price.

In 2017, the guests holding the Priority Pass and the passengers of Finnair, Nordica LOT Polish Airlines and Lufthansa made up the largest share of visitors.

At Tallinn Airport business lounge, we offer our customers soft drinks, alcoholic beverages, snacks, pastry products and warm soup during the lunch hour. In autumn 2017, a fresh salad bar was made available where passengers can put together a salad plate to their liking. Fresh Estonian and English magazines are also available to our customers.

At the end of 2017, the world's largest independent programme Priority Pass, which offers membership of the lounges of world's largest airports, announced the best airport lounges. In 2017, Tallinn Airport's business lounge was named the best business lounge in Europe. This is a huge acknowledgement to us and we place great value on our customer feedback.

VIP Service and presidency of the EU Council

In 2017, the VIP area of Tallinn Airport was revamped in the course of which two new spacious rooms were added to the VIP lounge which we used to receive guest during the EU presidency. After the end of the presidency, we can use these rooms as desired and needed to organise meetings and conferences.

The presidency of the Council of the European Union took place in the second half of 2017, which also significantly impacted the airport's work. Preparations for the presidency were launched almost a year before the opening event. For this purpose we increased the number of people involved in provision of services to VIP customers to 30 people, we started to use new uniforms for the period of the presidency, developed new packages of services and used EU2017 visuals at the airport.

In VIP-rooms, we provided services to 922 delegations and 3,850 passengers. The busiest months at the airport related to the presidency were July, September and the beginning of October. As at the end of December, the estimated number of passengers who passed through the regular terminal and were related to the EU presidency was 45,000, increasing the number of passengers in these months by ca 23% as compared to normal circumstances. There were 157 private and 708 scheduled flights related to the VIP delegations of the presidency.

The busiest day at the passenger terminal was 27 September, when 10,241 passengers passed through the terminal which was a record of all times. Most of them were most likely going to attend the digital meeting SUMMIT taking place at 28 and 29 September in Tallinn within the framework of which almost all heads of the European Union countries visited Estonia. These included the German Chancellor Angela Merkel, the British Prime Minister Theresa May and the French President Emmanuel Macron. This event was the most stressful one for us during the presidency because we had never provided services to as many aircraft and passengers before.

A total of 11 events involving ministers and 10 high-level conferences took place during the presidency. High-level delegations both on private as well as scheduled flights arrived for these events.

In 2017, VIP-services were provided on 831 occasions, restricted area services were provided on 86 and Express services on 182 occasions. A total of 10,640 passengers passed through the VIP-rooms, 4,000 of whom were guests related to the presidency. As compared to 2016, the number of VIP-passengers increased by 229%, by more than 6,000 passengers.

Besides the guests related to the presidency, we provided services to our regular customers as well as the Presidents of Ukraine and Finland, Vice President of the US and Vice Prime Minister of China as well as several Prime and Foreign Ministers.

Dear collaboration partner!

It gives me great joy to congratulate you and thank you for the hard work which you did for the Digital Summit that took place in Tallinn at the end of September. The first digital summit of the European Union and the dinner prior to it were a huge success because of the contribution of thousands of people. We can state it ourselves and we have heard a lot of praise from our guests both over the weekend as well as during the week ended. The largest event of the Estonia's presidency took place in a busy but positive mood and our guests felt at ease and safe here thanks to you.

I believe that the topics that were clarified, discussed and agreed upon during these days in Tallinn will shape the future of the European Union and 500 million Europeans. We have let the digital snowball roll. Our contribution and fingerprint will be felt in all our future decisions. I would like to thank you one more time for making a necessary contribution to the success of one of the key events of Estonia's presidency of the Council of the European Union. Such moments make Estonia a bigger place.

Please definitely forward my words of sincere gratitude to all members of your team!

Carry on as before, Estonia!

Words of gratitude by the Prime Minister Jüri Ratas

Stakeholders

The key stakeholders of Tallinn Airport Ltd include passengers, customers, partners and companies operating on the territory of the airport, our employees and local governments whose units participate in development of infrastructure through the process of agreements and issuance of permits. In addition, they also include all people living nearby or in farther places who can be influenced through our activities.

In order to provide an overview of the Company's key financial indicators we have mapped out the main impact points of the airport's activities. Determination of these impact points and limiting their scope took place through interviews with the representatives of various target groups, the Company's employees and management as well as data and media analysis.

The key impact points from the economic point of view include safety and security of airfield services, compliance of activities with laws and regulations, and the society's expectations, honest and transparent management and customer's satisfaction with services. The key environmental expectations relate to the energy savings of airport activities and advocating the green way of thinking. In terms of the society's expectations, the key ones include infrastructure development, preservation of good flight connections, profitable operations and honest competition.

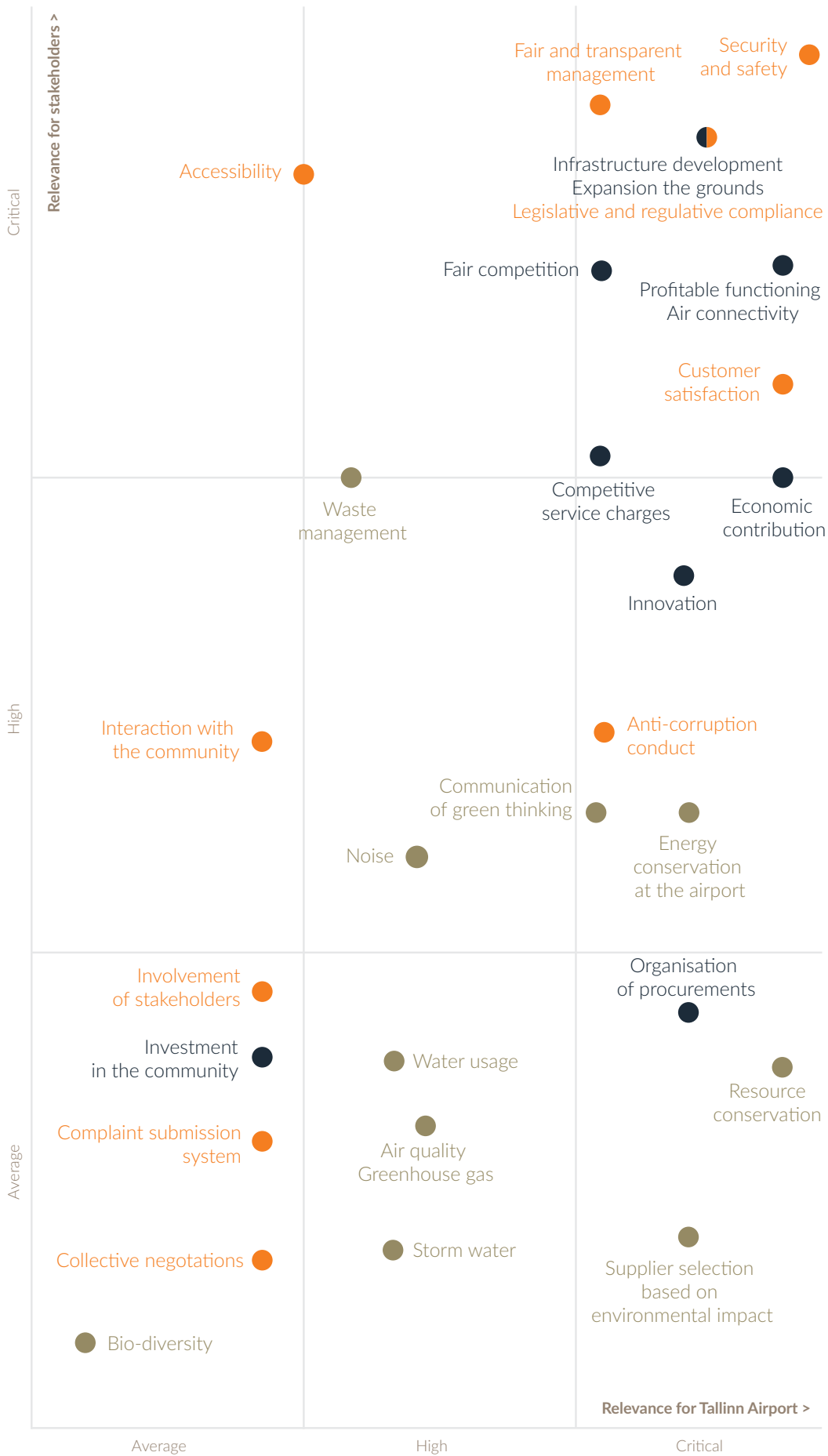
Based on the expectations of our stakeholders, we listed our value propositions for 2017:

Each flight counts! We guarantee on-time flights through high-quality, safe and flexible route services.

The world's cosiest airport! We provide a convenient, safe and positively surprising customer experience.

Reliable partnership! We provide need-based infrastructure and high quality services by being flexible and ensuring our partner's growth ambition.

Everyone counts! With clear responsibilities, valued competencies and high expectations set for ourselves, we create daily positive emotions for our customers.



The Analysis of the Airport Stakeholders 2017 (Source: Henrik Kutberg)

Passengers

The annual passenger survey at Tallinn Airport has been conducted for more than 10 years. In Q3 2017, Tallinn Airport joined an international air passenger survey research programme ASQ (Airport Service Quality) held by ACI (Airports Council International). The client feedback system is also operating effectively. This enables the clients to directly implement the development of the Groups operations.

Provision of services for passengers with special needs

In 2017, 17 employees received training for provision of services to passengers with special needs and 1 employee received the expertise of a trainer providing training for customer service assistants dealing with passengers with special needs.

There are always two customer service assistants working at the passenger terminal of Tallinn Airport at night (20:00-08:00) and between 3 and 7 assistants during the day (08:00-20:00). In addition, the assistant to the head of the terminal, who also has expertise in dealing with passengers with special needs, is always present.

At the end of 2017, an e-learning training programme was completed related to provision of services to passengers with special needs. The programme is targeted at raising employee awareness and improvement of their skills. All airport employees need to pass the e-learning training.

In 2017, there were 5,195 (2016: 3,894) requests to assist passengers with special needs at Tallinn Airport, this figure increased by 33.4% as compared to 2016. Only 5% of the requests were received more than 24 hours in advance, the remaining requests were not known beforehand at all or the time of submitting the request was only a few hours.

The airport has 13 wheelchairs (incl. one electric), 2 stretchers, 9 regular wheelchairs, 1 XXL wheelchair, and 1 Ambulift vehicle.

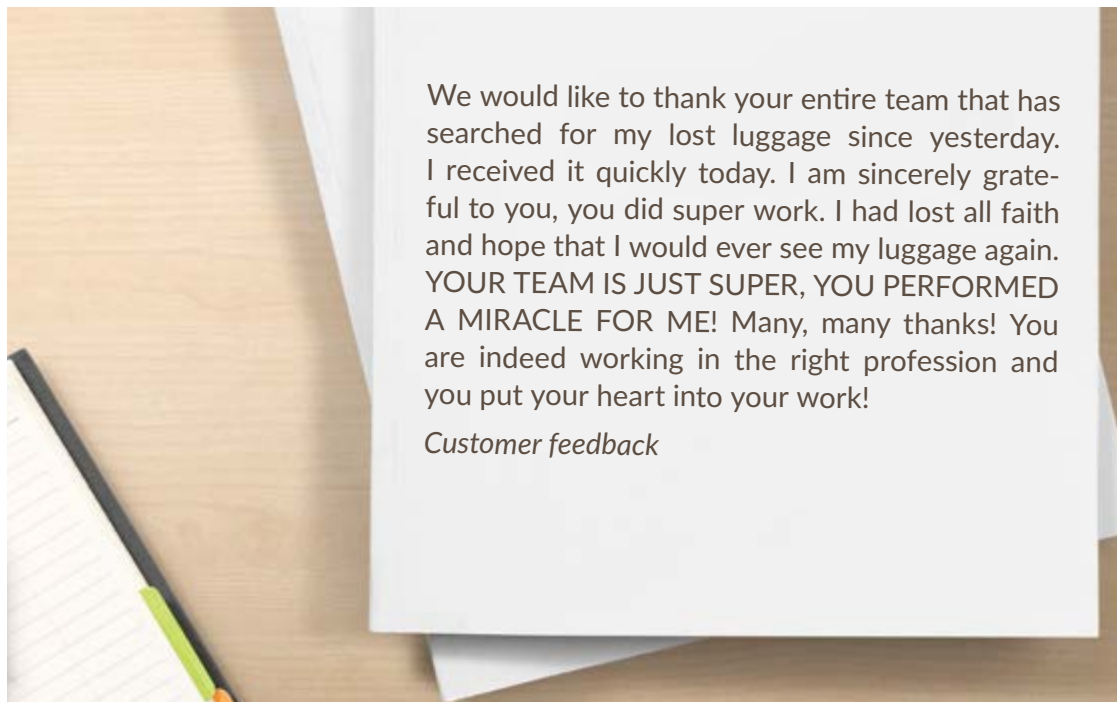
At the end of 2017, we purchased a modern Ambulift vehicle for Tallinn Airport enabling to serve all types of aircraft that arrive at Tallinn Airport. The new vehicle significantly improves the quality of services provided to passengers with special needs. The vehicle will arrive at the end of February 2018.

The feedback received from passengers was positive in 2017. There were no complaints about services or any incidents.

Feedback

We as the world's cosiest airport place great value on customer feedback and in 2017 we paid more attention to taking it into consideration in the airport's daily operations than before.

Customers primarily provide feedback through our website or e-mail, and about a tenth of customers still use "old school" white paper and blue pen. In total, we registered 128 instances in various channels.



The hottest topic last year among our customers was the recently completed security checkpoint, which with its new location and revamped look also automatically raised passengers' expectations. In addition, the record number of passengers at the airport also increased the number of those passengers who have no prior flying experience or who fly infrequently. Thus, almost a third of the registered feedback was related to the security checkpoint.

The passengers continue to be also confused about constantly changing check-in and allowed luggage requirements, which make up one fourth of the feedback provided by customers. People also like to have their say in making the airport's operations more efficient and improving customer service. They are also quick to notice incomplete information on the airport's website.

This year we will complete mapping out the process for handling customer feedback and harmonise the standards for replying to feedback. At the beginning of each week, we also plan to review a feedback received during previous week which will place greater focus on the customer opinion when making management decisions.

Five complaints (2016: 7) were filed about noise. There were no other complains about the environment, working conditions, discrimination or other human rights, rules of free competition, social impact, customer privacy or compliance with the law. Local governments also participate in the development of infrastructure through the process of issuing agreements and permits.

Passenger survey at Tallinn Airport

In 2017, we joined the Airport Service Quality (ASQ) passenger survey conducted by the Airports Council International (ACI). The purpose of the survey is to understand the key pillars of passenger satisfaction and also to analyse how successful Tallinn Airport is in meeting the needs from period to period in comparison with itself and other European airports. This survey is conducted in an identical form by more than 300 airports throughout the world that have joined the ASQ passenger survey programme, including 109 key hubs in Europe. The ASQ passenger survey is used by all our close neighbours, i.e. the airports of Riga, Vilnius, Helsinki and Stockholm.

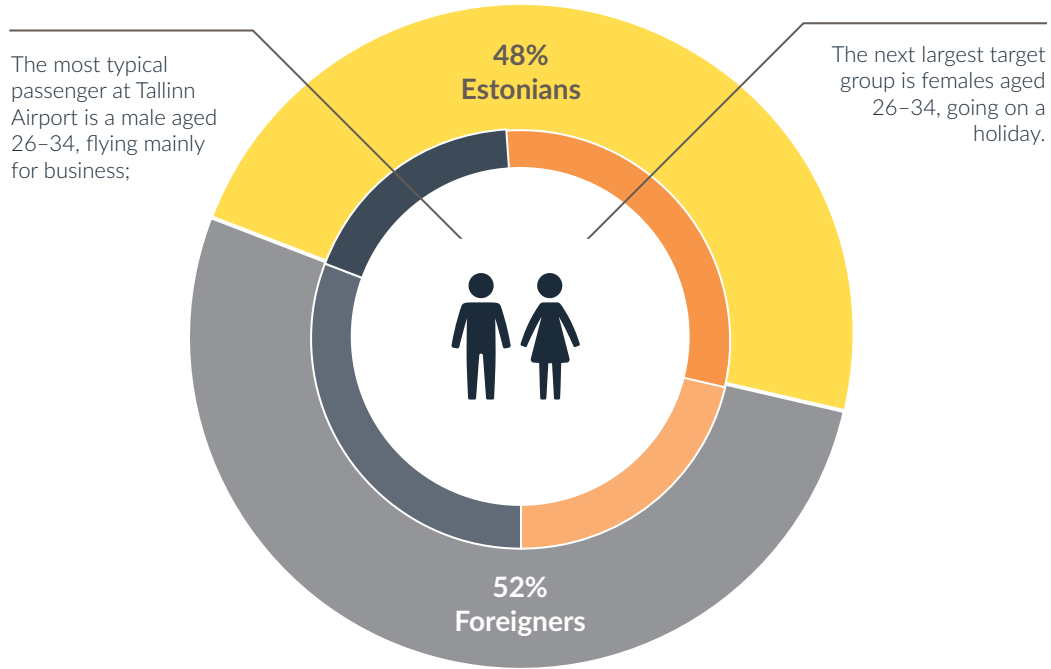
The results of the survey for two quarters give us a reason to be satisfied. In the 3rd quarter, Tallinn Airport was ranked second according to the general satisfaction measure among the 109 airports in Europe, falling only behind Sochi airport in Russia! Although in the 4th quarter the ranking dropped by two spots, we still improved our result on a 5-point scale, i.e. from 4.45 to 4.50. Of our nearby competitors, Riga airport had the best result, ranking twenty-first (4.18 points).

In addition to the excellent general satisfaction ranking, we reached Europe TOP 3 in several other subcategories by the end of the 4th quarter. As “new entrants”, the check-in, security checkpoint as well as passport control services reached Europe TOP 3, and the passengers also rated highly our catering facilities. However, the closure of the A-parking lot at the beginning of the construction of the parking garage lowered the passenger's rating of the parking service quality in the 4th quarter.

The biggest trial for us in 2018 will be prevention of a further decline in customer satisfaction related to the parking service. We will focus more closely on well thought-out rearrangements and prevention of larger problems. We will also make sure that the number of passengers, which will increase sharply in the summer period and will break again all records, would not lead to an increase in customer dissatisfaction. In the 1st quarter of the year, passenger satisfaction with shopping opportunities is also under greater focus in conjunction with the construction of the duty-free store.

The ASQ customer survey is conducted at Tallinn Airport each month. In a quarter, 350 people respond to the survey and thus the airport obtains the opinion of 1,400 people in a year. The most thorough conclusions from the ASQ survey can be made after the end of the first survey year. However, the preliminary results make it possible for us to praise the entire airport community for its excellent daily work!

PASSENGER PROFILE AT TALLINN AIRPORT*



48% of the passengers passing Tallinn Airport are Estonians, 51% are males and 49% are females



47% of the passengers are travelling for business, 41% for holidays



Age-wise, 28% of the passengers are in the age category 26-34; 26% 35-44 (66% of the passengers are younger than 45)

* The profile is based on the results of ASQ survey, which was held during the period July-December. 700 passengers responded to the survey.

Airport community

The airport contributes to the promotion of the joint identity of the airport community. In 2017, a traditional contest "To be the best together" took place among the representative teams of community companies. The focus this year was on promotion of cooperation and awareness of innovation (digitaNotetion) through solving practical tasks.

Our community includes close to 2,000 employees from almost 80 companies that operate on the territory of Tallinn Airport. They understand that each employee contributes to the end result and is responsible for the overall good image of the airport. We value our community and its members, organise constant communication and exchange of information within the framework of various cooperation bodies (committees of users).

The year 2017 will also be remembered as a year of providing services at the airport that were related to the EU presidency, for which we received credit on several occasions. The services related to the presidency provided us a good opportunity to improve the value of the work of our employees and the members of the airport community. At the beginning of the year, we launched a campaign and offered our employees an option to do volunteer work related to provision of services, thereby acquiring new knowledge and testing themselves in a different role. This opportunity received positive feedback and several employees contributed to provision of smooth services to our guests. This was also beneficial in provision of an effective and cost-conscious service.

In addition to handling passengers and airlines, the airport community is united by its love for and interest in aviation and an opportunity to contribute to the creation of the world's cosiest airport.

Collaboration with universities

As the airport's operations are extremely specific, we consider employee succession very important. In cooperation with the Estonian Aviation Academy, we have provided a summer traineeship option to aerospace students. Ten students attended a 4-month practical traineeship at Tallinn Airport GH in 2017.

In addition to the Estonian Aviation Academy, we have provided practical training options to the students of various schools.

Every year, Tallinn Airport Ltd has participated in the Work Shadow project targeted at the students of general education schools.

Practical training is beneficial for both parties: on the one hand for the young people to get familiar with the working environment so that they can be sure of the professional fit and on the other hand, to ensure succession. For the same reason, we provide an opportunity for the students to participate in airport excursions. In 2017, we conducted 105 such training visits hosted by our pension-aged senior aviation expert.

To support succession we give 2 airport scholarships every year to the students of the Estonian Aviation Academy majoring in airfield operations and communication.



Development

Tallinn Airport airside area development project

The aim of the airside area development project is to increase the level of aviation safety at Tallinn Airport and enhance the green and efficient operation of the airfield

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.

Large-scale construction works that began on Tallinn Airport's air traffic area in the spring of 2016 were successfully and in a timely manner completed by 1 November 2017.

During the first stage of the construction works that cost EUR 34 million, the 20-year-old pavement structure of the existing runway was reconstructed, the runway was extended and the system of taxiways and aircraft apron areas was improved and developed.



Vaade töömaale, mai 2017

Since November 2016, the 3,480-metre-long runway of Tallinn Airport is the longest runway in civil use in the Baltic States and since November 2017, a modern and environmentally friendly airfield lighting system is in place. The new LED-based modern airport lighting system provides better visibility for pilots in poor weather conditions and thereby helps to increase flight regularity.

In order to improve the airport's environmental conditions, an additional aircraft de-icing area was built on the eastern side of the airfield, environmentally compliant snow melting areas were constructed, melted snow water drainage and monitoring systems were installed and a compliant aircraft engine testing area as well as firefighting and de-icing training grounds were built.

Construction work was performed by Lemminkäinen Eesti AS as the main contractor. Owner supervision and FIDIC engineering services were provided by Taalri Varahaldus AS. The airfield lighting and control system was supplied by Italian company OCEM.

From the conclusion of the construction contract on 9 March 2016 until the completion of works on 1 November 2017, Tallinn Airport served 73,278 flights. The construction work had no effect on provision of services to scheduled flights. From spring 2016 until autumn 2017, construction works resulted in restrictions on night-time flight operations between 0:30 a.m. and 6:00 a.m., but the restrictions did not affect scheduled air traffic or flight safety.

Because of construction activities, the configuration of the runway was changed six times in two years. During each stage replacement between 0:30 a.m. and 6:00 a.m., changes in the length of the runway translated into the removal of the old runway markings, resetting and testing of the navigation lights system and lights control system, and the painting of new pavement markings on the runway.

Due to thorough preliminary planning, all changes in the runway configuration were completed without any problems and delays, and the airfield was re-opened to users for air traffic as planned. The necessary preparations and planned works were carried out in a very professional, efficient and timely manner.

Construction work was carried out at an airport open to air traffic and, due to risk assessment and mitigation measures, work was carried out without any incidents affecting aviation safety. As regards the configuration of the runway configuration and the usability of the runway, we received recognition from airlines.

Within two years, all members of the project team contributed to keeping the project within schedule, budget and quality requirements. More than 300 meetings and consultations were held. Airport employees also participated in organising night work and on-site inspections. All interim due dates crucial for the airport were completed without deviations.

The development of the air traffic area will continue in 2019-2020 with the construction of additional apron areas and southern taxiways, and the development of support facilities for mitigating the environmental impact (second stage of construction).

Expansion project of Tallinn Airport passenger terminal

In 2017, the construction of the expansion of the southern end of the passenger terminal was completed. During the works, we expanded and upgraded the VIP area and established a pre-flight security area conforming to modern technical requirements in a new location. Also additional storage and staff facilities were built. In total, we built and reconstructed 4,000 square metres of floor space in the existing building.

To increase non-aviation revenue and improve travel experience, we will increase the floor space of the duty free store. Construction works by stages were started in October 2017 and are due for completion in April 2018.



Tram project and public transport hub at Tallinn Airport

In 2016, the construction of a tram line and a public transport station coordinated by Tallinna Linnatranspordi AS started. The tram line was launched on 1 September 2017, and the construction works of the tram terminal and the gallery were completed by December 2017. At the same time, the city and intercity bus stop was also moved to the tram terminal, and the new building was officially named the Public Transport Hub.

The new tram line will increase convenience for passengers at Tallinn Airport and improve the traffic conditions. For additional convenience, the new modern public transport hub will have a gallery equipped with escalators to connect it to the passenger terminal.

Parking garage at Tallinn Airport

To significantly improve access to the airport and provide passengers with more convenient parking service, Tallinn Airport signed a construction contract for the construction of a parking garage on 6 September 2017. Construction works started in December 2017. The builders are Inseneriehituse AS and AS LNK Industries. The estimated completion deadline of construction works is at the end of 2018.



Aircraft painting hangar at Tallinn Airport

The project, launched with the signing of the memorandum of understanding with AS Magnetic MRO for the construction of an aircraft painting hangar, was successfully completed on 1 November 2017 with the festive opening of the hangar. The painting hangar is leased to an aircraft maintenance company AS Magnetic MRO for long-term use under an operating lease agreement. 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. With the increase in volumes, the number of flights increases and real estate development will generate additional revenue for the airport. The hangar will be capable of handling aircrafts up to the size of Boeing 737 MAX9 and Airbus 321 neo. The closed net area of the building is 2,536 m², including hangar size of 1,628 m². Hangar was projected and built by Astlanda Ehitus OÜ.

Warmth is in the air



EMPLOYEES AND WORK ENVIRONMENT

Internationally recognised, sustainable and innovative organisation, competitiveness on the labour market, performance-based management, and professional and committed employees are the cornerstones of our human resource strategy that supports the implementation of the Company's business strategy and concept.

Work at the airport offers excitement and a variety of opportunities for those who create content and meaning, see the big picture and are inspired by the results. Behind our present "face" is the personal and unique contribution of all our employees on one hand and the joint contribution on the other hand.

It is crucial for us that employees feel proud of their position and work. It is also important, both in terms of manpower and succession, that the image of the employer is also well-known outside the Company.

Based on the survey carried out by the research company Instar in 2017, Tallinn Airport Group was ranked as the sixth most attractive employer (2016: ninth), third among vocational education students, sixth among technical students and seventh among economic students. As a result of a survey of employed persons conducted jointly by Instar and CV-Online, Tallinn Airport is the most attractive company in Estonia.

The year 2017 is characterised by a sharp increase in the number of passengers, which also presented a challenge for the employees to provide services to passengers in an efficient and high-quality manner.

At a 19% increase in the number of passengers, the average number of employees increased by 2.7% in Tallinn Airport Ltd and 4.4% in Tallinn Airport GH. In 2017, the average number of full-time equivalent employees was 340 (2016: 331) at Tallinn Airport Ltd and 239 (2016: 229) at Tallinn Airport GH.

The Company operates only in Estonia, following the labour laws valid in Estonia. All employees of regional airports are from the same county.

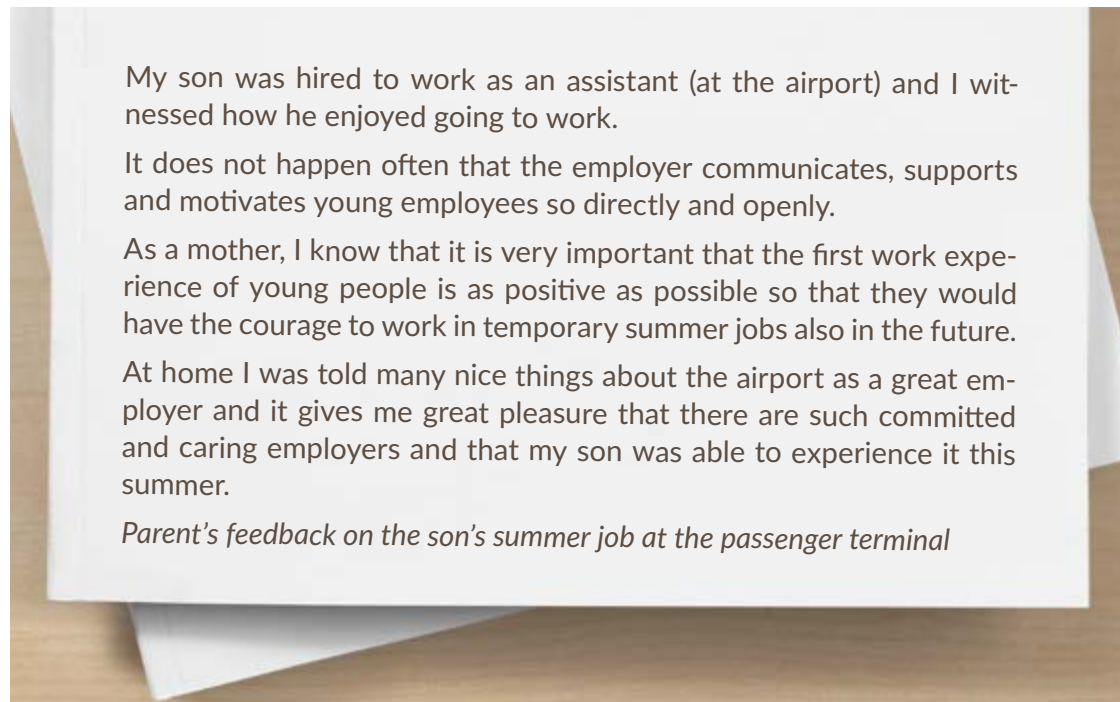
In the human resources policy, it is important to follow the principles related to the diversity of gender, age, education and views. We value mutually respectful relationships with our employees. In 2017, neither labour disputes were initiated nor any complaints filed by employees about employment relationships, including equal treatment. The difference in the proportion of women and men at the Company results from the nature of work and reflects general gender preferences as to professions among the Estonian population. At our Company, women and men work in all positions.

In the principles of remuneration, we follow the Company's external competitiveness, distribution of occupational groups and the principles of equal treatment, regardless of the employee's gender or other characteristics.

We support the involvement of employees in making work-related proposals. Employees are also able to anonymously submit their suggestions through feedback boxes or via intranet.

Given the shortage of workers in the labour market and the recruitment needs of companies in the growth phase, the Company's staffing capacity necessary for ensuring provision of services is becoming more important.

In 2017, there were 31 recruitment contests (2016: 23), including 17 at Tallinn Airport Ltd and 14 at Tallinn Airport GH. The results of the contests were positive, while the typical trend is the decrease in the number of applicants as well as the fact that the majority of applicants work at another company at the time of the application.



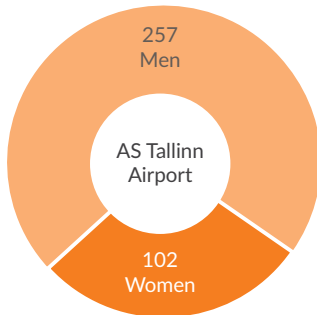
While Tallinn Airport GH recruited primarily skilled workers and customer service assistants, Tallinn Airport Ltd has been recruiting mainly for specialist and managerial positions.

In the spring-summer season, we traditionally recruit additional fixed-term workforce, and we did it also in 2017. Many young people get their first job experience at the airport and as a responsible company, it is our objective to make sure that it is a positive one.

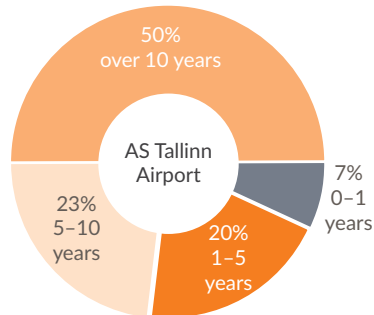
The staff employed by Tallinn Airport is experienced and professional, an essential pre-requisite for providing a reliable and high quality service. The average length of employment is 11.7 years in Tallinn Airport Ltd and 7.6 years in Tallinn Airport GH.

The voluntary staff turnover at Tallinn Airport Ltd was 4% (total staff turnover was 8%). At Tallinn Airport GH, the voluntary staff turnover was 20% (total staff turnover was 27%). Greater mobility is due, among other things, to a higher proportion of customer service and skilled jobs, as well as the fact that we offer flexible work opportunities for students.

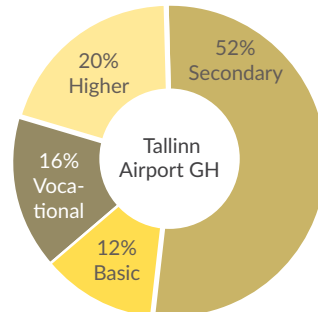
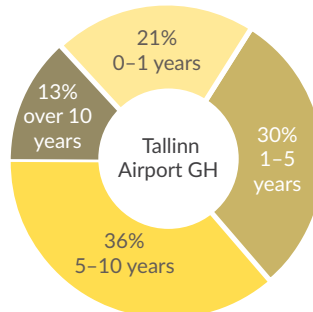
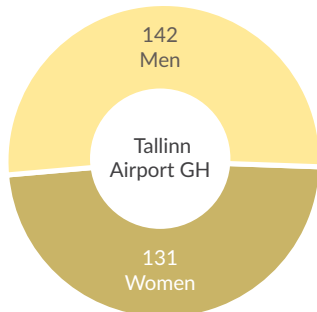
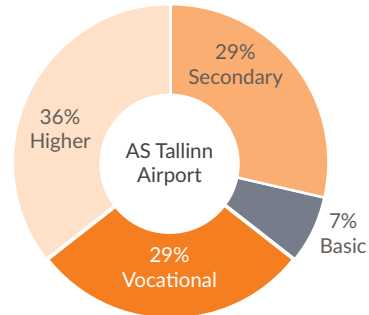
GENDER DISTRIBUTION



LENGTH OF SERVICE



EDUCATION



	2017	2016
WORKFORCE TURNOVER AS AT THE YEAR END	632	607
Women	233	219
● incl. women in the management board	2	2
Men	399	388
● incl. men in the management board	2	3
Average length of service	10,6 years	8,9 years
Trade union members in Tallinn Airport Ltd	1	2
Trade union members in Tallinn Airport GH	7	10
Sickness days, incl. care days, pregnancy and maternity leave	7 789	4 392
Returning from parental leave (100% women)	15	8
Employees on an unspecified-term contract	611	558
● incl. Men	393	374
● incl. Women	218	184
Employees on a specified-term contract	21	23
● incl. men	8	13
● incl. women	13	10

Work organisation and employment relations

At Tallinn Airport Ltd and Tallinn Airport GH Ltd, 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.

For easier submission of applications for exemption from income tax and monitoring of income, an extension of the Employee portal was completed at the end of 2017.

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
- Reimbursement of second and third illness day
- Partial reimbursement of the cost of spectacles regardless of the duration of computer use
- Sport benefits through SportID
- Celebrating events together and keeping traditions
- 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

We consider it important to promote a healthy lifestyle and support sports among employees.

In order to maintain staff health and raise awareness of its importance, we also pay sickness benefits at a rate of 70% for the 2nd and 3rd day since 2017. As a result, at Tallinn Airport Ltd the number of sick leave periods of up to 3 days increased to 45 calendar days (2016: 18 calendar days) and in Tallinn Airport GH to 261 calendar days (2016: 167).

Tallinn Airport Sport Club, to which employees of the entire Group belong, operates actively and effectively all year round. Its members participate in competitions organised by the Estonian Corporate Sport Association (ECSA).

In 2017, we participated in the event series organised by the ECSA (winter games, spring games, summer games, autumn games, golden ball), Kõrvemaa Neliküritus event, Cube series organised by Tartu Marathon, and in the Estonian Cup bicycle marathon series. Overall, the club participated in nearly 60 different sports competitions.

In the competition for the title of Estonia's Most Athletic Company, Tallinn Airport Sport Club came in the third place.

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 already over 400 users. 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.

Recognition and motivation of employees

In our human resources policy, management through positive experience and example plays a key role. The focus is on promoting the culture of recognition and noticing. This is why we publish all customer recognition cases in the intranet, and at the end of the year traditionally recognise the most prominent projects and colleagues.

The categories of recognition are based on the Company's strategic focus and values. Recognition objectives are:

- valuing employees and their work performance in achieving company targets;
- raising awareness on strategic focal points and values through recognition;
- highlighting innovative projects.

In 2017, we recognised our employees in the following categories



DEED OF THE YEAR

Successful solution, project or initiative that has had a significant impact on the development of a structural unit, area or entire airport, improved the airport's image and reputation, increased the satisfaction of airport customers, staff or other stakeholders, and has also been effectively implemented.

The Deed of the Year Award was awarded to the project of serving the EU Presidency and the reconstruction project of the air traffic area.



CUSTOMER'S FAVOURITE EMPLOYEE

A colleague whose activities have resulted in a great customer experience.

In determining the customer's favourite employee, we relied on positive feedback from our customers. The most positive feedback was given to the airport personnel who take care of passengers with special needs and to the GH unit that deals with lost luggage.



COLLEAGUE OF THE YEAR

A colleague who is always cooperative, attentive and supportive of others and whose attitude has been recognised by colleagues on a number of occasions.



COLLEAGUE WITH A GOLDEN HEART

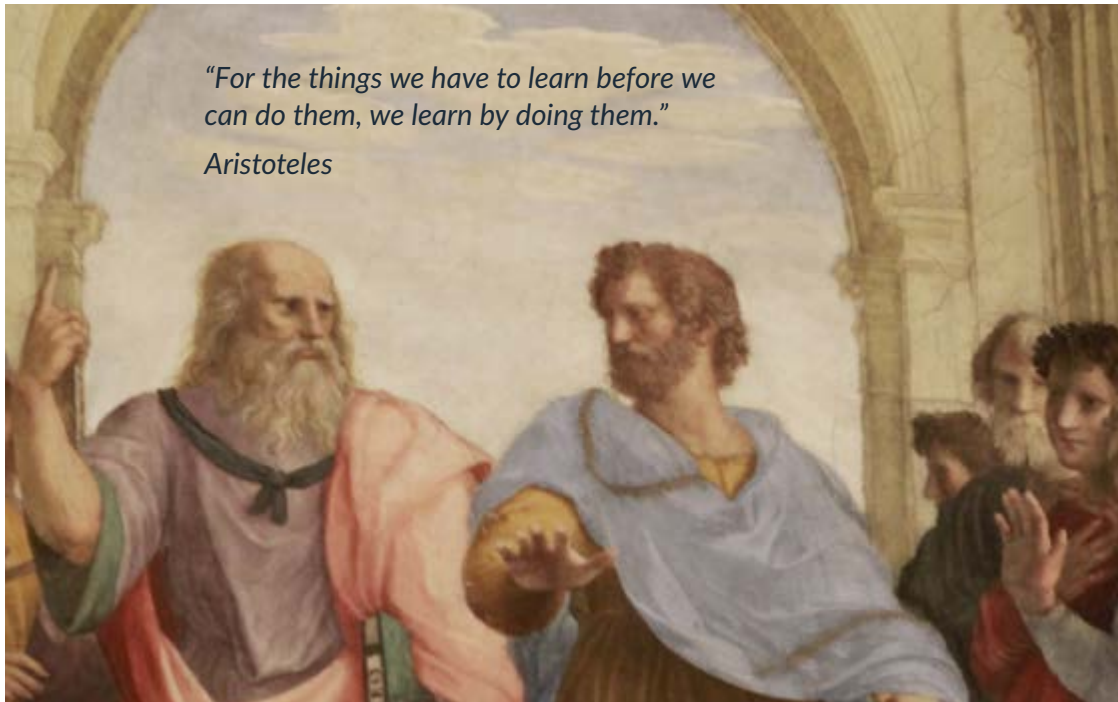
A colleague who works hard and can always be trusted, who is a true professional and who remains positive and inspiring also in challenging and stressful situations.



SMART INNOVATOR (INNOVATION PRIZE)

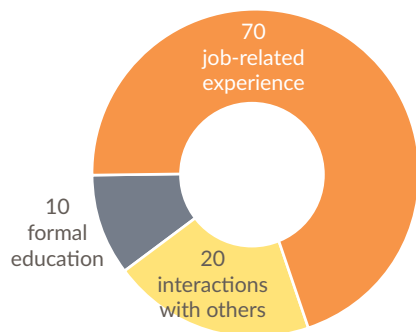
A colleague who stands out by developing or implementing new technical or otherwise innovative solutions or practices.

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



Ensuring the compliance and development of employee competencies

To support training and development of staff, it is essential to ensure compliance of staff competencies by using flexible learning opportunities and efficient resource use.



The 70:20:10 Model for Learning and Development



2017 learning focus

In choosing training activities, we use the international 70:20:10 Model for Learning and Development, which involves three types of learning: obtain knowledge from job-related experiences, from interactions with others, and from formal educational events, since a large part of the training takes place at the workplace. While stressful and challenging

working situations are the best teachers, sharing experiences and feedback is equally important as structured courses in the classroom. To reduce the administrative burden on managing documentation, to enable better data analysis and to expand the possibilities of using training materials on various devices (computer, mobile phone), we developed new solutions for the Edutizer learning management system.

We proceeded from the Company's strategy in defining the focus of training process in 2017.

During the year, a total of 1,743 diplomas and certificates on training, guidance and supplementary training were issued to the employees of Tallinn Airport and regional airports, i.e. an average of 5 proven competencies per employee. We do not have gender or age preferences in choosing trainees. Equal opportunities for participation have been created for all employees of the target group.

In addition to their main work, 38 specialists and managers (30 at Tallinn Airport, 8 at regional airports) are internal trainers or work as internal assessors. In order to maintain and improve the quality of instruction in teaching practice, all completed in-service training in 2017.

In cooperation with AS Proekspert, "Talent shadow" workshops and exchange of experience took place at Proekspert and Tallinn Airport. Twelve airport specialists and managers attended the training.

In order to meet international requirements, 116 security and 62 safety and traffic training events were organised in 2017 for a total of 2,049 participants, of whom 189 were airport staff members.

In 2017, training costs made up 1.7% of labour costs (2016: 1.5%).

Key training and development projects:

- A series of management development seminars for promoting the Company's strategic planning and coherent management principles;
- For increasing the opportunities and volume of e-learning, we developed a general awareness-raising e-course on the specific needs of our airports for the provision of specialist services to our airports and renewed air training on air safety;
- In cooperation with the Civil Aviation Administration, in the process of updating the airfield operator certificate we brought the following international specialized training courses to Estonia:

- EASA Aerodrome Certification Requirements for Operators and Authorities;
- Safety Assessments and Management of Change at Aerodromes.
- As the work of airfield rescue workers could be characterized with the saying Prepare for the worst, hope for the best, training exercises are an integral part of everyday work. In the framework of continuing training for safety and operation personnel, rescue service personnel underwent the following specialist training courses:
 - self-rescue methods (18 participants);
 - smoke diving (37 participants);
 - aircraft underwater rescue or HUET training (16 participants). The first training sessions for using lifting bags for hoisting heavy objects and FASTER 635 small craft were also carried out, with a view of ensuring availability of employees with relevant skills in each work shift.
- Continuing to focus on the development of the internal assessment and proficiency testing system of personnel involved in airfield operations and safety in order to ensure compliance and attestation of staff competencies according to airfield certification requirements. This is an ongoing process that will continue in the coming years.
- During the adult learning month, we focused on the physical and mental health of employees, raising awareness on sleep hygiene and functional nutrition, and practical teaching of shindo stretching. We also helped our employees to realise their increased responsibilities in managing revenue and expenditure, and external experts explained the amendments in the Income Tax Act. The adult learning month was attended by 152 people.

At Tallinn Airport Ltd, 256 men (2016: 240) and 94 women (2016: 308) participated in training courses.

Occupational safety

Despite large-scale construction works at Tallinn Airport's passenger terminal and in the air traffic area, there were no major occupational accidents involving the airport staff in 2017.

A total of 4 minor occupational accidents were registered, 3 of which took place at Tallinn Airport (2016: 2) and 1 at Tartu Airport (2016: 0). 11 minor occupational accidents were registered at Tallinn Airport GH (2016: 8). These were minor occupational accidents, falls or dislocations.

In the new period we will focus on mapping occupational safety risks and updating the plan of measures, as well as promoting the health of workers through various events and trainings.



Always open

OVERVIEW OF THE ENVIRONMENT

Environmental management

The objective of Tallinn Airport Ltd 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.

Sustainable and responsible attitude towards our environment is a value shared by everyone at Tallinn Airport Ltd. Aviation is an area that inevitably has a significant impact on the environmental condition and environmental safety. It is therefore important that we strive to mitigate the company's negative environmental footprint and be as ecological as possible in our operations.

The environmental management system is part of the organisation's management system. Its goal is to manage, reduce and prevent the environmental impact of the organisation's activities and thereby improve its competitiveness. The environmental management system of Tallinn Airport Ltd is certified according to the requirements of ISO 14001:2015.

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 2017. As part of the environmental management system, spot checks are carried out also among the corporate partners of Tallinn Airport Ltd, 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:

- de-icing of aircrafts and pavements
- traffic of ground transport in the airfield
- oil and fuel handling
- passenger and aircraft handling
- 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

In 2017, we set up and approved an environmental steering group at Tallinn Airport, whose task is to regularly monitor the consumption of environmental resources and fulfil the goals set in the environmental plan. The duty of the steering group is to make proposals for the implementation of cost-effective measures of the Company and implementation of the Company's environmental policy.

We continued with applying of the Company's environmental benchmark, which have the objective 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 includes such significant environmental parameters as drainage water quality, drinking water quality and ambient air quality. In 2017, the index was on an „average“ level. In the following years, the challenge is to maintain this level and move forward to the level „good“.

Environmental awareness

In 2017, we ordered from the Estonian Environmental Research Centre a risk analysis on persistent organic matter (Perfluorooctane Sulphonate or PFOS) in order to identify the potential impact of Tallinn Airport and measures to mitigate the environmental impact. PFOS substances are compounds, which due to their toxicity, persistence and bioaccumulation, endanger human health and damage living organisms and ecosystems. PFOS compounds are widely used in industrial and consumer applications.

During the evaluation, we reviewed the documentation of the substances used at Tallinn airfield and took samples of the soil, rainwater and groundwater. Substances containing PFOS compounds were previously used in firefighting foam and in de-icing aircraft.

As a result of the study, we can state that we have taken measures to prevent the penetration of substances containing PFOS into the soil and rainwater. However, traces of PFOS were found in the rainwater of the industrial area north of the airport. We forwarded the risk analysis for information purposes and awareness-raising to the Environmental Board, Tallinn Environmental Board and AS Tallinna Vesi.

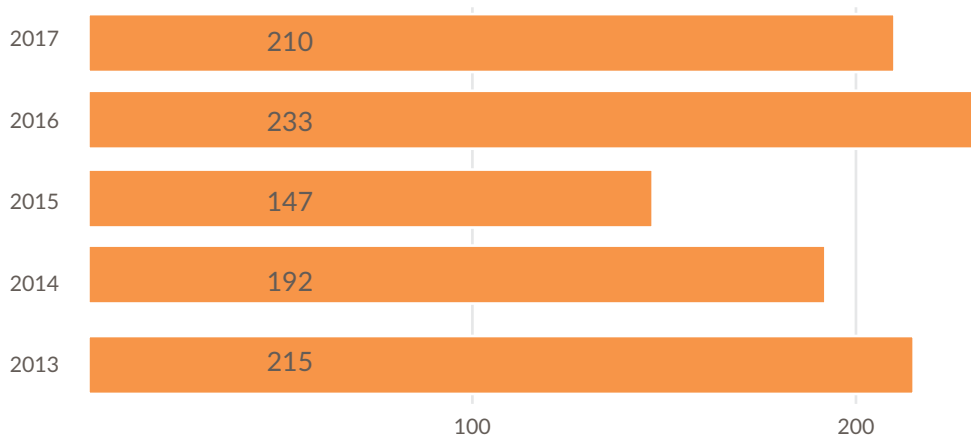
Environmental impact of transport

At the airport, the highest and most significant environmental impact is air traffic, but land transport is also a major contributor to the sources of pollution affecting humans and the natural environment. The most dangerous polluting component is exhaust gases, which are the residual product of fuel combustion and affect ecosystems and living organisms.

In 2016, the use of fuels in Tallinn Airport decreased from 233 tonnes to 210 tonnes. The main fuel for land transport is diesel, which is used by maintenance equipment and aircraft ground handling equipment. Natural gas is used in some passenger buses and petrol is burned in small machines. The decline in the consumption of diesel fuel was due to snowless winter. The gas consumption increased due to the reconstruction of the aircraft apron in 2017, as the planes were parked further away from the terminal and the demand for passenger buses was higher. Consumption of petrol increased compared to the previous year also because of reconstruction works, during which was used more escort vehicles, which use petrol.

Among fuels, we prefer diesel engines to vehicles with a petrol engine. In order to reduce fuel consumption, we have replaced diesel passenger buses with gas buses and diesel vehicles used in ground handling by electric vehicles. When purchasing new land transport, we make sure that the vehicle's technical characteristics (low CO₂ emissions and fuel consumption) are ecological.

In 2017, a tram line was built between the airport and the city centre, which is very convenient not only for passengers, but also for employees.



Fuel usage of ground transportation in Tallinn Airport 2013 - 2017 in tonnes

Impact of air traffic on Lake Ülemiste

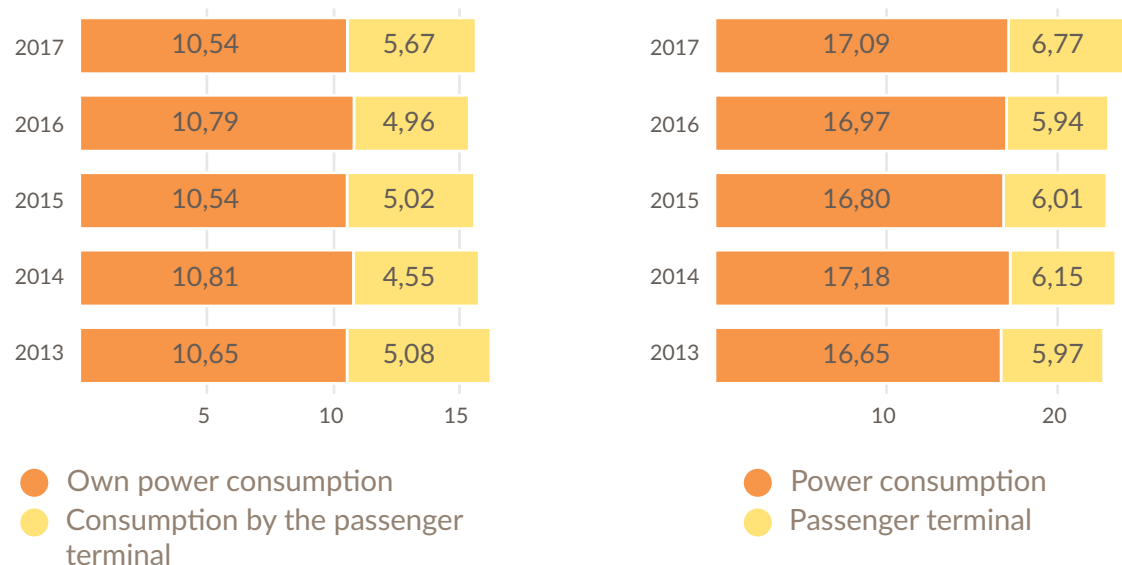
AS Tallinna Vesi monitors constantly the water quality in Lake Ülemiste and water samples taken from the lake show that the level of products that emit in combustion of aircraft fuel is hundreds of times below the permitted levels.

For 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 and has renewed its equipment in case of the event of rescue operations on Lake Ülemiste.

Power consumption

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

In 2017, electricity consumption in Tallinn Airport increased from 16.97 GWh to 17.1 GWh. Own power consumption decreased also on the whole territory from 10.79 GWh to 10.54 GWh, but increased in the passenger terminal from 4.96 GWh to 5.67 GWh.



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

Own power consumption(GWh) in Tallinn Airport

Power consumption by the passenger terminal increased in connection with the expansion of the passenger terminal, which increased both the area requiring lighting and equipment installed at the passenger terminal.

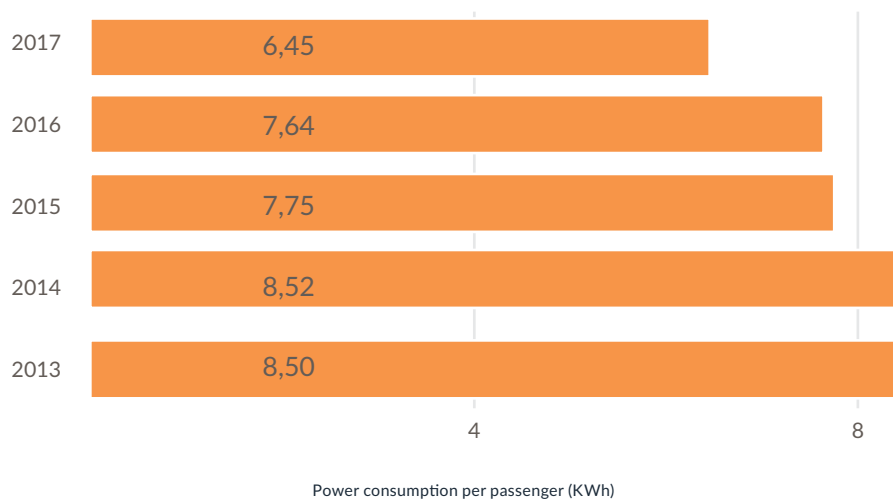
During the reconstruction of the runway navigation lighting system, part of the system was turned off, which greatly influenced the overall electricity consumption in 2017.

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 2017:

- We continue to switch to LED lighting at the passenger terminal;
- All new lightning systems installed in the passenger terminal have LED technology and motion sensors to reduce unnecessary use;
- In maintenance, most of the lighting control now includes motion detectors and time relays, which reduces wasting electricity;
- New areas built in the course of expanding the air traffic area (de-icing area and Apron K) are LED-illuminated.

Electricity consumption per passenger has dropped from 7.64 KWh to 6.45 KWh, as a result of the increase in the passengers number.

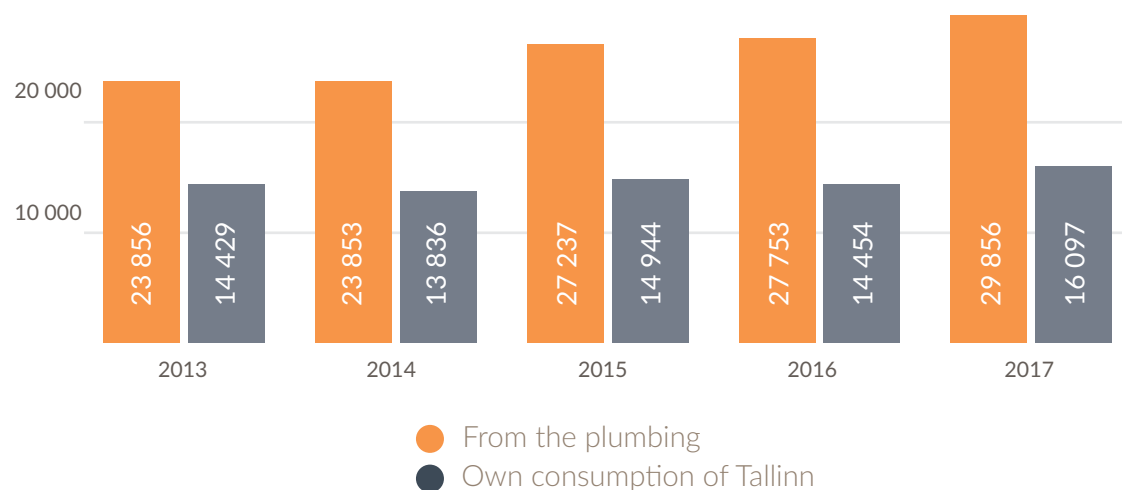


Water consumption

In 2017, Tallinn Airport consumed 29,856 cubic metres of water of AS Tallinna Vesi (2016: 27,753 cubic metres). There is a similar trend with own consumption. Water consumption has grown significantly due to the increase in the number of passengers and in the course of construction works in summer, washing of roads and areas. In 2017, heating pipes were also flushed, which resulted in an increase in own consumption. As the number of flights increased, more water was used for de-icing aircraft.

To reduce the water consumption, we have foreseen the following measures:

- All new toilet systems installed in the passenger terminals are dual-system, and faucets and urinals are automatic or sensor-operated;
- In the new part of the passenger terminal completed in 2017, we equipped the cooling systems with heat recovery and free cooling;
- In the southern part of the passenger terminal, we covered windows with the sun shield film and shades to protect the interior from intense solar radiation;
- We are urging the airlines to undergo aircraft brushing before de-icing which enables to reduce the amount of the de-icing product in the subsequent spraying.



Water consumption (m³) of Tallinn Airport

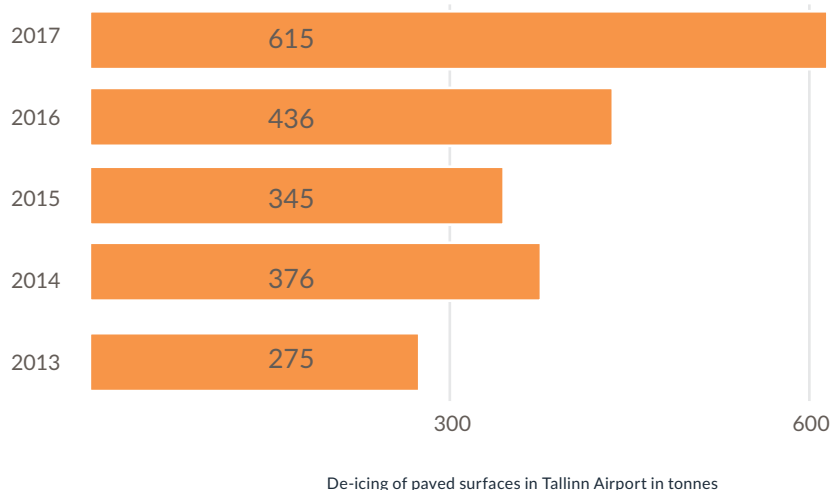
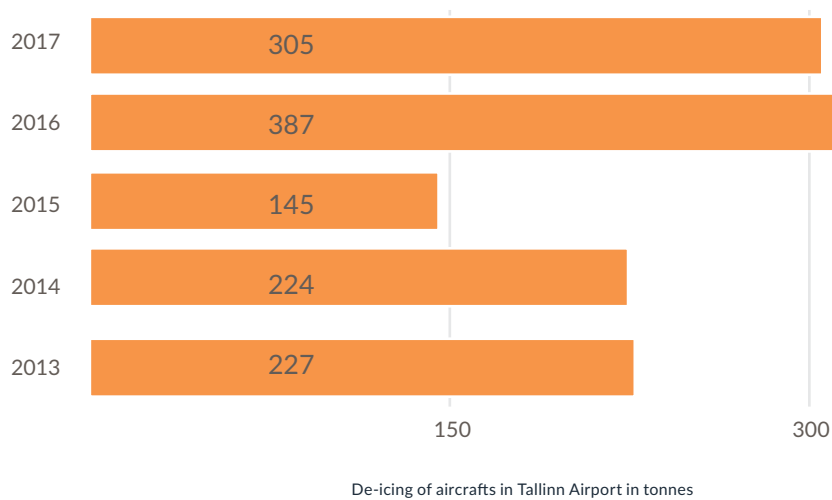
Use of de-icing substances and wastewater

We use de-icing of paved surfaces to ensure the safe take-off of aircraft, landing and ground handling and to ensure their safe flight.

The de-icing products that we use are as environmentally friendly as possible (including an ecological certificate) and decompose in the natural environment. We require that the relevant certificates and environmental conditions be complied with during the procurement process.

In 2017, the amount of de-icing products used in aircraft de-icing decreased due to the introduction of new technology, enabling more efficient mixing and use of mixes with higher concentration ranges.

De-icing of asphalt surfaces has increased considerably as compared to 2016. The rise was significant in the last months of the year due to weather conditions, as in cases of near-zero temperatures and rainy weather, in order to ensure safety, it was necessary to perform more frequent de-icing.



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 established by law. Drainage water is not treated. Starting from November 2017, Tallinn Airport Ltd has a special licence for water consumption, which requires us to take analyses of the drainage water and report for the further calculation of pollution charge.

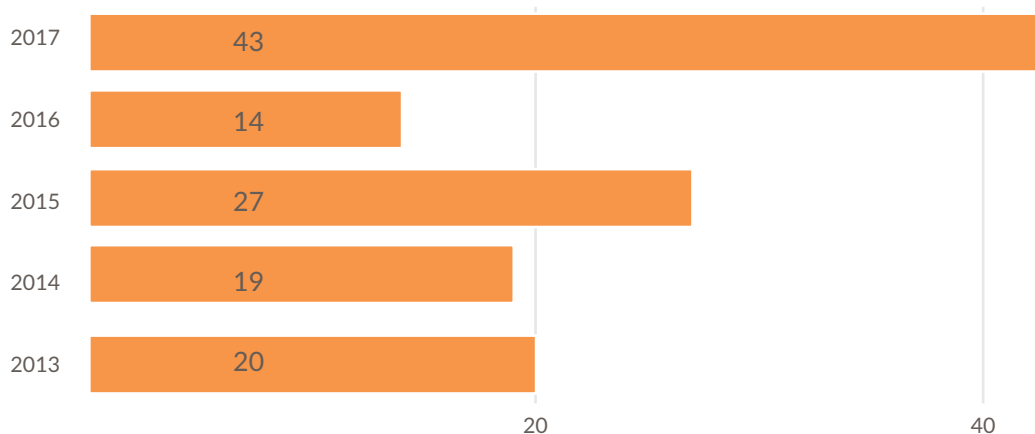
Controls over the aspects related to the environment are performed according to the need. Performance of analyses is outsourced from a laboratory with the corresponding accreditation. Starting from 2018, in connection with the new special authorization for water use, sampling will be conducted more frequently, up to 4 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 nature protection.

Chemical leaks

As compared to 2016, the number of chemical leaks at Tallinn Airport increased by 29, rising from 14 to 43. The number of chemical leaks has increased due to more detailed control over them, which means that even the smallest pollution is recorded in one case and workflow registration database. In 2017, the number of chemical leaks also increased during the reconstruction of the runway and aircraft aprons, with leaks caused by the increase in the number of transport vehicles operating on the airport territory.

There were no chemical leaks at regional airports in 2017.



Number of chemical leaks in Tallinn Airport 2013-2017

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_x occurred specifically in the immediate vicinity of the airport, reaching 0.056 µg/m³ at the most. At the same time, it was 700 times lower than what is permitted under the standards of 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 CO₂ emissions and assessing their volumes. In addition, we are calculating the CO₂ footprint for every business trip. The mapping is followed by creating measures for reducing CO₂ emissions.

In 2018, we will make preparations to re-join the first level of the Airport Carbon Accreditation program, which helps us map out our carbon emissions and airport energy consumption in order to identify our carbon footprint.

Waste

In 2017, a total of 382,850 tonnes of waste was generated at Tallinn Airport, 99.89% of which was construction waste. Such major increase in waste compared to 2016 was caused by large construction works taking place in the southern wing of the passenger terminal, the air traffic area development project and other construction sites.

49 tonnes of hazardous waste was generated in 2017, of which 40 tonnes was sludge separated as part of the liquidating residual contamination and classified as hazardous waste. Excluding hazardous waste caused by residual pollution, the amount of other hazardous waste increased from 7.97 tonnes to 9.04 tonnes as compared to 2016. This increase was largely due to the fact that the passenger terminal switched from fluorescent lights to LED lights and the old lights were handed over to a waste treatment plant. More chemical contamination incidents in 2017 meant that an increase in the amount of absorbent material, which was handed over to a waste treatment plant as hazardous waste.

Compared to 2016, the amount of mixed municipal waste rose from 205 tonnes to 312 tonnes. This was mainly due to the increase in the number of passengers.

The goal of our waste management is to continue reducing the amount of mixed municipal waste and increase the amount of recycled waste. We work closely with Estonian PackCycling (Pakendiringlus) to ensure maximum recycling of waste.

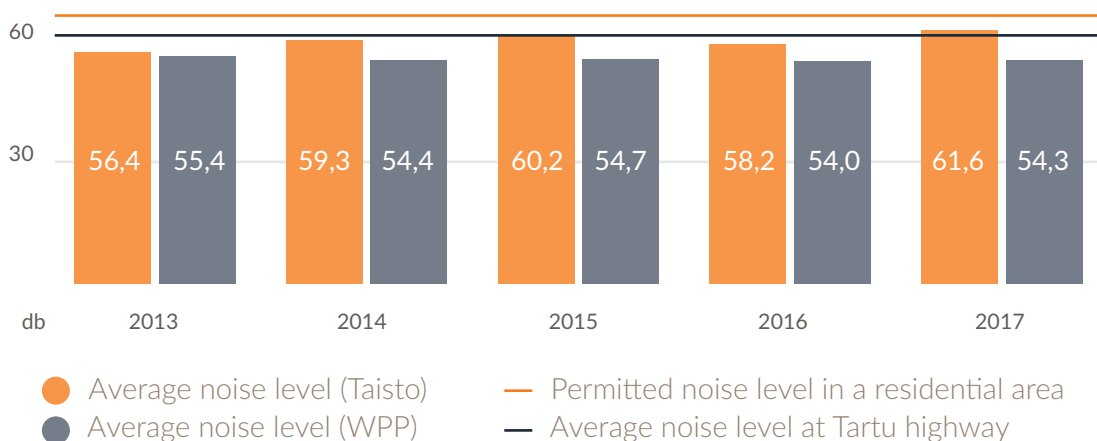
	2013	2014	2015	2016	2017
QUANTITIES OF WASTE BY TYPES (TONNES)					
Mixed domestic waste	225,77	206,33	204,486	205	312,14
Biodegradable waste	8,05	6,141	7,481	6,9	8,51
Recyclable waste	147,22	153,865	149,979	132	49,07
Construction waste	290,22	52,08	195,52	80	382 430,99
Hazardous waste	5,86	9,877	11,41	7,97	49,04

Noise

Tallinn Airport is located 4 kilometres from the Tallinn center, 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 on the type of aircraft that is being used. In 2017, the average daily noise level on the west point of the airfield increased from 54.0 to 54.3 decibel (in comparison: the level of constant traffic noise coming from Tartu maantee at the airport is ca 65-70 decibel). In the east point of the airfield, the noise level increased from 58.2 to 61.6 decibel, which was due to the extension of the track and from the noise source moving closer to the measuring station.

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 such cases happen so rarely that in the opinion of authors of the assessment, they do not play a significant role in the general noise situation. In 2017, five noise complaints were filled (2016: 7).



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 highway in 2013-2017

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 with 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 laboratory samples taken from the ground did not exceed the levels permitted by law.

We care





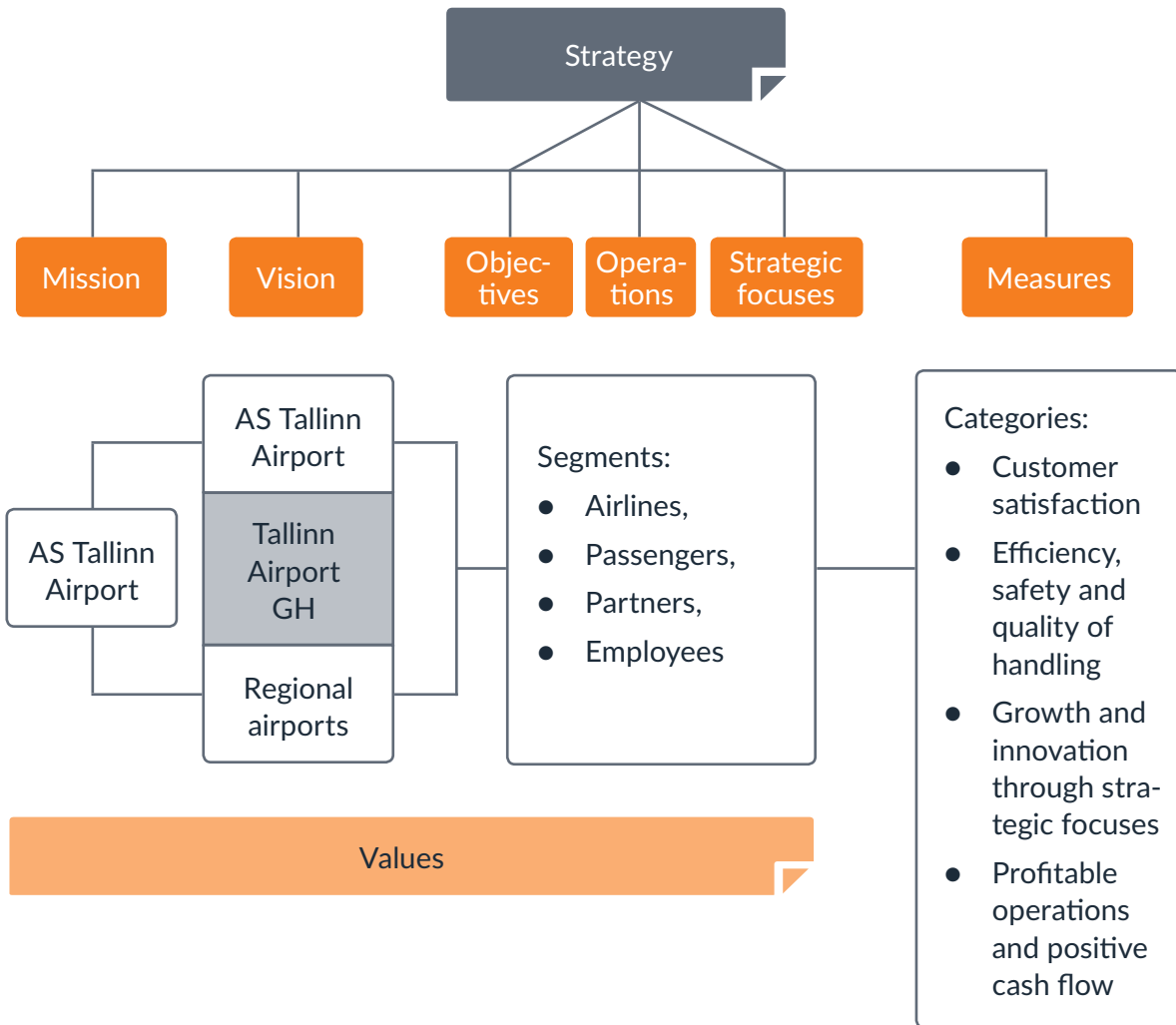
A LOOK INTO THE FUTURE

Operating environment

In 2018, we will continue to enjoy economic growth both in Estonia and throughout Europe. In 2017, the Estonian economy is estimated to have expanded by 4.9% and the growth forecast for 2018 is 3.3% (source: European Commission). As we are in the economic growth period, we prepare for a possible downturn in the upcoming years.

The Company's next year's strategy has been developed for four target groups: airline, traveller, business partner and employee. The focus will be on safety, satisfaction, growth, efficiency, and profit orientation.

STRATEEGIA JA RESULTLIKKUSE JUHTIMISE STRUKTUUR



Forecast for economic and financial indicators

	thousand EUR	2018 budget	2017	Change %
LENNART MERI TALLINN AIRPORT				
Number of passengers		2 836 275	2 648 361	7
Number of flight operations		52 057	45 325	15
Cargo (tons)		11 345	11 345	0
TOTAL OF REGIONAL AIRPORTS				
Number of passengers		60 054	60 878	-1
Number of flight operations		9 764	10 451	-7
GROUP				
Income total		51 203	49 934	3
Sales revenue		41 297	40 250	3
• incl. aviation revenue		15 181	14 660	4
• incl. non-aviation revenue		26 116	25 589	2
Other income		9 906	9 684	2
• incl. government grants for assets		4 124	3 789	9
• incl. government grants for security and rescue expenses		4 135	4 135	0
• incl. government grants for regional airports		1 615	1 615	0
• incl. other income		32	145	-78
Operating profit before depreciation (EBITDA)*		13 457	13 921	-3
Net profit		5 010	6 464	-22
Cash flows from main activity		13 595	15 102	-10
Investments		36 761	32 813	12
Revenue per outgoing passenger (EUR)		29,12	29,92	-3
Net profit per outgoing passenger (EUR)		3,53	4,80	-26
Revenue per employee (EUR)		70 593	69 569	1
Net profit per employee (EUR)		8 564	11 173	-23
Total assets at the year-end		210 722	181 412	16
Assets at the year end*		143 132	120 753	19
Equity at the year-end		83 077	78 257	6

	thousand EUR	2018 budget	2017	Change %
Borrowings at the year-end		47 750	32 259	48
Equity/assets at the year-end*		58%	65%	
Borrowings/ operating profit before depreciation*		3,5	2,3	
Operating expense		45 785	43 262	6
● incl. goods, materials and services		12 752	12 614	1
● incl. miscellaneous operating expenses		1 765	1 283	38
● incl. labour costs		19 053	17 747	7
● incl. other operating expenses		52	579	-91
● incl. depreciation and amortisation		12 163	11 038	10
Operating profit before depreciation, amortisation and interest* (EBITDA)		13 457	13 921	-3
Operating profit (EBIT)		5 418	6 672	-19
Net profit		5 010	6 464	-22
Number of employees**		585	579	1

* excluding government grants for property, plant and equipment

** calculated with average number of employees according to full-time job

Strategy 2018-2021

In 2018 we expect a 7% increase in the number of passengers. This forecast is based on the expectation of continued positive economic climate. The supply side is supported by favourable fuel prices and aircraft availability, while the demand side has the momentum from economic growth, consumer confidence and income growth.

The rapid increase in the number of passengers means that it is necessary to start planning for the expansion of the passenger terminal of Tallinn Airport. The current passenger terminal has been designed to serve 2.6 million passengers, and the terminal is working flat out in peak hours. Preliminary surveys will be launched in 2018.

Air traffic is an important driver of the economy, bringing direct additional revenue to the tourism sector, businesses and creating added value for the whole national economy. Since a flight to Estonia from some of Europe's main hubs lasts more than 2 hours

and our home market is relatively small, airlines are not very eager to open new routes to Tallinn. It takes 1 to 2 years to develop a new route, and considering the volume of investment required to introduce a new destination and possible operating losses of the early years, the interest of airlines in Tallinn is rather modest. For developing air traffic and increasing the country's competitiveness it is therefore important to invest in route development measures and encourage airlines to expand their activities to Estonia.

As compared to 2017, we expect the Group's sales revenue to increase from EUR 40.3 million to EUR 41.3 million in 2018, or by 3%. Aviation revenue is estimated to grow by 3.6%, due to the forecast 7.1% increase in passenger traffic (2,836,275 passengers in 2018 vs. 2,648,361 passengers in 2017). For the Group's non-aviation revenue, the projected growth is 2%. While in 2017 the de-icing costs of Tallinn Airport GH amounted to EUR 2.4 million, it should fall to EUR 2.1 million, or by EUR 0.3 million in 2018. Actual revenue depends on weather conditions. Other sales revenue of Tallinn Airport GH, excluding de-icing costs, are planned to increase by 5.6%.

The non-aviation revenue of Tallinn Airport Ltd is projected to grow by 1.6%. Concession revenue will grow by 7.4% due to the increase in passenger numbers. Rent for premises and hangars is expected to increase by 10.8%, as the aircraft painting hangar completed in the autumn 2017 will earn its first revenue in 2018. Car parking revenue is expected to decrease by 5.2% as the parking lot A was closed in connection with the construction of the parking garage in front of the passenger terminal. Although parking lot A2 has been expanded and parking spaces have been added, parking revenue will be lower than in 2017. Revenue from the VIP customer service is also expected to decrease by EUR 0.4 million as in 2017 an extraordinary high level of VIP customer service revenue was due to the Estonia's Presidency of the EU Council in the second half of 2017.

The Group's other operating revenue is budgeted to exceed the actual revenue of 2017 by 1.6% in 2018, due to higher government grants related to assets. At the end of 2017, the design documentation for the reconstruction of the air traffic area with co-financing from the Cohesion Fund was completed. Government grants for security and rescue costs will remain unchanged at EUR 4.1 million as in 2017, and the same applies on the government grant for regional airports in the amount of EUR 1.6 million. The Group's operating revenue will grow by 2.5%.

Expenses will increase from EUR 42.8 million to EUR 45.8 million, or by 7%. Labour costs are projected to grow by 8%. The Group's profit is expected to reach EUR 5.0 million.

Between 2018 and 2024, the Group plans to invest EUR 139.0 million, of which EUR 33.6 million in 2018. The most important investment in this period will be the second stage of the air traffic area development project of Tallinn Airport, estimated to cost EUR 37.9 million, including EUR 8.3 million in 2018. The construction of a parking garage building in front of the passenger terminal began at the end of 2017 (investment of EUR 13.7 million), which is due to be completed by the end of 2018. In 2018, the airport's long-term development plan will be updated including a decision on how to expand the passenger terminal, which is already operating at full capacity during peak hours. In subsequent years, EUR 17.0 million has been earmarked for the planned expansion and

construction of the passenger terminal.

At regional airports, the biggest investments will be the reconstruction of the runway of the Kärdla Airport in 2018 and the full renovation of Pärnu Airport in 2018-2019.

STRATEGIC MEASURES OF THE TALLINN AIRPORT GROUP 2018

Mõõdikud

Air operators

- No aircraft accidents or serious incidents
- Airport ground incident rate max 7.5 incidents per 1,000 operations
- Security-related serious incidents max 3 incidents per year
- Number of serious incidents of GH max 0.04 incidents per 1,000 operations
- Safety-related incidents of GH are less than 2.8 per 1,000 operations
- Air traffic capacity 16 flights per hour
- Security-related incidents of GH are less than 0.5 incidents per 1,000 operations
- CAT II has been implemented in accordance with requirements
- Number of year-round direct flight destinations min 25
- Aviation revenue of EUR 15.2 million
- GH revenue growth up to EUR 10.6 million (excl de-icing)
- Level of the environmental index is average 2 on a 1-3-point scale

Passengers

- Number of passengers is 2.85 million per year
- Passenger satisfaction (ASQ) – 4.45 on a 5-point scale
- Trade and catering income of EUR 4.13 million, including concessions of EUR 3.47 million
- Parking services and taxi revenue of EUR 2.03 million
- Share of self-service check-in operations is 55%
- Passenger service capacity: security check line - 170 persons per hour per line (850 in total on 5 lines)
- Number of GH quality cases is 3.7 cases per 1,000 flights

Partners

- Real estate rental service residual income of EUR 1.942 million
- Vacant surface of the entire rented surface max 7%

Employees and organisation

- Voluntary employee turnover is less than 9% in Tallinn Airport Ltd and less than 15% in Tallinn Airport GH
- No unspecified / not updated competences non-conformities
- Nil serious work accidents
- Work time efficiency: overtime and undertime, +/-8% or 92-108%
- TOP 10 of the most attractive employers in Estonia
- TOP 5 the employer's recognition

Profitability

- The Group's return on equity min 6.0%
- Return on investments is 3.8%
- GH net profit margin is above 9%
- Residual income of regional airports is above EUR -482,353
- Revenue per outgoing passenger is EUR 28.52
- Revenue per employee is EUR 70 thousand
- Net profit per outgoing passenger is EUR 3.46
- Net profit per employee is EUR 8.5 thousand

Thanks to You





ABOUT THE REPORT

This annual report presents the operations for the whole 2017, is prepared annually and is a follow-up to the annual report 2016.

Principles of preparing this report

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

The GRI Guideline provides for a choice between "core" and "comprehensive" levels depending on the level of details of the report. Considering that in global comparison the Company's size and scope of operations is small, presence of potential risks in

the Company's business and the context of Estonia's legal and operational standards, the most suitable option for the Company is "core" level that includes data about the Company's profile, management type and key performance indicators.

Impact points were defined and their extent was delimited by interviewing employees and the management of the Company, by analysing literature, data and media, as well as by site visits and expert assessments. The description and assessment of the most important performance indicators is based on the views of the Company's staff and management, documented data and aspects of the GRI guide, which are grouped into themes. Relevance is defined by interviews with the Company's staff and management, as well as an external expert assessment from the stakeholder point of view. Our key stakeholders include our customers, partners and companies operating on the airport territory, employees, local governments and people living near the airport. In more details stakeholders are described in the relevant chapter. In assessing relevance, also the legislative and regulative compliance is taken into account, as it can decrease the relevance of the topic for the company, and vice versa.

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

The location of standard published data in the report, i.e. GRI index:

Indicator		Page nr	Internal or external impact
GENERAL			
STRATEGY AND PROFILE			
G4-1	Statement of the management board	7	Both
ORGANIZATIONAL PROFILE			
G4-3	Name of the organization	11	Internal
G4-4	Primary brands, products, and/or services	11, 13, 65, 73	Internal
G4-5	Location of organization's headquarters	11	Internal
G4-6	Countries where the organization operates	11, 71, 98	Internal

Indicator		Page nr	Internal or external impact
G4-7	Nature of ownership and legal form	11, 71	Internal
G4-8	Markets served	11, 13, 54, 71	External
G4-9	Scale of the reporting organization	11, 13, 72	Internal
G4-10	Structure of the labour force	97	Internal
G4-12	The organization's supply chain	42	External
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	15, 29	Internal
G4-14	Precautionary approach or principle, which is addressed by the organization	19, 33, 38	Both
G4-15	Externally developed charters, principles, or other initiatives to which the organization subscribes or which it endorses	21, 35	External
G4-16	Memberships	35	External
SCOPE AND PROFILE OF REPORT			
G4-17	Structure of the organization	30	Internal
G4-18	Process for defining the report content	130	Both
G4-19	Material Aspect Boundary of the report within the organization	19	Both
G4-20	Aspect Boundary of the report within the organization	26	Internal
G4-21	Aspect Boundary of the report outside the organization	20	External
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	64	Internal
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	130	Internal
STAKEHOLDER ENGAGEMENT			
G4-24	Stakeholder groups engaged by the organization	21, 83, 85, 89	Both
G4-25	Basis for identification and selection of stakeholders with whom to engage	83, 84	Both
G4-26	The organization's approach to stakeholder engagement	20, 36, 77, 83, 89	Both
G4-27	Key topics and concerns that have been raised through stakeholder engagement	83	Both
REPORT PROFILE			
G4-28	Reporting period	130	Internal
G4-29	Date of most recent previous report	130	Internal

Indicator		Page nr	Internal or external impact
G4-30	Reporting cycle	130	Internal
G4-31	Contact point for questions regarding the report or its contents	130	Internal
G4-32	GRI Content Index	131,-134	Internal
G4-33	Audit of the report	130	External
GOVERNANCE			
G4-34	Governance structure of the organization	30	Internal
ETHICS			
G4-56	The organization's strategy, values and ethics	19, 22, 83, 125	Internal

ECONOMIC PERFORMANCE MEASUREMENT

ECONOMIC PERFORMANCE

G4-EC1	Direct economic value generated and distributed	44, 75	Internal
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MARKET PRESENCE

G4-EC7	Local labour recruitment	98	Internal
G4-EC8	The development and impact of infrastructure investments or services provided to the public	52	External
G4-AO1	Number of passengers	55, 58	Both
G4-AO2	Number of flights	56, 59	Both
G4-AO3	Cargo volume	58	Both

INDIRECT ECONOMIC IMPACT

G4-EC8	The development and impact of infrastructure investments or services provided to the public	91-93	Internal
G4-EC7	Local labour recruitment	98	Internal

PROCUREMENT PRACTICES

G4-EC9	Proportion of spending on local suppliers	83	Both
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ENVIRONMENTAL

MATERIALS

G4-EN2	Percentage of materials used that are recycled input materials	118	Internal
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ENERGY

G4-EN3	Energy consumption within the organization	64, 112	Internal
G4-EN4	Indirect energy consumption	112	External

Indicator		Page nr	Internal or external impact
G4-EN5	Energy intensity	108, 113	Internal
G4-EN6	Reduction of energy consumption	112	Internal
WATER			
G4-EN8	Total water withdrawal by source	65,, 114	Internal
G4-EN9	Water sources significantly affected by withdrawal of water	116	External
G4-EN10	Percentage and total volume of water recycled and reused	116	Internal
G4-AO4	Quality of drainage water	116	Both
BIODIVERSITY			
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas of high biodiversity value outside protected areas	120	External
G4-EN12	Description of significant impacts on biodiversity in protected areas and nearby areas	120	External
EMMISSIONS			
G4-AO5	Quality of air	117	External
EFFLUENTS AND WASTE			
G4-EN21	Total amount of waste water	115	
G4-EN22	Total water discharge by quality and destination	118	Both
G4-EN23	Total volume of significant spills	116	Both
G4-EN24	Transport of hazardous wastes	118	Both
G4-EN25	Transport of hazardous wastes	120	Both
G4-EN26	Impact of wastewater on biodiversity	40, 120	External
G4-AO6	Usage of de-icing substances	115	Internal
COMPLIANCE			
G4-EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	109	Both
TRANSPORT			
G4-EN29	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	111	Internal
NOISE			
G4-AO7	Number and percentage change of people residing in the direct vicinity of the airport	119	External

Indicator		Page nr	Internal or external impact
SUPPLIER ENVIRONMENTAL ASSESSMENT			
G4-EN32	Screening of new suppliers using environmental criteria	41	External
G4-EN33	Environmental impacts in the supply chain	109	External
ENVIRONMENTAL GRIEVANCE MECHANISMS			
G4-EN34	Grievances about environmental impacts	86, 119	External

SOCIAL

EMPLOYMENT			
G4-LA1	Employee turnover	98	Internal
G4-LA2	The total number and rate of new employees and employee turnover by age group, gender and region	98–98	Internal
OCCUPATIONAL HEALTH AND SAFETY			
G4-LA6	Workforce representation in health and safety committees	37	Internal
G4-LA7	Injuries, occupational diseases and work-related accidents	100, 106	Internal
TRAINING AND EDUCATION			
G4-LA10	Training and education	104	Internal
G4-LA11	Skills referral and lifelong learning programs, which support employee continuing employment	90, 97	Internal
G4-LA12	Performance and career development reviews	98, 102, 104	Internal
DIVERSITY AND EQUAL OPPORTUNITY			
G4-LA13	Juhtorganite koosseis ning töötajate jaotus töötajakategooriate kaupa	31–32	Internal
SUPPLIER ASSESSMENT FOR LABOR PRACTICES			
G4-LA15	Rates for returning to work and maintaining a job after parental leave by gender	100,	External
GRIEVANCE MECHANISMS			
G4-LA16	Grievances about labor practices	86,	Internal
HUMAN RIGHTS			
NON-DISCRIMINATION			
G4-HR4	Incidents of discrimination and actions taken	86,	Internal

Indicator		Page nr	Internal or external impact
AMENDS			
G4-HR11	Number of complaints related to human rights violations	86	Internal
CORRUPTION			
G4-SO2	The proportion and total number of business units that analyse corruption risks	34	Internal
G4-SO3	Proportion of employees, who attended training on anti-corruption policies and procedures	34	Internal
G4-SO4	Measures taken on corruption cases	34	Internal
ANTI-CORRUPTION			
G4-SO7	Actions taken in response to incidents of corruption	34	Both
COMPLIANCE			
G4-SO8	Penalties for non-compliance with laws and regulations	86, 98	Both
LOCAL COMMUNITIES			
G4-SO9	Operations with significant potential or actual negative impacts on local communities	109	External
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-SO10	Impacts on society in the supply chain	41	External
GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY			
G4-SO11	Grievances related to impacts on society	86	External

PRODUCT RESPONSIBILITY

CUSTOMER HEALTH AND SAFETY			
G4-PR2	Health and safety impacts during product life cycle stages	23, 66	Both
G4-AO9	Total annual number of bird strikes	68	Both
PRODUCT AND SERVICE LABELING			
G4-PR5	Results of surveys measuring customer satisfaction	85, 87	Internal
CUSTOMER PRIVACY			
G4-PR8	Complaints regarding breaches of customer privacy and losses of customer data	86	Internal
COMPLIANCE			
G4-PR9	Fines for non-compliance with laws and regulations concerning the provision and use of products and services	86	Both

Similar to a bird's nest -
3rd in Europe
9th in world



2017. CONSOLIDATED FINANCIAL STATEMENTS

Business name:	AS Tallinna Lennujaam
Commercial registry number:	10349560
Legal address:	Lennujaama tee 12, 11101 Tallinn, Republic of Estonia
Phone:	+372 6 058 701
Fax:	+372 6 058 333
E-mail:	administration@tll.aero
Home page:	www.tallinn-airport.ee
Auditor:	AS PricewaterhouseCoopers
Beginning of financial year:	01.01.2017
End of financial year:	31.12.2017

General information and contact data

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

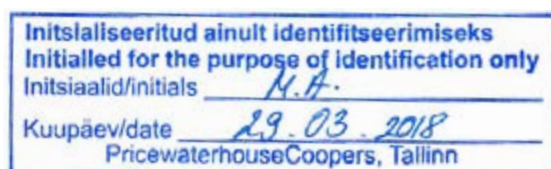
The Group's main activity is operation and development of airports, and provision of ground handling services for aircraft and passengers. The Group employed 634 people on average in 2017 (2016: 604).

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.

Legal address:	Lennujaama tee 12, 11101 Tallinn, Republic of Estonia
Phone:	+372 6 058 701
Fax:	+372 6 058 333
E-mail:	administration@tll.aero
Home page:	www.tallinn-airport.ee
Auditor:	AS PricewaterhouseCoopers

Consolidated statement of financial position

	in EUR thousand	Note	31.12.2017	31.12.2016
ASSETS				
Non-current assets				
● Property, plant and equipment		Note 5	140 348	120 225
● Intangible assets		Note 6	100	133
● Investment property		Note 7	19 060	17 511
Total non-current assets			159 508	137 869
Current assets				
● Inventories		Note 9	230	260
● Receivables and prepayments		Note 10	7 537	8 613
● Cash		Note 12	14 137	8 713
Total current assets			21 904	17 586
TOTAL ASSETS			181 412	155 455
EQUITY				
Equity		Note 19		
● Share capital			25 095	25 095
● Statutory reserve capital			2 510	2 510
● Retained earnings			50 652	44 188
Total equity			78 257	71 793
liabilities				
Non-current liabilities				
● Borrowings		Note 13	23 750	12 250
● Government grants		Note 15	60 660	56 394
● Other payables			41	41
Total non-current liabilities			84 450	68 685
Current liabilities				
● Borrowings		Note 13	8 509	4 607
● Payables and prepayments		Note 16	9 696	10 312
● Accruals		Note 27	500	0
● Derivative instruments			0	58
● Total current liabilities			18 705	14 977
total liabilities			103 155	83 662
TOTAL LIABILITIES AND EQUITY			181 412	155 455



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

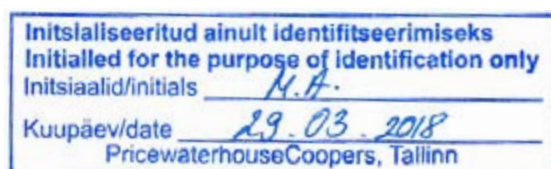
	in EUR thousand	Note	2017	2016
Revenue		Note 20	40 250	36 897
Other income		Note 21	9 684	9 866
Goods, materials and services		Note 22	-12 614	-11 237
Other operating expenses		Note 23	-1 283	-1 340
Staff costs		Note 24	-17 747	-16 015
Depreciation, amortisation and impairment		Note 5, 6, 7	-11 038	-11 816
Other expenses			-580	-77
OPERATING PROFIT			6 672	6 279
Finance income and costs		Note 25	-207	-121
Net profit for the year			6 464	6 158
COMPREHENSIVE INCOME FOR THE YEAR			6 464	6 158

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 Kuupäev/date 29.03.2018
 PricewaterhouseCoopers, Tallinn

The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

	in EUR thousand	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Collections from customers			48 541	40 307
Payments to suppliers and employees			-38 912	-33 929
Interest received		Note 25	1	2
Interest paid			-310	-337
Government grants received from state budget for covering the cost of operating activities		Note 15	5 750	5 268
Other grants received for covering the cost of operating activities		Note 15	32	32
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES			15 102	11 343
CASH FLOWS FROM INVESTING ACTIVITIES				
Paid for acquisition of intangible assets, property, plant and equipment and investment property		Note 5,6,7	-33 761	-20 547
Proceeds from sale of property, plant and equipment		Note 5	162	181
Loans granted			0	-2
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES			-33 599	-20 368
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of borrowings		Note 13	-4 556	-4 556
Borrowings received		Note 13	20 000	0
Government grants received from state budget for non-current assets		Note 15	0	482
Government grants received for non-current assets		Note 10, 15	8 476	6 668
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES			23 920	2 594
NET CASH FLOWS			5 424	-6 431
Cash and cash equivalents at beginning of the period			8 713	15 145
Cash and cash equivalents at end of the period			14 137	8 713
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		Note 12	5 424	-6 431

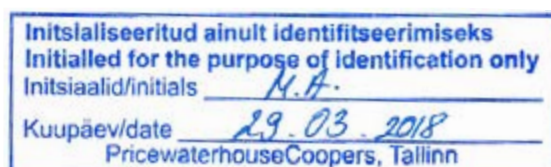


The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

in EUR thousand	Share capital	Statutory reserve capital	Retained earnings	Total
BALANCE AS AT 31.12.2015	25 095	2 436	38 104	65 635
Profit allocation to reserve capital	0	73	-73	0
Comprehensive income for 2016	0	0	6 158	6 158
BALANCE AS AT 31.12.2016	25 095	2 510	44 188	71 793
Comprehensive income for 2017	0	0	6 464	6 464
BALANCE AS AT 31.12.2017	25 095	2 510	50 652	78 257

More detailed information about share capital is disclosed in Note 19.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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 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 29 March 2018.

2. Overview of key accounting and reporting policies

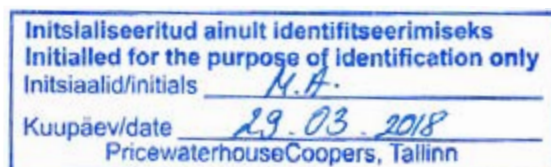
An overview of the key accounting and reporting policies applied to the preparation of the consolidated financial statements is presented below. These accounting and reporting policies have been applied consistently to all reporting periods, other than the cases for which information has been disclosed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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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

B. Changes in accounting and disclosure policies

Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2017:

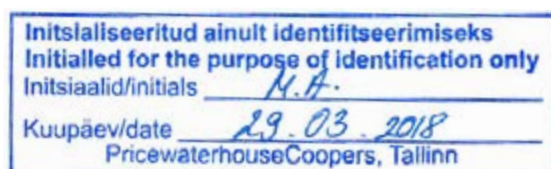
“Disclosure initiative” – Amendments to IAS 7. The amended IAS 7 requires disclosure of a reconciliation of movements in liabilities arising from financing activities.

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 2017 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 2018, 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 (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 notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

The new standard has no significant impact on the disclosure of financial instruments and their valuation.

Revenue from Contracts with Customers - Amendments to IFRS 15 – Effective for annual periods beginning on or after 1 January 2018. 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 according to the analysis performed.

IFRS 16 „Leases“. Effective for annual periods beginning on or after 1 January 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise:

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

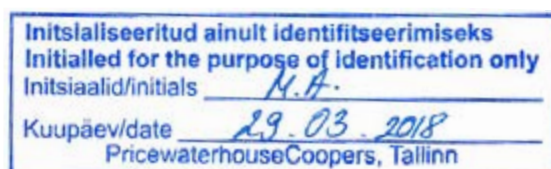
IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The new standard has an impact on the disclosure of operating lease expenses, lease assets and lease liabilities in the financial statements. However, according to the analysis performed the impact on the Group's financial statements is not significant.

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 notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

The receivables, liabilities, income, expenses, and unrealised gains and loss on the transactions between the parent company and its subsidiary have been eliminated. If necessary, the accounting policies of the subsidiary have been changed to bring them into compliance with the Group's accounting policies.

Subsidiaries

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

Parent company's separate financial statements

The separate primary financial statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. The primary financial statements of the parent have been prepared using the same accounting policies as those that have also been used for the preparation of the consolidated financial statements, except for accounting policies for recognition of subsidiaries which have been changed in the parent's separate primary financial statements in accordance with the requirements of IAS 27 Consolidated and Separate Financial Statements and investments in the shares of subsidiaries have been recognised at cost less any impairment losses (see Note 28).

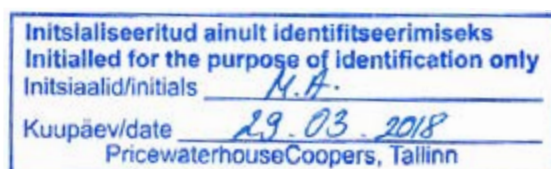
D. Foreign currency transactions and financial assets and liabilities denominated in a foreign currency

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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

are translated on the basis of the official exchange rate of the European Central Bank prevailing at the balance sheet date, or when the European Central Bank does not provide the official exchange rate for this currency, using the official euro exchange rate of the central bank of the country that issues the currency. Gains and losses on translation of borrowings, and cash and cash equivalents are included within finance income and costs in the statement of comprehensive income; other changes arising from exchange rates are included within other income or other expenses.

E. Classification of assets and liabilities as current and non-current

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

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

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

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

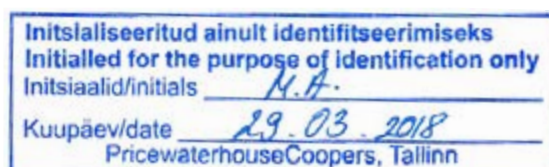
F. Property, plant and equipment

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

Cost

Property, plant and equipment initially is recognised at cost.

- 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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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

Depreciation

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

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

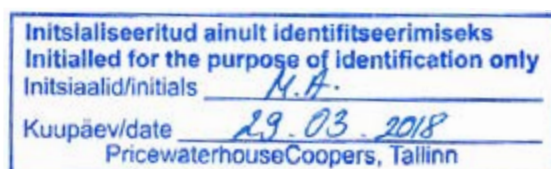
The depreciation methods, norms and residual values of items of property, plant and equipment are reviewed at least at the end of each financial year and when new estimates differ from the previous ones, the changes are recognised as changes in accounting estimates, i.e. prospectively. The estimated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

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

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

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

- Buildings and facilities:
 - Aprons, runways 50 years
 - Buildings 5 – 50 years
 - Other facilities (sewerage and other utility lines) 10 – 25 years
 - Small facilities (hangars) 2 – 7 years



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

- Machinery and equipment:
 - Miscellaneous systems 3 – 20 years
 - Runway maintenance machinery and equipment 6 – 10 years
 - Other machinery 2 – 15 years
- Other fixtures, tools, fittings:
 - Furniture and fixtures at terminals 2 – 10 years
 - Computers and network equipment 3 – 5 years
 - Other assets 3 – 10 years

Subsequent expenditures

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

Derecognition

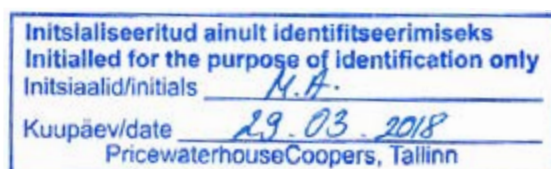
Items of property, plant and equipment are derecognised on date of sale, on disposal or when no future economic benefits are expected from their use. Gains and losses on derecognition of items of property, plant and equipment are recognised in the statement of comprehensive income line Other income or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

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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Software

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

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

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

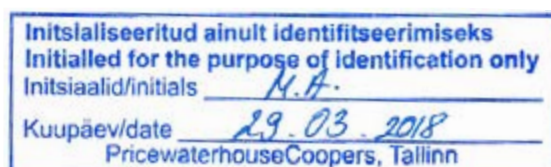
H. Investment property

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

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

The useful 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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

- Office complex:
 - Office building 30 years
 - Outhouses 15 – 20 years
 - Constructions 5 years

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

I. Impairment of non-financial assets

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

External indicators of possible impairment:

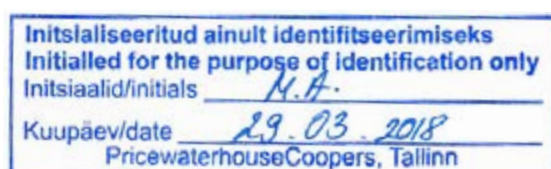
- Market value of similar assets has fallen;
- Overall economic environment and market situation have deteriorated as a result of which it is possible that the income generated by the assets will fall;
- Market interest rates have increased as a result of which the return on assets may fall below the interest rate;
- Carrying amount of assets is higher than the entity's market 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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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

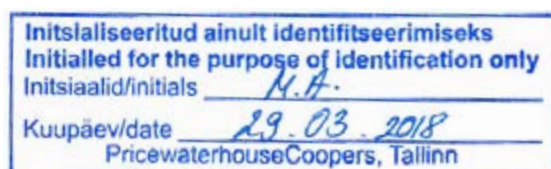
Financial assets are classified on the basis of the objective for which they were acquired. The Management Board determines the category of a financial asset at its initial recognition.

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, 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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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.

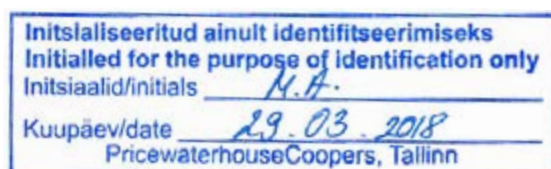
K. Impairment of financial assets

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 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 notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

the amount of the impairment loss decreases and this decrease can be related to an event which occurred after the impairment loss was recognised (e.g. improvement in the debtor's credit rating), the impairment loss is reversed in the statement of comprehensive income.

L. Derivative instruments

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

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

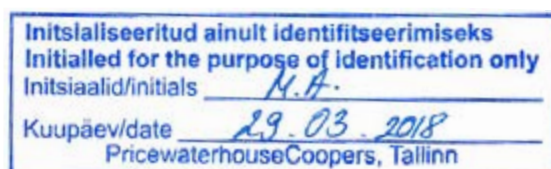
Gains and losses from changes in the fair value of a derivative instrument are recognised in the statement of comprehensive income of the reporting period within the net profit for the year, except for such derivative instruments which qualify for hedge accounting rules applied to instruments acquired 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 complete the sale from the estimated sales price.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

N. Trade receivables

Trade receivables are accounts receivable incurred in the ordinary course of business for goods sold or services provided.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, less a provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the receivables. The circumstances indicating impairment include bankruptcy or major financial difficulties of the debtor and non-adherence to payment terms (more than 90 days overdue). Receivables are assessed individually.

The carrying amount of receivables is reduced by the amount of the impairment loss of doubtful receivables and the impairment loss is recognised in the consolidated statement of comprehensive income within Other operating expenses. If the receivable is deemed irrecoverable, the receivable and the impairment loss are taken off the consolidated statement of financial position. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables and is recognised as the decrease of the statement of comprehensive income line Other operating expenses.

Receivables due in less than one year are considered as short-term receivables, and the remaining receivables are considered as long-term receivables. Long-term trade receivables are carried at the present value of the collectible receivable. The difference between the nominal value and the present value of the collectible receivable is recognised as interest income until the due date of the receivable, using the effective interest rate method.

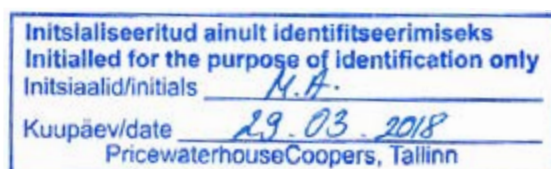
O. Cash and cash equivalents

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

P. Reserve capital and statutory reserve capital

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

Pursuant to the requirements of the Commercial Code, the parent company shall form statutory reserve capital out of the net profit, the minimum amount of which is 1/10 of



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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).

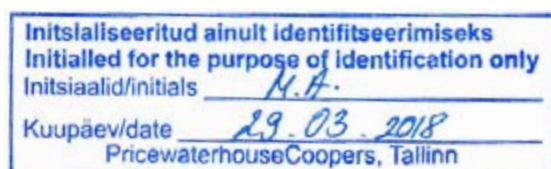
S. Borrowing costs

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 notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

The amortised cost of the current financial liabilities normally equals their nominal value; therefore current financial liabilities are stated in the consolidated statement of financial position at their redemption value. To calculate the amortised cost of non-current financial liabilities, they are initially recognised at fair value of the proceeds received (net of transaction costs incurred) and an interest cost is calculated on the liability in subsequent periods using the effective interest rate method.

U. Taxation

Income tax on dividends in Estonia

According to the Income Tax Act of Estonia, corporate profits are not taxed in Estonia but dividends payable and certain payment and expenses, outlined in the Income Tax Act are. The tax rate on 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.

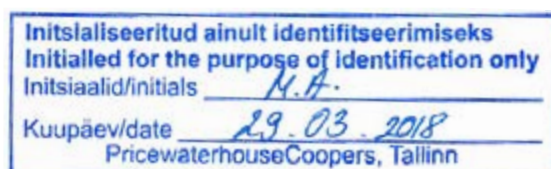
In the consolidated statement of financial position, a potential income tax liability is not recognised for the Group's available equity which would accompany the payment of available equity as dividends. The maximum income tax liability which would accompany the payment of retained earnings as dividends 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.

From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount up to the average dividend payment during the three preceding years that were taxed with the rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Other taxes in Estonia

- 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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

- 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 3.5–232.6/quarter per truck
- Income tax on expenses not related to business activities – 20/80 on 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.

V. Employee benefits

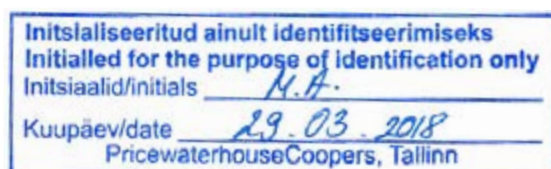
Employee short-term benefits include wages and salaries and social security taxes, benefits related to temporary suspension of employment contracts (holiday pay or other similar fees), when it is assumed that the temporary suspension of the employment contract takes place within 12 months after the end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



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whole. In such a case, a provision shall be recognised (when other recognition criteria have been met).

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

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

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

X. Revenue recognition

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

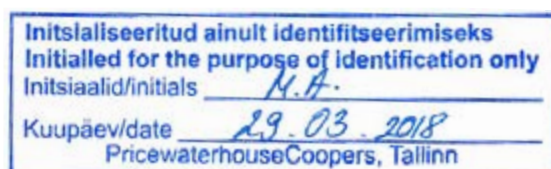
The Group's main activity is provision of air transportation and passenger services. Revenue from these services such as passenger, landing, parking, navigation and take-off fees are recognised under aviation revenue. In addition, revenue is generated by leasing of available premises, provision and intermediation 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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Y. Government grants

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

Government grants related to assets

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

Grants related to income

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

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

Z. Leases

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

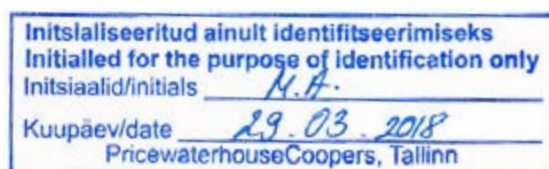
The Group as the lessee

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

The Group as the lessor

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

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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

- 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.

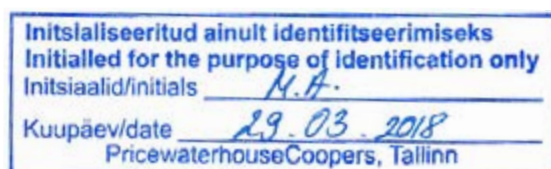
AC. Events after the balance sheet date

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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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. Nevertheless, there were no valid derivative contracts as at 31.12.2017.

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

B. Market risks

Foreign currency risk is the risk that the fair value or cash flows of financial instruments fluctuate due to the changes in exchange rates in the future. The assets and liabilities denominated in euros are considered to be neutral assets and liabilities in relation to the foreign currency risk. In order to avoid foreign currency risk, transactions are concluded primarily in euros. In 2017 and 2016, the Group's receivables exposed to foreign currency were insignificant.

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

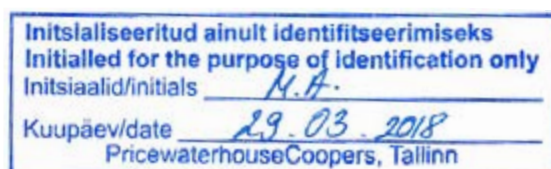
Cash flow interest rate risk arises for the Group from borrowings with floating interest rates and represents the risk that finance costs increase when interest rates increase.

The Group's borrowings have floating interest rates; they depend on fluctuations in Euribor. Average interest rates have not changed significantly in 2017 compared to 2016 (Note 13).

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 notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

The following measures have been applied to mitigate credit risk:

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

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

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

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

- ensuring of liquidity;
- capital preservation;

Additional information about credit risk is disclosed in Note 11.

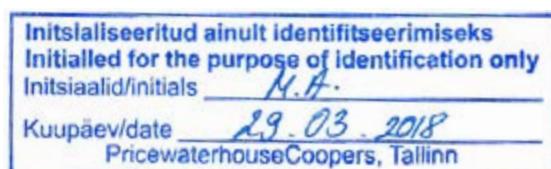
D. Liquidity risk

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 14,137 thousand (31.12.2016: EUR 8,713 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 3,200 thousand (31.12.2016: EUR 2,610 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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Breakdown of liabilities by maturity date

in EUR thousand	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flows	Carrying amounts
As at 31.12.2017							
Borrowings (Note 13) ¹	100	191	8 350	4 489	19 954	33 084	32 259
Trade payables (Note 16)	4 107	1 884	0	0	41	6 032	6 032
TOTAL	4 207	2 075	8 350	4 489	19 995	39 116	38 291
As at 31.12.2016							
Borrowings (Note 13) ²	92	1 961	2 600	11 591	752	16 996	16 857
Trade payables (Note 16)	4 679	2 162	0	0	41	6 882	6 882
Derivative instruments	0	0	58	0	0	58	58
TOTAL	4 771	4 123	2 658	11 591	793	23 936	23 798

E. Capital risk management

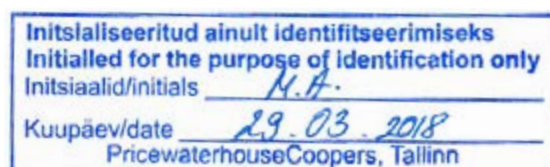
AS Tallinna Lennujaam is fully owned by the Republic of Estonia which makes all decisions in respect of dividend distribution and increase or decrease of share capital (through the Ministry of Economic Affairs and Communications).

During the past years, the Group has been using debt to finance its capital expenditures. As at 31.12.2017 and 31.12.2016, 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 (31.12.2016: EUR 25,095 thousand), statutory reserve capital in the amount of EUR 2,510 thousand (31.12.2016: EUR 2,510 thousand) and retained earnings in the amount of EUR 50,652 thousand (31.12.2016: EUR 44,188 thousand). Statutory reserve capital forms 10% of share capital. In 2017 debt and cash and cash equivalents of AS

1 Diskonteerimata rahavoo leidmisel on kasutatud 2017. aasta lõpus kasutatud intressimäära - algdok lk 23

2 Diskonteerimata rahavoo leidmisel on kasutatud 2016. aasta lõpus kasutatud intressimäära - algdok lk 23



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Tallinna Lennujaam increased mainly due to increase of borrowings; in 2016 debt and cash and cash equivalents of AS Tallinna Lenujaam decreased mainly due to growth of volume of fixed asset investments. Ratio of debt to equity has increased by 9 pp compared to 2016 (2016 vs 2015: decrease by 9%). Taking into account revenue, equity and debt of AS Tallinna Lennujaam, the optimum ratio is 40%.

The Group's debt to equity ratio is projected to grow in 2019 due to investments and loans taken for their financing (Note 13).

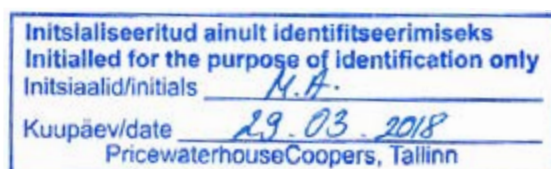
in EUR thousand 31.12.2017 31.12.2016

RATIO OF DEBT TO EQUITY AND THE RATIO OF NET DEBT TO TOTAL CAPITAL		
Borrowings (Note 13)	32 259	16 857
Cash and cash equivalents (Note 12)	14 137	8 713
Net debt (borrowings-cash and cash equivalents)	18 122	8 144
Equity	78 257	71 793
Total capital (net debt + equity)	96 379	79 937
Debt to equity	33%	21%
Net debt to total capital	19%	10%

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 31.12.2017 and 31.12.2016. 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.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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.

4. Key accounting estimates

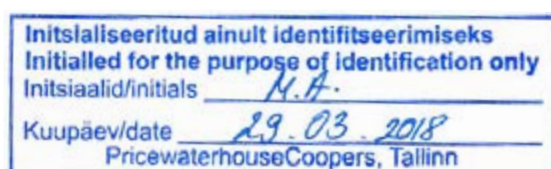
Several estimates and assumptions have been used to prepare the consolidated financial statements which have an effect on the assets and liabilities reported in the financial statements. Although these estimates are based on the management's best knowledge of current events and actions, actual results 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 2017, the carrying amount of the Group's property, plant and equipment was EUR 140,348 thousand (31 December 2016: EUR 120,225 thousand), the depreciation charge for the reporting period was EUR 9,393 thousand (2016: EUR 9,273 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 919 thousand (2016: EUR 758 thousand).

As at 31 December 2017, the carrying amount of the Group's investment property was EUR 19,059 thousand (31 December 2016: EUR 17,511 thousand), the periods depreciation expense was EUR 1,126 thousand (2016: EUR 1,122 thousand (see Note 7). If the useful lives of investment property were changed by one year, the profit would change by EUR 121 thousand (2016: EUR 85 thousand).



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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.

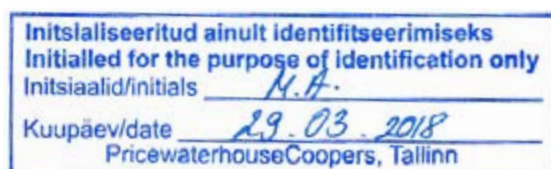
The amount of doubtful receivables is adjusted at each balance sheet date, using information based on prior experience about how many of the doubtful receivables will be collected in a later period and how many of the receivables less than 90 days overdue as at the balance sheet date will not be collected in a later period. As at 31 December 2017, the Group had doubtful receivables in the amount of EUR 585 thousand (31 December 2016: EUR 1,035 thousand) (Note 10).

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

IAS 36 specifies indications for estimating impairment losses of assets.

The operations of regional airports depend on the national policy. The regional policy with regard to airports specifies that state grants to AS Tallinna Lennujaam need to cover the necessary expenditure for the daily use of infrastructure. The state will create an opportunity for the landing of aircraft and will also support local airlines in order to ensure an airline connection between the islands and the mainland. The assets will need to be valued from the point of view of the regional policy. Assets will be evaluated through the benefits created for the region and the Company's profitability is thus assumed to be irrelevant.

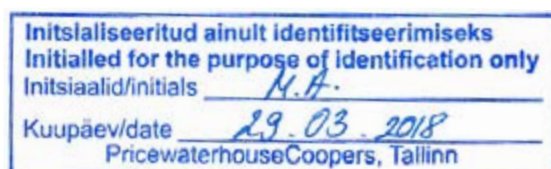
The Group's Management Board assessed the existence of indications of impairment losses and determined that there were no indications in 2017 to conclude that the assets had lost a major share of their cash generation ability and no impairment test was performed (similarly to 2016).



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

5 Property, plant and equipment

in EUR thousand	Construc- tion in progress and prepayments	Land	Buildings and facilities	Machinery and equip- ment	Other inventory	Total
Balance as at 31.12.2015						
Cost	1 136	5 670	125 217	71 190	3 403	206 616
Accumulated depreciation	0	0	-52 834	-46 087	-2 425	-101 346
CARRYING AMOUNT 31.12.2015	1 136	5 670	72 383	25 103	978	105 269
Changes occurred in 2016						
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
Balance as at 31.12.2016						
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
CARRYING AMOUNT 31.12.2016	19 554	8 288	69 571	22 099	713	120 225
Changes occurred in 2017						
Acquisitions and improvements	22 575	3 004	0	4 499	57	30 135
Reclassifications	-40 727	0	29 882	10 845	0	0
Reclassification to expenses	-133	0	0	0	0	-133
Reclassifications between groups of property, plant and equipment	0	0	3 030	-2 938	-92	0
Depreciation charge	0	0	-4 332	-4 864	-197	-9 393
Carrying amount of assets sold	0	0	0	-8	0	-8
Carrying amount of assets written off	0	0	-398	-67	-12	-477
Balance as at 31.12.2017						
Cost	1 269	11 292	156 529	78 862	1 605	249 557
Accumulated depreciation	0	0	-58 775	-49 298	-1 137	-109 210
Carrying amount 31.12.2017	1 269	11 292	97 754	29 564	469	140 348



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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).

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, in 2017 assets of the Group worth EUR 477 thousand (2016: 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 8 thousand (2016: EUR 513 thousand) (see Note 15).

In 2017, machinery and equipment in the carrying amount of EUR 8 thousand (2016: land and machinery in the carrying amount of EUR 46 thousand) were sold. Profit from the sale of assets, which is recorded as other income in the consolidated statement of comprehensive income, amounted to EUR 74 thousand (2016: EUR 135 thousand) (Note 21).

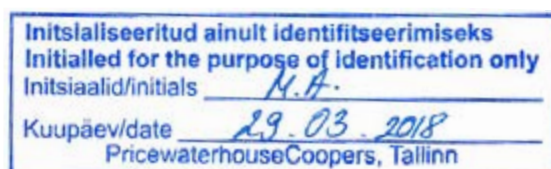
As of 31.12.2017 and 31.12.2016 year-ends the Group had no assets acquired under the finance lease terms.

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

in EUR thousand 31.12.2017 31.12.2016

PROPERTY, PLANT AND EQUIPMENT IN USE WITH THE CARRYING AMOUNT OF ZERO IN ACQUISITION COST

Tallinn Airport	22 132	19 189
Pärnu Airport	2 110	2 822
Tartu Airport	2 623	2 058
Kuessaare Airport	3 178	1 917
Kärdla Airport	1 759	1 048
Tallinn Airport GH	1 791	724
TOTAL NON-CURRENT ASSETS IN USE WITH THE CARRYING AMOUNT OF ZERO	33 593	27 757

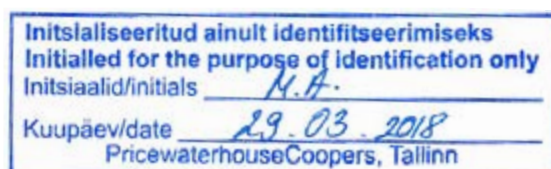


The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

	in EUR thousand	2017	2016
BUILDINGS AND CONSTRUCTIONS LEASED OUT UNDER OPERATING LEASE			
Cost at 31.12.		28 756	35 615
Accumulated depreciation at 31.12.		-9 345	-11 342
Incl depreciation charge for the accounting period		-1 201	-1 455
TOTAL CARRYING AMOUNT OF BUILDINGS AND CONSTRUCTIONS LEASED OUT UNDER OPERATING LEASE AT 31.12.		19 411	24 273

6 Intangible assets

	in EUR thousand	2017	2016
SOFTWARE			
Cost as at 01.01.		597	614
Accumulated amortisation as at 01.01.		-464	-470
CARRYING AMOUNT AS AT 01.01.		133	143
Changes in intangible assets in the period			
Purchases and improvements		3	53
Amortisation accounted		-41	-62
Prepayments for intangible assets		5	0
Total changes in intangible assets		-31	-11
Cost as at 31.12.		541	597
Accumulated amortisation as at 31.12.		-446	-464
Total carrying amount of intangible assets as at 31.12.		95	133
Prepayments for intangible assets		5	0
TOTAL CHANGES IN INTANGIBLE ASSETS		100	133



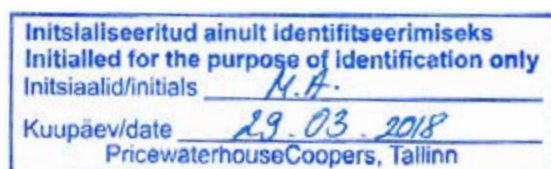
The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

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 1,921 thousand (2016: EUR 1,938 thousand) (Note 8) and direct operating expenses were EUR 434 thousand (2016: EUR 384 thousand) (Note 22).

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 and there were no significant changes in the management's estimation during the interim period. The Group's investment properties are classified as level 3.

	in EUR thousand	2017	2016
Cost as at 01.01.		21 949	21 954
Accumulated depreciation as at 01.01.		-4 438	-3 321
CARRYING AMOUNT OF INVESTMENT PROPERTY AS AT 01.01.		17 511	18 633
Changes in investment property in the period			
Purchases and improvements		2 675	0
Carrying amount of disposed assets		0	-5
Depreciation charge		-1 126	-1 122
Total changes in investment property in the period		1 549	-1 127
Cost as at 31.12.		24 624	21 949
Accumulated depreciation as at 31.12.		-5 564	-4 438
TOTAL CARRYING AMOUNT OF INVESTMENT PROPERTY AS AT 31.12.		19 060	17 511



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

8. Operating lease

Rental income has been earned from the leasing of premises, hangars and land (see Notes 5, 7, 20).

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

Rental income

In 2017, the rental income from non-cancellable leases³ s at 31.12.2017 amounted to EUR 4,010 thousand (2016: EUR 2,947 thousand). The figures provided include rental income from property, plant and equipment as well as investment properties.

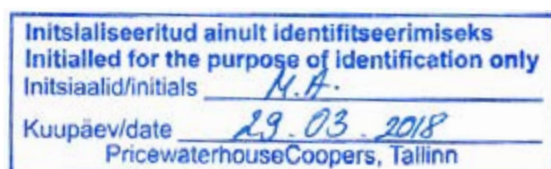
Rental expense

In 2017, total rental expenses for passenger cars were EUR 66 thousand (2016: EUR 41 thousand). Deferred rental expenses from non-cancellable leases amounted to EUR 57 thousand (2016: EUR 105 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.

	in EUR thousand	2017	2016
Concessions from the activities of the lessees in the passenger terminal		3 362	3 083
Rent of investment properties (Note 7)		1 921	1 938
Rent of passenger terminals (Note 5)		759	776
Rent of rooms in the cargo terminal (Note 5)		645	703
Concessions from other activities		620	502
Infrastructure fees		522	356
Other rentals		322	290
TOTAL RENTAL INCOME (NOTE 20)		8 151	7 648

³ Siin ei näidata tingimuslikku renti (kontsessiooni), kuna rendimäär ei ole fikseeritud vaid sõltub kliendi käibest, Number of passengersust ning tarbijahinaindeksist.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

9. Inventories

No inventory write-downs were recognised during the period or in 2016.

	in EUR thousand	31.12.2017	31.12.2016
De-icing materials of aircraft		151	168
Runway maintenance and rescue service materials		32	33
Fuel		30	43
Other inventories		17	16
TOTAL INVENTORIES		230	260

10. Receivables and prepayments

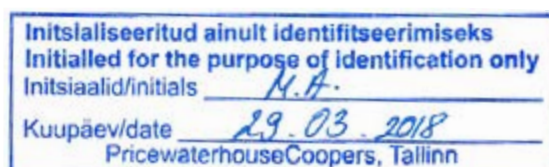
10.1 Trade receivables

	in EUR thousand	31.12.2017	31.12.2016
Accounts receivable		4 921	4 990
Allowance for doubtful receivables		-585	-1 035
TOTAL TRADE RECEIVABLES		4 336	3 956

Trade receivables include receivables from related parties (see Note 27).

10.2 Other receivables

	in EUR thousand	31.12.2017	31.12.2016
Government grants receivable (Note 15)		2 383	2 804
Other receivables		0	6
TOTAL OTHER RECEIVABLES		2 383	2 810



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

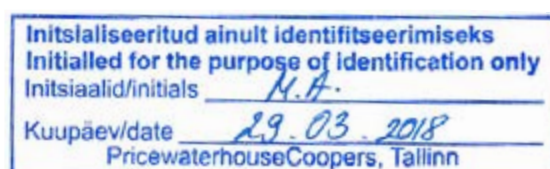
10.3 Prepayments

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	31.12.2017	31.12.2016
Tax prepayments		672	1 535
Prepayments		143	309
Accrued income		3	3
TOTAL PREPAYMENTS		818	1 848
TOTAL RECEIVABLES AND PREPAYMENTS		7 537	8 613

10.4 Changes in doubtful receivables

	in EUR thousand	31.12.2017	31.12.2016
Allowance for doubtful receivables at beginning of the period		-1 035	-971
Receivables deemed doubtful during the reporting period (Note 23)		-16	-109
Receivables deemed uncollectible		463	4
Receivables deemed doubtful collected during the reporting period (Note 23)		3	42
ALLOWANCE FOR DOUBTFUL RECEIVABLES AT END OF THE PERIOD		-585	-1 035



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

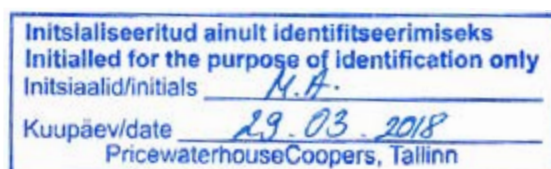
11. Financial instruments

A. Financial instruments by category

in EUR thousand 31.12.2017 31.12.2016

ITEMS OF FINANCIAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION		
Trade receivables, government grant related to non-currents not received and other receivables (Note 10.1 ja 10.2)	6 719	6 765
Cash and cash equivalents (Note 12)	14 137	8 713
TOTAL ITEMS OF FINANCIAL ASSETS IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	20 856	15 478

	in EUR thousand	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
ITEMS OF FINANCIAL LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION				
As at 31.12.2017				
Borrowings (Note 13)	0	32 259		32 259
Trade and other payables (Note 16)	0	6 032		6 532
TOTAL ITEMS OF FINANCIAL LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	0	38 291		38 791
As at 31.12.2016				
Borrowings (Note 13)	0	16 857		16 857
Trade and other payables (Note 16)	0	6 882		6 882
Derivative instruments	58	0		58
TOTAL ITEMS OF FINANCIAL LIABILITIES IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	58	23 740		23 798



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

B. Financial instruments by credit quality

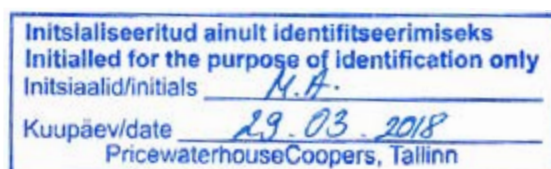
Valuation of other receivables

Under the government grants agreement with the Cohesion Fund (ISPA), the Group has purchased fixed assets. The Group's management assesses that investments have been made in accordance with the eligibility requirements under the grants agreement, and therefore, the receivable accounted under the accrual basis is reasonable. The Group believes that under the existing agreement and in the light of its previous collaboration with ISPA, there are no indications for a write-down of the receivable due to its collectibility.

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 31.12.2017 31.12.2016

OSTJATELT LAEKUMATA ARVETE ANALÜÜS		
Accounts receivable (less than 12 month relationship) that are not overdue	3 501	3 084
Incl. new customers (less than 12 month relationship) that are not overdue	70	36
Incl. existing customers (over 12 month relationship) that are not overdue	3 431	3 048
Accounts receivable (less than 12 month relationship) that are overdue	834	872
Incl. new customers (less than 12 month relationship) that are overdue	13	49
Incl. existing customers (over 12 month relationship) that are overdue	821	823
TOTAL ACCOUNTS RECEIVABLE (DOES NOT INCLUDE DOUBTFUL RECEIVABLES)	4 335	3 956



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

in EUR thousand 31.12.2017 31.12.2016

OVERDUE RECEIVABLES THAT HAVE NOT BEEN WRITTEN OFF AT THE END OF THE PERIOD	834	872
Incl. payments overdue 1-30 days	601	752
Incl. payments overdue 31-60 days	223	113
Incl. payments overdue >61 days	10	7
ALLOWANCE FOR DOUBTFUL RECEIVABLES AT END OF THE PERIOD	585	1 034

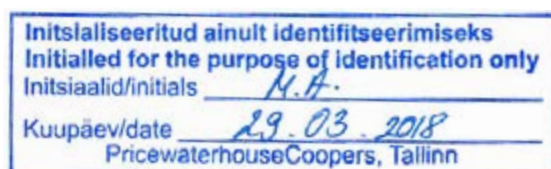
in EUR thousand 31.12.2017 31.12.2016

ALLOCATION OF BANK ACCOUNTS AND DEPOSITS BY BANKS WITH DIFFERENT CREDIT RATINGS		
Banks with Moody's credit rating of Aa3	13 993	8 581
Banks with Moody's credit rating of A2	24	27
TOTAL AMOUNTS OF BANK ACCOUNTS AND DEPOSITS EXPOSED TO CREDIT RISK (NOTE 12)	14 017	8 608

12. Cash and cash equivalents

in EUR thousand 31.12.2017 31.12.2016

Cash on hand	120	106
Bank accounts	13 973	8 592
Cash in transit	44	16
TOTAL CASH AND CASH EQUIVALENTS	14 137	8 713



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

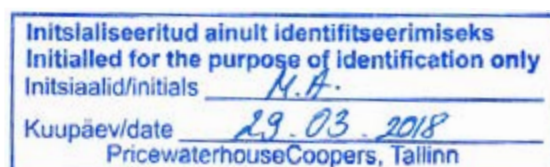
13. Borrowings

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.

During the financial year a loan of EUR 10 million was received from European Investment Bank and a loan of EUR 10 million was received from Nordic Investment Bank. Loans would be used to finance the expansion and renewal of the Tallinn Airport airside. Repayments of the loan received from Nordic Investment Bank start in 2019 and repayments of the loan received from European Investment Bank in 2022. The balance of these loans as at 31.12.2017 amounted to EUR 10 million and EUR 10 million, respectively.

	in EUR thousand	31.12.2017	31.12.2016
Long-term borrowings			
Long-term bank loans		23 750	4 750
Bonds issued		0	7 500
TOTAL LONG-TERM BORROWINGS		23 750	12 250
Short-term borrowings			
Repayments of long-term bank loans in the next period		1 000	4 556
Interest payable related to long-term bank loans as at 31.12		9	52
Bonds in nominal value		7 500	0
TOTAL SHORT-TERM BORROWINGS		8 509	4 607
TOTAL BORROWINGS		32 259	16 857

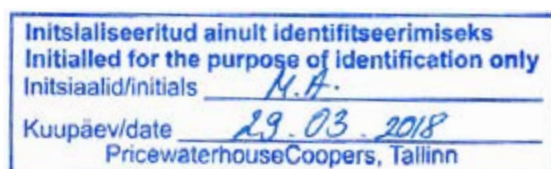


The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

	Date of entry into contract	Due date	Security	Loan amount	Interest rate
PRINCIPAL OF LONG-TERM BANK LOANS, BONDS (AT NOMINAL VALUE) AND CONDITIONS					
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%
Nordic Investment Bank	16.12.2016	1.12.2029	Unsecured	24 000 000	6m Euribor +0.74%
European Investment Bank	7.12.2016	1.03.2030	Unsecured	30 000 000	6m Euribor +0.6%

in EUR thousand	NIB	Pohjola	Pohjola bonds	EIB	Total
As at 31.12.2017					
Loan balance at beginning of the period	3 556	5 750	7 500	0	16 806
Paid off during the period	-3 556	-1 000	0	0	-4 556
Received during the period	10 000	0	0	10 000	20 000
Loan balance at end of the period	10 000	4 750	7 500	10 000	32 250
Loan interest payable	0	0	15	0	15

As at 31.12.2016					
Loan balance at beginning of the period	7 111	6 750	7 500	0	21 361
Paid off during the period	-3 556	-1 000	0	0	-4 556
Loan balance at end of the period	3 556	5 750	7 500	0	16 806
Loan interest payable	37	0	15	0	52



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

in EUR thousand 31.12.2017 31.12.2016

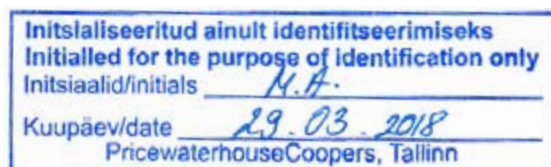
NET DEBT RECONCILIATION		
Cash and cash equivalents	14 137	8 713
Short term liabilities	-8 500	-4 556
Long term liabilities	-23 750	-12 250
Net debt	-18 113	-8 093
Cash and cash equivalents	14 137	8 713
Liabilities with fixed interest	-32 250	-16 806
Net debt	-18 113	-8 093

in EUR thousand	Cash and cash equivalents	Liabilities <1y	Liabilities >1y	Total
Net debt 31.12.2016	8 713	-4 556	-12 250	-8 093
Cashflows	5 424	-3 944	-11 500	-10 020
Net debt 31.12.2017	14 137	-8 500	-23 750	- 18 113

14. Loan collateral and pledged assets

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



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

15. Government grants

15.1 Government grants receivable

	in EUR thousand	
	31.12.2017	31.12.2016
Government grants receivable (Note 10.2)	2 383	2 804

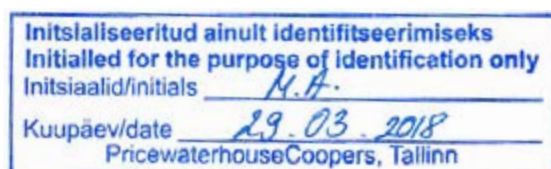
15.2 Government grants related to operating expenses

	in EUR thousand	
	2017	2016
Allocation for a specific purpose from state budget	5 750	5 268
• incl. security and rescue expenses aid	4 135	3 653
• incl. aid for regional airports ⁴	1 615	1 615
Other domestic grants related to operating expenses	32	82
Government grants related to operating expenses recognised as income (Note 21)	5 782	5 350

15.3 Government grants related to assets

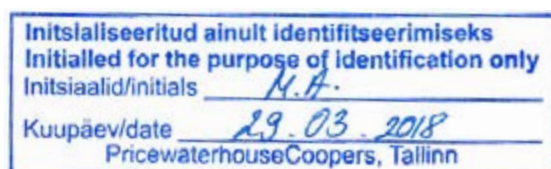
In 2017 and 2016 the government grants related to assets relate to the airside area development project (see Note 5), which has been declared eligible by the Cohesion Fund of the European Union. The Cohesion Fund is contributing 50%, or EUR 35 million, of the cost of the project. The European Commission has issued an authorisation for State aid to provide government grants for the airside area development project under the Cohesion Fund.

⁴ Toetus on ette nähtud regionaalsete Airportade: Kärkla-, Kuussaare-, Tartu-, Pärnu Airportade ja Ruhnu ning Kihnu lennuväljade käigus hoidmiseks.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

	in EUR thousand	2017	2016
Long-term government grants received as at the beginning of the period		56 395	50 771
Changes in government grants in the accounting period			
Assets and liabilities acquired with government grants		8 054	9 976
Incl. allocation for a specific purpose from state budget		0	482
incl. domestic government grant		0	23
incl. Cohesion Fund (ISPA)		8 054	9 471
Recognised as income		-3 781	-3 839
incl. domestic government grant		-343	-282
Incl. Cohesion Fund (ISPA)		-2 191	-2 182
Incl. European Regional Development Fund (ERDF)		-1 247	-1 375
Write-off of asset and liability acquired with government grants		-8	-513
incl. domestic government grant		0	-5
Incl. Cohesion Fund (ISPA)		0	-484
Incl. European Regional Development Fund (ERDF)		-8	-24
Total long-term government grants recognised as income (Note 22)		-3 789	-4 352
TOTAL LONG-TERM GOVERNMENT GRANTS AS AT THE END OF THE PERIOD		60 660	56 395
incl Domestic government grants		2 011	2 354
incl Cohesion Fund (ISPA)		50 397	44 534
incl European Regional Development Fund (ERDF)		8 252	9 507



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

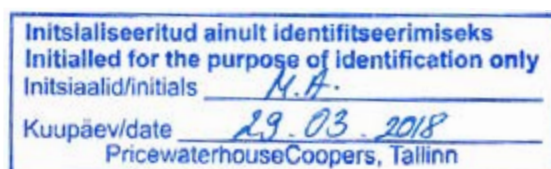
16. Trade payables and prepayments

16.1 Trade payables and prepayments

	in EUR thousand	31.12.2017	31.12.2016
Payables for goods and services		2 146	1 741
Payables for non-current assets		3 836	5 091
Other payables		10	10
TOTAL TRADE PAYABLES		5 992	6 842

16.2 Accrued expenses to employees, tax liabilities and prepayments

	in EUR thousand	31.12.2017	31.12.2016
Accrued expenses to employees (Note 18)		1 891	2 195
Tax liabilities (Lisa 17)		1 697	1 180
Prepayments		116	95
TOTAL OTHER PAYABLES AND PREPAYMENTS		3 704	3 470
TOTAL PAYABLES AND PREPAYMENTS		9 696	10 312



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

17. Tax liabilities

See Note 26 for potential liabilities from tax revision.

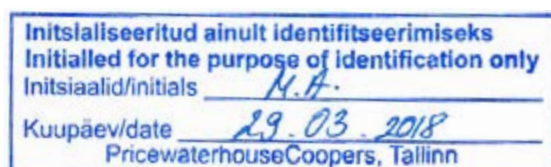
	in EUR thousand	31.12.2017	31.12.2016
Social security taxes on wages and salaries, and fringe benefits		1 010	709
Income tax on wages and salaries, and fringe benefits		559	380
Unemployment insurance tax		68	47
Pension insurance		53	39
Excise tax		6	6
Corporate income tax		1	0
TOTAL TAX LIABILITIES (NOTE 16)		1 697	1 180

18. Accrued expenses to employees

	in EUR thousand	31.12.2017	31.12.2016
Bonus reserve liability		613	1 078
Wages and salaries accrued but not yet paid		761	710
Holiday pay liability		515	406
Other payables to employees		2	1
TOTAL ACCRUED EXPENSES TO EMPLOYEES (NOTE 16)		1 891	2 195

19. 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.



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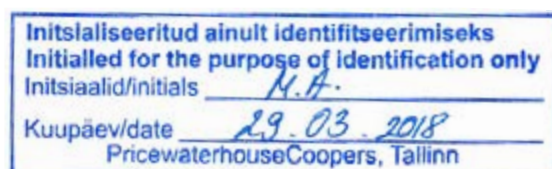
As at 31.12.2017, the share capital of the Group's parent consisted of 2,509,540 ordinary shares (31.12.2016: 2,509,540) with nominal value of EUR 10 each.

As at 31 December 2017, the retained earnings of the Group amounted to EUR 50,652 thousand (31 December 2016: EUR 44,188 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 40,522 thousand (31 December 2016: EUR 35,350 thousand) and the corresponding income tax would amount to EUR 10,130 thousand (31 December 2016: EUR 8,838 thousand).

	31.12.2017	31.12.2016
Share capital	EUR 25,095,400	EUR 25,095,400
Number of shares	2,509,540 pcs	2,509,540 pcs
Nominal value of shares	EUR 10	EUR 10

20. Revenue

	in EUR thousand	2017	2016
AVIATION REVENUE			
Passenger fees		7 619	6 997
Landing fees		6 623	5 756
Parking fees		393	392
Navigation fees		20	18
Take-off fees		5	3
TOTAL AVIATION REVENUE		14 660	13 167



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

	in EUR thousand	2017	2016
NON-AVIATION REVENUE			
Aircraft handling and passenger servicing revenue		11 843	12 029
Rental income (Note 8)			
Concessions		3 982	3 707
Rent for premises and hangars		3 647	3 585
Infrastructure fees		522	356
Total rental income		8 151	7 648
Other services sold			
Parking services for cars		1 938	1 699
Services provided to tenants		1 115	1 078
Advertising services		590	646
Aviation related services		1 728	450
Other services provided and intermediated		225	179
Total other services sold		5 596	4 052
Total non-aviation revenue		25 590	23 730
TOTAL REVENUE		40 250	36 897

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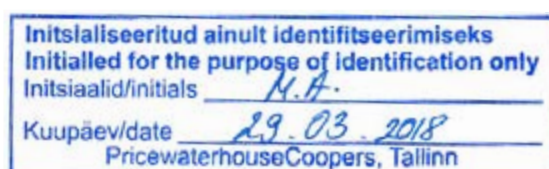
21. Other income

	in EUR thousand	2017	2016
Government grants related to operating expenses (Note 15)		5 782	5 350
Government grants related to assets recognised as income (Note 15)		3 789	4 352
Gain from disposal of machinery and equipment (Note 5)		74	135
Other income		39	29
TOTAL OTHER INCOME		9 684	9 866

22. Goods, materials and services

	in EUR thousand	2017	2016
Security, safety and rescue *		4 156	3 693
Utilities expenses		2 483	2 352
Maintenance of runways		1 211	1 220
Vehicle operation expenses		1 225	1 152
Cost of provision of services to passengers and aircrafts		1 259	991
Maintenance expenses of buildings and facilities		1 405	971
IT and communication expenses		875	857
TOTAL GOODS, MATERIALS AND SERVICES		12 614	11 237

* Includes only outsourced security services. Other security and rescue expenses are recognised on other expense lines. In 2017, all other security and rescue expenses amounted to EUR 6.1 million (2016: EUR 4.9 million).



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

23. Other operating expenses

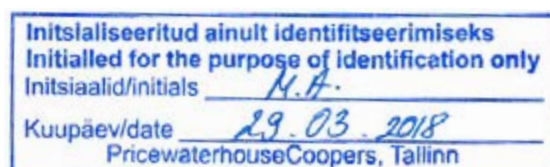
	in EUR thousand	2017	2016
Administrative expenses		359	427
Marketing and public relations		349	361
Training costs		306	271
Special clothing and uniforms		160	140
Business trips		96	73
Costs related to doubtful receivables (Note 10)		13	69
TOTAL OTHER OPERATING EXPENSES		1 283	1 340

24. Staff costs

	in EUR thousand	2017	2016
Wages and salaries, performance pay, holiday pay, bonuses		13 035	11 642
Average monthly salary in EUR		1 876	1 734
Taxes calculated on staff costs		4 557	4 104
Staff costs classified as fringe benefits		155	171
Other remuneration fees paid to supernumeraries		0	61
Benefits and allowances		0	37
TOTAL STAFF COSTS		17 747	16 015

STAFF COUNT

Number of employees at the beginning of the period	607	590
Number of employees at the end of period	632	607
Average number of employees	579	560



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

25. Finantstulud ja -kulud

	in EUR thousand	2017	2016
Change in fair value of derivative instruments (Note 16)		58	173
Interest income on deposits		1	2
Interest expense on loans secured by derivatives		-58	-179
Interest expense on loans with floating interest rates		-87	-52
Interest expense on bonds		-44	-66
Other finance costs		-77	0
TOTAL FINANCE INCOME AND COSTS		-207	-121

26. Contingent liabilities and commitments

Potential liabilities arising from tax inspection

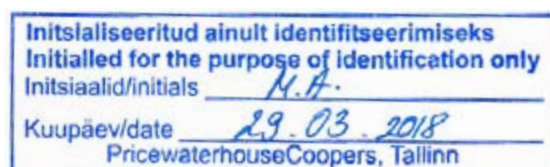
Tax authorities have neither launched nor performed tax inspections or single case reviews at group entities. The tax authorities have the right to verify the Company's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest 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 2017, the Group had future commitments of EUR 17 million (2016: 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 will be entitled to recover the funds financed. As at 31 December 2017, government grants in amount of EUR 18 million were received.



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

27. Related party transactions

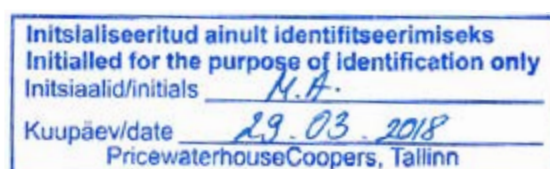
The Group's Management Board discloses the transactions with airline companies, over which the state has control or significant influence.

In 2017, the remuneration of the Supervisory and Management Boards, including social security taxes totalled EUR 668 thousand (2016: EUR 551 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.

Accrual in the amount of EUR 500 thousand recorded as liability as at 31 December 2017 (2016: EUR 0 thousand) relates to an insurance case.

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. In 2017, in the context of route incentive program EUR 532 thousand (2016: EUR 49 thousand) were paid to Nordic Aviation Group AS.

	in EUR thousand	2017	2016
Receivables		76	279
Reduction of receivables due to route incentive program		-372	0
Liabilities		504	42
Sales		532	1 569
Reduction of sales due to route incentive program		-532	-49
Purchases		126	240



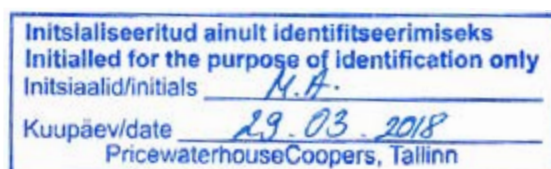
The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

28. Financial information on the parent company

Separate statement of financial position

in EUR thousand 31.12.2016 31.12.2015

ASSETS		
Non-current assets		
● Long-term financial investments	1 028	1 028
● Property, plant and equipment	137 542	118 085
● Intangible assets	101	133
● Investment property	19 060	17 511
Total non-current assets	157 731	136 757
Current assets		
● Inventories	78	88
● Payables and prepayments	5 360	7 052
● Cash	8 211	3 002
Total current assets	13 649	10 142
TOTAL ASSETS	171 380	146 899
EQUITY		
● Share capital	25 095	25 095
● Statutory reserve capital	2 510	2 510
● Retained earnings	42 540	36 976
TOTAL EQUITY	70 145	64 581
LIABILITIES		
Non-current liabilities		
● Borrowings	23 750	12 250
● Government grants	60 660	56 395
Total non-current liabilities	84 410	68 645
Current liabilities		
● Borrowings	8 509	4 607
● Payables and prepayments	8 317	9 008
● Derivative instruments	0	58
Total current liabilities	16 826	13 673
TOTAL LIABILITIES	101 236	82 318
TOTAL LIABILITIES AND EQUITY	171 381	146 899



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Separate statement of comprehensive income

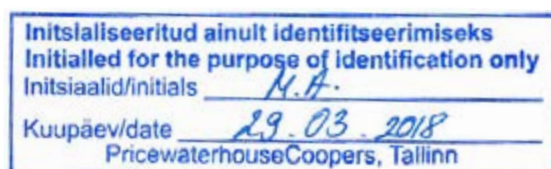
	in EUR thousand	2017	2016
Revenue		29 981	26 922
Other income		9 670	9 849
Goods, materials and services		-10 865	-9 518
Other operating expenses		-1 037	-1 086
Staff costs		-11 308	-10 223
Depreciation, amortisation and impairment		-10 594	-11 393
Other expenses		-75	-73
OPERATING PROFIT		5 772	4 479
Finance income and costs		-207	-121
Net profit for financial year		5 564	4 358
COMPREHENSIVE INCOME FOR FINANCIAL YEAR		5 564	4 358

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 Kuupäev/date 29.03.2018
 PricewaterhouseCoopers, Tallinn

The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Separate statement of cash flows

	in EUR thousand	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		38 564	30 692
Paid to suppliers and employees		-30 202	-26 084
Interest received		1	2
Interest paid		-310	-337
Government grant received from the state budget for covering the cost of operating activities		5 750	5 268
Other grants received for covering the cost of operating activities		32	32
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		13 835	9 573
CASH FLOWS FROM INVESTING ACTIVITIES			
Paid for purchase of property, plant and equipment, and intangible assets		-32 623	-20 329
Proceeds from sale of property, plant and equipment		77	179
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		-32 546	-20 150
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-4 556	-4 556
Borrowings received		20 000	0
Government grants received from state budget for non-current assets		0	482
Government grants received for non-current assets		8 476	6 668
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		23 920	2 594
NET CASH FLOWS		5 209	-7 983
Cash and cash equivalents at beginning of year		3 002	10 985
Cash and cash equivalents at end of year		8 211	3 002
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		5 209	-7 983



The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.

Separate statement of changes in equity

in EUR thousand	Share capital	Statutory reserve capital	Retained earnings	Total
BALANCE AS AT 31.12.2015	25 096	2 436	32 692	60 224
Profit allocation to reserve capital	0	73	-73	0
Comprehensive income for 2016	0	0	4 358	4 358
BALANCE AS AT 31.12.2016	25 095	2 510	36 976	64 581
Comprehensive income for 2017	0	0	5 564	5 564
BALANCE AS AT 31.12.2017	25 095	2 510	42 540	70 145

Adjusted unconsolidated equity of as tallinna lennujaam (parent company)

in EUR thousand	2017	2016
Unconsolidated equity of the parent	70 145	64 581
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)	9 140	8 240
TOTAL	78 257	71 793

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The notes to the financial statements presented on pages 140-195 form an integral part of the consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Tallinna Lennujaam

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Tallinna Lennujaam and its subsidiary (together the Group) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We audited the Group's consolidated financial statements that comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.



Other information

The Management Board is responsible for the other information contained in the annual report in addition to the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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

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

AS PricewaterhouseCoopers

/signed/

Janno Hermanson
Auditor's certificate no.570

29 March 2018

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

Profit allocation proposal

Retained earnings as at 31.12.2016	EUR 44,188 thousand
Net profit for 2017	EUR 6,464 thousand
Total distributable profit as at 31.12.2017	EUR 50,652 thousand

The management board proposes to not distribute the net profit for 2017 in the amount of EUR 6,464 thousand and transfer it to retained earnings.

Retained earnings after profit allocation	EUR 50,652 thousand
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Piret Mürk-Dubout	Chairman of the board	29.03.2018
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Einari Bambus	Member of the Management Board	29.03.2018
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Anneli Turkin	Member of the Management Board	29.03.2018
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Signatures to the annual report

The Management Board of AS Tallinna Lennujaam has prepared the management report and financial statements for the year 2017. The Management confirms the correctness of information presented in the annual report.

Management board:

Piret Mürk-Dubout	Chairman of the board	29.03.2018
Einari Bambus	Member of the Management Board	29.03.2018
Anneli Turkin	Member of the Management Board	29.03.2018

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:

Märten Vaikmaa	Chairman of the Supervisory Board	03.04. 2018
Kadri Land	Member of the Supervisory Board	03.04. 2018
Toivo Jürgenson	Member of the Supervisory Board	03.04. 2018
Piret Aava	Member of the Supervisory Board	03.04. 2018
Indrek Gailan	Member of the Supervisory Board	03.04. 2018

Revenue of AS Tallinna Lennujaam according to EMTAK 2008

	in EUR thousand	2017	2016
EMTAK code			
35131 Distribution of electricity		665	641
52231 Operation of airports and airport passenger terminals		27 704	24 165
52239 Other support activities for air transportation		11 843	12 029
85599 Other education		38	62

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