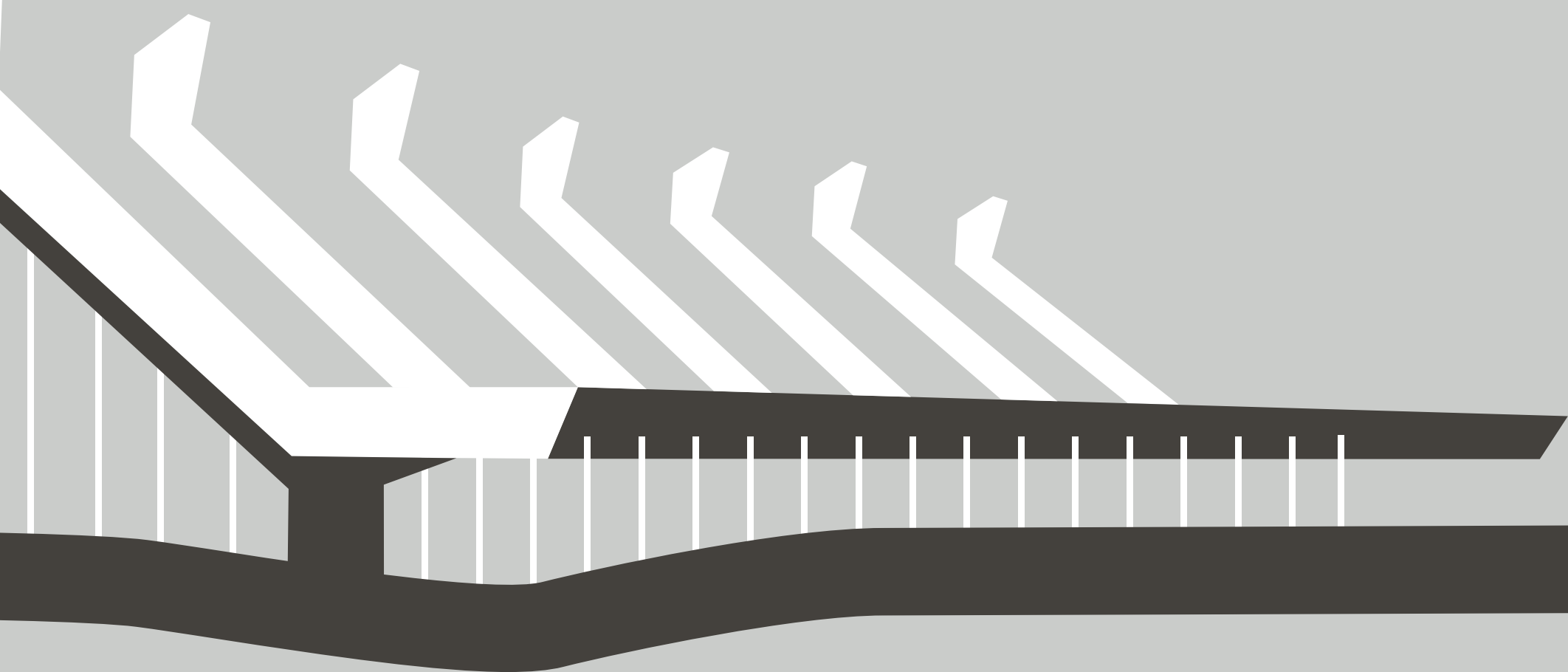




Annual report 2020



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Financial statements

Dear reader!

The year 2020 was full of challenges. It tested us, made us look for new solutions and react quickly to changing circumstances.

In 2019, we broke the record when the highest ever number of passengers, i.e., 3.27 million passed through Tallinn Airport. It gave us hope that the year 2020 would be another record-breaking year. None of us could predict such a large-scale spread of the coronavirus which halted life in Estonia and elsewhere in the world, and which continues to impact us.

In 2020, 863,589 passengers flew through Tallinn Airport and a total of 22,962 flight operations were made.

In early spring, many aircrafts were grounded because most countries decided to close their borders to protect their people's health. As the only international air gate in Estonia, we had a huge responsibility: to provide opportunities for the people to return to Estonia or depart home from here. Throughout the crisis, Tallinn Airport has remained open and not once have we closed our doors to the passengers. During the most difficult month of April, airline connections remained open with Frankfurt and Minsk, and 2,999 passengers passed through the passenger terminal.

The significant drop in the number of passengers and flight operations translated into a huge revenue drop for us as a company. We needed to review all our costs and capital expenditures and do our best to manage our company in a sustainable manner even during the difficult times. It included temporary salary cuts and use of the measure provided by the Estonian Unemployment Insurance Fund.

Since staff costs make up the largest share of our total expenses, we needed to make difficult employee-related decisions. In 2020, a quarter of our good colleagues left the company because of layoffs related to the financial situation and structural reorganisations. However, costs needed to be cut in all areas, from real estate management and development, IT and

vehicle management, maintenance, and utilities to staff and training expenditures.

Even though Tallinn Airport has a great share of non-aviation revenue as compared to other European airports, we still depend on air traffic revenue and consequently need to expand the sources of revenue to mitigate risks. Therefore, we will be focusing more on identification of alternative sources of revenue in the coming years.

The relations of Tallinn Airport have never been better with airline companies as in 2020. A difficult situation and desire to resume flights brought us together and enhanced our current and future cooperation. This is evident in the fact that none of the airlines stated that they would not fly from Tallinn again. On the contrary: the airlines were anticipating and wishing to reopen their routes as quickly as possible, and they have also made plans to add new routes.

In 2020, we opened completely new routes, a few of which could be operated only for a couple of times until travel restrictions were imposed. For example, Wizzair expanded its route network and opened five new routes from Tallinn: to Lviv, Kharkov, Vienna, Oslo, and Milano. In addition, Ryanair launched flights on Tallinn-Vienna route. We also plan to open new routes in 2021. However, first and foremost we need to restore the former route network and offer a suitable flight schedule in terms of flight times and destinations to the passengers.

In December 2020, one new airline launched its flights from Tallinn. NyxAir launched flights on Tallinn-Kuressaare route, using a new and larger airplane.

Both the desire of airline companies to resume flights as well as forecasts predicting long-term growth in the number of passengers have given us assurance and hope to continue with key strategic developments and capital expenditures.

In 2020, we launched investments in the digital and green revolution.

We built seven 50 kW solar energy parks in the airports throughout Estonia: two in Tallinn and Pärnu, and one solar energy park in Tartu, Kärdla and Kuressaare. Tallinn Airport Ltd

participated in the competitive tender arranged by the state where the solar parks with the total capacity of 1 MW to be built at Tallinn Airport in 2021 turned out to be successful.

In 2021, the capital expenditure budget is in the total amount of EUR 35.9 million. Besides expansion of the airside at Tallinn Airport and continuation of the reconstruction of Pärnu Airport we launched expansion of the baggage and waiting area at the passenger terminal of Tallinn Airport as we wish to be ready for the recovery and growth of the of number of passengers.

Responsible and environmentally-friendly operations have been the focus of Tallinn Airport for several years – the solar energy parks built and launched in 2020 are only a small step in this direction. We started to use the first auxiliary power unit (APU) for aircraft operating on the battery technology and at the beginning of 2021 we will receive our first electric push-back tractor for manoeuvring aircraft.

Tallinn Airport continues to be an attractive employer and is one of the top companies in Europe in terms of service quality. For the third consecutive year already, we received the “The Airport Service Quality” award from the Airport Council International (ACI). In addition, we were recognised for adopting preventive and safety measures during the pandemic.

One of our main goals for the year 2020 was to keep our passengers and employees safe and promote their health. As a result of quick action and efficient cooperation, no outbreaks have occurred at Estonian airports and we have kept our operations running throughout the crisis.

Despite the difficult times in aviation, we are pleased to say, as the surveys demonstrate, that Tallinn Airport Ltd continues to be one of the most attractive employers in Estonia. Based on the results of the survey by Kantar Emor on employer reputation that was carried out, Tallinn Airport Ltd is the most attractive employer for the people of Estonia in 2020.

Investing in our employees has always been important to us. The complicated year full of changes left a mark on our team spirit because of which one of the focus goals in 2021 will be the activities targeted at employees, incl. development and training of teams. It is important that employees feel at ease in the airport’s team.

A high service level is a testimony to the fact that regardless of the situation and the number of passengers, the Estonian airports employ dedicated employees who are experts in their field and whose mission is to see off content passengers and link Estonia with the world. Tallinn Airport has sustainable operations and is still the cosiest airport in the world. Many thanks to all our employees and passengers!

The year 2021 will undoubtedly be a complicated year and we may witness a recovery in air traffic only in the summer. According to the forecasts, in 2021 we could provide services to one-third of the flights of 2019, i.e., slightly over 1 million passengers. Positive signs are evident at the beginning of the year: the infection rates are falling, vaccine supplies are steady, countries are gradually opening, and people are still keen to travel. This offers us a reason for moderate optimism, but we need to maintain flexibility regarding the future and readiness to react to circumstances. The year 2020 required us to adapt to rapidly changing circumstances and we need to do that also in the coming year.

Riivo Tuvike

Chairman of the Management Board





Company overview

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

The Group's head office is located in Tallinn. The shares in Tallinn Airport Ltd are held by the Republic of Estonia and the company operates within the jurisdiction of the Ministry of Economic Affairs and Communications.

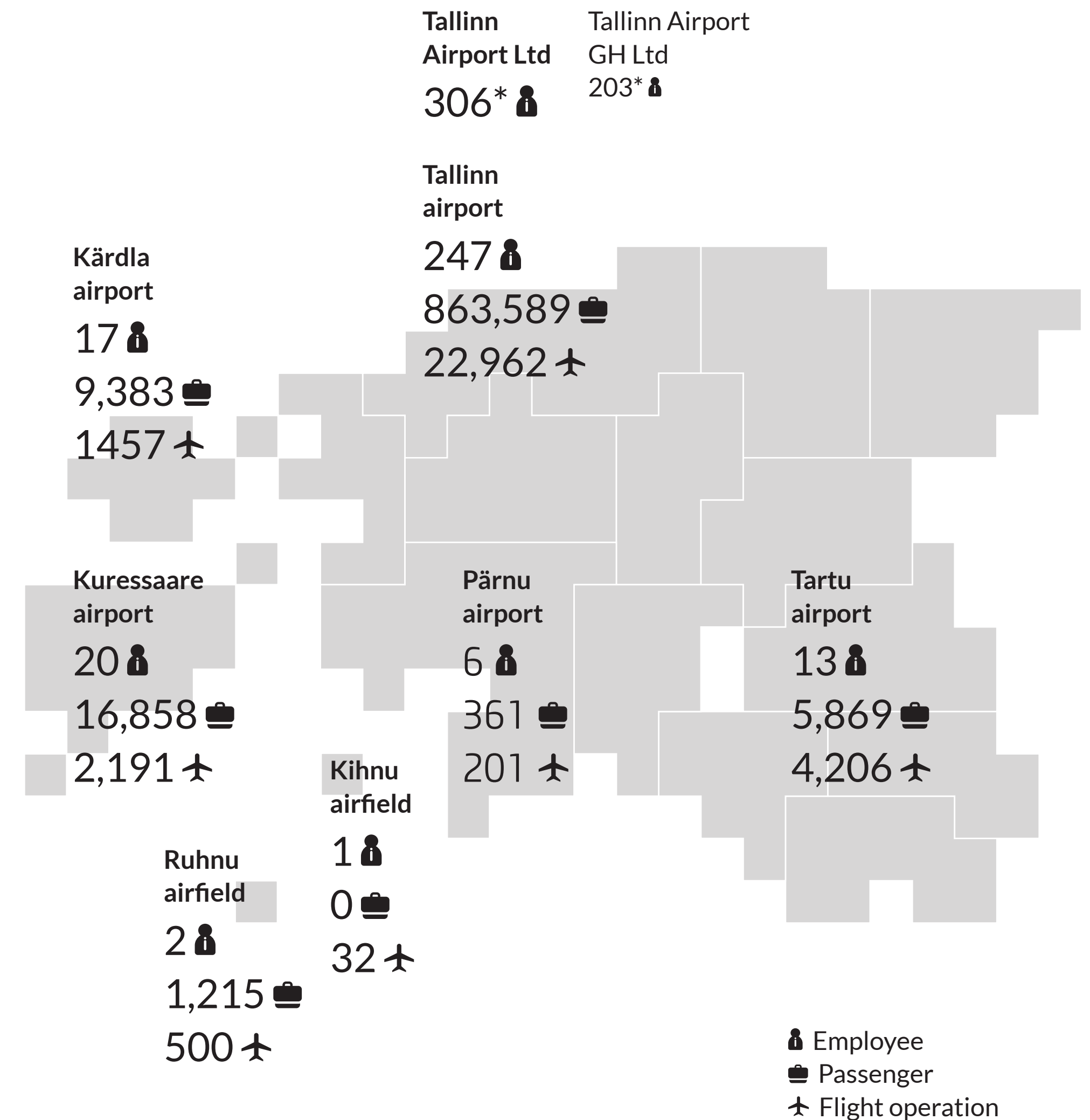
The founder and shareholder of Tallinn Airport GH Ltd is Tallinn Airport Ltd. As at the end of the financial year, the Group had 509 employees.

The Group's areas of operation include:


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

The most important performance indicators of the Group in 2019 and 2020

	2020	2019	Change %
Passengers at Tallinn Airport	863,589	3,267,910	-74
Passengers at regional airports	33,686	67,077	-50
Revenue	20,6 mln €	47,1 mln €	-56
Total operating revenue	36,3 mln €	60,4 mln €	-40
Net profit/loss	-2 mln €	9,7 mln €	-121
Balance sheet total	230,5 mln €	226,1 mln €	2
Investment volume	17,4 mln €	10,2 mln €	71



👤 Employee
 🧳 Passenger
 ✈️ Flight operation
 * As of 31.12.2020



Impact of COVID-19 on the Group

Flight restrictions

On 12 March 2020, a state of emergency was declared in Estonia and both internal and external restrictions were applied to international travel and border crossing. At the end of March, all flight routes were closed other than Frankfurt and Minsk that remained open even at the peak of the crisis. On 18 May, the Government imposed flight restrictions, banning direct flights to countries where the infection rates per 100,000 inhabitants were higher than 25 in the last 14 days. The state of emergency was lifted on 17 May; flight restrictions were extended and changed several times during the year.

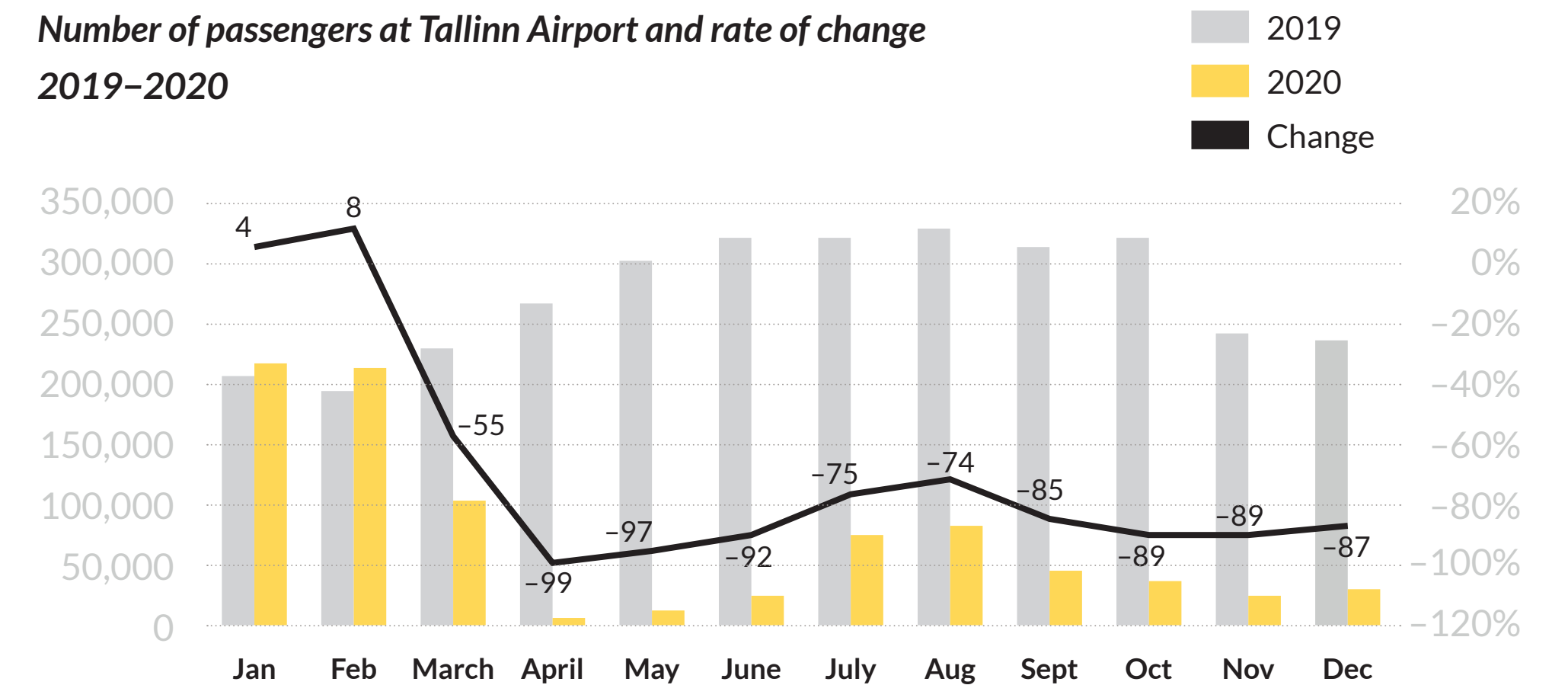
As the spread of the virus accelerated in Europe and the infection rates increased above 25, a situation could have emerged with air traffic almost halting in Tallinn in August and September due to flight restrictions. To avoid this and to ensure minimum flight connections from Tallinn Airport, the Government of the Republic set an exception for six European cities from 28 August (Frankfurt, Helsinki, Riga, Warsaw, Copenhagen, and London), where flights could continue despite increasing infection rates. As of 28 September, only seven international routes were open at Tallinn Airport.

On 1 October, the Government of the Republic partly lifted flight restrictions as a result of which routes were reopened and by 12 October, 14 international routes were open in Tallinn. Unfortunately, the Government of the Republic imposed flight restrictions to non-EU destinations, due to which routes to Ukraine, Russia, Turkey, and Byelorussia could not be opened despite the airlines' hopes.

On 11 December 2020, the Ministry of Economic Affairs and Communication announced that the flight restrictions on direct flights from Estonia would be lifted as at the year-end 2020.

In 2020, a total of 863,589 passengers travelled through Tallinn Airport which is 74% less than in the previous year. Almost one half of all the passengers travelled through the airport in the first two months of the year.

Number of passengers at Tallinn Airport and rate of change 2019–2020



Impact on the company's economic activity

To ensure the sustainability of the Company's operations in a situation where revenue has dropped dramatically, we cut costs and capital expenditures in March. We continued to make only strategic investments and were extremely conservative in terms of costs. Between 1 April and 30 June, the workload and remuneration of all employees was reduced by 30% and we also used the measure of the Estonian Health Insurance Fund in the same months.

Understanding that the crisis will be prolonged, we reduced the number of the Group's employees and operating volumes in such a way that Tallinn Airport would retain its capacity on a 24/7 basis and regional airports would be able to operate scheduled traffic. We cut 25% of the jobs at the Group. The Company's EBITDA and cash flows from operating activities were positive and we met all our obligations to our business partners and employees.



Strategy and objectives



The goal of the activities of Tallinn Airport is to offer international flight connections that would foster the development of the business and tourism in Estonia, and thereby improve our competitive advantage.

We create opportunities so that you can travel from Tallinn Airport to the most important destinations in Europe with a reasonable frequency and time. We are also working to increase the number of destinations and the frequency of flights. At the regional airports, we wish to ensure good regional flight connections and efficient management of airports.

The safety and security of passengers and services is important. We want to be a reliable, open, and caring company. We manage the effects of our activities on the natural environment and implement measures to reduce the negative effects.

The Republic of Estonia as the sole shareholder laid down the expectations of the owner for Tallinn Airport Ltd. The company was defined as a business undertaking with primarily public objectives.

The objectives set for the company by its owner include:

- The company will maintain and increase air traffic.
- Different focus groups will be able travel from Tallinn Airport to the main European destinations with a reasonable frequency and travel time.
- The company's operations will be profitable and efficient.
- The company's business will bring economic benefits to its owners, internal and external clients as well as the society at large. With its operations, the company will contribute to the development of country's economic environment.
- The company will operate in a sustainable and responsible manner (safety and environmental sustainability).
- The company will create a safe and sustainable operating environment. It will guarantee the compliance of the operations of airfields as well as the level of services provided to aircraft, passengers and cargo with international and local regulations and mutually agreed terms and conditions.

- The company will manage the effect of its operations on the natural and economic environment as well as its stakeholders and will apply measures to reduce negative impacts.
- The company will operate regional airports to support the development of the economic environment in various regions of Estonia using the grants received from the state.

Strategy of Tallinn Airport Group 2020–2024

Mission: **UNITE ESTONIA WITH THE WORLD**

In aviation, our underlying principles are always security and safety, and we also place great value of responsibility, innovation, and our people.

Due to the outbreak of the coronavirus, we focused on coping with the crisis in 2020. Under the circumstances our decisions were based on the fact that once the health crisis recedes, we could continue attaining the set goals.

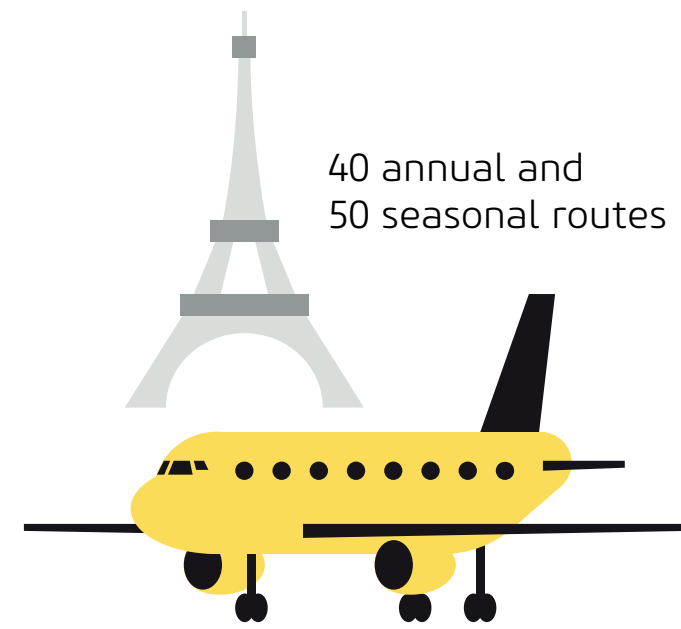
The crisis led to a recession in the tourism and aviation sector. Despite that, we decided to continue implementing strategic goals and carry out the activities to attain them.

We implemented the Group's strategy by using focus points and projects. In 2020, the focus points were efficiency, digitalisation, airline industry's pricing and valuation of real estate properties. We performed planning and preparation activities in these areas.

The focus points in 2021 included efficiency, growth of non-aviation revenue, supporting the recovery of flight operations and our team (professional managers, dedicated employees and development of employee skills and competencies).



Vision of Group Tallinn Airport until 2024



Attractive airport charges and route support program at Tallinn Airport

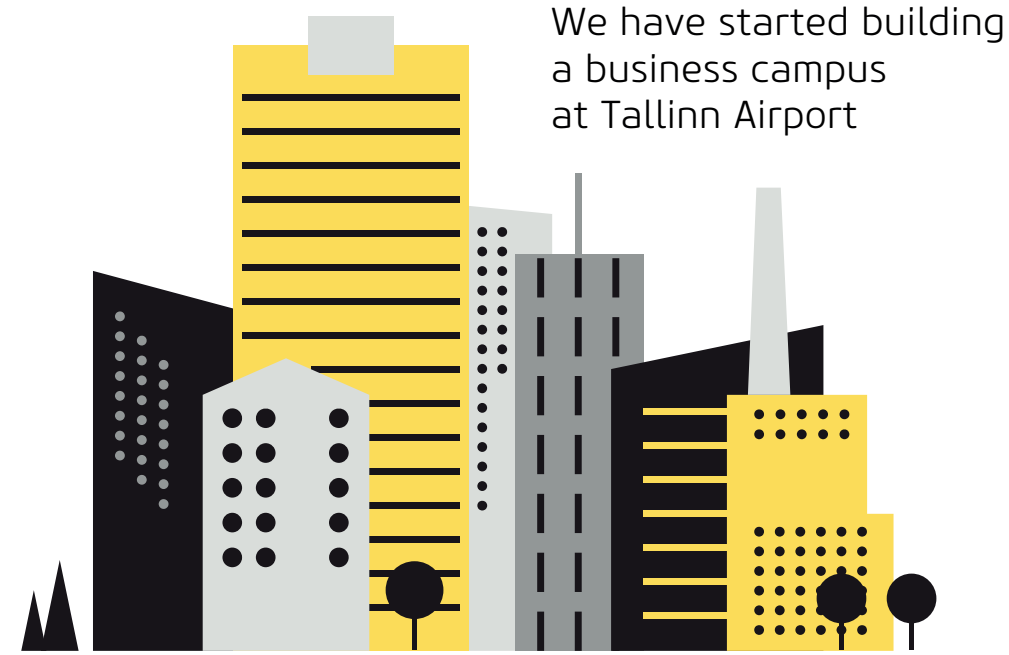


The volume of air cargo is 50,000 tons per year. We develop infrastructure for servicing cargo flights and maintaining aircraft at Tallinn Airport

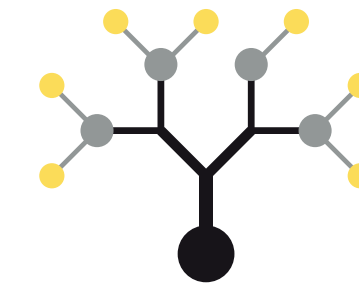
The cosiest airports in the world. Tallinn Airport ASQ 4.5



We operate Tallinn Airport and regional airports safely and securely



We have started building a business campus at Tallinn Airport



An open culture, a collaborative innovative company and a valued employer

The group is well managed and is expanding into new business areas

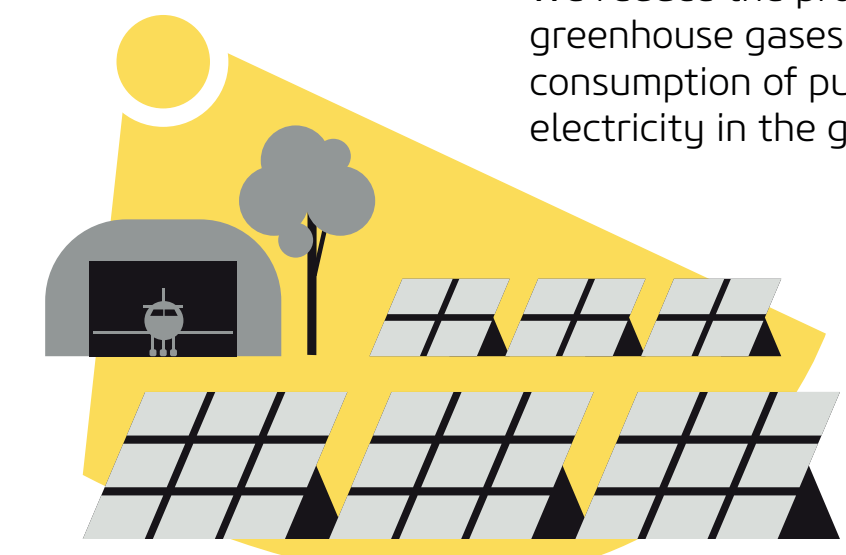


We implement digital and automatic solutions for passengers and the entire group



The number of passengers at Tallinn Airport is 4.5 million

The capacity of the Tallinn Airport passenger terminal is 4.2 million passengers per year



We reduce the production of greenhouse gases and the consumption of purchased electricity in the group

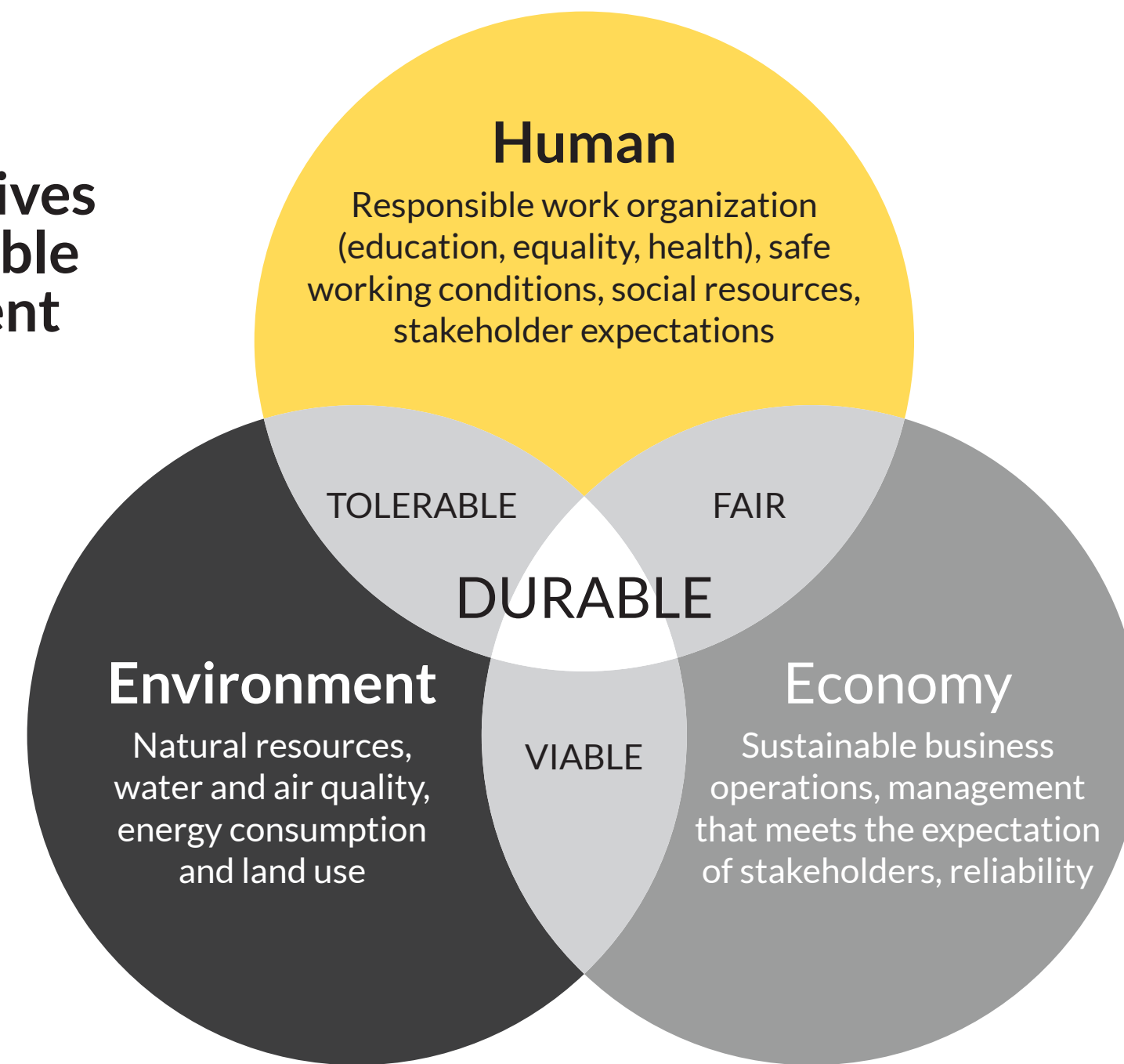
- **By 2024, Tallinn Airport will have direct connections with the most important European business centres and the first direct intercontinental flight routes.** The mission of Tallinn Airport is to connect Estonia with the world. Thus, our task is to help increase the frequency of flight connections with the key European hubs where connecting flights would be as fast and convenient as possible from the point of view of time and logistics.
- Household income will grow and the growth in the number of flight connections will also lead to the growth in the number of passengers. By the year-end 2024, the number of passengers will be 4.5 million whose impact on Estonian tax collections will be approximately EUR 300 million, thereby supporting the Estonian economy.
- **Tallinn Airport will be the world's cosiest airport** where the passenger journey will be based on the logic of the service design. Due to the convenient services provided for the passengers in the security check, shops, and dining areas, they will be happy and satisfied with the airport. Our goal is to maintain the top-level quality in our services, and we will constantly rank among the top five European airports. According to the measure of the international passenger survey of airports (ASQ), we received 4.5 points out of the possible 5 points.
- **We will have deployed the most modern technological solutions at the passenger terminal of Tallinn Airport,** ensuring the highest security and making the passenger journey more convenient, smoother, and faster so that passengers can enjoy their flights even more. This will be possible if the entire passenger journey (from smart parking solutions to the luggage check-in, personal identification, and automation of the gate service) is supported by the mobile e-airport designed according to modern standards.
- **Tallinn Airport will become the new business-friendly centre of the City of Tallinn.** By 2024, we will have launched the construction of the business city - Airport City - at the airport to become an even more attractive business environment for the entrepreneurs, investors, and business and conference tourists visiting Estonia or continuing their travel from here.
- The complex of hangars and buildings necessary for serving cargo flights and providing maintenance for aircraft will have been completed on the southern territory of the airport.

The air cargo volume will have increased to 50 000 tonne per year (2020:9000 tonnes).

- **We will care for the environment and sustainable development.** The aim of our activities and future plans will be reducing our environmental footprint. We will build solar parks in all our airports and we will reduce consumption of outsourced electricity. Be it small or big, each step to reduce the footprint will be important to us. Flight security and safety will be part of our DNA, where we will not make any compromises.
- **Tallinn Airport Group will be a valued employer.** We will value a professional work environment and management. We will act in a professional and efficient manner and keep our promises; we will always be open to cooperation and care about passengers, customers, partners, and employees. Our team will be close-knit, reliable, and innovative and this will enable us to perform great deeds. We will reduce bureaucracy and use convenient intuitive information systems, where the data concerning decision-making will be readily available.
- **Regional airports will be important from the point of view of regional development and sustainable operations.** Pärnu Airport will be completely renovated and ready for international air traffic. We will have opened flight routes from Pärnu and Kuressaare Airports.



Key objectives of sustainable development



In its business operations, Tallinn Airport follows the principles of sustainable development. We have considered the economic, social and environmental impact of our business.

We follow the sustainable development goals (SDG) of the United Nations Organisation. Our activities help us fulfil these goals – health and well-being, employment and economic growth, industry, innovation and infrastructure, sustainable production and consumption, and measures to fight the climate change.

We submit the corporate governance report about our operations, compiled on the basis of the global reporting initiative (GRI) guidelines.

Tallinn Airport Ltd is the member of the Responsible Business Forum. Since 2013, we have participated in the evaluation of a responsible business organised by this non-profit organisation. Tallinn Airport Ltd was recognised with the silver award for its responsible business activities in 2013 and the gold award for the years 2015, 2017 and 2018.

In 2020, we were awarded the Gold Label for the Responsible Business Index for the fourth time.

Achievement of targets

Tallinn Airport connects Estonia with the world in terms of both the movement of people and goods

Target	Measure 2020	Achievement
It is possible to fly from Tallinn to many destinations both in Europe and Asia	Year-round destinations 30	11
	Regular services (year-round and summer routes) 40	15
	Passengers at Tallinn Airport 3.4 million	863,589
	Air freight at Tallinn Airport 12,000 tonnes	9,190

We operate the Tallinn Airport Group safely and securely and act responsibly towards the natural environment

Target	Measure 2020	Achievement
CO₂ intensity per passenger	5.1 kg	17.3 kg
We reduce the cost of electricity, water, and gas per passenger at Tallinn Airport	0.39 € per passenger	1.18 € per passenger
Security incidents per passenger	0 serious incidents	0
Number of safety incidents in categories A to D at group airports per 1000 flight operations	No aircraft accidents or serious incidents	0



RESPONSIBLE BUSINESS INDEX
GOLD LEVEL 2020

The Tallinn Airport Group is a cost-effective, profitable, and innovative company

Target	Measure 2020	Achievement
Tallinn Airport Group's EBITDA margin	35.5%	28.3%
Tallinn Airport Group's costs (excluding depreciation) per passenger	11,80 €	30 €
Group sales revenue per departing passenger	27.80 €	45.82 €
Expansion into new business areas to increase revenue	A solar park has been opened at Tallinn Airport The business plan of Tallinn Airport GH Ltd new projects has been completed	Seven 50 kW solar parks are open (including one at Tallinn Airport). We are preparing for the opening of two 500 kW solar parks at Tallinn Airport no later than 31.08.2021 The business plan of Tallinn Airport GH Ltd new projects has been completed
The unified information system of the group is TAM	TAM's concept, business plan and action plan have been approved. The implementation of the TAM based on the action plan has begun	The TAM concept and action plan "Airport 4.0" have been created. The first projects have been started

The Group's Tallinn Airport properties are valued and earn income

Target	Measure 2020	Achievement
Preliminary work for the construction of the Airport City development has been completed	A detailed plan for the land under development has been initiated	The detailed plan has been initiated
We initiate real estate projects on the Group's properties	The analysis of real estate and the preparation of a business plan have begun	The analysis of real estate and the preparation of a business plan have begun

Tallinn Airport is an attractive airport for passengers, airlines, partners, and talents

Target	Measure 2020	Achievement
Increase of Tallinn Airport's passenger satisfaction as per ASQ	4.5 on a 5-point scale	4.56
A portfolio of services and products that meets the expectations of airlines	4.45 on a 5-point scale	No data available as the survey was not conducted due to a significant decrease in air traffic
Expansion of the passenger terminal at Tallinn Airport	The design of the first expansion phase has started	The pre-production area project has been completed. The design procurement has been prepared. We will announce the procurement in the first quarter of 2021.
Growth of the Group's non-aviation revenues	+2.2% (+0.4 million)	-52.8% (-15.6 million)
Our activity or inactivity does not cause the stoppage of flight activity for more than 30 minutes	0 incidents lasting more than 30 minutes	0 incidents
Punctuality of departing flights at Tallinn Airport	85%	99.4%
We increase the commitment of Tallinn Airport Group's employees	TRI*M Index 73 points	TRI*M Index 61 points
Employer surveys continue to rank high	In top 5 of Estonia's most attractive employers	1. place (Kantar Emor) 22. place (Instar)

Management of the company

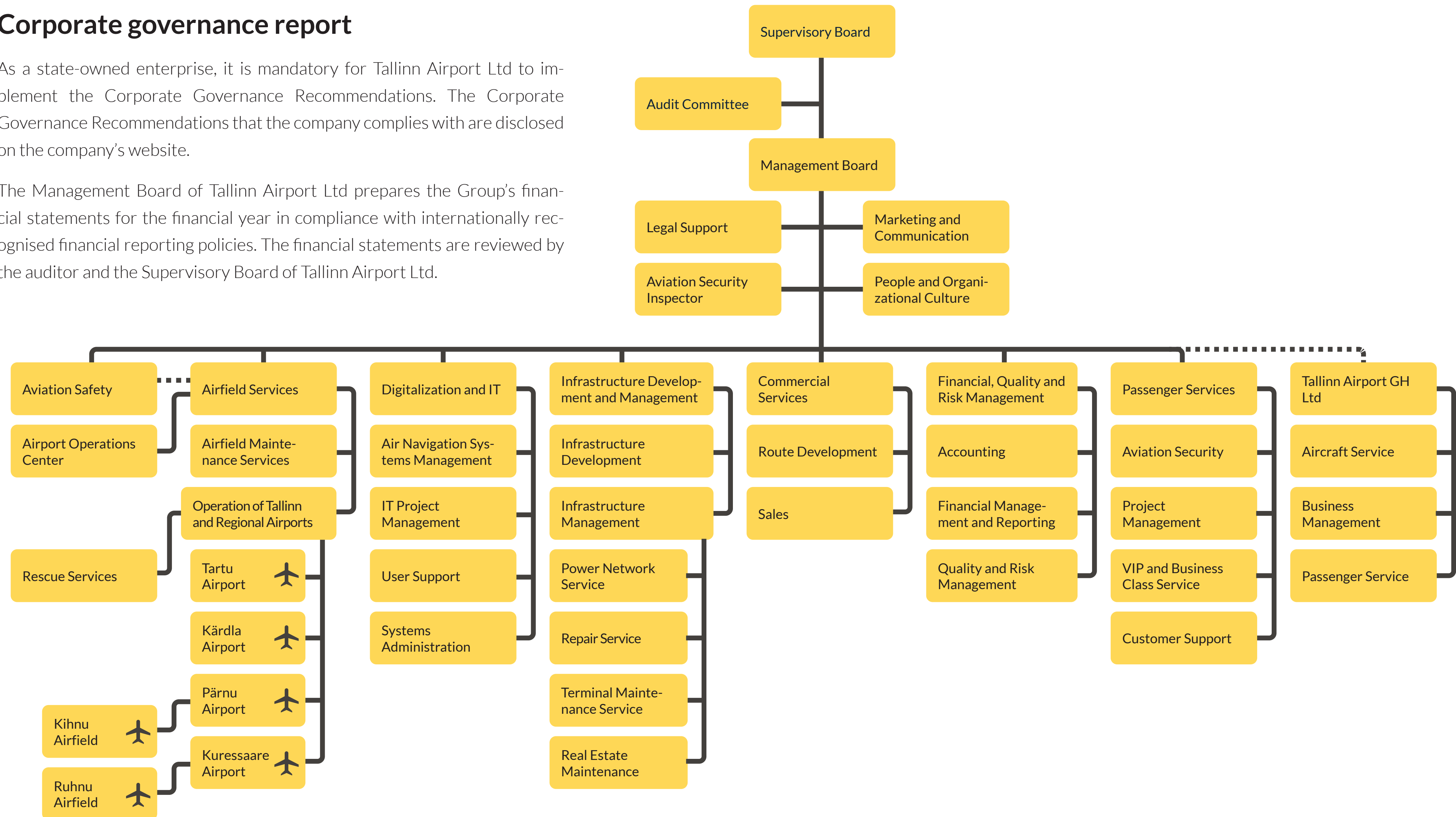
Tallinn Airport is guided by three core values: to be an open, responsible, and reliable company that meets high ethical standards.

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.

The Management Board of Tallinn Airport Ltd 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 of Tallinn Airport Ltd.

Organisational structure of Tallinn Airport Group



The General Meeting

Two regular general meetings of Tallinn Airport Ltd were held. On the 4th of May 2020, the shareholders approved the audited annual report for 2019, the profit allocation proposal and the auditor's report. On the 12th of August 2020, the terms of office of the members of the Supervisory Board Märten Vaikmaa, Toivo Jürgenson, Piret Aava and Kadri Land were extended by three years.

Supervisory Board of Tallinn Airport Ltd

According to the Company's articles of association, the Supervisory Board has five members. The members of the Supervisory Board are appointed for a term of three years. Their remuneration is determined by the General Meeting.

Chairman Märten Vaikmaa
(since 31.08.2017, the contract has been extended for three years from 17.08.2020)

Members Piret Aava
(since 17.08.2017, the contract has been extended for three years from 17.08.2020)
Toivo Jürgenson
(since 17.08.2017, the contract has been extended for three years from 17.08.2020)
Kadri Land
(since 17.08.2017, the contract has been extended for three years from 17.08.2020)
Jaanus Uiga (since 21.11.2019)

In 2020, the Supervisory Board convened 10 times (2019: 14 times). The remuneration of the members of the Supervisory Board (remuneration exclusive of social taxes) totalled EUR 39 thousand (2019: EUR 38 thousand).

Audit Committee

Chairman Toivo Jürgenson

Members Piret Aava
Indrek Gailan (until 19.02.2020)
Jaanus Uiga (since 19.02.2020)

The Audit Committee convened nine times (2019: six). It reviewed and approved the 2019 annual report of the airport and the results of the 2020 interim audit and elected the internal auditor for the new period.

Management Board of Tallinn Airport Ltd

Chairman Riivo Tuvike

Members Einari Bambus
Anneli Turkin

In 2020, the Management Board held 96 meetings (2019: 73). The remuneration of the members of the Management Board (fee for service contract, vacation, and bonus accrual) amounted to EUR 253 thousand (2019: EUR 347 thousand), excluding social taxes.



Riivo Tuvike



Anneli Turkin



Einari Bambus

Members of the management

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

The General Meeting of shareholders of Tallinn Airport GH Ltd

The General Meeting of Tallinn Airport GH Ltd is presided by Riivo Tuvike, the Chairman of the Management Board of Tallinn Airport Ltd. In 2020, four meetings were held (2019: one meeting).

On 31 January, the members of the Supervisory Board Martin Männik and Tõnu Ader stepped down, and Katrin Hagel and Jukka Rahko (JTR Consulting) were appointed as its members. On 29 June, the annual report, profit allocation proposal and the auditor's report for 2019 were approved. At the meeting held on 31 August, a new version of the articles of association of Tallinn Airport GH Ltd was approved and Jukka Rahko stepped down from his position as a member of the Supervisory Board.

Supervisory Board of Tallinn Airport GH Ltd

The powers and the responsibility of the Supervisory Board are laid down in the company's articles of association. The members of the Supervisory Board are elected by the Management Board of Tallinn Airport Ltd.

Chairman Einari Bambus (until 04.03.2020)
Katrin Hagel (since 04.03.2020)

Members Einari Bambus (since 04.03.2020)
Anneli Turkin
Martin Männik (until 31.01.2020)
Tõnu Ader (until 31.01.2020)
Jukka Rahko (since 01.02.2020 to 31.08.2020)

In 2020, the Supervisory Board held seven meetings (2019: seven). The members of the Management Board of Tallinn Airport Ltd do not receive any fee for the membership in the Supervisory Board of the company's subsidiary. The remuneration of the members of the Supervisory Board (fee without social taxes) amounted to EUR 15 thousand (2019: EUR 7 thousand).

Management Board of Tallinn Airport GH Ltd

The membership of the Management Board changed in 2020: Management Board chairman Tiit Kepp stepped down on 31 January 2020. The Management Board continued activities with one member.

Chairman Tiit Kepp (until 31.01.2020)

Members Indrek Nõlvak

In 2020, the company was managed by the management, which was headed by Indrek Nõlvak, Member of the Management Board. The Management Board held 43 meetings (2019: 42). The remuneration of the members of the Management Board (fee for service contract, vacation, and bonus accrual) amounted to EUR 78 thousand (2019: EUR 191 thousand), excluding social taxes.

Supervision

The risk management system supports the achievement of the company's safety and business objectives. Using uniform risk management principles, we analyse, assess, and manage the operational, business, work, environment, and financial risks of the entire company.

Since October, the internal audit service at Tallinn Airport has been provided by an external partner KPMG Baltics OÜ. The internal auditor operates based on a work plan approved by the audit committee and also manages the company's ethics, fraud and corruption hints.

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

Ethics

Business ethics are an integral part of honest business and a company's good reputation.

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

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

In 2020, we simplified the anonymous reporting of possible cases of ethics, corruption, etc. via the intranet.

In 2021, we will supplement the rules of business ethics with new work organization issues, from harassment and discrimination to taking care of our own health and the health of our colleagues.

Two cases of ethics or corruption were submitted to the formed committee in 2020 (no reports were submitted in 2019). As a result of the internal auditor's procedure, one deficiency was rectified and in another case the employment contract of the employee involved in the case was terminated.



Participation in the industry's promotion, and membership

Tallinn Airport actively participates both in the aviation cluster and the co-operation network to operate and find opportunities together in Europe and elsewhere in the world. For the airport, it creates an opportunity to develop both aviation and non-aviation fields which in turn are important to ensure the sustainable operations of Tallinn Airport in the future.

Tallinn Airport Group is a member in the following organizations:

- Airports Council International (ACI) Europe committee,
- Airport Services Association,
- International Civil Aviation Organization (ICAO),
- Estonian Association of Civil Engineers (MTÜ Eesti Ehitusinseneride Liit),
- Estonian Chamber of Commerce and Industry (Eesti Kaubandus-Tööstuskoda),
- Estonian Association for Environmental Management (Eesti Keskkonnajuhtimise Assotsiatsioon),
- Estonian Conference Bureau (MTÜ Eesti Konverentsibüroo),
- Estonian Quality Association (MTÜ Eesti Kvaliteediühing),
- Estonian Taxpayers' Association (Eesti Maksumaksjate Liit),
- Estonian Travel and Tourism Association (Eesti Turismifirmade Liit),
- Estonian Employers' Confederation (Eesti Tööandjate Keskliit),
- Estonian Aviation Cluster (MTÜ Estonian Aviation Cluster),
- coalition for sustainable development,
- Saaremaa Association of Entrepreneurs (MTÜ Saaremaa Ettevõtjate Liit),
- Saaremaa Tourism Foundation (SA Saaremaa Turism),
- Estonian Personnel Management Association (Eesti Personalijuhtimise Ühing PARE),
- Responsible Business Forum (MTÜ Vastutustundliku Ettevõtluse Foorum).

Committees and their members

Tallinn Airfield's Safety Committee

Meetings of the Tallinn Airfield's Safety Committee, held once a quarter, are attended by representatives of all the companies responsible for airport safety at the Tallinn Airfield. At meetings, we share safety experiences and information about future changes in infrastructure and procedures, analyse incidents and improvements to prevent them in the future.

In 2020, three meetings were held (2019: 4).

Tallinn Airport Users' Committee

In February 2020, a follow-up meeting to the September 2019 airport charges consultation meeting was held.

Meetings scheduled for 2020 were cancelled due to the coronavirus pandemic (three meetings were held in 2019). Users were provided with the usual overview of the time between the two meetings and information regarding the investments in 2020-2022. Information was provided electronically. They were also provided with information on the restrictions, measures and information channels of the Government of the Republic and the activities carried out by Tallinn Airport, the aim of which was to reduce the impact of the coronavirus on the company's financial situation.

Terminal Users' Committee of Tallinn Airport

In the Terminal Users' Committee, we present to our tenants and partners working in the passenger terminal projects related to the improvement of the passenger customer experience and the development of the passenger terminal. In addition, we discuss everyday work organization issues and listen to suggestions from users at the passenger terminal.

Due to the coronavirus pandemic, no meetings of the Terminal Users' Committee took place in 2020 (two meetings took place in 2019). However, due to the difficult situation in aviation, the tenants, partners, and the airport nevertheless constantly exchanged information.

Environmental Steering Group

The purpose of the environmental steering group is more efficient organization of environmental management. Key people in the company participate in the work of the steering group. When making decisions, the steering group shall consider the likely risks and the possible effects of their realization on the operation of aerodromes and compliance with legal requirements.

In 2020, the environmental steering group met once (four times in 2019). A new future technology project (environmentally friendly de-icing technology and innovative service technology) was introduced and the use of the project's opportunities at Tallinn Airport was discussed.

Safety and Quality Groups at Regional Airports

Safety and quality groups meet at Kuressaare, Kärdla, Pärnu and Tartu airports at least once a quarter. Their purpose is to provide initial control over the performance of the safety management system, to receive feedback on improvement activities and to promote safety. The meetings will address current airport operation, safety and quality issues, customer feedback and deficiencies identified during airport audits. Companies operating on airport sites will be involved in the meetings.

Risk management

Risk management is an integral part of the corporate governance process. Its purpose is to support attainment of safety and business goals, identify, evaluate, and analyse the risks arising from operations and develop risk-conscious behaviour of the company's employees. All areas need to cooperate when performing risk assessment, analysis, and identification of mitigation measures.

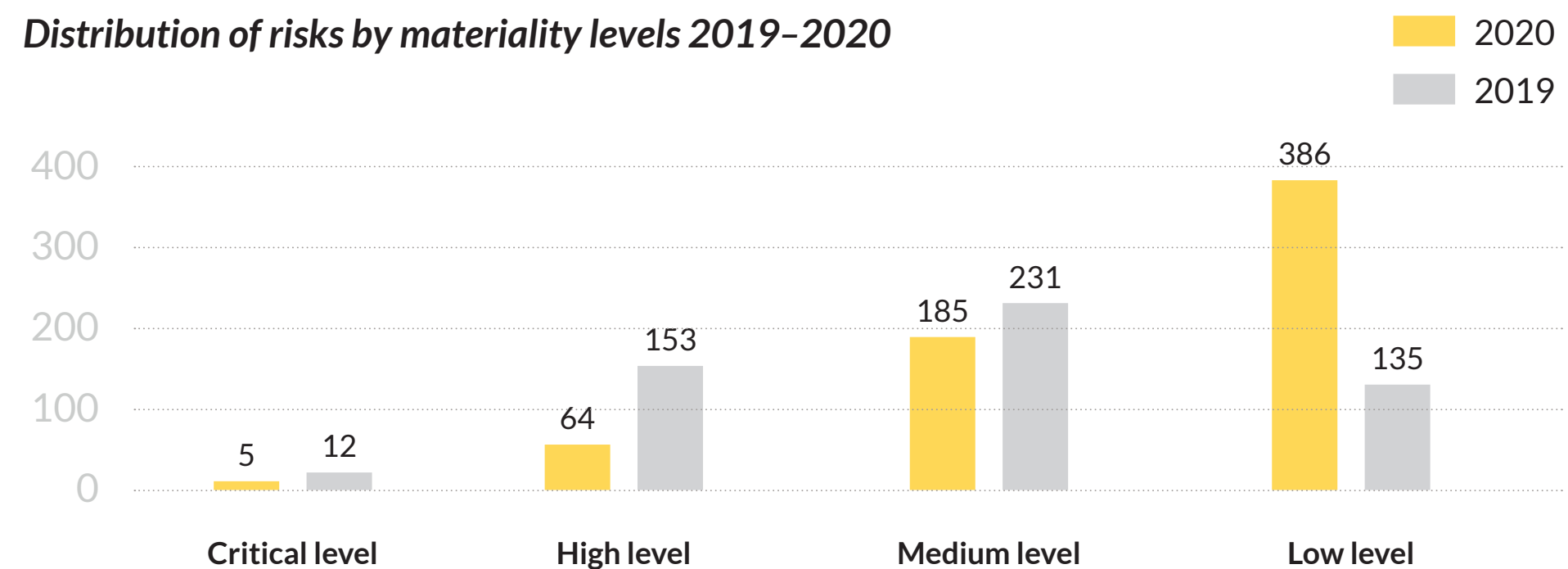
The risk management activities may be described as follows:

- Assessment of the Company's strategic risks
- Risk assessment of the Company's fields of business
- Mandatory risk assessment resulting from external requirements
- Assessment of project risks and other changes

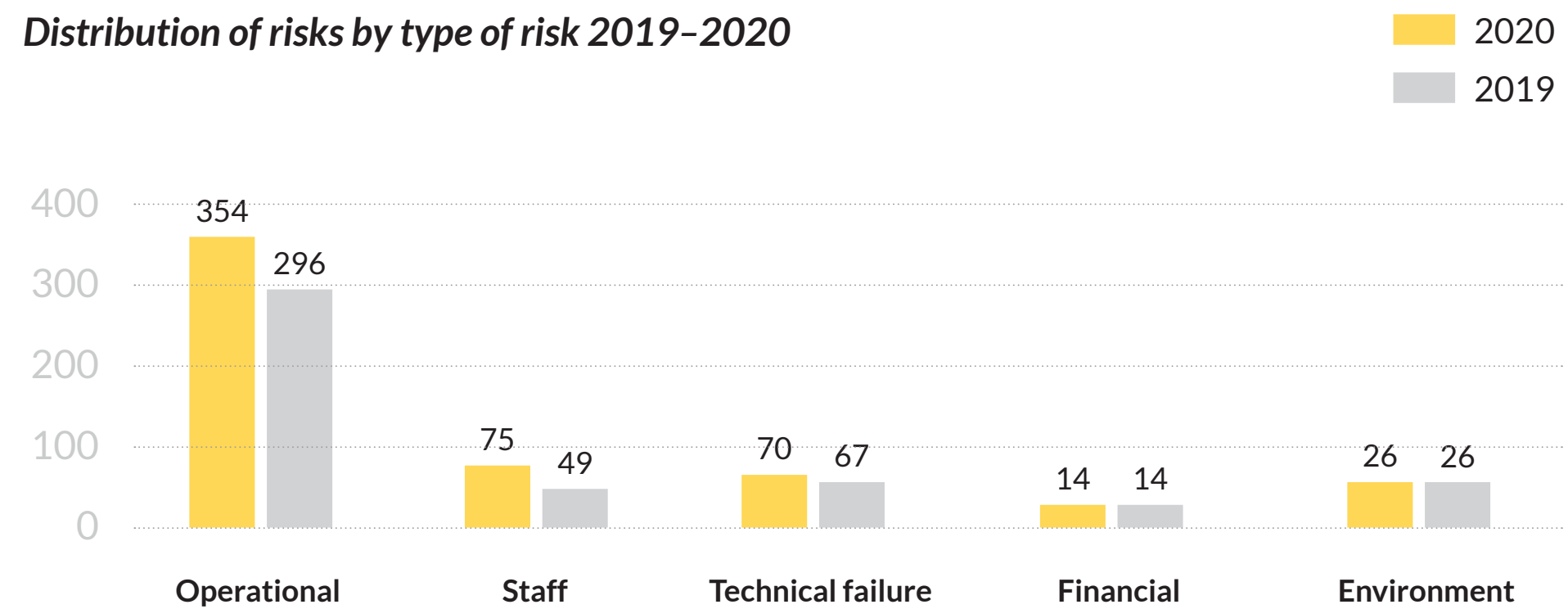
The company's strategic risks are evaluated once a year. We usually do this every spring, but due to the coronavirus, we assessed the risks in 2020 at the end of the year.

We assess the risks related to the changes on an ongoing basis. In 2020, they were related to changes in the company, but also to compliance with the requirements of the Cyber Security Act.

Distribution of risks by materiality levels 2019–2020



Distribution of risks by type of risk 2019–2020



In 2020 we carried out 33 risk analyses (2019: 29) in all areas (incl. subdivisions) we identified a total of 640 risks (531 risks in 2019).

Most of the risks were identified at regional airports (48 in Tartu, 46 in Kuressaare and 39 in Kärdla). This was primarily related to the fact that we evaluate the risks in all areas at regional airports (staff, technical failure, safety, etc.). The risks in aviation safety (44) that have been evaluated in greater detail than the risks in other areas are worth highlighting separately.

The changes in the economic environment related to the coronavirus impacted almost all areas. Several risks that we had factored into our risk analysis materialised in 2020 and their previous treatment led to better predictability and adoption of mitigation measures already described previously.

New risks have emerged, primarily related to employees and their mental health, as well as social and occupational risks related remote work.

Information security and data protection

The purpose of information security management is to preserve the resilience and uninterrupted operation of the Company's information system infrastructure. An integral part of information security is data protection where we are responsible for proper processing of the data entrusted to us.

We have applied new processes both in the areas of information security as well as data protection. We have increased information protection capabilities and created monitoring activities to prevent materialisation of potential risks. We are also ready to monitor and analyse the activities.

In 2020, there was one incident related to data protection as result of which we revised our procedure. There were no major cyber incidents at Tallinn Airport in 2020 (2019: 0).

Environmental risks

To perform its daily operations, Tallinn Airport Ltd needs to hold the environmental permits that are following the Estonian legislative acts. The environmental permits and the requirements set therein create both the opportunities as well as set restrictions for the company's growth.

When making construction plans, we consider the environmental impact prior to the launch of any construction activities to use measures to mitigate or prevent any potential negative environmental impacts. When operating our airports, we need to ensure that the chemicals used on the runways as well as on aircrafts are environmentally safe and the means of transportation have passed technical inspection.

In case of a chemical leakage, we need to ensure that it would not cause environmental pollution. For prevention of environmental pollution, we have established internal rules and regulations, and we are constantly monitoring the environmental status of the soil and rainwater. Besides monitoring the processes taking place at the company, we also oversee that our partners operate on our territory as required and in an environmentally sustainable manner.

The 2020 environmental risk assessment revealed that, in addition to the implementation of mitigation measures, the following areas have the greatest possible negative environmental impact:

- aircraft and pavement de-icing,
- improper handling of fuels and oils,
- violation of soil or water regime during construction activities,
- air traffic noise,
- the use of fossil fuel technology, including the release of CO₂ into the atmosphere, the consumption of non-renewable resources and the release of ozone-depleting substances into the atmosphere.

In 2019 and 2020, there were no chemical pollution incidents in any of our airports that would have caused environmental pollution.

Crisis readiness

To ensure the safe and compliant operation of all the airfields operated by Tallinn Airport Ltd, we have described the actions of the company in various crisis or emergency situations. The preparedness of the rescue services provides the Tallinn Airfield with Category 8 for rescue and firefighting. Regional airports are also completely ready to react and take actions in case of various crises and emergency situations.

In 2020, there was one runway excursion when a small aircraft departed the runway during the landing run (there were no plane crashes or serious flight incidents in 2019).

In June, we organized a sea rescue exercise at Kärdla Airport in cooperation with external participants. It was the largest joint exercise of the year.

Staff risks

As compared to earlier years, in 2020 the staff risks included coronavirus-related operational risk arising from general uncertainty and higher stress levels, structural changes, reorganisation of work and changes in work processes. Furthermore, the staff budget cuts due to cost-cutting measures did not enable us to contribute to the development and motivation of employees at the current level.

The Company's internal environment is characterised by a high degree of regulation, the importance of mitigating the risks related to aviation safety, the need to certify competency requirements, and the background checks of the candidates and employees. Internal risks are related to the working time (24-hour work cycle) and the nature of the work (physical work, impact of weather conditions, work intensity and time pressure on the provision of services), as well as the ability to ensure succession and fill key management positions and staff vacancies.

2020 brought a new form of working from home, the potential risks of which are the deterioration of teamwork and of the unified team feeling. These risks can be mitigated through professional management and training of employees and managers.

Despite the changes in the labour market in 2020, wage growth will continue, which will also put pressure on next year's personnel expenditure budget. In the aviation and engineering sectors, there is strong competition in the labour market, which is why these two labour market trends affect the readiness of employees to leave and the finding of new employees with suitable competencies.

Occupational health and safety

We regularly evaluate the risks related to the working environment and occupational safety, during which we review and update the risk assessment of the working environment. We regularly evaluate the adequacy and timeliness of occupational safety instructions and organise



training courses on occupational safety. This gives us the opportunity to prevent events with negative consequences.

In 2020, rules and recommendations due to the coronavirus became an integral part of ensuring occupational health. The company had a sufficient stock of personal protective equipment before the pandemic started. In addition, we acquired personal protective equipment (masks, gloves, goggles, collective protective equipment) in the amount of 64,600 euros during the year.

We regularly informed and instructed employees about the restrictions related to the pandemic and ensured that the information available to them was updated in a timely manner. We also provided information about the pandemic to members of the community. We constantly cooperated with the Health Board and the Police and Border Guard Board.

In 2020, we registered eight minor occupational accidents, seven of which occurred in Tallinn Airport GH Ltd (19 in 2019) and one in Tallinn Airport Ltd (three in 2019). For all accidents at work, we identified the circumstances of their occurrence and described measures to prevent similar accidents.

Working environment councils

The purpose of both councils is to analyse the level of occupational safety at the companies and oversee that all occupational health and safety requirements are complied with. They also make recommendations to the management boards of these companies to develop and improve the area.

In 2020, new employee representatives were elected, for whom the training of work environment commissioners is also planned for the beginning of 2021.

The Work Environment Council of Tallinn Airport Ltd consists of an equal number of employee and employer representatives. The members of the work environment council are elected from various structural units of the company, including regional airports.

The composition of the work environment council of Tallinn Airport GH Ltd was changed in 2020 due to restructuring. As a result, the number of employer representatives and employee

representatives decreased by two members. The Work Environment Council has a total of six members, three of whom are employee representatives and three are employer representatives.

Management of risks in purchase processes

In Tallinn Airport Group procurements are organised, the rules and procedures of which are governed by the regulation of the organisation of procurements. The contracting authority must 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 2020, we organised 103 procurement procedures (2019: 197), including 26 (2019: 38) carried out through the public procurement register, of which 6 (2019: 13) were above the international threshold, 14 (2019: 21) were simplified procurement procedures and 4 were negotiated procedures without prior publication of a contract notice (2019: 3). Of all the procurements, three procurement procedures were terminated without a contract (2019: 8). Of the procurements carried out in the electronic public procurement register, 25 (2019: 38) were e-procedures.

The focus in the coming years will be on improving the efficiency of procurement and training of those responsible for procurement.

Risk management of sales processes

The COVID-19 crisis affected our most important partners, i.e., airlines, aircraft maintenance companies as well as companies operating in the passenger terminal of Tallinn Airport. In cooperation with partners, we found satisfactory agreements for the management of receivables. Due to the high risks arising from the economic environment, we changed our debt management processes by dealing with debts proactively and consistently.

The Group's financial results of 2020

Top-level management is very important to us, because only in this way can we implement a short-term investment plan. The significant reduction in activity due to the pandemic and the situation where the duration of the crisis was unknown, the company's tactic was to minimize the negative impact of the crisis on the company's sustainability.

The Group's key sales and financial figures

Thousand EUR	2020	2019	Variance %
Operating income total	36,266	60,386	-40
Sales revenue	20,555	47,120	-56
incl. aviation revenue	6,575	17,497	-62
incl. non-aviation revenue	13,980	29,623	-53
Other income	15,711	13,266	18
incl. government grants for assets	3,744	3,763	-1
incl. government grants for security and rescue expenses	7,420	6,995	6
incl. government grants for regional airports	2,200	2,200	0
incl. other income	2,347	308	661
Operating profit before depreciation (EBITDA)*	5,824	17,927	-68
Net profit	-1,997	9,718	-121
Cash flows from main activity	4,164	17,262	-76
Investments	17,410	10,189	71

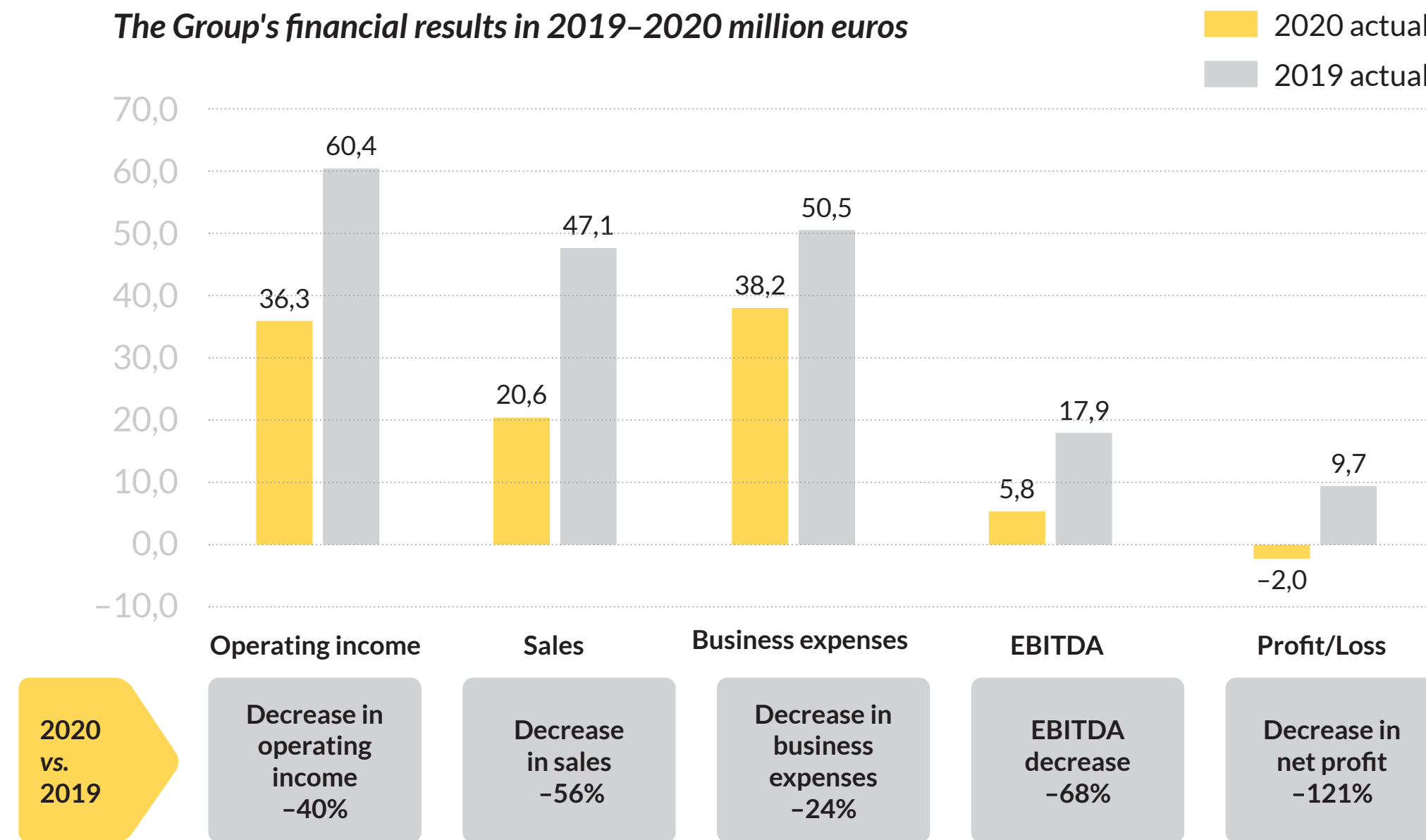
Thousand EUR	2020	2019	Variance %
Total assets at the year end	230,524	226,149	2
Assets as at the year-end excluding government grants *	154,624	149,010	4
Equity as at the year end	93,982	95,457	-2
Borrowings as at the year end	52,333	45,619	15
Equity/assets at the year-end*	61%	64%	
Debt/operating profit before depreciation*	8,99	2,54	
Operating expenses total	38,178	50,467	-24
incl. goods, materials, and services	10,030	15,734	-36
incl. other operating expenses	1,355	1,902	-29
incl. staff costs	15,705	20,949	-25
incl. other expenses	-392	111	-452
incl. depreciation, amortisation, and impairment	11,480	11,771	-2

* Does not include grants for fixed assets.

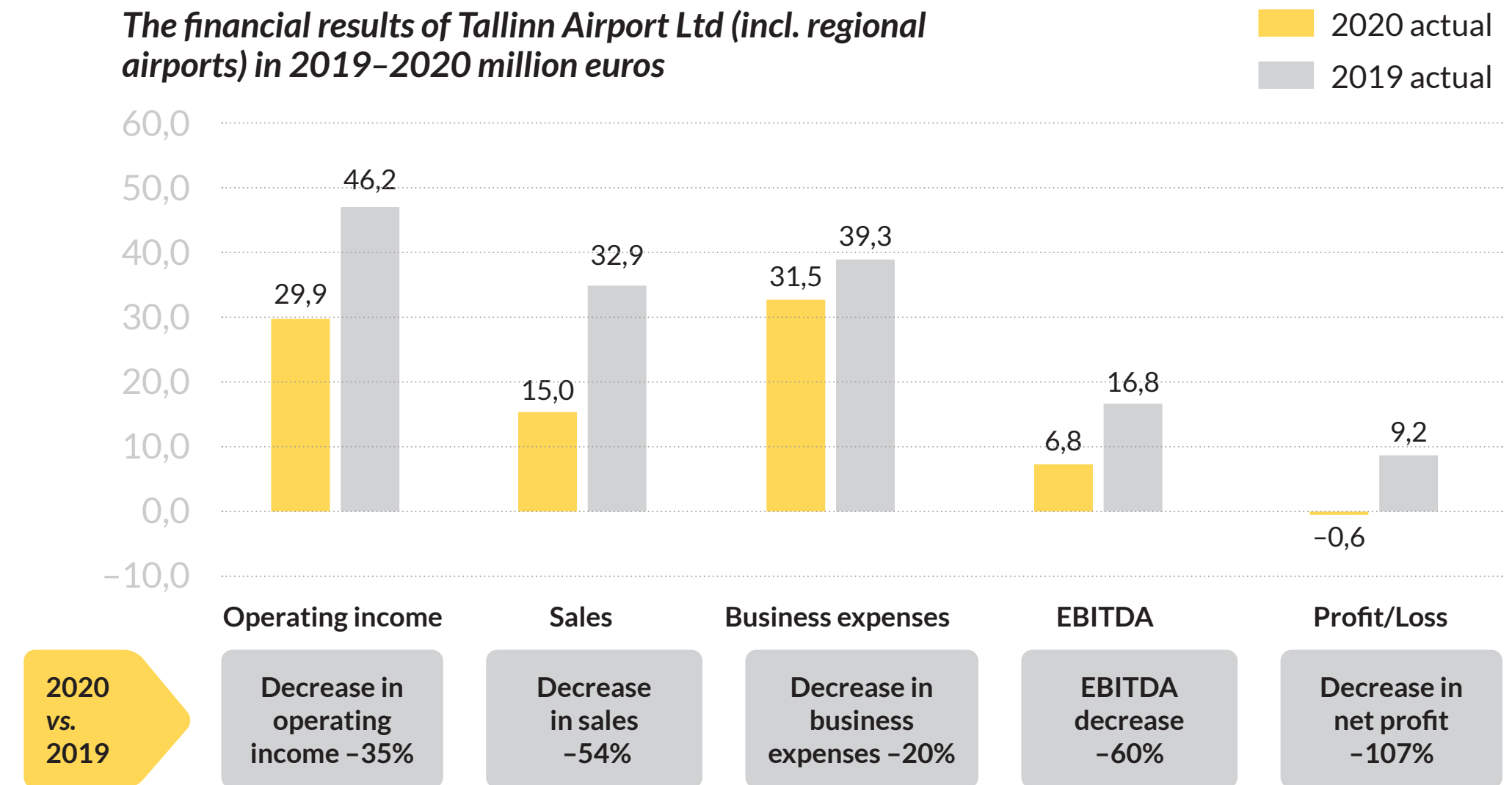
Summary of financial results

The company's operations and financial results in 2020 were strongly affected by the restrictions related to the coronavirus. The decrease in passengers and flight operations was directly reflected in the decrease in sales revenue, which was why the Group's focus was on cost management and savings. Despite the extremely difficult year, the company's EBITDA was positive (5.8 million euros) and cash flow from operating activities was 4.2 million euros.

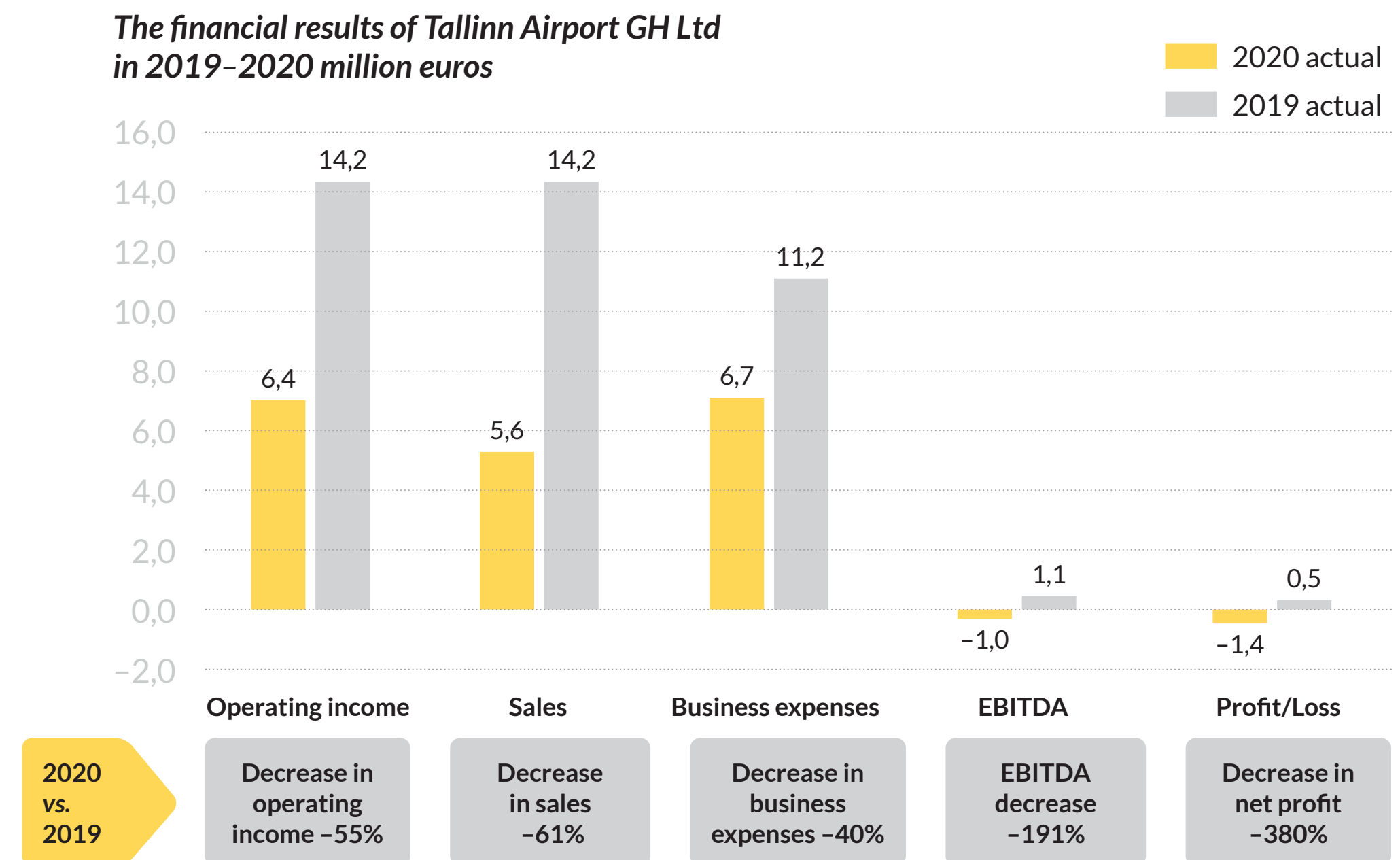
The Group's financial results in 2019–2020 million euros



The financial results of Tallinn Airport Ltd (incl. regional airports) in 2019–2020 million euros



The financial results of Tallinn Airport GH Ltd in 2019–2020 million euros



The Group's operating income decreased by 24.1 million euros (40%) in 2020 compared to the previous year. Sales accounted for 57% of revenues and other operating revenues for 43% (78% and 22% in 2019, respectively).

The Group's sales revenue in 2020 was 20.6 million euros, which is 56% less than in the previous year (47.1 million euros in 2019). Aviation revenues accounted for 32% of turnover and non-aviation revenues for 68% (37% and 63% in 2019, respectively).

The Group's aviation revenue in 2020 was 6.6 million euros (2019 17.5 million euros), which is 10.9 million euros (62%) less than a year earlier. The number of passengers at Tallinn Airport was 74% lower and the number of flight operations 52% lower than in 2019. The average aviation revenue per departing passenger was 42% higher than in 2019 (14.67 euros in 2020, 10.34 euros in 2019). This was caused by low flight occupancy and an increase in aircraft parking revenues (24% in 2020 vs. 3% in 2019).

The number of passengers at regional airports was 50% lower in 2020 than in 2019 (33,686 in 2020 and 67,077 in 2019). Aviation revenues at regional airports decreased by 0.1 million euros compared to 2019, i.e., by 31% (0.2 million euros in 2020 and 0.3 million euros in 2019).

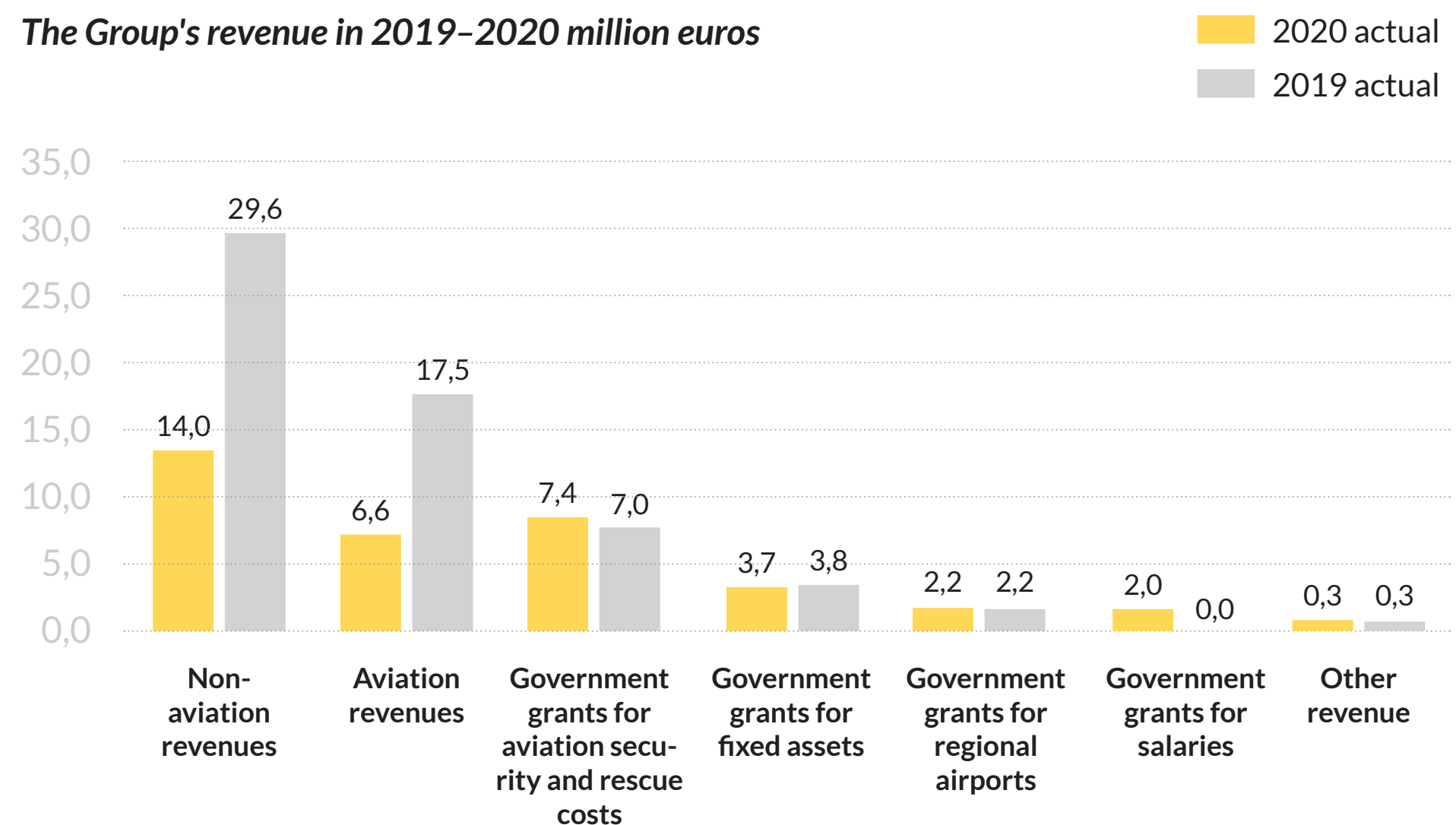
The Group's non-aviation revenues were 14 million euros in 2020 (29.6 million euros in 2019), which is 53% less than in the previous year. The unconsolidated non-aviation revenues of Tallinn Airport GH Ltd decreased by 61% (5.6 million euros in 2020 and 14.3 million euros in 2019) and the unconsolidated non-aviation revenues of Tallinn Airport Ltd decreased by 46%.

Of non-aviation revenues, parking revenues decreased by 68%, trade concession revenues by 67% and VIP and business customer revenues by 68%. The decrease in revenue was related to the decrease in the number of passengers.

Other operating income was 15.7 million euros in 2020 (13.3 million euros in 2019), which is 18% higher than last year. Government grants to cover aviation security and rescue costs increased by 0.4 million euros (7.4 million euros in 2020 and 7.0 million euros in 2019).

The state grant for the operating costs of regional airports remained at the same level as in 2019 and amounted to 2.2 million euros. Revenues from government grants were 0.1 million euros lower in 2020 (3.7 million euros in 2020 and 3.8 million euros in 2019). Other operating income includes 2 million euros of support from the Estonian Unemployment Insurance Fund to cover labour costs.

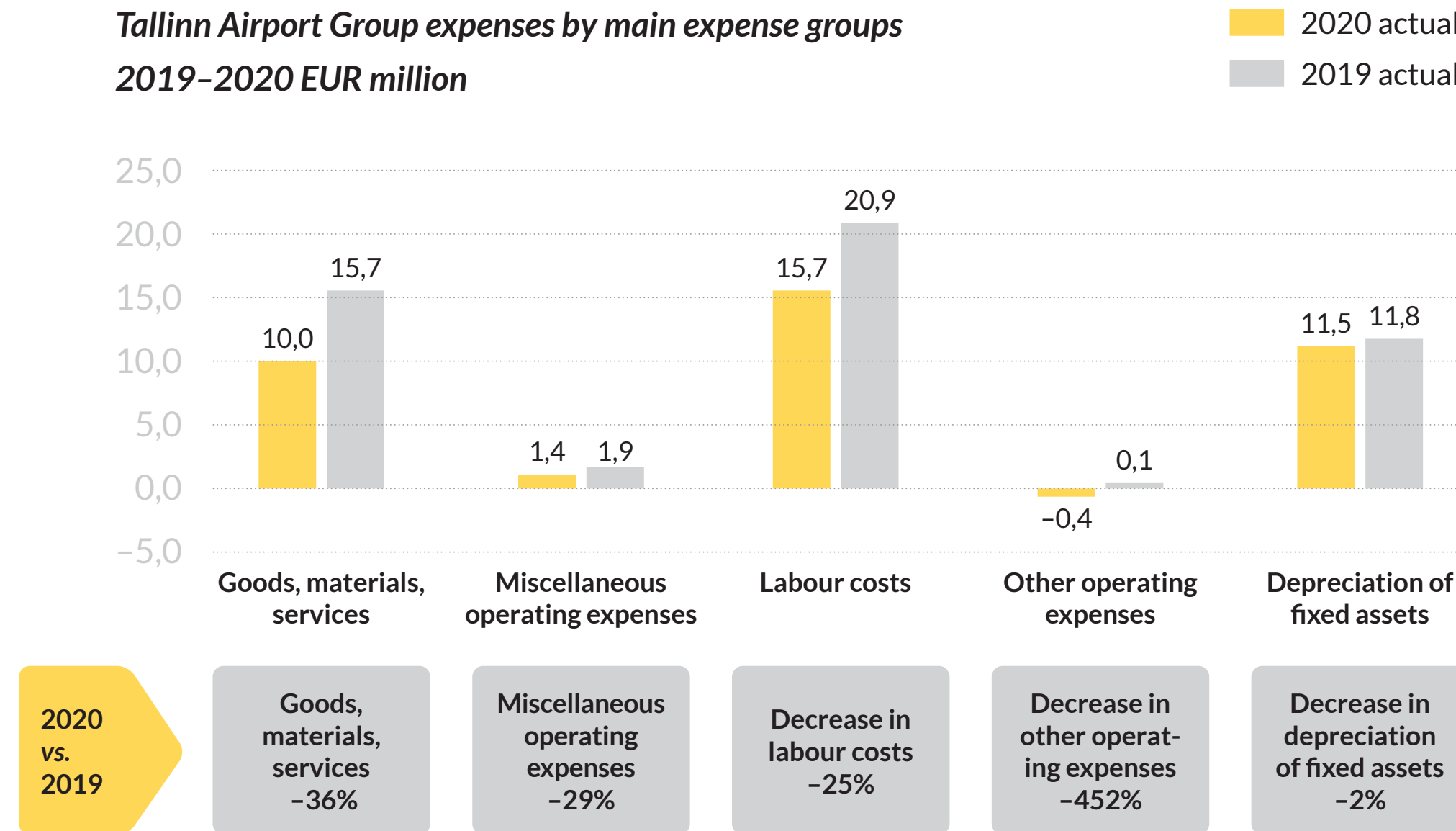
The Group's revenue in 2019–2020 million euros



Expenses

The Group's total expenses were 38.2 million euros (2019: 50.5 million euros), which means a decrease of 12.3 million euros (-24%). Labour costs decreased by 5.2 million euros, or 25% (15.7 million euros in 2020 and 20.9 million euros in 2019). For the period from April to June, the workload and remuneration of all employees of the group were reduced by 30%. In the same months, the Estonian Unemployment Insurance Fund partially covered the labour costs of employees, in the total amount of 2 million euros. Due to a very large decrease in activity, 25% of jobs were made redundant.

Tallinn Airport Group expenses by main expense groups
2019–2020 EUR million



Depreciation of fixed assets was 11.5 million euros in 2020 (11.8 million euros in 2019), decreasing by 0.3 million euros (-2%) during the year. Due to the significant decrease in operating volumes, the useful lives of fixed assets were partially extended, which resulted in a decrease in depreciation of fixed assets compared to the previous year. As a result of the implementation of austerity measures, the expenses of the expense group “Goods, materials and services” decreased by 5.7 million euros compared to 2019 (10.0 million euros in 2020 and 15.7 million euros in 2019).

Profit

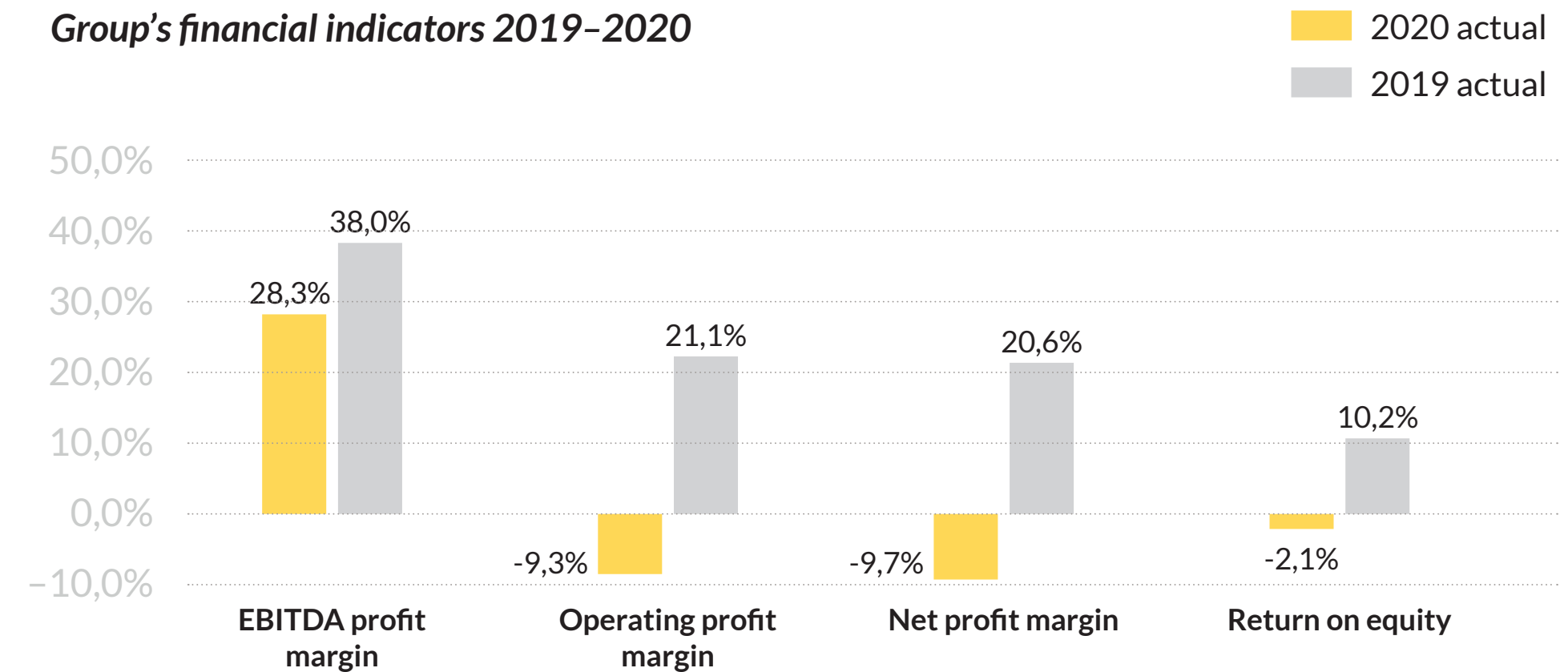
Operating profit before depreciation (EBITDA) was 5.8 million euros, which is 12.1 million euros (-68%) less than in the previous year. The operating loss was -1.9 million euros in 2020 (9.9 million euros in 2019), thus decreasing by 11.8 million euros (-119%). This was since operating income decreased by 11.8 million euros compared to operating expenses. Fixed costs

have a large share in the company's operating expenses. Operating income decreased by 24.1 million euros and operating expenses by 12.3 million euros.

In 2020, total financial income and expenses were 0.1 million euros (0.2 million euros in 2019).

The Group's loss in 2020 was 2.0 million euros, which is 11.7 million euros less than in 2019 (-121%).

Group's financial indicators 2019–2020

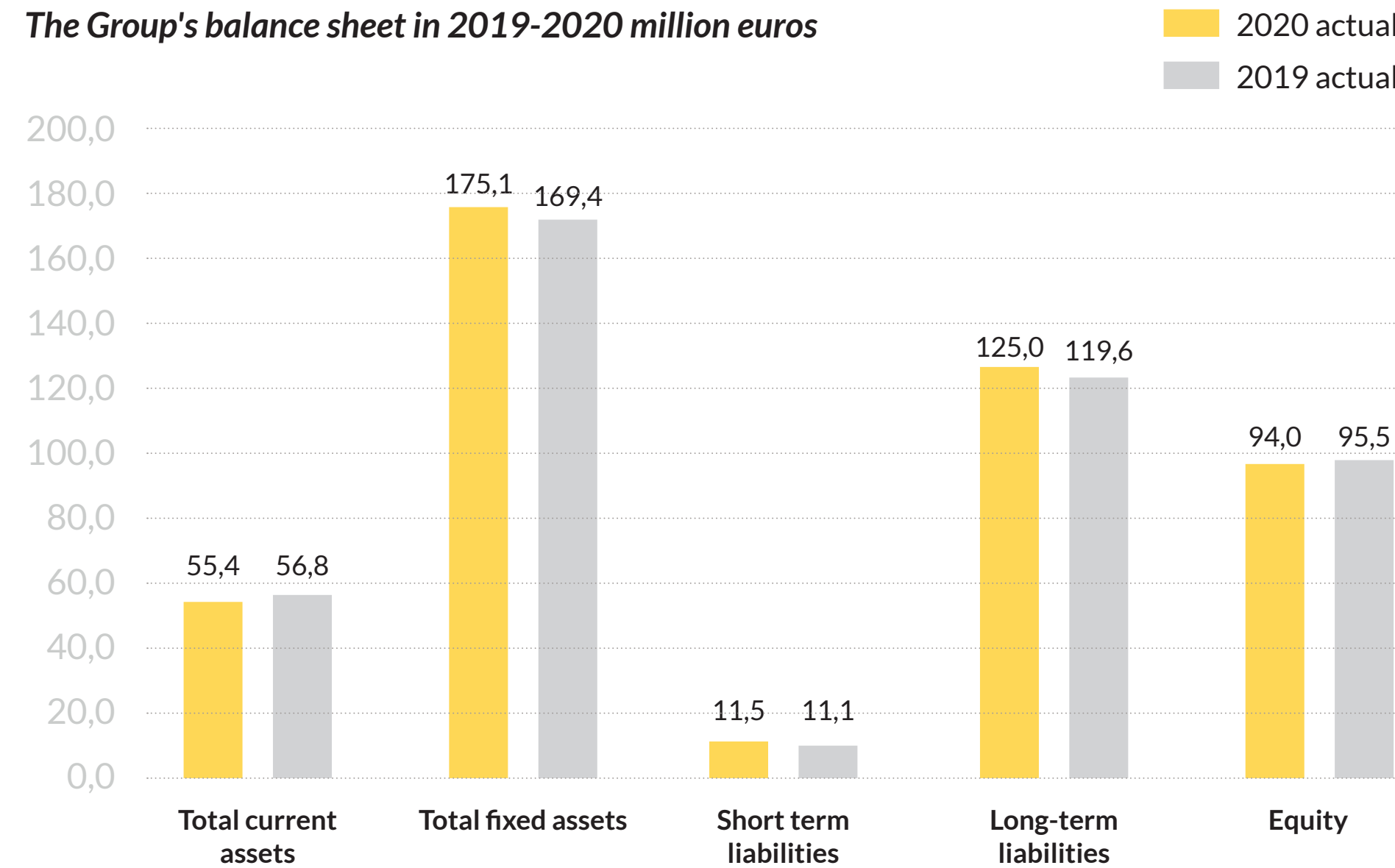


Balance sheet

As of 31 December 2020, the assets totalled EUR 230.5 million (2019: EUR 226.1 million). Thus, the assets have grown by EUR 4.4 million (2%). Of the assets, the fixed assets have grown the most, i.e., by EUR 5.7 million and cash and cash equivalents have decreased by EUR 1.4 million. Liabilities have increased by EUR 5.9 million (5%) and equity has decreased by EUR 1.5 million (-2%). Equity decreased in 2020 by net loss.

The Republic of Estonia increased the share capital by EUR 0.5 million by giving the Group de jure land in Tartu Airport. The share of equity and liabilities in liabilities has changed so that the share of liabilities has increased to 59% (58% in 2019) and the share of equity has decreased to 41% (42% in 2019).

The Group's balance sheet in 2019-2020 million euros



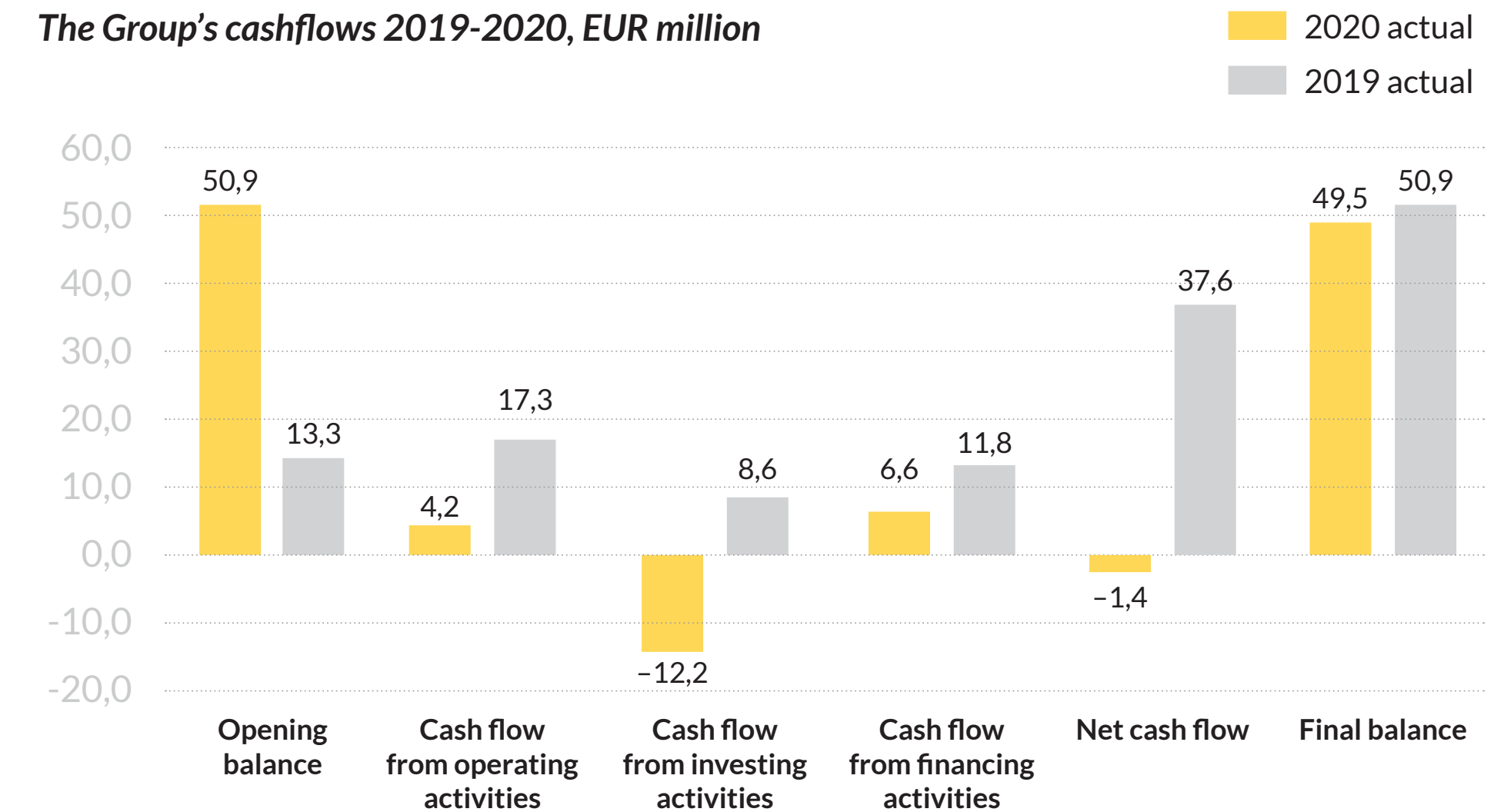
Cash flows

At the beginning of 2020, the Group's cash balance was 50.9 million euros. The cash balance of Tallinn Airport included the investment money of Pärnu Airport in the amount of 20 million euros. At the request of the state, the company repaid 1.5 million euros of Pärnu investment money to the state at the end of 2020, and therefore the budget for the Pärnu Airport reconstruction project is 18.5 million euros. We started construction in the summer of 2020, and it will last until the autumn of 2021. In addition, we had sufficient cash to cover the costs of the second stage of the airside development project of Tallinn Airport (the total investment in 2020 and 2021 is 22.3 million euros).

Cash flow from operating activities in 2020 was 4.2 million euros, cash flow from investing -12.2 million euros and cash flow from financing 6.6 million euros. The Group's cash balance at the end of 2020 was 49.5 million euros, thus the cash balance decreased by 1.4 million euros.

In 2020, the Group repaid loans in the amount of 3.3 million euros. In 2020, Tallinn Airport took out the last part of the loan agreed in the framework of the 2016 loan agreement in the amount of 10.0 million euros from the European Investment Bank (EIB). At the end of the same year, the loan balance was 52.3 million euros, including Pohjola loan 1.7 million euros, Nordic Investment Bank (NIB) loan 20.6 million euros and EIB loan 30 million euros.

The Group's cashflows 2019-2020, EUR million



Capital expenditures

The Group reduced the initial volume of investments planned for 2020. Strategic investments continued.

In 2020, The Group invested 17.4 million euros in the year, of which Tallinn Airport 12.6 million euros, regional airports 4.5 million euros and Tallinn Airport GH Ltd 0.3 million euros.

In 2016-2019, we invested a total of EUR 39.3 million in the airside development project of Tallinn Airport that was launched in 2016. The project continued in 2020 with preparations for the second phase of the project and technology procurements. A major share of

the project was the construction of the reagent warehouse and the warehouse building for the maintenance service. The buildings will be taken into use in January 2021. The capital expenditures totalled EUR 8.7 million. In 2020, the funds received from the Cohesion Fund totalled EUR 2.3 million (2016–2019: EUR 20.8 million). In 2016–2020, the airside capital expenditures totalled EUR 48.0 million and in 2021–2024, we will invest another EUR 22.1 million in this area. The total cost of the project will be EUR 74.6 million, of which EUR 70 million will be eligible for financing from the Cohesion Fund (the Cohesion Fund will cover 50% of this amount).

The main investments in 2020:

- Reconstruction of Pärnu Airport, investment 4.2 million euros;
- Purchase of two screening devices for checked baggage at the Tallinn Airport passenger terminal, investment 1.9 million euros;
- Construction of solar parks (50 kW) at all airports, a total of seven solar parks were built (two in Tallinn and Pärnu, one in Tartu, Kärdla and Kuressaare). Investment 0.2 million euros;
- Construction and furnishing of the premises of the security control centre of the Tallinn Airport passenger terminal, investment 0.2 million euros.



Tallinn Airport Group's Operations

Map of Tallinn Airport route network as of February 2020

Air traffic

The World Health Organization (WHO) declared the COVID-19 virus that started to spread at the end 2019 a global pandemic on 11 March 2020. The efforts to curb the spread of the virus around the world have led to a major transportation crisis involving establishment of travel restrictions and suspension of flights.

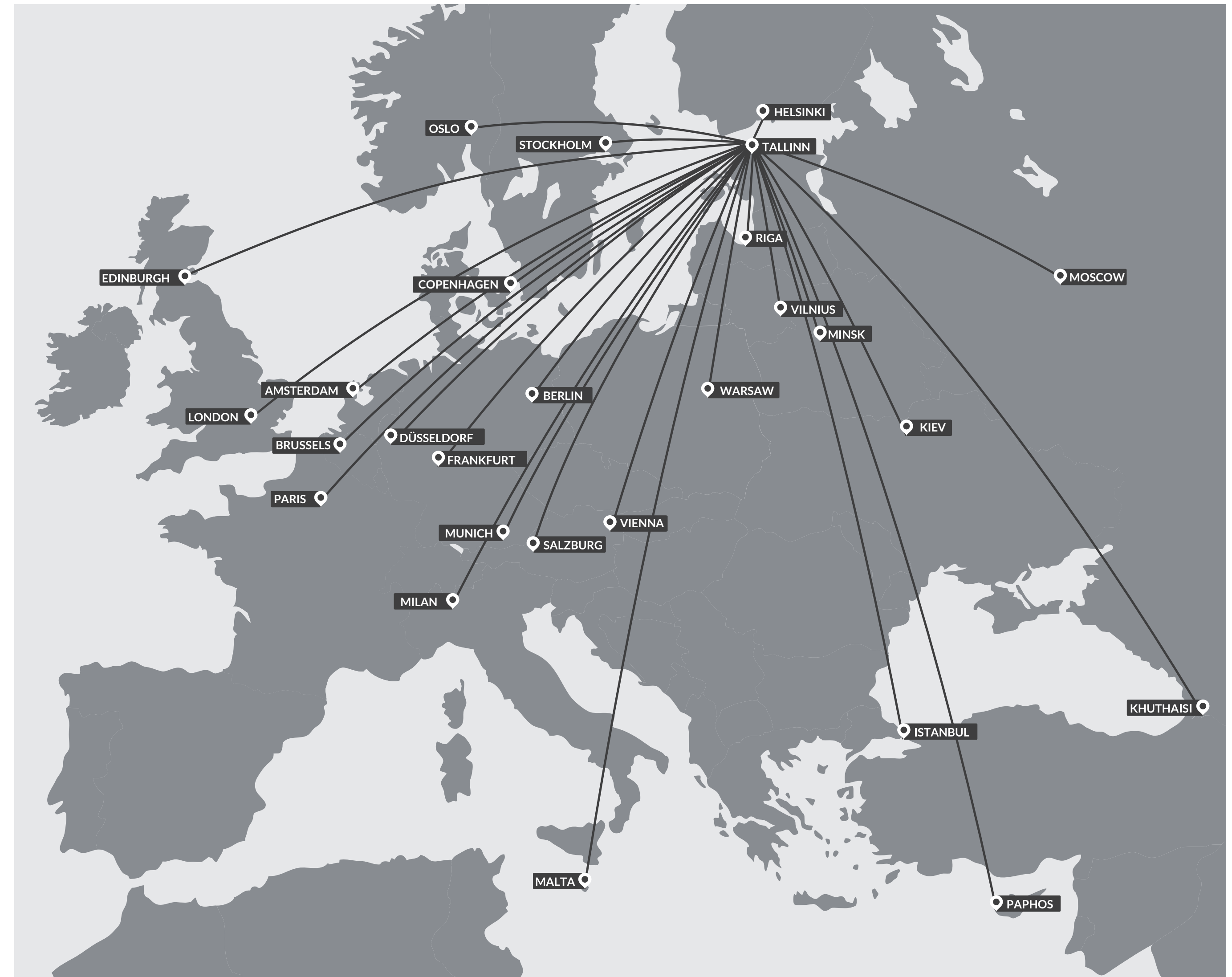
Although by the end of 2020, most of the countries no longer imposed all-encompassing states of emergency and tried to curb the spread of the virus with less-disruptive restrictions, the rules restricting international travel either in full or partially still prevail in most countries, incl. a 14-day self-isolation requirement upon arrival.

In this connection, the Airports Council International (ACI) expects the number of passengers to decline by 64% globally by the end of 2020 as compared to 2019, incl. by over 70% in Europe¹. The bottom of the recession was in the second quarter (-89%) and it was -94% in April as compared to the same period in 2019.

The unprecedented crisis due to the coronavirus has essentially put the global aviation sector into a survival mode due to the decline in passenger traffic and the related revenue drop.

Tallinn Airport

While in January and February 2020 the number of passengers at Tallinn Airport increased by an average



¹ ACI Advisory Bulletin 08.12.2020.

of 6% and direct flights were operated on 26 international routes, in the second half of March air traffic stopped almost completely in Estonia and many destination countries due to the established restrictions.

Only the flights of Lufthansa to Frankfurt continued uninterrupted in the second quarter. The number of passengers at Tallinn Airport fell in this quarter by 95% on average as compared to the same period in 2019 which corresponds to the level of the global change.

Air traffic that almost came to a halt in April started to gradually recover in the following months, reaching approximately 84,400 travellers in August which represents 26% of the level in 2019. Despite the travel restrictions that were changed weekly (flights were banned to the countries where the number of new infections per 100,000 inhabitants was higher than 25 during the preceding 14 days); flights were made to 20 destinations from Tallinn in August. This was due to the receding of the first wave of the infection in Europe which enabled modest and responsible travel considering the conditions of self-isolation.

As the virus started to pick up pace again in Europe in September, the flights on several routes from Tallinn were suspended and the number of passengers started to fall again. On 1 October, the Government of the Republic lifted flight restrictions and allowed reopening of flights to those EU countries where the infection rate was less than the double of the EU average (with a few exceptions allowed). Its purpose was to prevent cancellation of most direct flights and the related effect on the country's economy at the time when the number of European countries with high infection rates resumed their upward trend.

Due to the self-isolation requirements imposed for international travel, the demand remained weak which forced airline companies to reduce the number of flight frequencies and close connections with a low cabin factor, e.g., on Edinburgh, Vilnius, and Vienna routes. There were no direct flights to non-EU destinations until the end of 2020. These restrictions will expire on 1 January 2021, enabling airline companies to resume their flights once demand recovers.

In 2020, the number of passengers flying through Tallinn Airport was 863,589 which is only 27% of the previous year's level. As passenger flights make up only a part of our flight operations, the number of flights changed less than the number of passengers. The number of flight operations was 22,962 which is 48% of the previous year's level.

The cargo volume in 2020 remained at the same level as in 2019. As the mail sent through the universal mail service is transported only on scheduled flights, due to their lower number, the overall cargo volume fell by 16% as compared to the previous year.

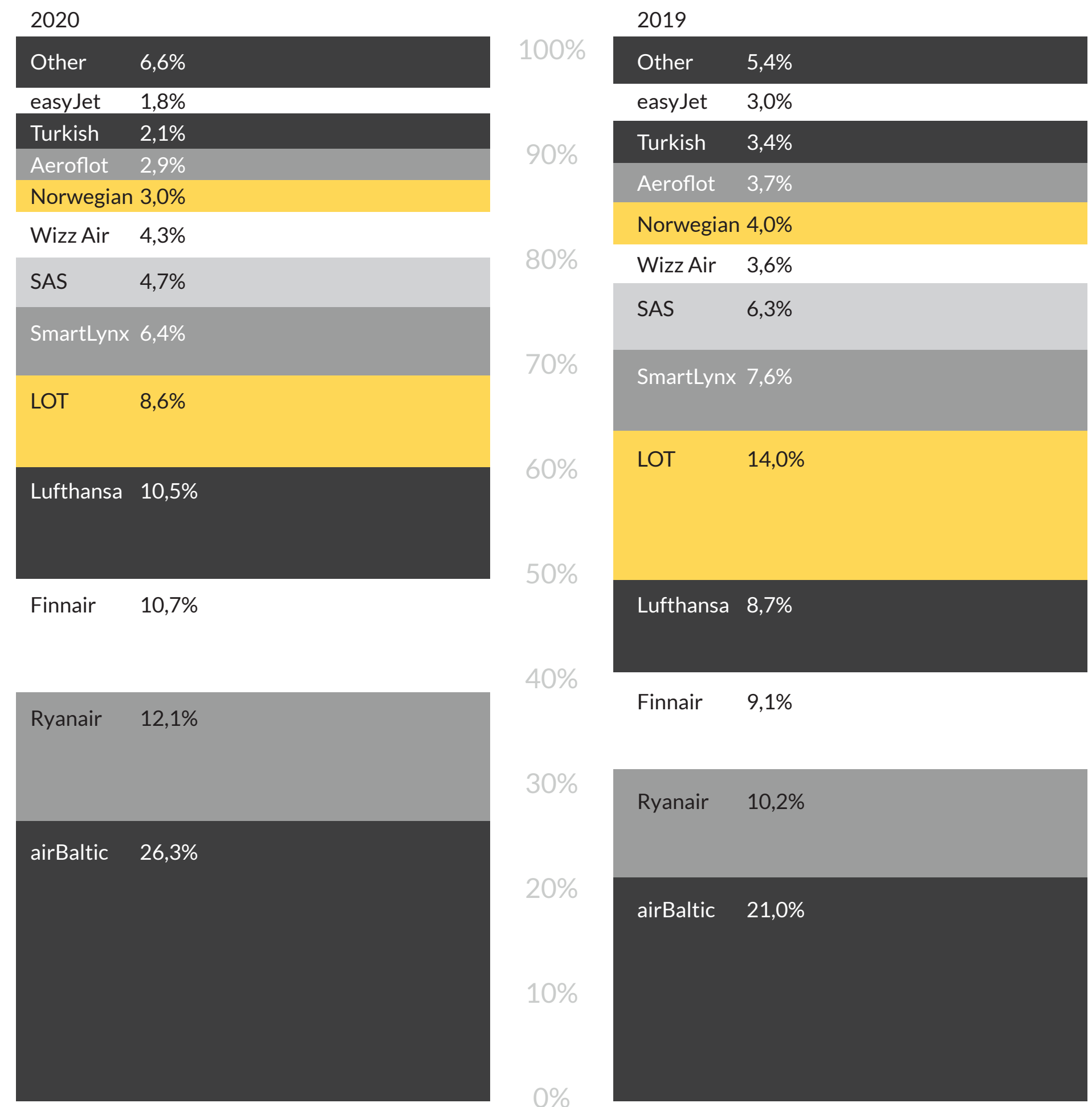
Flight operations, number of passengers, cargo, and post in Tallinn Airport 2016–2020

Flight operations	2020	2019	2018	2017	2016
Incl. passenger flights	14,461	38,808	39,892	36,856	32,230
Incl. cargo	1,552	1,538	1,597	1,662	1,810
Incl. non-commercial flights	6,949	7,521	7,079	6,807	6,898
Total	22,962	47,867	48,568	45,325	40,938
Passengers					
Incl. domestic flights	24,841	31,768	28,709	25,255	18,079
Incl. international flights	838,748	3,236,142	2,978,935*	2,623,106*	2,203,536
Incl. connecting flights	6,600	13,334	50,392	43,945	25,678
Total	863,589	3,267,910	3,007,644*	2,648,361*	2,221,615
Cargo (incl. post) in tonnes					
Incl. post	1,319	2,932	2,535	2,096	1,886
Incl. air cargo	7,871	7,984	8,984	9,249	12,054
Total	9,190	10,916	11,518	11,345	13,940

* The number of passengers has changed due to a previous error in presenting the data.

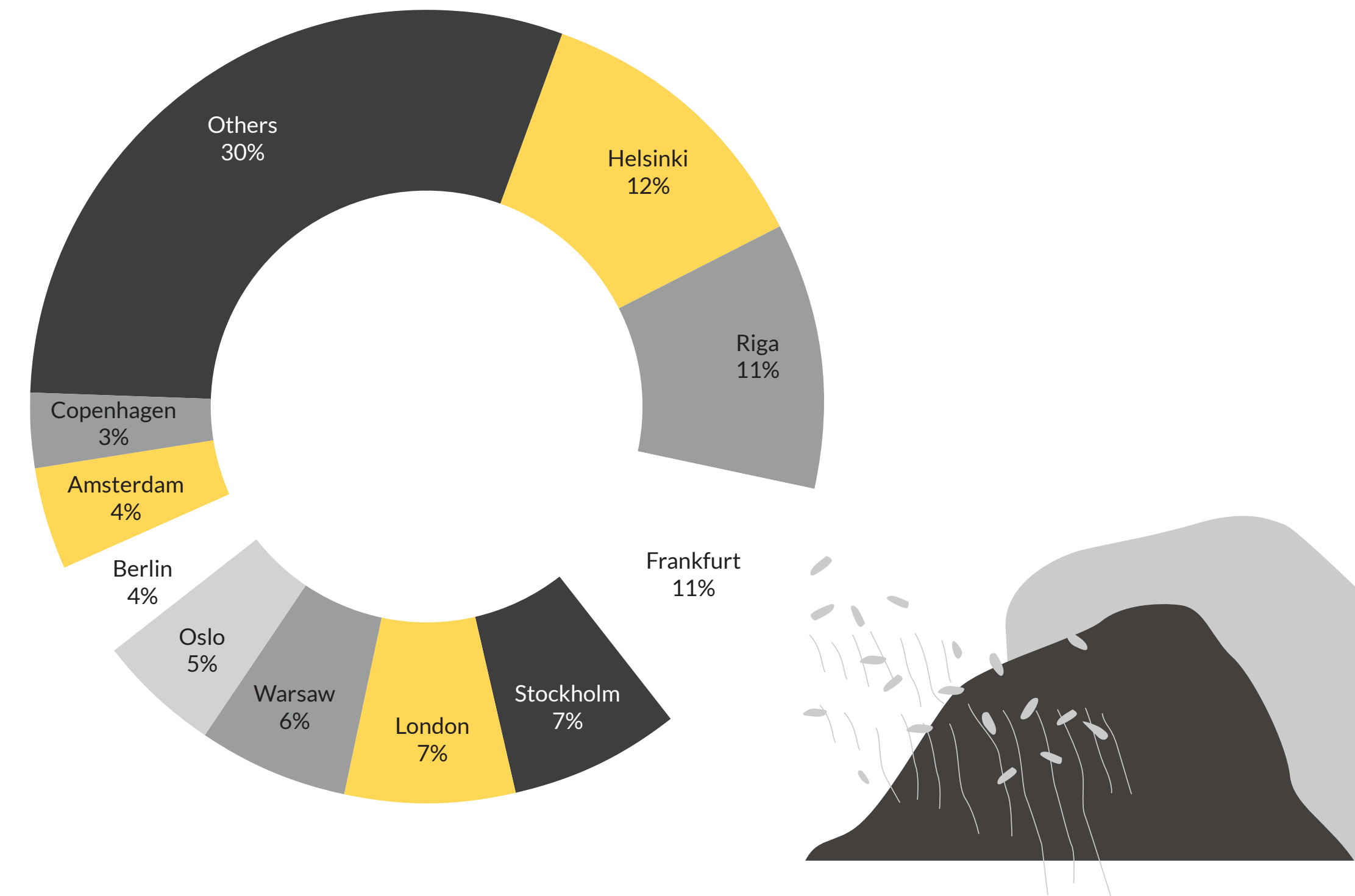
As of the end of 2020, eight airlines operated international scheduled flights from Tallinn Airport. In addition, Transaviabaltika and the new NyxAir (started Kuressaare flights on December 21) fly on domestic routes. During the year, airBaltic carried the most passengers, with low-cost airlines accounting for a total of 20%.

Market shares of airlines at Tallinn Airport 2019–2020



As at 31.12.2020 it was possible to fly to 15 destinations from Tallinn Airport. Most passengers - a third of all passengers - have used the opportunity to fly to Helsinki, Riga, and Frankfurt hub airports.

Market shares of routes in Tallinn Airport 2020



Although all airlines operating regular flights at Tallinn Airport at the beginning of 2020 have expressed interest in continuing flights in 2021, the precondition for the recovery of air traffic is the relaxation of traffic restrictions, which depends primarily on the epidemiological situation. As the crisis has lasted for a long time, the future of air transport will depend more broadly on the economic situation of countries, including companies and individuals, after the crisis.



Regional airports

In 2020, regional airports served a total of 33,686 passengers, which is 50% less than in 2019. Overall, 8,587 flight operations were done, which is 22% less. The coronavirus affected air traffic at Tartu Airport the most, as it was the only regional airport from which international scheduled flights were operated. The number of passengers decreased due to the suspension of Finnair flights in mid-March.

The number of flights at regional airports largely depends on regional policy. Compared to other airports, the number of operations at Tartu Airport is significantly increased by the study flights of the Estonian Aviation Academy.

Number of flight operations and passengers at regional airports 2016–2020

Passengers	2020	2019	2018	2017	2016
Kuressaare	16,858	24,614	23,166	19,231	13,289
Kärdla	9,383	11,684	9,943	9,170	7,547
Tartu	5,869	28,322	26,092	30,292	29,594
Ruhnu	1,215	1,446	1,345	1,329	1,415
Pärnu	361	1,009	920	856	1,196
Kihnu	0	2	41	0	319
Flight operations					
Tartu	4,206	5,520	4,788	5,074	4,727
Kuressaare	2,191	2,696	2,813	2,222	1,883
Kärdla	1,457	1,582	1,354	1,528	1,233
Ruhnu	500	524	470	487	518
Pärnu	201	590	626	1,066	1,017
Kihnu	32	32	48	74	198





Customer experience

We place great importance on positive customer experience and take passenger expectations into consideration, valuing the uniqueness of Estonia and the unity of Europe.

Our greatest wish is that the passengers would feel good at our airport, that their trip would be as pleasant as possible and that they would have direct access to everything they need.

To offer better experience to the passengers, at the beginning of 2020 we implemented the passenger service design project in collaboration with the international service design and branding company Brand Manual. Its objective was to identify our typical passengers, their journeys from home to the airplane, and their joys and sorrows at Tallinn Airport. Based on the information received we planned to improve the airport services.

As the year 2020 was greatly impacted by the coronavirus, we also paid great attention to warning and protecting our passengers and employees at the passenger terminal. For this, we erected physical barriers between employees and passengers, cleaned and disinfected surfaces more frequently using innovative anti-virus substances and technologies, and installed disinfection stations for passengers. We also opened a coronavirus testing point in collaboration with Confido Medical Centre to test arriving passengers.

We also focused on the implementation of the maintenance service quality management system. At the end of the year, we implemented the standard EVS 914:2020 "System for establishing and assessing cleaning quality" to evaluate the cleaning procurement contract.

Passenger survey at Tallinn Airport

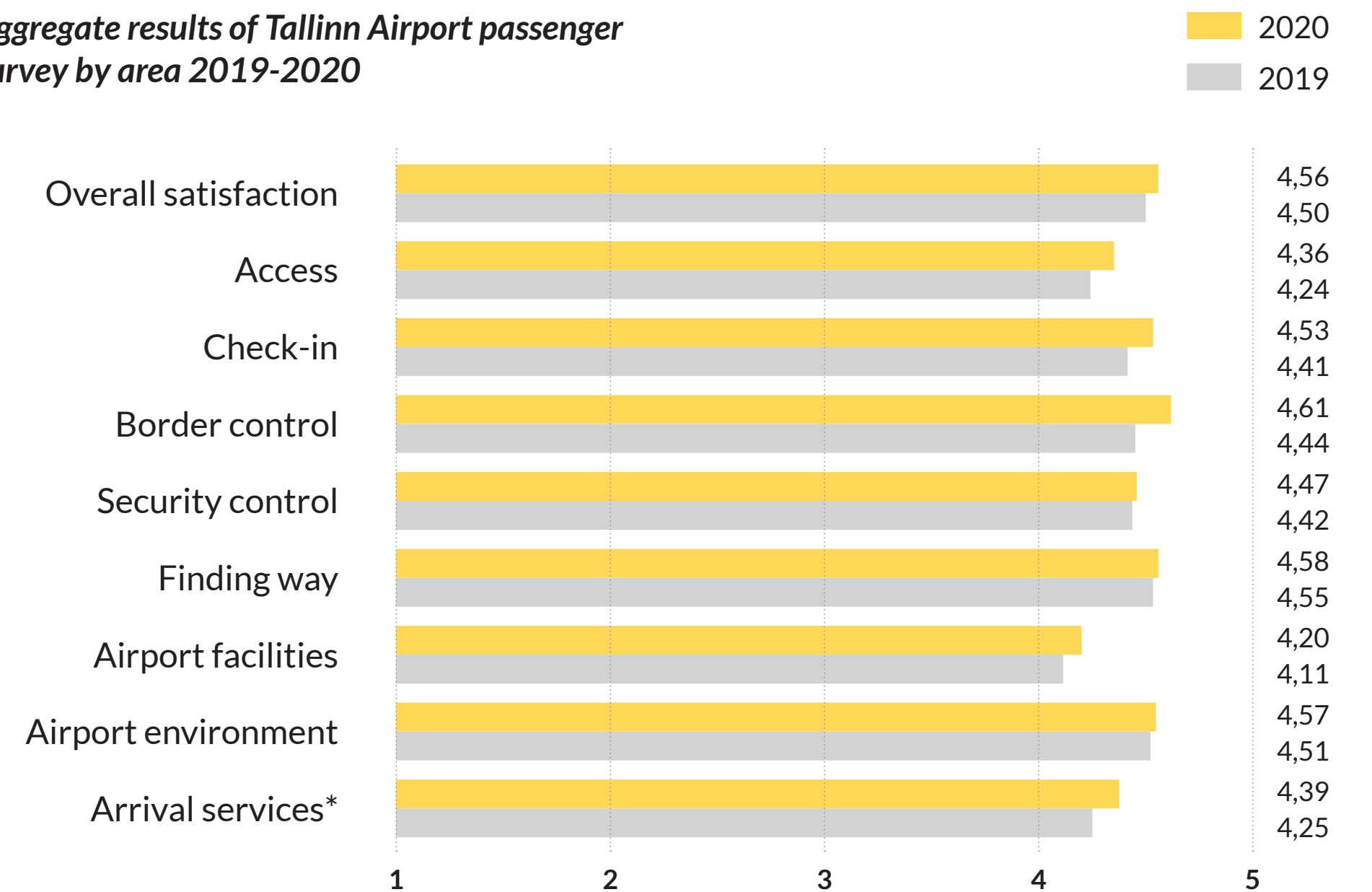
For 2020, Tallinn Airport together with more than 360 airports around the world (incl. 110 European airports) continued to participate in the passenger survey on airport service quality (ASQ) of the Airport Council International (ACI). The survey enables us to analyse our strengths and development opportunities and compare ourselves with other airports. We questioned slightly more than 1,100 departing passengers during the year.

Overall passenger satisfaction in 2020 increased by 0.06 points compared to the previous year. Satisfaction was boosted by the low number of passengers due to the corona crisis, which reduced waiting times at the airport and thus ensured an even smoother passenger journey.

The combined result of 4.56 points (on a five-point scale) placed us among the absolute best in terms of European airports and brought us the title of "Europe's best-served airport" for the third year in a row.

In addition to a very good customer experience, ACI also recognized Tallinn Airport with the award "Best Safety and Hygiene Measures in the Region" (European airports). For the first time, airports that made efforts in 2020 to ensure the safe stay of passengers during the coronavirus crisis will be recognized. This award was also based entirely on passenger feedback, highlighting both the measures taken at the airport and the awareness and skills of staff in implementing safety measures.

Aggregate results of Tallinn Airport passenger survey by area 2019-2020



* Departing travellers were asked to recall their last arrival experience.

Customers' feedback on Tallinn Airport

In 2020, we registered 141 customer inquiries, which is approximately three times less than last year (378 inquiries). The lack of feedback was due to a significant decrease in the number of passengers. The complex situation and confusing rules by country increased the number of requests for ground handling services related to the handling of travel restrictions. Only 15% were directly affected by the disappointing customer experience and around 13% of the inquiries were related to coronavirus circumstances.

Break-down of customer feedback on Tallinn Airport in 2020:

- Ground handling and airlines (32%),
- Security control (30%),
- Airport support units (18%),
- Airport infrastructure (18%).

The real-time feedback measurement equipment used in the passenger terminal showed that the average satisfaction with crossing the border increased by 4% during the year: 88% of passengers rated the border crossing experience as positive. The trend is particularly significant given that, since the second quarter of 2020, most Schengen passengers have also been subject to border checks due to the coronavirus. The automatic border control equipment installed at the end of the year should make border crossing in 2021 even more convenient and smooth.

In catering establishments, satisfaction with the service remained positive to the extent of 96% and with the choice of food to the extent of 84%.

Shopping environment at Tallinn Airport

The year 2020 started excellently for the operators of the retail and catering premises of the passenger terminal, exceeding the results of the previous years until the middle of March. Since then, retail and catering premises have been under constant restructuring to adapt to coronavirus regulations and changes.

As of the end of 2020, nine stores and nine restaurants were open in the passenger terminal of Tallinn Airport (ten stores and nine restaurants in 2019).

Although the number of passengers decreased very much, we were able to offer the same range of services as in 2019 and, as a result, increase the value of the average shopping cart. This indicator increased by 23% compared to 2019, reaching 9.66 euros (7.90 euros in 2019).

Due to the reduced number of passengers and the imposed restrictions, the restaurants had to make changes in the offered assortment. Therefore, the value of their average shopping cart per departing passenger decreased by 16%, decreasing to 2.48 euros (2.94 euros in 2019).

Despite the challenges that 2020 brought to us, the retail and catering areas of the passenger terminal have managed to maintain a high result in passenger satisfaction surveys. The satisfaction index increased compared to the previous year for both trade and catering.

The Business Lounge

The business lounge of Tallinn Airport provides a comfortable and private environment where passengers can use the pre-flight waiting time to work, make travel plans or just relax.

In 2020, 16,940 passengers visited the lounge (70,248 passengers in 2019). Compared to 2019, the number of visitors decreased by 76%. Due to the coronavirus, the lounge was closed from 13 March to 30 June.

VIP-service

We offer ready-made VIP service packages at Tallinn Airport for both business and private travellers who value privacy and personal service. We always try to solve even the most complex special requests and make the airline procedures as smooth and stress-free as possible.

In 2020, we provided VIP- and Express-services on 589 occasions (2019: 1,196) to 2,389 passengers (2019: 5,658). VIP service was not offered from March 13 to May 31.

We served 17 state visits. In addition to national guests and regular customers, the VIP service was used by football and basketball teams going to international competitions.

The number of VIP meeting room orders decreased significantly due to restrictions due to the coronavirus.

Provision of services to passengers with reduced mobility

2020 was a groundbreaking year for passenger services with reduced mobility. While in previous years we had placed great emphasis on renewing the technical fleet needed for service - Tallinn Airport has one of the most modern fleets for servicing passengers with reduced mobility in Europe - this year we introduced a new digital information system to manage the service.

In 2020, there were just over 1,800 orders for passengers with reduced mobility at Tallinn Airport (7,236 in 2019), which is approximately 25% of the previous year's volume. The decrease is proportional to the decrease in the number of passengers. The most common type of need is still the passenger who are unable to walk unassisted long distances (WCHR), which accounted for 47% of the total. This was followed by 22% of those who do not walk the stairs in addition to long distances (WCHS) and 16% of passengers who are immobile and need assistance with boarding and exiting the aircraft (WCHC). The remaining 15% includes passengers with other special needs.

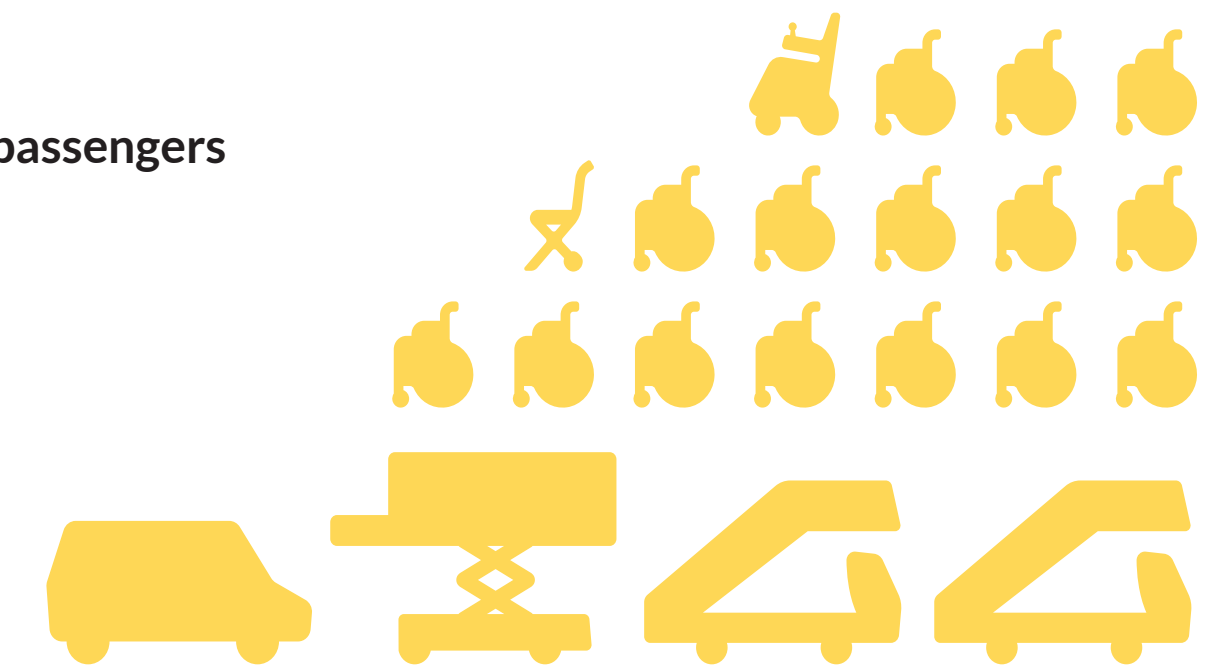
We fulfilled 65% of the orders, because the passenger who arrived at the airport did not need help with the remaining orders. Unannounced orders were only 11%. This indicator has been on a downward trend over the years and, when small, ensures better readiness to serve all passengers. We used special equipment to fill 15% of orders.

To ensure the ability to respond flexibly as the number of passengers grows, in 2020 we started cooperating with the airport rescue service, which will provide two additional assistants to help with passengers with reduced mobility, if necessary. The rescue team received the necessary training at the beginning of the third quarter and found a successful application in the

second half of the year.

Used at Tallinn Airport to serve passengers with reduced mobility:

- 15 wheelchairs,
- boarding chair,
- XXL-wheelchair,
- two mobile passenger staircases with a lift,
- Ambulift,
- disabled bus.



The age of any technical unit does not exceed three years.

A total of 20 reduced mobility passenger orders were fulfilled at regional airports (55 in 2019): Kärdla 8, Tartu 3, Kuressaare 9 and Pärnu 0.

At regional airports, all staff serving passengers with reduced mobility have been trained and are present during airport opening hours.

Aviation security at Tallinn Airport

The rapidly changing situation needs people to adapt quickly. In the past, we had to deal with the increase in the number of passengers and the number of staff with airport identification cards. On the other hand, since the outbreak of the coronavirus pandemic, we have had to find rapid solutions to the situation where security training could not be provided, the number of security staff was disproportionate to the number of passengers and direct contacts had to be minimized.

We installed two new checked baggage screening devices at Tallinn Airport. They use the latest technology to increase the security and efficiency of our service.

The assessment of the Aviation Service of the Transport Administration of the aviation security measures implemented at Tallinn Airport in 2020 was very good and no serious deficiencies were identified during the inspection.

In 2020, the Aviation Security Department organized 90 trainings (113 in 2019), during which 981 (1323 in 2019) people involved in aviation were trained.

Ground handling services

At Tallinn Airport, ground handling of passengers, cargo and aircraft is provided by Tallinn Airport GH Ltd, a subsidiary of Tallinn Airport Ltd, which serves all airlines and aircraft types from small private aircraft to the world's largest passenger and cargo aircraft. The range of services includes everything from the arrival of the aircraft at the airport until its new departure.

Services offered:

- passenger service,
- apron services,
- aircraft service,
- handling of goods,
- trainings.

To provide the highest quality ground service, we are constantly improving our quality management system. We follow the requirements of the standard developed by the International Safety Audit for Ground Operations (ISAGO) and regularly analyse feedback with the aim of developing service standards to better meet customer expectations. We also organize internal trainings to analyse the target levels of the company's performance indicators, the possible factors of these indicators and to implement measures to reduce the negative effects.

In 2020, we implemented the project "Apron 3.0", the aim of which was to make the company more efficient and increase the cross-competences of employees.

In 2020, the average annual punctuality of Tallinn Airport GH Ltd in servicing flights was 99.8% (99.1% in 2019).

Developments of Tallinn Airport passenger terminal

We continued to make strategic investments in 2020 as well. We started development aimed at expanding the departing baggage area and baggage system to serve up to 6 million passengers of checked baggage per year. We will install a new luggage carousel and an automatic luggage sorting system in the expandable luggage area.

A feasibility study was completed in 2019 to prepare a plan for the development of the passenger terminal and apron areas. During this, we carried out long-term planning of the passenger terminal, apron areas, aircraft ground handling areas, open area access roads and parking areas for a period of 25 years, based on the requirements of the International Air Transport Association (IATA) Optimum Level of Service.

Despite the negative impact of the coronavirus on the number of air passengers in 2020 and 2021, we have decided to continue the necessary preparations for the expansion of the passenger terminal based on the goals of the company's long-term strategy. Preparations for the first phase of the design procurement have started with the aim of starting the following design works by the end of 2021

- extension of the border control area,
- extension of the security premises,
- extension of commercial premises,
- extension of the incoming baggage area.

The aim of the first phase is to ensure capacity in line with IATA Optimum Level of Service standards to serve up to 4.2 million passengers and to significantly expand the commercial space of the passenger terminal to generate additional commercial revenue.

Economic impact

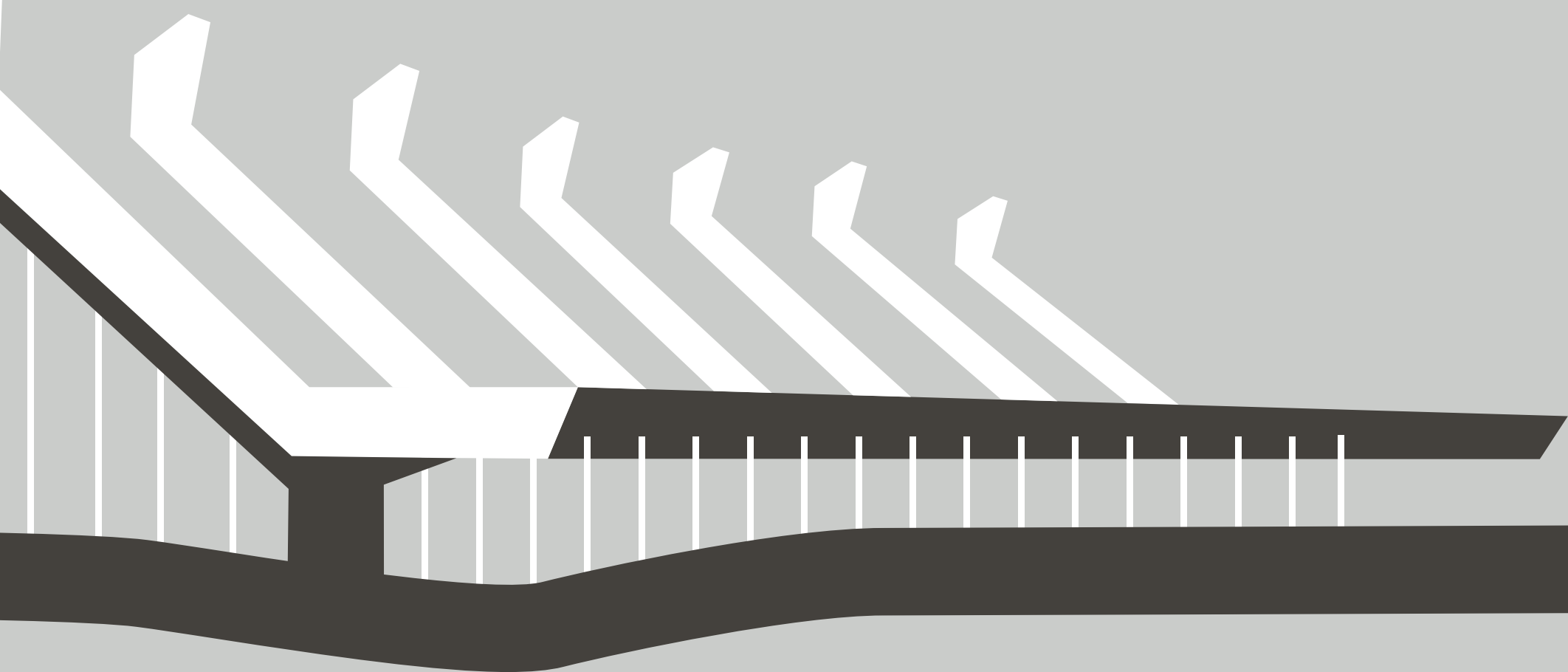
Tallinn Airport has a strong impact on the economy of Tallinn as well as the entire economy of Estonia. We have analysed our economic impact based on the input-output framework.

The results of the 2019 survey confirmed that every group of 100,000 passengers who departs from or arrives at Tallinn Airport adds 76 new jobs to the airport's catchment area (2013: 113). This increases wage income and the volume of domestic economy.

It is not possible to assess the economic impact of 2020, because during the global health crisis, the business owner's expectation was for to control COVID-19 and therefore imposed flight restrictions.



Operation of airports



**Tallinn Airport Ltd
certificates**

ISO 9001:2015

ISO 14001:2015

Provision of air
navigation services
certificate

All airfields have valid
aerodrome certificates

**Tallinn Airport GH Ltd
certificates**

ISO 9001:2015

ISO 14001:2015

ISO 45001:2018

To achieve the objectives of all areas of activity, it is essential to ensure safety, regular and uninterrupted operation of all the company's airports and customer service at any time and in any weather, in compliance with international aviation safety requirements and standards. One of the activities of Tallinn Airport is the operation of airports infrastructure. We operate and develop Tallinn, Kuressaare, Kärdla, Pärnu and Tartu airports and Kihnu and Ruhnu airfields.

As an operator, we are responsible for the safe operation and maintenance of the Company's airfields, and provisions of air navigation services that follow the requirements.

Aviation safety

We have a well-functioning safety management system and an engaging, open, and transparent organisational culture in place, due to which safety information is transmitted promptly. The safety management system enables notification of all cases affecting aviation safety that have been encountered in work to investigate what has happened and ensure that it will not occur again.

In 2020, a total of 407 safety notices were registered on all airfields

Number of safety notices registered 2019–2020

Airport	2020	2019
Tallinn	332	415
Tartu	40	67
Pärnu	21	7
Kuressaare	8	16
Kärdla	6	11
Kihnu	0	0
Ruhnu	0	2

We are constantly improving the safety culture and increasing the safety awareness. For this, we share safety information through newsletters and safety training courses.

In 2020, we implemented various measures to improve air safety at Tallinn Airport:

- Increasing the proportion of e-learning in aviation safety training and updating training materials;
- preparation for the implementation of a new methodology for measuring the friction coefficient of aerodrome pavements (global reporting format GRF) in cooperation with Estonian Air Navigation Services Ltd;
- preparation of safety assessments of solar parks built at airports.

Birds and animals may cause extensive damage to aircraft. To repel them, the company uses bird control systems based on gas cannons, audio-visual and pyrotechnical measures as well as the activities related to the use of land. Additionally, Tallinn airfield employs a professional ornithologist to evaluate and monitor the ornithological situation.

In 2020, we registered a total of 77 (111 notifications in 2019) notifications related to birds and animals at all airports, which mainly concerned their movement in the traffic area of the airport. There was one most serious case that would have affected the operation or cancellation of flights (there were no cases in 2019).

Air navigation services

Tallinn Airport Ltd provides communication, navigation, meteorological and flight information services. The type of the air navigation service depends on the airport. We provide:

- flight information services in Kuressaare, Kärdla and Pärnu;
- communication and navigation services in Kuressaare, Kärdla, Pärnu and Tallinn;
- meteorological services in Kuressaare, Kärdla, Pärnu, Tallinn and Tartu. As of August 2020, the service is provided by the Environmental Agency, we continue to outsource the maintenance of the equipment.



In cooperation with the Environmental Agency, the Civil Aviation Administration and Estonian Air Navigation Services Ltd, we started implementing the project “Restructuring of the Estonian Flight Meteorological Service” in 2019. The purpose of this is to transfer the flight meteorological service of all Tallinn Airport Ltd aerodromes to the Environmental Agency in order to organize its provision in Estonia more efficiently and with higher quality. At the first stage of the project, Tallinn Airport Ltd stopped providing aerodrome weather observation services in August 2020 and the Environmental Agency started providing them. Meteorologists of the Environmental Agency make observations at Tallinn airport and employees of Tallinn Airport Ltd at Kuressaare, Kärdla, Pärnu and Tartu airports.

At Tallinn Airport, we introduced a new automatic weather observation system (AWOS), which registers weather observation parameters more accurately and with high quality. This makes data transmission significantly more reliable.

Incidents related to the provision of air navigation services 2019–2020

Airfield	Flight information service		Communication and navigation services		Meteorological service	
	2019	2020	2019	2020	2019	2020*
Kuressaare	4	2	1	0	0	1
Kärdla	2	0	0	1	0	0
Pärnu	1	2	0	0	3	9
Tallinn	Not provided	Not provided	5	8	0	17
Tartu	Not provided	Not provided	Not provided**	Not provided	0	1

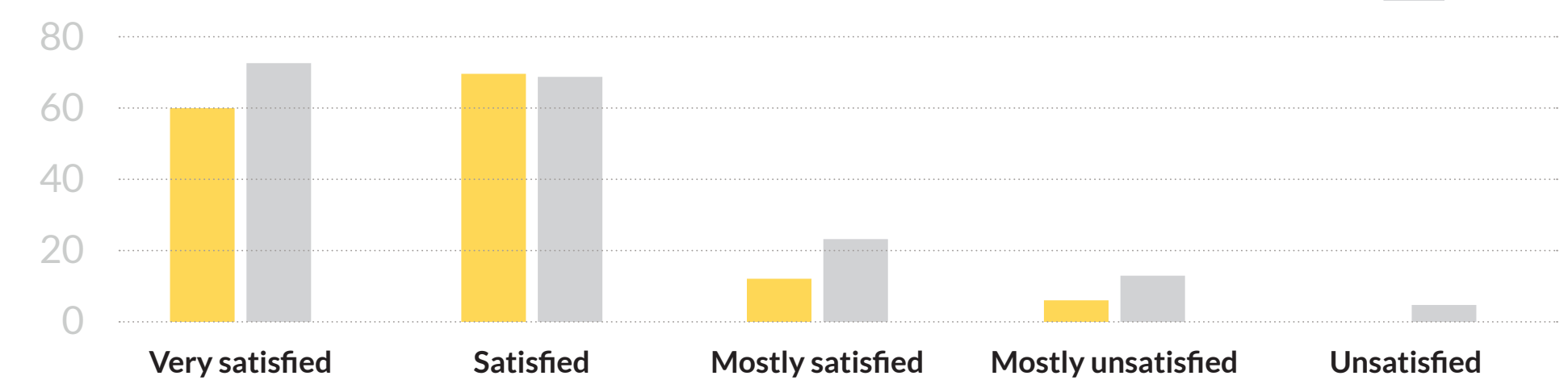
* Until 13.08.2020.

** The data for 2019 has been corrected due to an error.

In 2020, we conducted a customer satisfaction survey relating to the air navigation service on all our airfields. The survey’s results were positive: the users are more satisfied with our services than not.

Customer satisfaction with air navigation services at all airports of Tallinn Airport Ltd in 2020-2019

Flight information service



Communication and navigation service



Tallinn Airport

Main indicators of Tallinn Airport infrastructure:

- area of the administrative territory 371.5 ha
- 3,480 m long and 45 m wide east-west runway
- 34 stands on the M-apron (Class C)
- 2 stands on the Y3-apron
- Y5-apron
- K-apron 2 stands (Class C)
- passenger terminal area 34,456 m², capacity up to 2.6 million passengers per year
- 4 cargo terminals with a total area of 11,600 m²
- aerodrome category for rescue and firefighting CAT VIII, incl. water rescue capacity
- 4 aircraft maintenance hangars with a total area of 22,200 m² and 4 tents with a total area of 4,000 m²
- total area of buildings 101,500 m²



Tallinn Airport airside development project

In 2020, we continued to implement strategic investment projects.

The goal of the airside development project is to improve environmentally sustainable and efficient operations and mitigate the negative impact of the airport's infrastructure on the environment by means of improving the airport's environmental status.

Project construction works and acquisition of maintenance and rescue equipment is co-funded by the EU Cohesion Fund, and the European Commission has issued a state aid permit to the project. The eligible total cost of the development project is EUR 70 million, of which 50% is co-funded by the Cohesion Fund.

Airside construction works will be carried out in two phases, in 2016–2017 and 2020–2021. Until 2023, we will continue to build additional communication and infrastructure utility lines.

In the first phase of the construction project (2016–2017), we reconstructed the 20-year-old pavement structure of the existing runway, extended the runway, and improved the system of taxiways and aircraft apron areas. We also replaced the airport runway lights with an energy- and environment-friendly LED system and installed a higher category approach light and navigation system.

In May 2020, as a result of an international procurement procedure, we entered into a construction contract with KMG Inseneriehituse AS and Verston Ehitus OÜ. The cost of the construction works is 24.8 million euros, half of which is covered by the European Union Cohesion Fund. Construction began in June 2020 and will end in 2021. The contractual partners of FIDIC engineering services and owner supervision are AS Taalri Varahaldus and Tallinna Linnaehituse AS. The owner supervision service is financed by Tallinn Airport Ltd from its own resources.

In the second phase of the airside development project (2020–2021), we will continue to expand the apron area in the southern part of the aerodrome and build stormwater systems to alleviate excess water problems in the eastern part of the aerodrome. We will continue to build a meltwater sewerage system for snow collection areas and upgrade the configuration

of the eastern de-icing area to increase runway capacity. In addition, we will build a test area for aircraft engines with proper noise barriers, build an airport access and perimeter road, and a southern bypass. Most important projects started in 2020 were:

- reconstruction of asphalt pavement and stormwater gutters on the M-apron,
- reconstruction of the taxiway TWY B surface,
- start construction of the southern perimeter road,
- construction of underground culverts and stormwater and drainage pipelines,
- construction of stormwater tank and piping in snow collection area No. 4 and asphaltting of snow collection areas No. 1 and 4,
- construction of a service road between the fuel truck parking lot and the rescue service building,
- excavation and backfilling of the K-apron extension and taxiway TWY Z,
- deforestation in the limited management zone of the southern areas and coordination of work projects and descriptions.



The second phase of the airside development project 2020–2021

Acquisition of maintenance and rescue equipment

Under the airside development project of Tallinn Airport, the acquisition of maintenance and rescue equipment for the airfield is co-funded by the EU Cohesion Fund. By the end of 2020, we had acquired and put into operation the entire equipment provided for in the project:

- maintenance equipment for runway (6 sets), manufacturers UAB Alwark and Overaasen AS;
- self-propelled snow mill-blower, supplier OÜ Alniest;
- chemical dispenser, supplier OÜ Alniest;
- a set of removal equipment for aircraft, manufacturer RESQTEC Zumro B.V.;

- fire-rescue engine, manufacturer EMPL Fahrzeugwerk Ges.m.b.H.;
- set of runway vacuum cleaners, supplier OÜ Alniest;
- mobile measurement device for the intensity of runway lights, supplier Bristol Trust OÜ.

Reagent product warehouse

The purpose of the construction of a reagent product warehouse is to build a modern building that meets the needs of the airfield and that has equipment for storing and handling de-icing chemicals, and warehouse for storing maintenance equipment and devices. In addition, in this way we can increase the capacity of the warehouse of de-icing devices to reduce the expiration risk of materials, accelerate the loading process and increase the safety of material handling. We can also significantly increase the efficiency of runway, taxiway, and apron maintenance.

The construction of a reagent product warehouse for the handling and storage of airport de-icing equipment was co-financed by the European Union Cohesion Fund. In the spring of 2020, we entered into a construction agreement with YIT Eesti AS and the construction was completed in the last days of 2020.

Regional airports

Due to the global coronavirus pandemic, any kind of air traffic (incl. scheduled flights) was suspended at regional airports between 18 March and 9 May 2020, other than search and rescue flights. Tartu Airport was closed until the end of May. Pärnu Airport was closed on 1 May due to the launch of reconstruction works.

We built 50 kW solar energy parks in all regional airports (except for Kihnu and Ruhnu), incl. two in Pärnu and one in Tartu, Kärdla and Kuressaare. We intend to partially cover our own energy consumption with the solar parks and sell it to the distribution network. The solar energy parks built in 2020 produce electricity that covers the annual need of airports as follows: up to 34% at Pärnu Airport, 21% at Kärdla Airport, 8% at Tartu Airport and 19% at Kuressaare Airport. The Company's goal is that the airports throughout Estonia would consume 100% renewable energy.

In 2020, we continued with the remote tower project for the purpose of providing the air traffic control service of all regional airfields from one control centre in Tallinn. The project will be completed in collaboration with Estonian Air Navigation Services, the Aviation Service of the Estonian Transport Administration, AS Cybernetica and the Environment Agency. In 2021, we expect to launch the service at Kuressaare airfield. The project is expected to be completed in the second half of 2024.

Tartu Airport

In mid-March, the only regular flight between Tartu and Helsinki was disrupted due to a coronavirus pandemic. Therefore, we reviewed the structure of the airport and reduced the number of employees: while at the beginning of 2020 there were 30 people working at Tartu Airport, by the end of the year there were 13 of them.

In July, the Speedest 2020 acceleration competition was held at the airport, and in the beginning of November the film "Omerta 6/12" was filmed at the airport.

Kärdla Airport

Although the year was difficult, the excellent number of passengers at Kärdla Airport confirms, first, the confidence of the people of Hiiumaa in air transport as a fast and convenient way to move around.

Due to the weather, mainly low visibility (low clouds, fog, and snowstorms), 11 scheduled flights were cancelled. This is the lowest indicator in recent years (22 scheduled flights were cancelled in 2019 and 42 scheduled flights in 2018).

Pärnu Airport

In 2017, the Ministry of Economic Affairs and Communications, the City of Pärnu and Tallinn Airport Ltd entered into an agreement for the reconstruction of Pärnu Airport, with the aim of restoring regular air traffic for the development of tourism in the Pärnu region. The airport is responsible for the construction and operation of the infrastructure and the city of Pärnu is responsible for the launch of air traffic. The aim of the development project is to upgrade the air traffic facilities and systems described in the scope of the project so that they meet



the established requirements: are as durable and long-lasting as possible, and with the lowest possible maintenance costs.

In the state budget for 2018, 2.7 million euros was allocated for investment support at Pärnu Airport and in the period 2019–2022 17.3 million euros planned on an accrual basis in the state budget strategy.

On 28 April 2019, a third party filed an appeal with a court seeking to annul the order of the Tori Parish Government by which Tallinn Airport Ltd had been granted a building permit for the reconstruction of Pärnu Airport. The Tallinn Administrative Court approved a compromise in this administrative matter in November of the same year. Therefore, for reasons beyond the company's control, 1.456 million euros of the support planned for use in 2018–2019 remained unused. As the use of this amount could not be postponed under the State Budget Act, the company returned 1.5 million euros to the state in December 2020. Now the total budget of the Pärnu Airport reconstruction project is 18.5 million euros.

For the reconstruction of the airport, we prepared separate projects for the airport traffic area and the terminal. The joint bid of Trev-2 Grupp AS and Wesico Project OÜ turned out to be the best bid in the international construction tender for the reconstruction of the airport traffic area. The deadline for construction works is September 2021. We will organize the procurement for the reconstruction of the terminal in 2021.

Kihnu Airfield

In the summer, a helipad was completed at Kihnu Airfield, which is managed by the Kihnu Parish Administration. The helipad has been built to serve first aid flights; the airfield is still intended for other aircrafts.

Kuressaare Airport

In December, the new carrier NyxAir started operating on the Tallinn-Kuressaare-Tallinn route with a larger ATR 42-500 aircraft than before.

Ruhnu Airfield

Diamond Sky will continue its flights to Ruhnu.

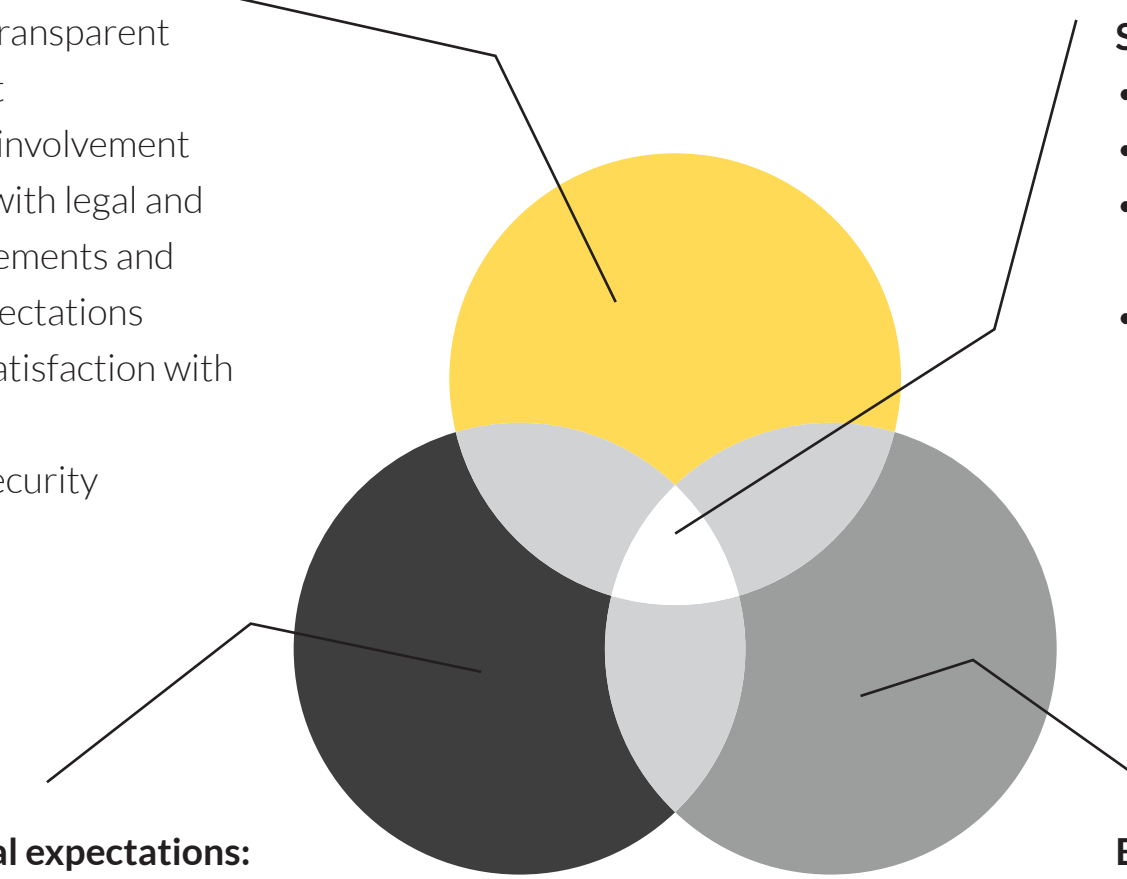
Company stakeholders and their expectations.

Social expectations:

- honest and transparent management
- stakeholder involvement
- compliance with legal and other requirements and society's expectations
- customers satisfaction with services
- safety and security

Stakeholders:

- Group employees
- owner
- partners: passengers, airlines, partners, public sector
- international partners: Airports Council International, International Civil Aviation Organization, European Aviation Safety Agency, European Union institutions



Environmental expectations:

- focus on environmental investments
- optimization of environmental activities
- risk assessment
- raising people's environmental awareness
- energy efficiency of operations

Economical expectations:

- fair competition
- efficient economic activity
- flexible operating environment
- safety and security of services
- economic contribution
- development of services and infrastructure
- development of freight transport

Stakeholders

The activities of airports influence many stakeholders, ranging from staff and community members, airlines and business partners to travellers, taxpayers, owners, and the society at large. In addition, we can impact all people who live either close by or farther away through our activities.

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



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

Airport community

The airport community includes companies operating on the territory of our airports and their employees, as well as surrounding aviation-related companies.

In addition to companies, there are so-called plane spotters in our community, i.e., people who record what is happening at airports. For example, the 2021 calendar of Tallinn Airport was made from the photos they took. For them to be able to better capture aircraft and their landings and take-offs with a camera, in 2020 we also established a special place for plane spotters at Tallinn Airport, from where they have a better view of what is happening.

Despite a difficult year when it was not possible to organize joint events, the airport's relations with members of the community remain important. We work every day to make our community feel part of our mission to connect Estonia with the world.





Our
team

The crisis caused by the coronavirus, which began in the spring of 2020, had a significant impact on the company's personnel policy and budget. During the crisis that erupted in March, our primary goal was to ensure the operational operation of airports and the protection of employee's health. The focus was then on ensuring the company's economic sustainability and responding flexibly to the crisis, which led to several structural changes since May.



The Company operates only in Estonia, complying with the current labour laws of Estonia. All employees of the regional airports are from the same county. We follow the principles of supporting the diversity of gender, age, education, and views. In 2020, one labour dispute was resolved in favour of the employer. No complaints were lodged concerning breaches of the principle of equal treatment.

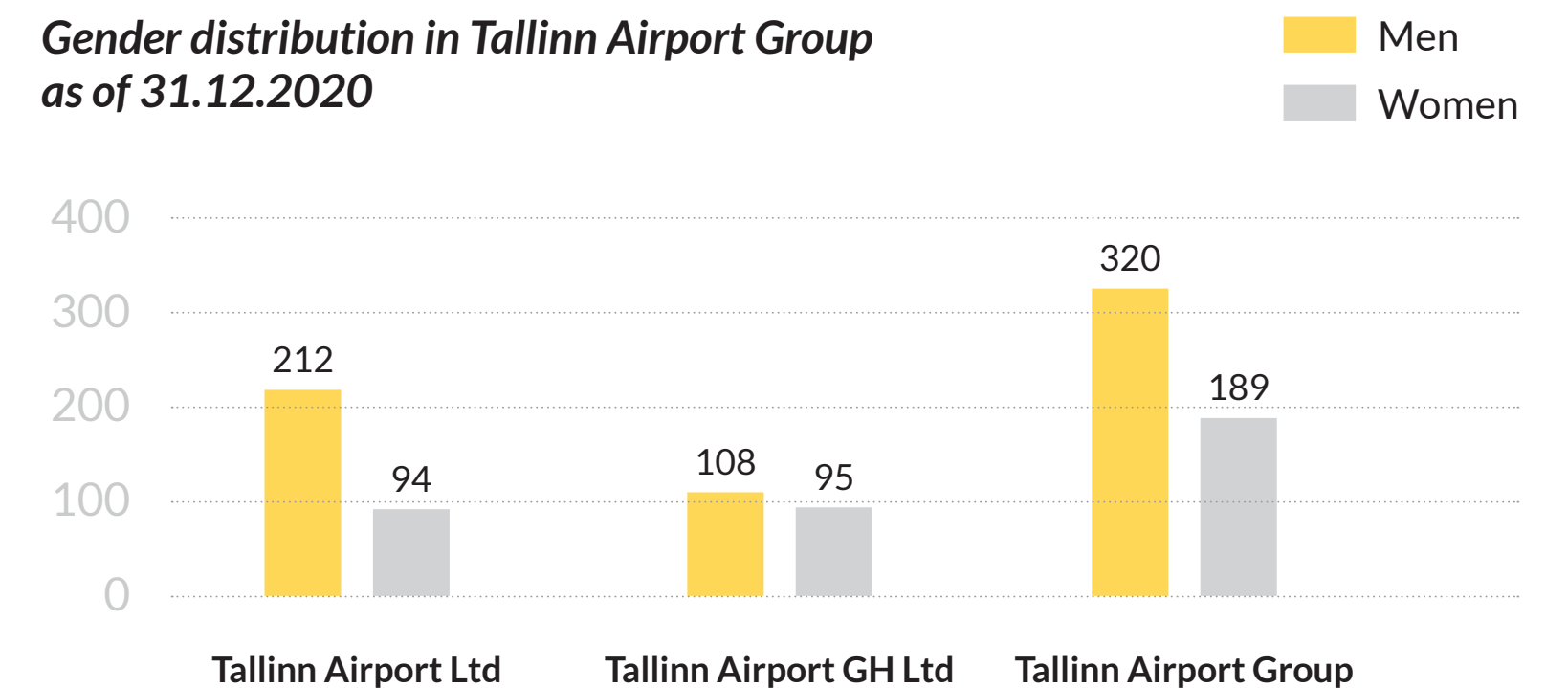
Main staff-related activities to deal with the crisis:

- we provided employees with personal protective equipment (masks, visors, gloves, disinfectants) and installed safety glasses at workplaces serving passengers;
- we constantly introduced and reminded employees of the use of personal protective equipment;
- we regularly organized information sessions for managers and all employees, issued a weekly newsletter and compiled information material on frequently asked questions and answers in order to share information about the effects of the coronavirus on both the company and employees;
- we informed employees about the possibility of external crisis assistance to be used in case of concerns;
- we reduced the training budget and focused only on the organization of training related to the maintenance of competencies arising from requirements;
- organized online trainings for all employees on financial knowledge and mental health, and for managers on successful teleworking and employee motivation
- we directed office workers to telecommuting and developed remote working guidelines. A survey of working from home in the summer showed that most office workers are still interested in working from home part-time;
- we designed the shifts so that if employees in one shift fell ill or were quarantined, they could be replaced by another shift;
- due to the impact of the coronavirus on the number of air passengers and operations, we laid off 25% of the positions in the Group;
- in cooperation with the Estonian Unemployment Insurance Fund, we organized a question hour for the redundant workers and, with the support of an external partner, offered them career counselling after the redundancy.



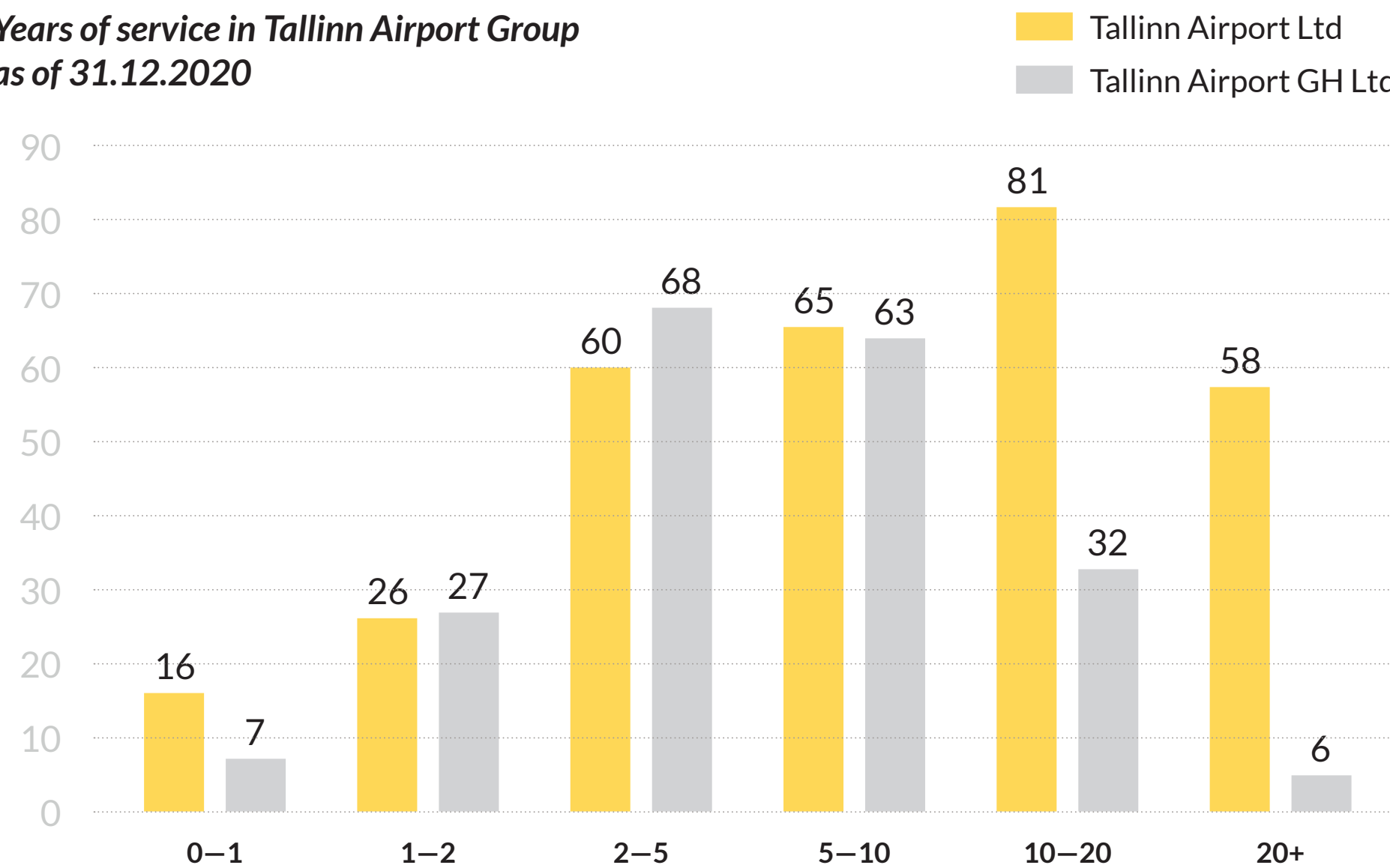
The difference in the share of women and men at the company results from the nature of work and it reflects the general gender-based professional preferences of the Estonian population. In 2020, there were 63% of men and 37% of women in all professional groups at Tallinn Airport Group. (2019: also 63% and 37% respectively).

Gender distribution in Tallinn Airport Group as of 31.12.2020



45% (2019: 45%) of the employees of Tallinn Airport Ltd and 19% (2019: 14%) of the employees of Tallinn Airport GH Ltd have worked at their companies for more than a decade. In the latter case, 34% of the employees have worked at the company for between two to five years. (2019. a 37%).

Years of service in Tallinn Airport Group as of 31.12.2020

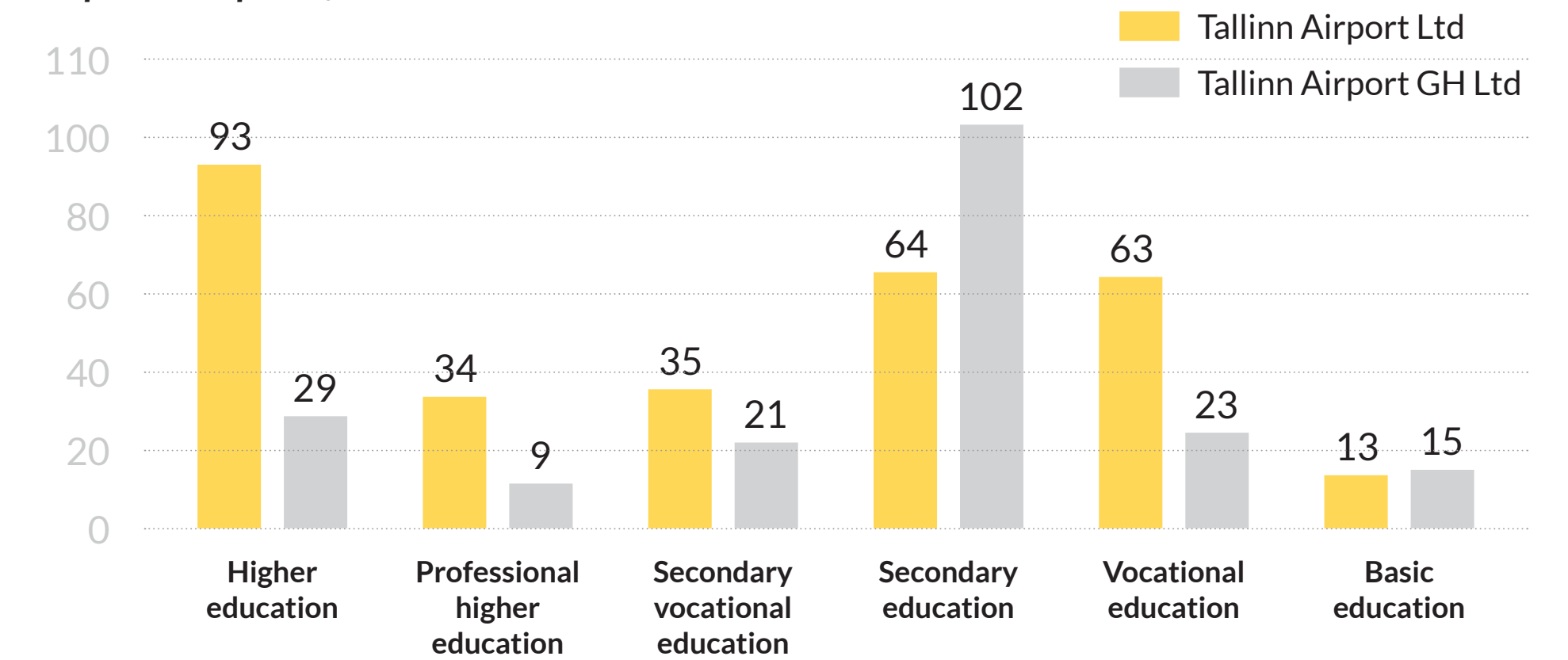


Our remuneration principles take account of external competitiveness. We annually participate in Fontes salary survey and use allocation of professional groups and principles of equal treatment regardless of the employee's gender and other characteristics.

In 2020, the voluntary staff turnover at Tallinn Airport Ltd was 5% (2019: 6%) and at Tallinn Airport GH Ltd 10% (2019: 19%). Considering the structural changes made in the company, the total turnover (incl. redundancies) in Tallinn Airport Ltd was 31% and in Tallinn Airport GH Ltd 41%.

Employer reputation is the perception of the company's current and potential employees of the company as an employer. The reputation of Tallinn Airport is very good, as evidenced by several surveys conducted in 2020.

Education level of employees in Tallinn Airport Group as of 31.12.2020



Based on the survey carried out by the research company Instar in 2020, students' assessment of Tallinn Airport Ltd improved. We ranked sixth among all students and among students of economic engineering, and ninth among the IT students which are encouraging indicators motivating us to continue with our targeted activities to attract new employees in the labour market. (Based on the survey carried out by the research company Instar in 2019, Tallinn Airport Ltd ranked as the fourth most attractive employer and as the first most attractive employer among experienced employees).

Based on the results of the survey by Kantar Emor in 2020, Tallinn Airport is still the most attractive employer for the people of Estonia.

According to the surveys of CV Online and CV Keskus, Tallinn Airport has been among the 20 most attractive employers for years. According to the survey data, Tallinn Airport attracts new employees with a motivating salary level and additional benefits, good reputation, cosy internal climate, and flexible work arrangement. In addition, it is evident that employees are clearly determined to do work that has a greater purpose – link the small country of Estonia with the rest of the world – because each employee plays a significant role from the aircraft's taking off to its landing.



Staff competencies

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

Due to the state of emergency, in 2020 we arranged training courses based on the amended budget which was 65.7% lower than in the previous year. The focus was primarily laid on training courses necessary for maintaining competences. We continued to increase the share of e-learning: an increasing number of in-house training courses could be accessed via the video bridge or as video-on-demand.

The main trainings of 2020

Study programme	Participants
Trainings to support the emergency caused by COVID-19	All employees of the group had the opportunity to participate
Trainings for necessary competences	About 30% of employees
Management trainings	Heads of structural units
Passengers with reduced mobility service trainings and additional trainings	69 participants
Security preparedness and aviation safety trainings	981 participants
Access control trainings	21 participants
Airport supplies security and supplies transport trainings	25 participants
Aviation safety and traffic management on the closed territory of Tallinn Airport	482 participants
Fire-fighting measures, primary extinguishing resources, and their use, first aid	14 participants

To efficiently monitor the matching of competencies required for positions and employee levels, we have developed an information system of competencies that will be taken into use in 2021.



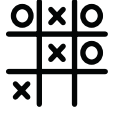



The purpose of the system is to describe competency requirements, link them with the actual competencies of employees and in this way, create a user-friendly and unambiguous system for devising training courses. We conduct regular feedback meetings with managers, top-level specialists, and specialists to provide feedback to our employees.

Training costs accounted for 0.7% of staff costs (2019: 1.5%). The Group's training and development costs totalled EUR 108,059 (2019: EUR 315,283).

Employee feedback

In 2020, we continued our cooperation with Kantar Emor to carry out a working life survey at the Group, the purpose of which was to determine the aggregate indicator of employee commitment, i.e., the internationally used TRI*M Index. In November, the company went through substantial changes, in the same month, 77% of the Group's employees responded to the survey, guaranteeing the reliability of results.

The results of Kantar Emor's nationwide comparative study in 2020 showed that the average commitment index of our Group's employees is 61 (72 in 2019), which is slightly below the Estonian average (63 in the spring of 2020 before the start of the coronavirus crisis; 66 in 2019).

Key strengths	Developments and opportunities
 General work atmosphere, team and colleagues	 Recognition and motivation of employees and joint events uniting teams
 Exciting and demanding work - contributing to aviation	 Communication and information exchange
 Opportunities for development and self-realization	 Better software solutions

Recruitment and external succession

In 2020, we filled 34 positions in the Group (126 in 2019), for which a total of approximately 1,400 candidates applied (2,200 in 2019).

	Tallinn Airport Ltd	Tallinn Airport GH Ltd
Candidates	1,000	400
Contests	15	4
Including internal contests	3	0
Employees recruited	20	14

In 2020, we planned to organise work shadow and theme days at Tallinn Airport as we did last year. Their purpose was to promote the reputation of the airport as an employer among working people, train the junior staff and inform them of opportunities to work and practice their professions at the Group.

There is a strong interest towards the airport by young people: schools and vocational educational establishments had booked job shadow and topic days from the beginning of April until June. However, our work arrangement changed because of the restrictions imposed due to the coronavirus in spring, and to protect the health of our employees and passengers, we no longer conducted face-to-face meetings.

Web-based career counselling hours turned out to be successful. We also participated in the career day of Ülemiste City where we shared our experiences about the measures used to cope with the crisis and recruiting and developing employees.

We continued to issue an airport scholarship to the best students of the Estonian Aviation Academy.

In 2021, we will continue to implement activities supporting external possible employees and introduce Tallinn Airport as a future employer.

Recognition and motivation of employees

The unusual year also led to changes in employee recognition and motivation.

Over time, it has become a tradition to recognise our best colleagues who have made a great contribution to work. In 2020, we awarded prizes in three categories: the project of the year, the colleague of the year and the customers' favourite employee of the year. When selecting the customers' favourite employee, we took customer feedback and direct supervisor's input into account.

This time recognition differed from the traditional event, because we announced the best employees via a video bridge. The live event could be viewed by all Group employees.

We provide ongoing positive feedback that the customers have given to our employees over the intranet.

The Company has an employee value proposition to motivate the employees, which includes benefits like a one-week additional holiday, cash benefits or gifts on the child's birth, recognition of employees on their birthdays and joint events. Although since March 2020 joint events could no longer be arranged due to health risks, we made Christmas presents to our teams and employees, and their children received candy packs.

Promoting health behaviour

We favour an athletic way of life and make sure that our employees always have an option to select an appropriate and healthy way to spend their free time in a cost-effective and convenient manner.

Our employees have always stood out due to their athletic and healthy lifestyle. In 2020, about 400 employees, i.e., 80% of all our colleagues regularly used the sports and health promotion support through the Stebby (former name SportID) environment (2019: about 500 employees). In spring, the choice of service providers decreased and therefore, we expanded the range of regular services so that employees could continue their physical activity despite the restrictions.



Before the flu season, we arranged vaccinations at the Company for those who were interested.

The goal of the non-profit organisation Tallinn Airport Sports Club is to promote a healthy lifestyle of the employees. In the sports club, they can participate in group trainings, competitions, and other sports-related activities. At the end of 2020, the sports club had 72 members (2019: 80). Despite the complicated year and the coronavirus, the sports club still participated in all major national sports competitions: in the series competitions of the Estonian Company Sports Federation, Tartu Kuubik, Kõrvemaa competition of four fields of sport, and many biking and running marathons. Many competitions were online and on several occasions the sports club of Tallinn Airport managed to win the competition with a strong team. Among the most athletic clubs of Estonia, Tallinn Airport Sports Club ranked second for the second consecutive year.



Environmental management

Our goals

- 

Ensuring energy efficiency
Transition to renewable energy
- 


Reduction of CO₂ and air pollution in the air
- 

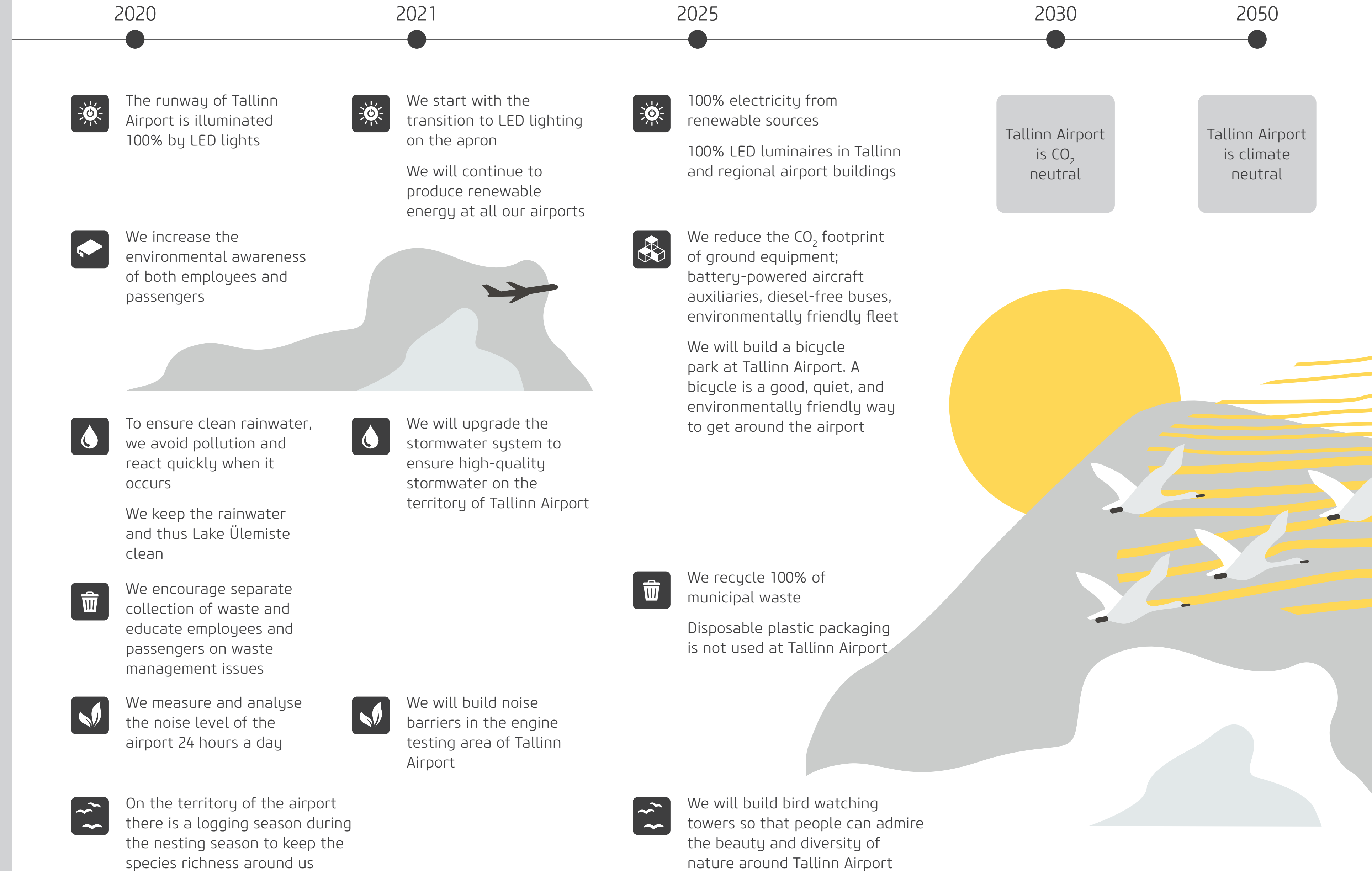
- 

Reducing the consumption of clean drinking water
Ensuring clean rainwater
- 

Waste reduction
- 


Ensuring compliance with noise level requirements
- 

Ensuring biodiversity





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

With the help of the environmental management system, we manage all our activities that could impact the ambient air, water, landscape, mineral resources, plants, animals, and their mutual interaction. An integral component of planning and implementing the development activities is the environmental protection, energy efficiency and sustainable development principles. Investments in the best possible technology and environmental protection as well as environmental and noise monitoring are the measures that ensure the sustainable development of airport operations.

The environmental management system of the Group follows the requirements of the ISO 14001:2015 standard. The environmental management system includes management of environmental aspects, compliance requirements, measures to manage risks and opportunities. A systematic approach to environmental management foresees continuous improvement and focus on efforts to prevent undesirable consequences. Process-based management foresees application of the so-called plan-implement-control-act methodology, focusing on a risk-based way of thinking.

To better understand the organisation and its context, we identified important external and internal factors of the company that impact our ability to achieve the desired outcome in the environmental management system.

The key activities related to airport operations with a possible negative environmental impact are:

- de-icing of aircrafts and surfaces,
- traffic of ground transportation on the airfield,
- oil and fuel handling,
- passenger and aircraft handling,
- maintenance and development activities performed on the airfield territory,
- noise caused by air traffic.

The key environmental impacts manifest themselves in the use of resources, incl. energy and water consumption, air pollution, noise level, rainwater quality and waste generation. The noise caused to air traffic also has an impact outside the airport territory.

Waste generation is primarily related to the passengers' behaviour habits and environmental awareness. Therefore, an important role of the company is to increase not only the awareness of its employees but also the awareness of the passengers and shape their behaviour habits.

At the beginning of 2020, we formulated the company's long-term environmental vision. We are working to become a CO₂-neutral airport by 2030.

Environmental requirements and compliance with them

In 2020, Tallinn Airport Ltd held four environmental permits to comply with the requirements arising from the environmental legislation. Tallinn Airport regulates the discharge of rainwater to the upstream with the permit for the special use of water and operation of natural gas boilers with the ambient air pollution permit. Kärdla Airport holds a permit for the special use of water to direct wastewater through the bio-cleaner into the upstream. Pärnu Airport had a special water use permit for the discharge of wastewater to the destination, but according to the new law, the permit is no longer mandatory for operations there.

The monitoring obligations laid down in the permit for the special use of water and the ambient air pollution permit as well as the quarterly and annual reports of pollution charges have been submitted on time. In 2020, there was one case of environmental non-compliance (expiration of radioactive substances permit). No fines or sanctions were imposed on the company.

Environmental awareness

One of the goals of Tallinn Airport Ltd in 2020 was to increase environmental awareness.

We arranged the environmental month "Take Care of What you Love" for our employees and business partners for the second consecutive year. The purpose of the event was to draw attention to environmentally sustainable development and nature conservation and make our contribution to it. Throughout the entire month, we shared our knowledge and materials about how easy and fun it is to participate in the protection of the environment. Due to the coronavirus, the event of the environmental month primarily took place online.

One of the goals of the environmental policy of Tallinn Airport is to ensure clean rainwater and prevent pollution, therefore we participated in the campaign “The Sea Starts from Here”. All untreated rainwater from the parking lots and near the Tallinn airport passenger terminal is directed into the Bay of Tallinn. To draw attention to the topic in our community and increase awareness, we marked a great number of rainwater shutters on the territory of the airport with the campaign’s label.

Greenhouse gases and ambient air

In October 2019, Tallinn Airport Ltd was issued a first level (mapping) certificate for the global airport CO₂ management program Airport Carbon Accreditation (ACA). The program assesses and recognizes airports' efforts to manage and reduce CO₂ emissions.

Our 2020 goal was to move to the second level of the ACA program. However, due to the global spread of the coronavirus and the related changes in work organization, the goal for 2020 was to maintain the first level. In 2020, the CO₂ emissions related to our operations were 14,970 tons (17,429 tons in 2019).

To reduce greenhouse gas emissions into the ambient air, we plan to switch to renewable energy production and consumption in the coming years (see the next subsection “Power consumption”). This will be one of our focal points in the fight against greenhouse gas-based climate change in the near future.

Power consumption

The objective of the Company’s sustainable development is to reduce electricity consumption throughout the Company and start using green energy. Our stakeholders also expect environment-related activities from us resulting in more energy-efficient consumption. We will keep looking for new, innovative opportunities to reduce energy consumption.

The Company’s total cost of electricity fell considerably as compared to 2019, but primarily due to the global coronavirus pandemic, because the number of passengers and flights fell significantly in 2020.

When constructing new or reconstructing old buildings, we always follow the energy efficiency requirements and determine the conditions already during the design work.

In 2020, we built 50 kW solar energy parks in each of our airports (a total of seven), including two in Tallinn and Pärnu, and one in Tartu, Kärdla and Kuressaare. The solar energy parks produce about 2% of the Group’s energy need for the year. More specifically, Pärnu park produces 34%, Kärdla park 21%, Tartu park 8% and Kuressaare park 19% of the needs of their respective airports.

In 2021, we plan to build two 500 kW parks in Tallinn and at least another two 1 MW parks in 2022, as a consequence of which the company can produce ca 30% of its annual energy needs. Our goal is that the airports across Estonia would consume 100% renewable energy.

Drinking water

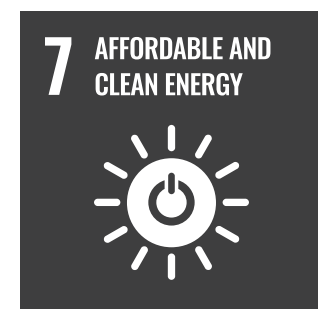
We consider it necessary to ensure quality drinking water to passengers as well as own employees and business partners. We regularly take water analyses to check the quality of drinking water, incl. the quality of the drinking water supplied by the water company.

The consumption of drinking water at Tallinn Airport and regional airports is directly related to the number of passengers and flight operations. We have installed photo eyes and aerators on taps at the passenger terminal with the largest number of passengers Tallinn Airport to save water.

According to the reports of Tallinna Vesi Ltd, the level of particles emitted due to the combustion of aircraft fuel is hundreds of times below the allowed threshold limit in the water samples taken at Lake Ülemiste. To ensure the quality of drinking water, we cooperate with Tallinna Vesi Ltd.

Land transportation fuels

The main fuel for land transportation is diesel, which is used by maintenance equipment and aircraft ground handling equipment. Natural gas is used in some passenger buses and petrol is used in small machines.



Fuel consumption is affected by the square volume of the area requiring maintenance, the number of passengers and flight operations, and weather conditions. In 2020, fuel consumption indicators decreased sharply compared to 2019.

When we acquire new land transportation vehicles, we pay attention to their technical conditions (low CO₂ and fuel cost), to ensure environmentally sustainable consumption.

Chemicals



At our airports, the chemicals are mostly used for de-icing of asphalt surfaces to ensure a safe take-off, landing and the manoeuvring of aircraft on the ground as well as de-icing of aircraft to ensure their safe flying.

When we choose chemicals, we follow the principle that they should have a minimal impact on the environment and people's health. It is especially true for those chemicals that are used for de-icing of aircraft and asphalt areas. All chemicals that we use have been checked and they have an environmental sustainability certificate.

When using the de-icing chemical on runways, we monitor the weather conditions to sustain from using too much or too little chemicals. At the same time, it is important that aviation safety is ensured while performing de-icing.

For an optimal use of de-icing chemicals on aircraft, we have acquired equipment that would automatically dispense the right chemical mix based on weather conditions. In April 2020, we launched construction of a regent warehouse for storage and treatment of de-icing chemicals with three 40,000-litre chemical containers and unique granule crushers moving on railway tracks. The warehouse will be ready at the beginning of 2021. 50% of its construction was co-financed from the European Cohesion Fund and the work was performed by YIT Eesti AS.

Waste management and supply chain

The company's key waste management policy is waste prevention, followed by reuse and finally recycling. From the point of view of sustainable development, we should uncover the opportunities for promotion of a circular economy and therefore it is important to consider waste



management, namely its prevention, while purchasing products and services. We have used the principles of a circular economy and waste prevention while arranging procurements, but considering the increasing importance of the environmental impact, we plan to apply, if possible, environmentally sustainable principles when arranging procurements.

Along with the number of passengers, waste generation also decreased significantly in 2020. 102 tons of garbage was generated in the passenger terminal, of which 15% (26% in 2019) was separately collected waste.

In 2020, we recycled 100% of the waste collected from the passenger terminal at Tallinn Airport (also 100% in 2019). When developing and implementing a waste management system, we consider it necessary to raise awareness and regularly explain the principles of waste classification.

In all airports, we separately collect hazardous waste, electronic waste, and small appliances (e.g., computer mice and phone chargers), to ensure maximum collection by type and to recycle and prevent hazardous waste from being mixed with household waste. We recycle waste through the company that holds the respective waste management permit.

Rainwater

Ensuring the quality of rainwater is necessary in all airports. Operating the airport affects the rainwater through pollution from de-icing chemicals used on aircraft and asphalt surfaces as well as transportation.







We have added the oil and sand collectors of the airside development project of Tallinn Airport also to the areas where there is no requirement to build them, but it is important to use the best possible technology to ensure maximum environmental protection. Our internal rules and regulations foresee prompt action and use of measures in case of a chemical spill to prevent environmental pollution. Please refer to section "Environmental risks".

To monitor the quality of rainwater, we check the emissions of Tallinn Airport.



Tallinn Airport Group environmental parameters

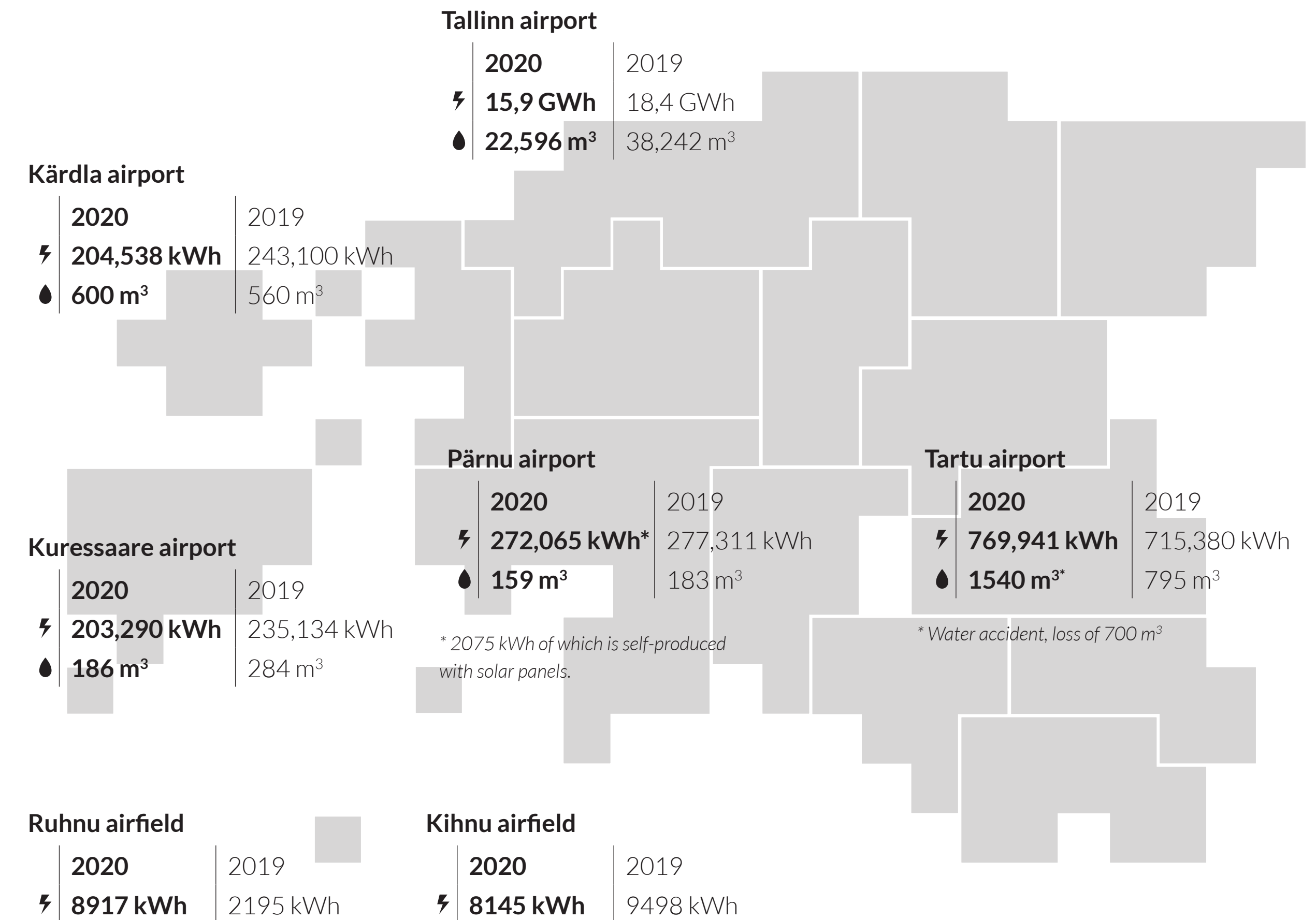
Tallinn Airport

 Energy Management	Unit	2020	2019	Change
Total electricity consumption	GWh	15,9	18,4	☺
Own cost of electricity	GWh	9,6	11,3	☺
Electricity passenger terminal consumption	GWh	6,3	6,3	☺
Electricity sales	GWh	6,3	7,0	☹
Electricity per passenger	kWh	18,4	5,6	☹
 Water consumption				
Total consumption of Tallinn Airport	m ³	22,596	38,242	☺
Own consumption of Tallinn Airport	m ³	12,250	22,596	☺
 Fuel consumption				
Diesel	t	108	244	☺
Gasoline	t	5	8	☺
Gas	t	1	4	☺
 Chemical use and leaks				
Aircraft de-icing	t	97	389	☺
Asphalt areas de-icing	t	243	756	☺
Leaks	pcs	46	40	☹
 Waste management				
Municipal waste in the passenger terminal	t	102	252	☺
Waste per passenger	kg	0,12	0,08	☹
Separately collected waste share of mixed municipal waste	%	15	26	☹
 Noise				
Average noise level east of the runway	dB	60,3	61,7	☺
Average noise level west of the runway	dB	52,8	54,9	☺

Regional airports

 Energy Management

 Water consumption





Noise

Aircraft noise is defined as a social impact, because by nature it impacts nearby people in the noise catchment area.

The catchment area of Tallinn Airport includes about 20,000 people. To monitor the level of noise, we have installed two noise measurement devices on both ends of the runway. We measure noise on an ongoing basis and record all noise disturbances. The average noise in the vicinity of the airport directly depends on the number of flight operations.

As the take-off and landing of aircraft depends greatly on the direction of wind, then flying is impossible without avoiding residential areas. Therefore, cooperation is important in developing approaching procedures of aircraft to find ways to reduce noise in residential areas.

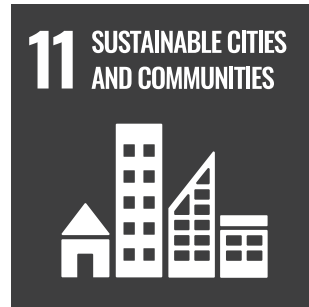
To reduce the noise of aircraft engine testing, we will install noise absorbent barriers on the engine test area of the airside.

Accountability for land, water, and biodiversity

Operating the airport impacts the surrounding land, water, and biodiversity. We conduct our operations so that the minimum impact outside the airfield would also be guaranteed.

By preparing the development projects of the airport, we also assess the effect on biodiversity and apply measures to reduce the impact. For forest and single tree felling, we follow the aviation safety requirements and consider the nesting period of birds while planning the felling activities, i.e., in cooperation with the ornithologist we have set a period when no felling is allowed.

While operating the airport, we regularly monitor the water and soil condition.



Looking to the future



According to the forecast of the Ministry of Finance made in September 2020, the Estonian nominal GDP is expected to grow by 4.5% in 2021, which shows that the state is expecting a quick recovery from the crisis. The International Monetary Fund (IMF) forecasts GDP growth of 5.2% in 2021. Economic growth is also one of the prerequisites for the recovery of air traffic.

Estonia is in the remote region of Europe and all trials that the Company faced before the crisis have magnified after it ended. Our focus will be laid of growth of air traffic to fulfil the goals that have been set by the owner of the Company.

The launch of vaccinations leads us to believe that our sector has an opportunity to start overcoming the crisis. However, the reality will become evident during 2021.

The year 2021 will be impacted by the following factors

- epidemiologic situation and success of the vaccines;
- alleviation or elimination of travel restrictions and self-isolation requirements by countries and increasing of testing opportunities at the airport. The more self-isolation requirements are replaced by testing opportunities (incl. cost-effective ones), the quicker the air traffic can resume;
- recovery of consumer confidence. Over the long we will witness the recovery of air travel and the consumers will resume traveling for the purpose of holiday, business as well as visiting friends and family;
- economic environment and the availability of cash for traveling. The economic environment will also strongly impact the recovery of business travel;
- capability of airline companies to resume their flights, incl. financial and operational capability. Potential mergers of airline companies in the market;
- cash flow and business sustainability of key customers.

The estimated number of passengers at Tallinn Airport in 2021 is 1.064 million (annual growth of 23% as compared to 2020). We do not expect the number of flight operations to grow. In 2021, the total number of passengers at regional airports is estimated to be 42,000 (25% growth). The number of flight operations will increase by 7%, i.e., we forecast a total of 9,181 flight operations.

The Airports Council International Europe (ACI Europe) estimates that the number of passengers at the 2019 level will be restored by 2024. The European Organisation for the Safety of Air Navigation (Eurocontrol) also estimates that the recovery of flight operations at the 2019 level will be restored in 2024, under the assumption that the vaccine will be available from the summer of 2021. According to alternative scenarios, the former level is expected to be restored in 2026 or 2029, respectively.

The Group's breakeven point is at 1.8–2 million passengers. As the number of passengers in 2021 will be below this level, the Company will be unprofitable in 2021 and the year will be more complicated than the last year from the point of view of its economic performance.

In 2020, the Company had extraordinary revenue or one-off cost savings in the amount of EUR 4.7 million that it will not have in 2021. Therefore, the estimated loss in 2021 will be EUR 5.3 million.

Forecast of the Group's key sales and financial indicators in 2021

The budget for 2021 was more difficult than before because there is a lot of uncertainty about the recovery of air traffic. Until aviation begins to recover, the company's focus will be on cost management and savings.

Compared to 2020, we forecast an increase in the Group's sales revenue in 2021 from 20.6 million euros to 21.3 million euros (4%). In terms of aviation revenue, we expect an increase of 13% due to the expected recovery of aviation in the second half of 2021. We forecast an increase in the number of passengers of 23%. The growth of the Group's non-aviation revenues is not budgeted.

The budget of the Group's other operating revenues is 14% lower than the actual revenues in 2020, because the actual financing of the Estonian Unemployment Insurance Fund in 2020 to cover labour costs was reflected in the amount of 2 million euros. Government grants to cover aviation security and rescue costs will increase by 0.3 million euros (7.7 million euros in 2021 and 7.4 million euros in 2020). Government funding to cover the operating costs of regional

airports will increase by 0.1 million euros (2.3 million euros in 2021 and 2.2 million euros in 2020).

According to the forecast, the Group's operating income in 2021 will total 34.9 million euros and will decrease by 4% compared to the previous year. This is primarily since revenues in 2020 included 2 million euros in government grants from the Estonian Unemployment Insurance Fund.

The Group's expenses will increase from 38.2 million euros to 40 million euros, i.e., 5%. The loss of the group is estimated at 5.3 million euros.

In 2021, the group plans to invest 35.9 million euros.

- The main investment is Phase II of the Tallinn Airport airside development project, the estimated cost of which is 14.5 million euros.
- Reconstruction of Pärnu Airport began in 2019 and will continue in 2020–2021. The total cost of the project is 18.5 million euros, of which 11.8 million euros we will invest in 2021.
- We plan to expand and rebuild the baggage area in the passenger terminal of Tallinn Airport and to purchase a new baggage sorting system, the planned investment is 3.5 million euros.
- The most important of the business projects is the construction of new solar parks (2 x 500 kW at Tallinn Airport and 2 x 1 MW at Pärnu Airport) in 2021–2022, 2.2 million euros are planned to be invested.

Forecast of the Group's key sales and financial indicators for 2021

	Budget 2021	2020	Variance %
Tallinn Airport			
Passengers	1,064,235	863,589	23
Flight operations	22,916	22,962	0
Cargo volume in tonnes	9,190	9,190	0
Total regional airports			
Passengers	42,175	33,686	25
Flight operations	9,181	8,587	7
The Group			
In thousands of euros	Budget 2021	2020	Variance %
Total operating income	34,886	36,266	-4
Sales revenue	21,337	20,555	4
incl. aviation revenue	7,416	6,575	13
incl. non - aviation revenue	13,921	13,980	0
Other operating income	13,549	15,711	-14
incl. government grants	3,482	3,744	-7
incl. government grants for aviation security and rescue costs	7,767	7,420	5
incl. regional airports government grants	2,300	2,200	5
incl. other operating income	0	2,347	-100



Forecast of the Group's key sales and financial indicators for 2021

	2021. a eelarve	2020	Muutus %
Operating profit before depreciation*	2,697	5,824	-54
Net profit	-5,300	-1,997	165
Cash flows from operating activities	1,863	4,164	-56
Investments	35,890	17,410	107
Sales revenue per departing passenger	38,57	45,80	-16
Net profit per departing passenger	-9,58	-4,45	115
Balance sheet total	225,329	230,524	-3
Assets without government grants at the end of the year *	143,100	154,624	-7
Equity at the end of the year	88,711	93,982	-6
Debt at the end of the year	49,178	52,333	-6
Equity / assets at the end of the year *	62%	61%	
Debt / operating profit before depreciation *	18,2	9,0	
Total operating expenses	39,952	38,178	5
incl. goods, materials, services	11,715	10,030	17
incl. miscellaneous operating expenses	1,222	1,355	-10
incl. labour costs	15,657	15,705	0
incl. other operating expenses	113	-392	-129
incl. depreciation of fixed assets	11,245	11,480	-2
Operating profit (EBIT)	-5,066	-1,912	165
Average number of employees reduced to full - time equivalents	475	521	-9

* Does not include government fixed asset financing.

The Group's strategic goals for 2021

Tallinn Airport connects Estonia with the world in terms of both the movement of people and goods

Goal	The target of 2021
It is possible to fly from Tallinn to various destinations both in Europe and Asia	Number of destinations all year-round 15
	Regular routes (year-round and summer routes) 20
	Number of passengers at Tallinn Airport 1.06 million
Aviation cargo development	10,000 tons of air cargo at Tallinn Airport

The Group is a cost-effective, profitable, and innovative company

Goal	The target of 2021
EBITDA margin growth in the group	12,6%
The Group cost (excluding depreciation) per passenger	26 €
The Group revenue per departing passenger	38,6 €
Comprehensive and modern information technology and digital solutions are used	The Airport 4.0 action plan is implemented based on management decisions
New business projects have been implemented	Two 0.5 MW solar parks have been built at Tallinn Airport. Preparations are under way for the construction of the following solar parks

Tallinn Airport is an attractive airport for passengers, airlines, partners, and talents

Goal	The target of 2021
Increase in passenger satisfaction at Tallinn Airport according to the ASQ index	4.5 (on a five-point scale)
A portfolio of services and products that meets the expectations of airlines	4.45 (on a five-point scale)
Expansion of Tallinn Airport passenger terminal	The construction of pre-areas and luggage area is on schedule. Phase I design has begun
Our actions or omissions will not cause a consecutive stop of air traffic for more than 30 minutes	0 incidents lasting more than 30 minutes
Punctuality of departing flights at Tallinn Airport	85%
We increase the commitment of the Group's employees	70 points in the TRI*M index
Employer surveys continue to rank high	Among the top five employers

We operate the Group safely and securely and are responsible for the natural environment

Goal	The target of 2021
CO ₂ intensity per passenger	14,1 kg
We reduce the cost of electricity, water, and gas per passenger at Tallinn Airport	1.12 € per passenger
Number of security incidents per passenger in all airports	0 serious incidents
Number of safety incidents categories A to D at Group's airports per 1000 flight operations	0 aviation accidents ja serious incidents

The Group's properties are valued and earn income

Goal	The target of 2021
Alternative business models for real estate projects have been developed	The analysis of business models has been completed
A business plan has been prepared for the initiation of real estate projects on the Group's properties and planning of construction works has begun	Detailed plans for the southern, eastern, and southwestern areas of Tallinn Airport and the airport campus are on schedule based on the projects. The construction of the Tallinn Airport airside area extension (ÜF II) has been completed Reconstruction of the air traffic area of Pärnu Airport has been completed, the terminal is being built

Principles of a sustainability reporting

The 2020 annual report of Tallinn Airport Group is the integrated annual report, containing the sustainability and social responsibility report, corporate governance report and financial statements.

In respect of the sustainability and social responsibility reports, we proceed from the global reporting initiative (GRI). The guideline for preparation of the sustainability report consists of reporting principles, reporting guidelines and standard reported information. In this annual report, we disclosed all activities for 2020. We prepare this report every year and it is a continuation of the Tallinn Airport Group's 2019 annual report.

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

- materiality,
- involvement of stakeholders,
- sustainability context,
- completeness reporting principles.

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

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

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

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

The key issues identified are:

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


In our business, we are guided by the principles of sustainability. From 2018, we pursue and link our activities to the United Nations Sustainable Development Goals (SDGs). We have also reflected the fulfilment of the sustainable development goals in this report. In order to illustrate how our activities contribute to the achievement of the sustainable development goals, we have linked them to topics that are important to us and marked them with the SDG symbol in the report.

Principles of a sustainability reporting


Goal	World	Group Tallinn Airport
	Ensure healthy lives and promote well-being for all at all ages	The Company has a functioning occupational safety and health management system
	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	We support staff development and organise their learning activities and coaching with efficient use of resources and flexible learning opportunities
	Achieve gender equality and empower all women and girls	We support the equality principles of gender, age, education, and diversity of views
	Ensure access to water and sanitation for all	We are constantly monitoring rainwater. We use technical solutions to save water resources. We prevent environmental pollution through risk management. We provide clean drinking water for passengers, staff and partners at airports
	Ensure access to affordable, reliable, sustainable, and modern energy for all	We reduce electricity consumption per passenger. We increase the share of renewable energy in final energy consumption. We plan energy-efficient buildings
	Promote inclusive and sustainable economic growth, employment, and decent work for all	We contribute to the development of the country's economic environment. We value performance and outstanding staff commitment as well as mutually respectful relationships with staff
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	We develop and operate infrastructure while considering the expectations of the society and the stakeholders, and the principles of sustainability
	Make cities inclusive, safe, resilient, and sustainable	We monitor the emissions of fine particles into ambient air. We actively participate in addressing noise-related issues. We lower emissions, prepare an action plan to reduce CO ₂

Goal	World	Group Tallinn Airport
	Ensure sustainable consumption and production patterns	We have obtained the ISO 14001:2015 environmental management system certificate. We ensure that hazardous waste is handed over to the handlers of hazardous waste. We reduce generation of waste per passenger. We increase the share of recyclable waste. We ensure sustainable and responsible airport operations within the company. We create a strategy for the Company's waste management system
	Take urgent action to combat climate change and its impacts	We keep track of greenhouse gas emissions. We monitor CO ₂ emissions when purchasing new machinery. We reduce consumption of fossil fuels
	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	We use environmentally friendly de-icing equipment at airports to minimise the negative impact on biodiversity
	Promote just, peaceful, and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels	We prevent corruption by setting procurement terms and avoiding conflicts of interest
	Strengthen the means of implementation of the action plan and revitalize the global partnership for sustainable development	We pay environmental tax based on the ambient air pollution permit and special permit for water use




GRI Content Index

Standard	Disclosure	Page number	
GRI 102: General disclosures	Organization profile		
	102-1 Name of the organisation	Tallinn Airport Ltd	
	102-2 Activities, brands, products and/or services	6	
	102-3 Location of headquarters	Tallinn	
	102-4 Location of operations	6, 35, 50	
	 Sustainable Development Goal no 9 Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	102-5 Ownership and legal form	6, 16
		102-6 Markets served	6
		102-7 Scale of the organisation	6, 44
		102-8 Information on employees and other workers	50-51
		102-9 Supply Chain	23
		102-10 Significant changes to the organisation and its supply chain	3-4, 8, 17-18, 50
102-11 Precautionary principle or approach		21-23	
102-12 External activities		19	
102-13 Membership of associations		19	
Strategy			
102-14 Statement from senior decision-maker	3		
102-15 Key impacts, risks and opportunities	8, 10-12, 13-14, 20-23		



Standard	Disclosure	Page number
Ethics and integrity		
	102-16 Values, principles, standards, and norms of behaviour	10-13, 19
Governance		
	102-18 Governance structure	16-18
Stakeholder engagement		
	102-40 List of stakeholder groups	47-48
	102-42 Identifying and selecting stakeholders	37-38, 47-48
	102-43 Approach to stakeholder engagement	37-38, 44, 52-53
	102-44 Key topics and concerns raised	37-38, 47
Reporting Practice		
	102-45 Entities included in the consolidated financial statements	6
	102-46 Defining report content and topic boundaries	13, 67-68
	102-47 List of material topics	13, 47, 65-66
	102-48 Restatements of information	33, 44
	102-49 Changes in reporting	-
	102-50 Reporting period	01.01.-31.12.2020
	102-51 Date of most recent report	27.03.2020

Standard	Disclosure	Page number
	102-52 Reporting cycle	The report is prepared annually. A GRI guideline compliant report has been prepared since 2014. All previous reports are available on the website of Tallinn Airport Ltd
	102-53 Contact point for questions regarding the report	kvaliteet@tll.aero
	102-54 Claims of reporting in accordance with the GRI Standards	The report complies with the standard of international Global Reporting Initiative (GRI) and is based on the basic requirements of the standard
	102-55 GRI content index	69-72
	102-56 External Assurance	The Group's annual report is audited by PricewaterhouseCoopers Ltd
GRI 103: Management Approach	103-1 Explanation of the material topic and its boundary	6, 10-12
	103-2 The management approach and its components	10-13, 57
	103-3 Evaluation of the management approach	10-13
	Sustainable Development Goal no 12 Ensure sustainable consumption and production patterns	56, 57, 58, 59
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	26-30, 41

Standard	Disclosure	Page number
	Sustainable Development Goal no 8 Promote inclusive and sustainable economic growth, employment, and decent work for all	50
GRI 203: Indirect Economic Impacts	203-1 Infrastructure investments and services supported	29-30, 40, 45-47
GRI 205: Anti-corruption	205-1 Operations assessed for risks related to corruption	19
	205-2 Communication and training about anticorruption policies and procedures	19
	205-3 Confirmed incidence of corruption and actions taken	19
	Sustainable Development Goal no 16 Promote just, peaceful, and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels	16
GRI 302: Energy	302-1 Energy consumption within the organisation	58, 60
	302-3 Energy efficiency	58, 60
	302-4 Reduction of energy consumption	58, 60
	Sustainable Development Goal no 7 Ensure access to affordable, reliable, sustainable and modern energy for all	56, 58

Standard	Disclosure	Page number
GRI 304: Biodiversity	304-2 Significant impacts of activities, products and services on biodiversity	61
	Sustainable Development Goal no 15 Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	56, 61
GRI 305: Emissions	305-5 Reduction of greenhouse gas emissions	58
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	58
	Sustainable Development Goal no 17 Revitalize the global partnership for sustainable development	19, 47, 57
	Sustainable Development Goal no 11 Make cities inclusive, safe, resilient, and sustainable	56, 58, 61
	Sustainable Development Goal no 13 Take urgent action to combat climate change and its impacts	58
GRI 306: Effluents and Waste	306-1 Water discharge by quality and destination	57, 59
	306-2 Waste by type and disposal method	57, 59
	306-3 Significant spills	22, 56, 58
	306-4 Transport and hazardous waste	56, 58
	306-5 Water bodies affected by water discharges and/or runoff	57, 58, 60

Standard	Disclosure	Page number
	Sustainable Development Goal no 6 Ensure access to water and sanitation for all	56, 57, 58, 60
GRI 307: Environmental compliance	307-1 Non-compliance with environmental laws and regulations	57
GRI 401: Employment	401-1 New employee hires and employee turnover	51, 53
GRI 403: Occupational Health and Safety	GRI 403: Occupational Health and Safety	22-23, 43
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	20-23
	403-4 Health and safety topics covered in formal agreements with trade unions	23
	Sustainable Development Goal no 3 Ensure healthy lives and promote well-being for all at all ages	23, 56, 61
GRI 404: Training and Education	404-1 Average hour of training per year per employee	Since the company focuses on providing practical training at work, this indicator is irrelevant
	404-2 Programs for upgrading employee skills and transition assistance programs	52
	404-3 Percentage of employees receiving regular performance and career development reviews	52

Standard	Disclosure	Page number
	Sustainable Development Goal no 4 Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	53
	Sustainable Development Goal no 5 Achieve gender equality and empower all women and girls	50
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	No incident of discrimination was registered in 2020
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	No non-compliance was detected in 2020



2020. Consolidated Financial Statements

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General information and contact data

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

The Group's main activity is operation and development of airports, and provision of ground handling services for aircraft and passengers. During 2020 the Group employed on average 608 people (2019: 687 people). At the end of 2020 the Group employed 509 people (2019: 681 people).

The owner of the shares of Tallinn Airport Ltd 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	31.12.2020	31.12.2019
Assets			
Non-current assets			
Property, plant and equipment	Note 5	158,784	151,918
Intangible assets		511	514
Right-of-use assets		92	158
Investment property	Note 6	15,698	16,762
Total non-current assets		175,085	169,352
Current assets			
Inventories	Note 8	265	312
Receivables and prepayments	Note 9	5,644	5,582
Cash	Note 11	49,530	50,903
Total current assets		55,439	56,797
Total assets		230,524	226,149

in EUR thousand	Note	31.12.2020	31.12.2019
Equity			
Share capital	Note 18	25,617	25,095
Statutory reserve capital		2,510	2,510
Retained earnings		65,855	67,852
Total equity		93,982	95,457
Liabilities			
Non-current liabilities			
Borrowings	Note 12	49,036	42,321
Lease liabilities	Note 12	56	112
Government grants	Note 14	75,900	77,139
Other payables		41	41
Total non-current liabilities		125,033	119,613
Total current liabilities			
Borrowings	Note 12	3,297	3,297
Lease liabilities	Note 12	36	46
Payables and prepayments	Note 15	7,965	7,280
Accruals	Note 25	211	456
Total current liabilities		11,509	11,079
Total liabilities		136,542	130,692
Total liabilities and equity		230,524	226,149

The notes to the financial statements presented on pages 76-115 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

in EUR thousand	Note	2020	2019
Revenue	Note 19	20,555	47,120
Other income	Note 20	15,711	13,266
Goods, materials and services	Note 21	-10,030	-15,734
Other operating expenses	Note 22	-1,355	-1,902
Staff costs	Note 23	-15,705	-20,949
Depreciation, amortisation and impairment	Note 5, 6	-11,480	-11,771
Other expenses		392	-111
Operating profit		-1,912	9,919
Finance income and costs		-85	-201
Net profit for the year		-1,997	9,718
Comprehensive income for the year		-1,997	9,718

The notes to the financial statements presented on pages 76-115 form an integral part of the consolidated financial statements.



Consolidated statement of cash flows

in EUR thousand	Note	2020	2019
Cash flows from operating activities			
Collections from customers		25,713	50,004
Payments to suppliers and employees		-31,162	-41,939
Interest received		96	2
Interest paid		-178	-200
Government grants received from state budget for covering the cost of operating activities	Note 14	9,620	9,195
Other grants received for covering the cost of operating activities	Note 14	75	200
Total cash flows from operating activities		4,164	17,262
Cash flows from investing activities			
Paid for acquisition of intangible assets, property, plant and equipment and investment property	Note 5, 6	-13,311	-11,490
Proceeds from sale of property, plant and equipment	Note 5	318	72
Repayment of government grants from the state budget	Note 14	-1,456	0
Government grants received from state budget for non-current assets	Note 14	0	17,300
Government grants received for non-current assets	Note 14	2,263	2,700
Total cash flows from investing activities		-12,186	8,582

in EUR thousand	Note	2020	2019
Cash flows from financing activities			
Repayments of borrowings	Note 12	-3,285	-2,143
Borrowings received	Note 12	10,000	14,000
Repayment of lease liabilities		-66	-58
Total cash flows from financing activities		6,649	11,799
Net cash flows		-1,373	37,643
Cash and cash equivalents at beginning of the period	Note 11	50,903	13,260
Cash and cash equivalents at end of the period	Note 11	49,530	50,903
Net increase/decrease in cash and cash equivalents		-1,373	37,643

The notes to the financial statements presented on pages 76-115 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 31.12.2018	25,095	2,510	58,134	85,739
Comprehensive income for 2019	0	0	9,718	9,718
Balance as at 31.12.2019	25,095	2,510	67,852	95,457
Increase of share capital by non - monetary contribution	522	0	0	522
Comprehensive income for 2020	0	0	-1,997	-1,997
Balance as at 31.12.2020	25,617	2,510	65,855	93,982

More detailed information about share capital is disclosed in Note 18. The notes to the financial statements presented on pages 76-115 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

Note 1. General information

The parent company Tallinn Airport Ltd is a fully state-owned company registered on 30.12.1997 in the Republic of Estonia.

The consolidated financial statements of the Group Tallinn Airport Ltd comprise of Tallinn Airport Ltd (parent company) and its fully owned subsidiary Tallinn Airport GH Ltd, 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 18 March 2021.

Note 2. Overview of key accounting and reporting policies

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

(A) BASIS OF PREPARATION

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

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

Certain accounting estimates have been used for preparation of the consolidated financial statements, as well as management judgement has been used to apply several accounting and reporting principles. The areas in which the accounting estimates and assumptions have had the greatest effect on the information presented in the financial statements are disclosed in the consolidated financial statement in Note 4. The consolidated financial statements of the Group are presented in thousands of euros, if not indicated otherwise.

(B) CHANGES IN ACCOUNTING AND DISCLOSURE POLICIES

Changes in significant accounting policies from 1.01.2020

The accounting policies applied in the preparation of these financial statements are the same as those used in the consolidated financial statements of the Group for the year ended 31 December 2019, except as described below.

IAS 12 12.52A and 12.57A - Change in Interpretation of Recognition of Deferred Tax Liabilities for Investments. Based on the interpretation decision adopted by the International Financial Reporting Standards Interpretations Committee (IFRIC) in June 2020, the principle of income tax deferral that has been in force in Estonia for 20 years is not in accordance with the interpretation of IAS 12.52A. IAS 12.52A states that when income tax is paid on dividends rather than on profits, no income tax expense or liability is recognized until the dividends are declared. In Estonia, this accounting principle has been applied consistently to the retained earnings of the entire Group, regardless of whether the profit has been accumulated in the parent company or in the Estonian subsidiary. Based on this year's interpretative decision, the principle set out in paragraphs 52A and 57A of IAS 12 applies only to retained earnings in the parent and does not apply to retained earnings in Estonian subsidiaries.

In accordance with paragraph 39 of IAS 12, an enterprise should recognize a deferred tax liability for all investments in subsidiaries, associates, joint ventures and branches if there is a temporary taxable difference between those investments, unless:

- a) the entity is able to control the timing of the reversal of the temporary difference; and
- b) it is probable that the temporary difference will not reverse in the foreseeable future.

The amendment is applied retrospectively, which means that the income tax liability arises from retained earnings accumulated in subsidiaries in previous periods.

Management estimates that the retrospective recognition of deferred tax liabilities on investments will not affect the financial statements. The Group's Management Board has assessed the impact of the IAS 12 Interpretation Decision, reviewed and analysed the principles of the Group's internal dividend policy and concluded that there is no retrospective effect on the financial statements. The opening balances of the comparative and the reporting period do not need to be adjusted. The Group analysed the change in income tax on retained earnings accumulated in the Estonian subsidiary in previous periods and estimated that the company can control the timing of the reversal of the temporary difference and that the temporary difference will not be reversed in the near future. In the future, income tax expense and liability are recognized in accordance with the new interpretation in the case of temporary income tax differences arising on the payment of dividends, including the current principles of the Group's internal dividend policy and the subsidiary's ability to pay dividends.

Since 1 January 2020, the Group has applied for the first time the amendments to the **Conceptual Framework for Financial Reporting and the Amendment to the Definition of Materiality - IAS 1 and IAS 8**. These standards did not have a material impact on the Group's financial statements as of 1 January 2020. Several other new standards have been applied since 1 January 2020, but they do not have a material impact on the Group's financial statements.

Implementation of new or amended standards and interpretations from 1.01.2021

New or amended standards or interpretations have been issued that become mandatory for the Group from 1 January 2021 or later periods and which the Group has not early adopted:

Classification of liabilities as current or non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months.

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

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

Subsidiary

A subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent has power to govern the financial and operating policies of the investee and as a

rule, it owns more than 50% of the voting power of the subsidiary. The existence and probable effect of potential voting rights currently in use or convertible is taken into account for the purpose of evaluation of the existence of control. The subsidiary is included in the consolidated financial statements from the time control arises until it ceases.

Parent company's separate financial statements

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

(D) FOREIGN CURRENCY TRANSACTIONS AND FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN A FOREIGN CURRENCY

Functional and presentation currency

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

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

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the dates of the transactions. The exchange rate differences which arise in case of differences between the exchange rates at the cash transfer date and the transaction date are taken to the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated on the basis of the official exchange rate of the European Central Bank prevailing at the reporting date, or when the

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

(E) CLASSIFICATION OF ASSETS AND LIABILITIES AS CURRENT AND NON-CURRENT

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

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

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

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

(F) PROPERTY, PLANT AND EQUIPMENT

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

Cost

Property, plant and equipment initially is recognised at cost.

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

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

Depreciation

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

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

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

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

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

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

Buildings and facilities:

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

Machinery and equipment:

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

Other fixtures, tools, fittings:

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

Subsequent expenditures

Subsequent expenditures incurred for items of property, plant and equipment are added to the cost of the asset or are accounted for as separate assets only when it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the

asset can be measured reliably. When a component of an item of property, plant and equipment is replaced, the cost of the new component is added to the cost of the asset and the replaced component or a proportionate share thereof is taken off the consolidated statement of financial position. Ongoing maintenance and repair costs are charged to expenses in the statement of comprehensive income.

Derecognition

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

Impairment of assets

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

(G) INTANGIBLE ASSETS

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

Software

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

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

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

(H) INVESTMENT PROPERTY

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

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

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

Hangars:

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

Office complex:

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

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

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

External indicators of possible impairment:

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

Internal indicators of possible impairment:

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

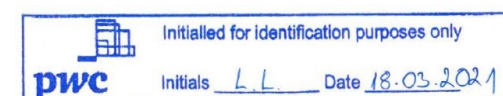
If there is any such indication, the recoverable amount of the asset is assessed and compared with the carrying amount.

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

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

(J) FINANCIAL ASSETS**Classification**

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

**Recognition and derecognition**

Purchases and sales of financial assets made under normal market conditions are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

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

Debt instruments

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

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

Equity instruments

The Group has no investments in equity instruments.

(K) IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

(L) INVENTORIES

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

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

Inventories are expensed using the FIFO (first-in, first-out) method. When using the FIFO method, the closing balance of inventories is recognised at the cost of goods arriving last and not yet sold. Inventories are recorded in the consolidated statement of financial position at the lower of cost and net realizable value. Net realizable value is determined by subtracting the estimated expenditures necessary for preparing the product for sale and complete the sale from the estimated sales price.

(M) CASH AND CASH EQUIVALENTS

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

(N) RESERVE CAPITAL AND STATUTORY RESERVE CAPITAL

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

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

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

(O) TRADE PAYABLES

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

(P) BORROWINGS

Borrowings are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost. The difference between the cost and the redemption value is

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

(Q) BORROWING COSTS

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

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

(R) FINANCIAL LIABILITIES

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

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

(S) TAXATION

Income tax on dividends in Estonia

According to the Income Tax Act of Estonia, corporate profits are not taxed in Estonia but dividends payable and certain payment and expenses, outlined in the Income Tax Act are. The tax rate on the net dividends paid out of retained earnings is 20/80.

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

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

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

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

Social security payments also include payments into mandatory funded pension funds. The Group has neither a legal nor factual obligation to make other pension or similar payments in addition to the social security tax.

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
Fringe benefit income tax	20/80 of fringe benefits paid to employees
Land tax	0.1%–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.

Deferred income tax

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

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

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

(T) EMPLOYEE BENEFITS

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

(U) PROVISIONS AND CONTINGENT LIABILITIES

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

Provisions are not recognised to cover future operating losses.

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

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

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

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

(V) REVENUE RECOGNITION

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

Aviation revenue

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

Non-aviation revenue

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

Financing component

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

(W) GOVERNMENT GRANTS

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

Government grants related to assets

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

Grants related to operating expenses

Income from government grants for operating expenses is recognised in the period in which the respective costs are recognised. Government assistance which cannot be reliably

measured (e.g. free consultations) is not recognised as government grants. Information about such assistance is disclosed in the notes to the financial statements.

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

(X) LEASES

The Group leases vehicles.

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

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

Initial measurement

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

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the lessee.

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

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

To determine the incremental borrowing rate, the Group:

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

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

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date. Variable lease payments that depend on an index or a rate include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate (such as LIBOR) or payments that vary to reflect changes in market rental rates;
- c) amounts expected to be payable by the lessee under residual value guarantees;

- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent measurement

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

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

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

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

If there are changes in lease payments, there may be a need to remeasure the lease liability. A lessee shall recognise the amount of the remeasurement of the lease liability as an adjustment

to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, a lessee shall recognise any remaining amount of the remeasurement in profit or loss.

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

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

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

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

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

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

(Y) DIVIDENDS

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

(Z) CASH FLOW STATEMENT

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

(AA) EVENTS AFTER THE REPORTING DATE

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

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

(BB) TRANSACTIONS WITH RELATED PARTIES

During the preparation of the consolidated financial statement, Tallinn Airport Ltd members of the management and supervisory board and other persons and entrepreneurs, who can control or significantly influence finance and business decisions of the Group, are considered to be related parties. Additionally, immediate family member of the persons described above

and the entities under their control or significant influence are also considered to be related parties. Since 100% of shares of Tallinn Airport Ltd belong to the Republic of Estonia, the airlines related to the control or controlling influence of the state are also considered as related parties. Refer to Note 25.

Note 3. Management of financial risks

(A) FINANCIAL RISKS

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

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

(B) MARKET RISKS

Foreign currency risk is the risk that the fair value or cash flows of financial instruments fluctuate due to the changes in exchange rates in the future. The assets and liabilities denominated in euros are considered to be neutral assets and liabilities in relation to the foreign currency risk. In order to avoid foreign currency risk, transactions are concluded primarily in euros. In 2020 and 2019, 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 2020 compared to 2019 (Note 12).

(C) CREDIT RISK

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

As at the reporting date the carrying amount of receivables, which are considered as doubtful receivables, is reduced by the amount of the expected credit loss. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial as at 31 December 2020 and 31 December 2019.

The following measures have been applied to mitigate credit risk:

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

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

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

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

1. ensuring of liquidity;
2. capital preservation.

Additional information about credit risk is disclosed in Note 10.

(D) LIQUIDITY RISK

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

As at the end of the financial year, the Group had available financial resources in the amount of EUR 49,530 thousand (31.12.2019: EUR 50,903 thousand) (Note 11).

In order to hedge liquidity risk, the Group uses various sources of financing, such as bank loans, overdraft facilities and ongoing monitoring of accounts receivable. As at the reporting date, the Group's current assets exceeded current liabilities by EUR 43,929 thousand (31.12.2019: EUR 45,718 thousand).

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

Breakdown of liabilities by maturity date

in EUR thousand

As at 31.12.2020	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
Borrowings (Note 12) ¹	100	198	3,183	18,654	31,292	53,427	52,425
Trade payables (Note 15)	3,682	2,268	0	0	41	5,991	5,991
Total	3,782	2,466	3,183	18,654	31,333	59,418	58,416
As at 31.12.2019							
Borrowings (Note 12) ²	103	205	3,203	16,626	26,507	46,644	45,776
Trade payables (Note 15)	2,838	55	0	0	41	2,934	2,934
Total	2,941	260	3,203	16,626	26,548	49,578	48,710

¹ For determining the undiscounted cash flows, the interest rate at the year-end 2020 has been used

² For determining the undiscounted cash flows, the interest rate at the year-end 2019 has been used

(E) CAPITAL RISK MANAGEMENT

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

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

As of 31.12.2020 as well as 31.12.2019, the company's equity was in accordance with the requirements of the Commercial Code.

The equity of Tallinn Airport Ltd consists of share capital in the amount of 25,616 thousand euros (31.12.2019: 25,095 thousand euros), statutory reserve capital in the amount of 2,510 thousand euros (31.12.2019: 2,510 thousand euros) and retained earnings in the amount of

65,855 thousand euros (31.12.2019: 67,852 thousand euros). Mandatory reserve capital is 10% of the share capital. During 2020, the debt of Tallinn Airport Ltd increased due to increase in borrowings, and cash and cash equivalents decreased as a consequence of large-scale capital expenditures. In 2020, the owner increased the Company's share capital by issuing new shares that were paid for by transfer of a non-monetary contribution. The assets transferred were the plots of land at Tartu Airport which the Group has used in its activities and which until then had been included among the unreformed land plots. In 2019, the debt of Tallinn Airport Ltd increased due to increase in borrowings, and cash and cash equivalents increased due to increase in borrowings and government grants. The debt to capital ratio increased by 3% as compared to 2019 (2019 vs 2018: increased by 18%). The debt to total capital will decrease in 2021 due to the planned capital expenditures (see also Note 12).

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

in EUR thousand	31.12.2020	31.12.2019
Borrowings (Note 12)	52,414	45,765
Cash and cash equivalents (Note 11)	-49,530	50,903
Net debt (borrowings-cash and cash equivalents)	2,884	-5,138
Equity	93,982	95,457
Total capital (net debt + equity)	96,866	90,319
Debt to equity Debt to equity	54%	51%
Net debt to total capital	3%	-6%

(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 31.12.2020 and 31.12.2019. As most of the Group's long-term borrowings carried a floating interest rate which changes according to the changes in the money market interest rates, their fair values do not materially differ from their carrying amounts.

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

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

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

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

Note 4. Key accounting estimates

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

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

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

As at 31 December 2020, the carrying amount of the Group's property, plant and equipment was EUR 158,784 thousand (31 December 2019: EUR 151,918 thousand), the depreciation charge for the reporting period was EUR 10,181 thousand (2019: EUR 10,358 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 843 thousand (2019: EUR 988 thousand) and income from government grants related to assets would change by EUR 205 thousand (2019: 262 thousand).

As at 31 December 2020, the carrying amount of the Group's investment property was EUR 15,698 thousand (31 December 2019: EUR 16,762 thousand), the periods depreciation

expense was EUR 1,064 thousand (2019: EUR 1,224 thousand (see Note 6). If the useful lives of investment property were changed by one year, the profit would change by EUR 62 thousand (2019: EUR 107 thousand).

Owing to the significant reduction in operating volumes, the useful lives of the non-current assets whose use depends on the intensity of the use of assets, was extended. The extension of useful lives of non-current assets lowered the depreciation charge for the year by EUR 1,120 thousand and the revenue from government grants by EUR 404 thousand. Under the assumption that these non-current assets will be in use until the end of their lives, the future depreciation charge in 2021-2041 will fall by up to EUR 1,669 thousand and the revenue from government grants by up to EUR 657 thousand.

Measurement of expected credit losses

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Principles of measurement of expected credit loss and the loss allowance as at 31 December 2020 and 31 December 2019 is disclosed in Note 10.

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

IAS 36 specifies indications for estimating impairment losses of assets.

The Group's management estimated whether there was any indication of impairment of assets and found that there were indications in 2020 which showed that the assets had lost a significant part of their cash-generation ability and therefore, the recoverable amount was estimated.

The management has performed an impairment test for Tallinn Airport Group as the cash-generating unit. The discounted cash flow method was used for the impairment test. Revenue forecasts of Tallinn Airport Group have been compiled for the next five years.

Revenue growth, variable and fixed expenses have been forecasted taking account of the Group's strategy, planned capital expenditures, aviation forecasts and the ratio of operating volumes to revenue and expenses. Conservative development scenarios were used as the basis. The calculations have been performed on the basis of nominal growth, taking account

of inflation. The revenue forecast is based on the following assumptions: the GDP growth in Estonia will be in the range of 1.4-4.5%, inflation in the range of 1.4-2.2% and salary growth in the range of 0.4-3.7%.

The management estimates that in the period 2021-2025, the annual revenue growth of Tallinn Airport Group will be 27% and the growth in the number of passengers will be 32% on average. Revenue growth in 2021 will be 18.6% and the growth in the number of passengers will be 21% as compared to 2020 and by 2025, air traffic will be restored at the level of 2019. Major capital expenditures in 2021 and in subsequent years will be made using the financing from the structural funds or from cooperation partners in business projects.

The present value and residual value of cash flows over the next five years were determined using the weighted average cost of capital (WACC), where the return on equity (taking account of the average expectations in the sector) is 8.37% and the return on debt is 2.96%. The price of debt is the sum of the risk-free rate, the risk premium of the State of Estonia and the Company's debt risk premium (credit rating plus additional costs related to raising debt). The discount rate used in the impairment test is 5.9% (pre-tax WACC).

The impairment test performed for the cash-generating unit indicated that the recoverable amount of assets exceeded the carrying amount of assets as at 31.12.2020, due to which the Group's management does not consider it necessary to recognise an impairment loss for assets. The comparison of the recoverable amount of the cash-generating unit and the carrying amount of the asset to be recovered as at 31.12.2020 is as follows: recoverable amount EUR 160,496 thousand, carrying amount (excluding government grants and monetary funds) EUR 98,726 thousand, the difference being EUR 61,770 thousand.

The Group's management estimates that all the assumptions used in the impairment tests of the cash-generating unit are realistic. In order for the recoverable amount of assets to decrease to the carrying amount, the discount rate should be 7.8% (pre-tax WACC).

In 2019, the Group's management evaluated the indicators whether there was any indication that an asset may be impaired and concluded that there were no such indications in 2019 that would show that the assets have lost a major share of their cash-generating ability, and therefore, the recoverable amount of assets was not evaluated.

Effect of Covid-19 on the Group

At 12 March 2020, a state of emergency was declared in Estonia and both internal and external restrictions were imposed on international traveling and border crossing. By the end of March, all flight routes were closed other than Frankfurt and Minsk that remained open even at the peak the crisis. The state of emergency was lifted at 17 May; however, flight restrictions were extended and changed several times during 2020.

The coronavirus-related restrictions strongly impacted the Group's operations and financial performance. The reduction in the number of passengers and flight operations was directly reflected in the revenue decline; therefore the Group's main focus was on cost management and savings. Between 1 April and 30 June, the work load and remuneration of all employees was reduced by 30%, and we also used the measure provided by the Estonian Unemployment Insurance Fund. Understanding that the crisis will be prolonged, we reduced the number of the Group's employees and operating volumes in such a way that the ability to handle the passengers and operate the flights at Tallinn Airport would be preserved, and that regional airports would be able to manage scheduled flights. We made 25% of the Group's workforce redundant.

The management has evaluated the impact of COVID-19 on the Group's results of operations in 2020 and its impact in the future. When preparing this annual report, the effect of the coronavirus on the annual report of the year ended as well as its potential impact on the cash flows and financial position of the next financial year has been taken into account.

The Group's management estimated whether there was any indication of impairment of assets and found that they were present in 2020, showing that the assets had lost a significant part of their cash-generation ability and therefore, the recoverable amount was estimated. The impairment test performed for cash-generating units indicated that the recoverable amount of the assets exceeded the carrying amount of the assets as at 31.12.2020, due to which the Group's management did not consider it necessary to recognise impairment losses. Due to the significant reduction in operating volumes, the useful lives of those non-current assets whose depends on the intensity of the use of assets, was extended. The extension of useful lives of non-current assets lowered the depreciation charge for the year by EUR 1,120 thousand and the revenue from government grants by EUR 404 thousand.

Due to the effects of Covid-19, the current epidemiological state and slow speed of vaccination, the Company's outlook in terms of its financial performance for 2021 is negative and hence, there could be non-compliance with the loan covenants in future periods. The Group's management estimates that in this case agreements will be concluded with banks similarly to 2020 and the banks will not prematurely call back the loans.



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

In EUR thousand	2020	Change from 2019(%)
Total operating income	36,266	-40
Sales revenue	20,555	-56
including aviation revenue	6,575	-62
including non-aviation revenue	13,980	-53
Other business earnings	15,711	18
including government grants for assets	3,744	-1
including government grants for aviation security and rescue costs	7,420	6
including regional airports government grants	2,200	0
including other operating income (incl. Unemployment Insurance Fund measure)	2,347	661
Total operating expenses	38,178	-24
including goods, materials, services	10,030	-36
including miscellaneous operating expenses	1,355	-29

In EUR thousand	2020	Change from 2019(%)
including staff costs	15,705	-25
including other business expenses	-392	-452
including depreciation of fixed assets	11,480	-2
Operating profit before depreciation (EBITDA) *	5,824	-68
Net profit	-1,997	-121
Cash flows from operating activities	4,164	-76
Number of employees at the end of the period	509	-25
Passengers at Tallinn Airport	863,589	-74
Passengers at regional airports	33,686	-50
Number of flight operations	31,549	-46

* Does not include fixed asset grants

Note 5. Property, plant and equipment

In EUR thousand

Balance as at 31.12.2018	Construction in progress and prepayments	Land	Buildings and facilities	Machinery and equipment	Other inventory	Total
Cost	2,052	11,274	171,807	80,997	1,709	267,840
Accumulated depreciation	0	0	-62,067	-52,126	-1,201	-115,394
Carrying amount 31.12.2018	2,052	11,274	109,740	28,871	508	152,446
Changes occurred in 2019						
Acquisitions and improvements	4,070	0	143	5,395	318	9,926
Reclassifications	-3,904	0	1,228	2,580	96	0
Reclassification to expenses	-78	0	0	0	0	-78
Depreciation charge	0	0	-5,683	-4,475	-200	-10,358
Carrying amount of assets sold	0	0	0	-9	0	-9
Carrying amount of assets written off	0	0	0	-9	0	-9
Balance as at 31.12.2019						
Cost	2,141	11,274	173,143	86,753	2,123	275,434
Accumulated depreciation	0	0	-67,715	-54,400	-1,401	-123,516
Carrying amount 31.12.2019	2,141	11,274	105,428	32,353	722	151,918

Note 5. Property, plant and equipment

In EUR thousand

Changes occurred in 2020	Construction in progress and prepayments	Land	Buildings and facilities	Machinery and equipment	Other inventory	Total
Acquisitions and improvements	15,038	522	50	1,547	28	17,185
Reclassifications	-3,910	0	835	2,722	353	0
Reclassification to expenses	-67	0	0	0	0	-67
Depreciation charge	0	0	-5,886	-4,076	-219	-10,181
Carrying amount of assets sold	0	0	0	-33	0	-33
Carrying amount of assets written off	0	0	-32	-7	0	-39
Balance as at 31.12.2020						
Cost	13,202	11,796	173,623	88,632	2,474	289,727
Accumulated depreciation	0	0	-73,228	-56,125	-1,590	-130,943
Carrying amount 31.12.2020	13,202	11,796	100,395	32,507	884	158,784

The largest fixed assets recorded in 2020 were as follows: two registered luggage x-ray machines at Tallinn Airport in the amount of EUR 1,858 thousand, upgrades of Tallinn Airport passenger terminal in the amount of EUR 606 thousand, upgrades of network equipment in the amount of EUR 262 thousand and seven solar parks, two of which are in Tallinn and Pärnu and one in Tartu, Kärđla and Kuressaare, in the total amount of EUR 221 thousand.

In 2020, the Government of the Republic transferred the state assets under management of the Ministry of Economic Affairs and Communications as a non-monetary contribution to the share capital of Tallinn Airport Ltd, with the total value of EUR 522 thousand. The value was estimated by the professional appraiser and it was verified by the auditor. Please refer to Note 18.

The largest fixed assets recorded in 2019 are assets were the elevators, tubulature and escalator for passenger bridges at the Tallinn Airport passenger terminal with the acquisition cost of EUR 426

thousand; purchase of two apron busses for the Tallinn Airport with the cost of EUR 375 thousand; reconstruction of coordination centre at Tallinn Airport with the cost of EUR 297 thousand.

Due to the development project of the airside area at Tallinn Airport, in 2020 capital expenditures were made in the amount of EUR 8,754 thousand of which prepayments as at 31 December 2020 totalled EUR 7,186 thousand (2019: EUR 5,419 thousand, in addition, EUR 550 thousand was recognised as a prepayment as at 31.12.2019). The largest fixed assets recorded were two vacuum cleaners for cleaning runways in the amount of EUR 1,197 thousand and a fire and rescue vehicle in the amount of EUR 724 thousand. The development of the airside area was launched in 2016. The cost of the total project is EUR 74.6 million, of which the eligible portion is EUR 70 million. The contribution of the Cohesion Fund will be EUR 35 million (see Note 14), the remainder of capital expenditures will be financed using own funds and loans (see Note 12).

In September 2018, the reconstruction of Pärnu Airport was launched, financed from the investment aid of the Ministry of Economic Affairs and Communications (Note 14). As at 31 December 2020, the construction-in-progress under this project was EUR 4,215 thousand.

The Group's assets were written off with the carrying amount of EUR 40 thousand (2019: EUR 9 thousand) during the normal course of business. All amounts written off were recognised in the line of depreciation and impairment in the statement of comprehensive income. No government grants were recognised in income in 2020 nor 2019 related to the written off assets.

In 2020, machinery and equipment in the carrying amount of EUR 71 thousand (2019: EUR 9 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 220 thousand (2019: EUR 81 thousand) (Note 20). The government grants related to the disposed assets were recognised as revenue in the amount of EUR 1 thousand (2019: none).

In conjunction with a significant reduction in operating volumes, the useful lives of the non-current assets whose use depends on the intensity of the use of assets, were extended. Refer to Note 3.

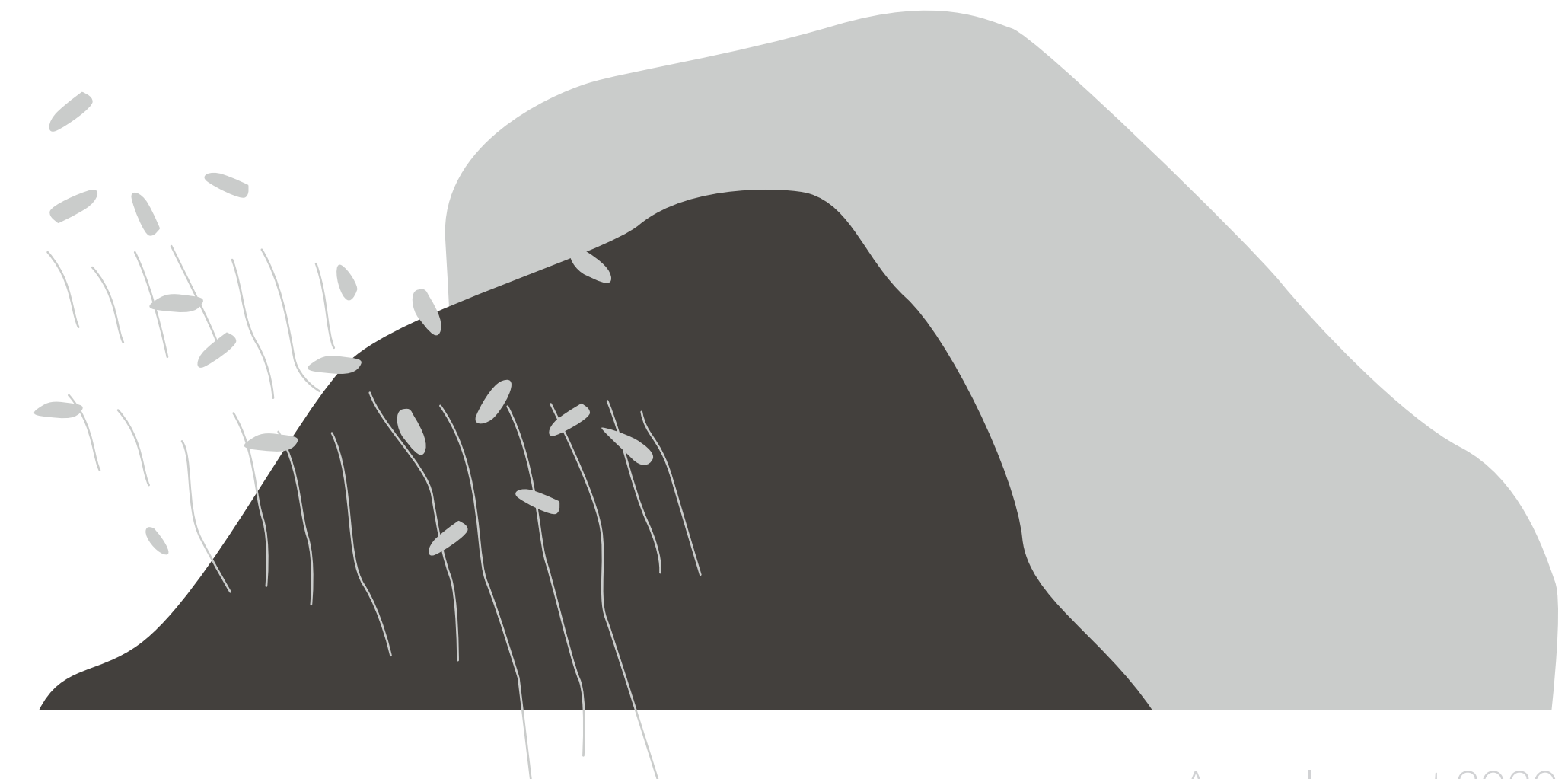
Property, plant and equipment in use with the carrying amount of zero in acquisition cost

In EUR thousand	31.12.2020	31.12.2019
Tallinna Airport	29,767	31,945
Kuressaare Airport	6,722	6,169
Tartu Airport	5,866	4,482
Kärdla Airport	3,763	3,013
Pärnu Airport	2,404	2,215
AS Tallinn Airport GH	1,926	1,408
Total non-current assets in use with the carrying amount of zero	50,448	49,232

Buildings and constructions leased out under operating lease

In EUR thousand	2020	2019
Cost at 31.12.	32,203	32,203
Accumulated depreciation at 31.12.	-13,677	-12,307
Incl depreciation charge for the accounting period	-1,526	-1,514
Total carrying amount of buildings and constructions leased out under operating lease at 31.12.	18,526	19,896

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



Note 6. 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 2,058 thousand (2019: EUR 2,264 thousand) (Note 7) and direct operating expenses were EUR 445 thousand (2019: 544 EUR thousand) (Note 21). Direct operating costs do not include depreciation charge, financial expenses, overheads, labour costs or land costs related to investment property.

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

In EUR thousand	2020	2019
Cost as at 01.01.	24,801	24,801
Accumulated depreciation as at 01.01.	-8,039	-6,815
Carrying amount of investment property as at 01.01.	16,762	17,986
Changes in investment property in the period		
Depreciation charge	-1,064	-1,224
Total changes in investment property in the period	-1,064	-1,224
Cost as at 31.12.	24,782	24,801
Accumulated depreciation as at 31.12.	-9,084	-8,039
Total carrying amount of investment property as at 31.12.	15,698	16,762

Note 7. Operating lease

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

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

Rental income

In EUR thousand	2020	2019
Concessions from the activities of the lessees in the passenger terminal	1,337	4,183
Rent of investment properties (Note 6)	2,058	2,264
Rent of passenger terminals (Note 5)	674	899
Rent of rooms in the cargo terminal (Note 5)	690	839
Concessions from other activities	272	675
Infrastructure fees	300	532
Other rentals	301	342
Total rental income (Note 19)	5,632	9,734

In 2020, the rental income from non-cancellable leases¹ as at 31.12.2020 amounted to EUR 1,277 thousand (2019: EUR 901 thousand). The figures provided include rental income from property, plant and equipment as well as investment properties.

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

Note 8. Inventories

In EUR thousand	31.12.2020	31.12.2019
De-icing materials of aircrafts	167	174
Runway maintenance and rescue service materials	66	103
Fuel	28	27
Other inventories	4	8
Total inventories	265	312

No inventory write-downs were recognised during the period or in 2019.

Note 9. Receivables and prepayments

9.1 Trade receivables

In EUR thousand	31.12.2020	31.12.2019
Accounts receivable	2,294	5,483
Allowance for doubtful receivables	-1,094	-716
Total trade receivables (Note 10)	1,200	4,767

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

9.2 Other receivables

In EUR thousand	31.12.2020	31.12.2019
Receivables for government grants (Note 14.1)	1,698	0
Other receivables	2	4
Total other receivables (Note 10)	1,700	4

9.3 Prepayments

In EUR thousand	31.12.2020	31.12.2019
Tax prepayments	2,367	349
Prepayments	368	459
Accrued income	9	3
Total prepayments	2,744	811
Total receivables and prepayments	5,644	5,582

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

Note 10. Financial instruments

FINANCIAL INSTRUMENTS BY CATEGORY

Items of financial assets in the statement of financial position

In EUR thousand	31.12.2020	31.12.2019
Trade receivables, government grant related to non-currents not received and other receivables (Note 9.1, 9.2)	2,900	4,771
Cash and cash equivalents (Note 11)	49,530	50,903
Total items of financial assets in the consolidated statement of financial position	52,430	55,674

Items of financial liabilities in the statement of financial position

In EUR thousand	31.12.2020	31.12.2019
Borrowings (Note 12)	52,425	45,776
Trade and other payables (Note 15, 3)	5,950	4,934
Total items of financial liabilities in the consolidated statement of financial position	58,375	50,710

FINANCIAL INSTRUMENTS BY CREDIT QUALITY

The Group has one type of financial assets, the value of which is determined on the basis of the credit loss model: trade receivables. It is also necessary to evaluate the credit losses of other receivables and cash and cash equivalents in accordance with the IFRS 9, but the credit losses identified as at 31 December 2020 and 31 December 2019 are immaterial (Note 11).

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

Movements on allowance for doubtful receivables

In EUR thousand	31.12.2020	31.12.2019
Allowance for doubtful receivables at the beginning of the period	716	592
Allowance for doubtful receivables during the period (Note 22)	502	139
Receivables written off during the period	-3	-15
Doubtful receivables received during the reporting period	-121	0
Allowance for doubtful receivables at the end of the period	1,094	716

Analysis of accounts receivable

In EUR thousand	31.12.2020	31.12.2019
Analysis of accounts receivable	2,294	5,483
Incl. the due date has not arrived	1,142	3,736
Incl. payments overdue 1-30 days	293	721
Incl. payments overdue 31-60 days	83	68
Incl. payments overdue 61-90 days	101	115
Incl. payments overdue >91 days	91	259
incl. Estonian Air AS overdue invoices	584	584
Allowance for doubtful receivables at the end of the period	1,094	716

Note 11. Cash and cash equivalents

In EUR thousand	31.12.2020	31.12.2019
Cash on hand	82	80
Bank accounts	49,448	25,811
Cash in transit	0	12
Short term deposit	0	25,000
Total cash and cash equivalents (Note 10)	49,530	50,903

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

In EUR thousand	31.12.2020	31.12.2019
Banks with Moody's credit rating of Aa2/Aa3	9,353	25,821
Banks with Moody's credit rating of Baa2	40,095	25,002
Total amounts of bank accounts and deposits exposed to credit risk	49,448	50,823

Note 12. Borrowings

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

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

In 2016, loan agreements were signed with the European Investment Bank and the Nordic Investment Bank to finance investment projects. On the basis of these agreements, loans were taken out in 2016-2020, including a loan of 10 million euros from the European Investment Bank in 2020 and a loan of 14 million euros from the Nordic Investment Bank in 2019. Loans taken in 2020 and 2019 financed the expansion and renewal of the air traffic area of Tallinn Airport. Repayments of the Nordic Investment Bank loan started in 2019 and repayments of the European Investment Bank will start in 2022.

In EUR thousand	31.12.2020	31.12.2019
Long-term borrowings		
Long-term bank loans	49,036	42,321
Long-term lease liabilities	56	112
Long-term borrowings	49,092	42,433
Short-term borrowings		
Repayments of long-term bank loans in the next period	3,286	3,286
Interest payable related to long-term bank loans as at 31.12	11	11
Short-term lease liabilities	36	46
Total short-term borrowings	3,333	3,343
Total borrowings	52,425	45,776

Principal of long-term bank loans, bonds (at nominal value) and conditions

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

Changes in loan liabilities during 2020

In EUR thousand

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

Changes in loan liabilities during 2019

In EUR thousand

As at 31.12.2019	NIB	Pohjola	EIB	Total
Loan balance at beginning of the period	10,000	3,750	20,000	33,750
Paid off during the period	-1,143	-1,000	0	-2,143
Received during the period	14,000	0	0	14,000
Loan balance at end of the period	22,857	2,750	20,000	45,607
Loan interest payable	5	0	6	11

Net debt reconciliation

In EUR thousand	31.12.2020	31.12.2019
Cash and cash equivalents (Note 11)	49,530	50,903
Short term liabilities	-3,286	-3,286
Short term lease liabilities	-36	-46
Long term liabilities	-49,036	-42,321
Long term lease liabilities	-56	-112
Net debt	-2,884	5,138
Cash and cash equivalents	49,530	50,903
Liabilities with fixed interest	-52,414	-45,765
Net debt	-2,884	5,138

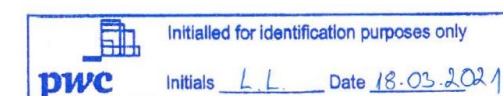
In EUR thousand	Cash and cash equivalents	Liabilities <1y	Liabilities >1y	Total
Net debt 31.12.2019	50,903	-3,332	-42,433	5,138
Cashflows	-1,373	10	-6,659	-8,022
Net debt 31.12.2020	49,530	-3,322	-49,092	-2,884

Note 13. Loan collateral and pledged assets

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

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

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



- Equity share of the total assets should be at least 30%;
- Total debt to EBITDA ratio should not exceed 4;
- Net debt to EBITDA ratio should not exceed 3;
- Debt coverage ratio (cash flow from operating activities divided by net debt) should be at least 40%.

As of 31.12.2020, Tallinn Airport Ltd complies with the terms of the loan agreement, except for the special condition according to which the total debt and EBITDA quotient may not exceed 4. Regarding this special condition, the bank has agreed to give up the covenant from the reporting date until 30.06.2021

As of 31.12.2019, Tallinn Airport was in compliance with the terms of the loan agreements.

Note 14. Government grants

14.1 Government grants receivable

In EUR thousand	2020	2019
Government grants to be received for non-current assets (Note 9.2)	1,698	0

14.2 Government grants relating to operating expenses

In EUR thousand	2020	2019
Allocation for a specific purpose from state budget	9,620	9,195
incl. security and rescue expenses aid	7,420	6,995
incl. aid for regional airports	2,200	2,200
Temporary subsidy from the Unemployment Insurance Fund	2,020	0
Other domestic grants related to operating expenses	75	200
Government grants related to operating expenses recognised as income (Note 20)	11,715	9,395

14.3 Government grants related to assets

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

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

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

In 2019, the government grant of the state is related to the reconstruction of Pärnu Airport (refer to Note 5) in accordance with the grant agreement signed in 2018.

In 2020 and 2019, the government grants related to assets that were received from the Cohesion Fund concern the development project of the airside area (see Note 5), which has been declared eligible by the Cohesion Fund of the European Union. The Cohesion Fund is contributing 50%, or EUR 35 million, of the cost of the project. The European Commission has issued state aid authorisation to provide a government grant for the development project of the airside area from the funds of the Cohesion Fund.

In EUR thousand	2020	2019
Long-term government grants received as at the beginning of the period	77,139	60,902
<i>Changes in government grants in the accounting period</i>		
Assets and liabilities acquired with government grants	2,505	20,000
Incl. allocation for a specific purpose from state budget	0	17,300
Incl. repayment of allocation for a specific purpose from state budget	-1,456	0
incl. Cohesion Fund (ISPA)	3,961	2,700
Recognised as income (Note 20)	-3,744	-3,763
incl. domestic government grant	-363	-398
Incl. Cohesion Fund (ISPA)	-2,682	-2,361
Incl. European Regional Development Fund (ERDF)	-699	-1,004
Total long-term government grants as at the end of the period	75,900	77,139
incl. domestic government grant	20,468	22,287
Incl. Cohesion Fund (ISPA)	50,035	48,756
Incl. European Regional Development Fund (ERDF)	5,397	6,096

Note 15. Trade payables and prepayments

15.1 Trade payables and prepayments

In EUR thousand	31.12.2020	31.12.2019
Payables for goods and services	934	1,941
Payables for non-current assets	5,005	901
Other payables	11	51
Total trade payables	5,950	2,893

15.2 Accrued expenses to employees, tax liabilities and prepayments

In EUR thousand	31.12.2020	31.12.2019
Accrued expenses to employees (Note 17)	832	2,647
Tax liabilities (Note 16)	995	1,486
Prepayments	188	254
Total other payables and prepayments	2,015	4,387
Total payables and prepayments	7,965	7,280

Note 16. Tax liabilities

In EUR thousand	31.12.2020	31.12.2019
Social security taxes on wages and salaries, and fringe benefits	595	881
Income tax on wages and salaries, and fringe benefits	327	494
Unemployment insurance tax	40	58
Pension insurance	31	44
Excise tax	2	8
Corporate income tax	0	1
Other taxes	0	0
Total tax liabilities (Note 15)	995	1,486

Refer to Note 24 for potential liabilities from tax revision.

Note 17. Accrued expenses to employees

In EUR thousand	31.12.2020	31.12.2019
Bonus reserve liability	0	1,173
Wages and salaries accrued but not yet paid	682	959
Holiday pay liability	149	513
Other payables to employees	1	2
Total accrued expenses to employees (Note 15)	832	2,647

Note 18. Equity

All shares of Tallinn Airport Ltd belong to the Republic of Estonia. Their administrator and the entity exercising shareholder rights is the Ministry of Economic Affairs and Communications, represented by the Minister of Economic Affairs and Communications at the General Meeting of Shareholders.

	31.12.2020	31.12.2019
Share capital	25,617,280 €	25,095,400 €
Number of shares	2,561,728 psc	2,509,540 psc
Nominal value of shares	10 €	10 €

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

As at 31 December 2020, the retained earnings of the Group amounted to EUR 65,855 thousand (31 December 2019: EUR 67,852 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 reporting date, it is possible to pay out dividends to the shareholders in the amount of EUR 52,684 thousand (31

December 2019: EUR 54,282 thousand) and the corresponding income tax would amount to EUR 13,171 thousand (31 December 2019: EUR 13,570 thousand).

The expectation of the state as the owner is that all state-owned companies on the market pay stable dividends. Tallinn Airport Ltd's dividend policy is fixed in the Group's strategy and is based on the objective of maintaining the optimal capital structure described above. The owner's expectation is that the Group's operations are profitable, but taking into account the investments made by the Group in the infrastructure necessary for air traffic management, the owner does not plan to pay dividends in the coming years.

Note 19. Revenue

Aviation revenue

In EUR thousand	2020	2019
Passenger fees	2,670	9,573
Landing fees	3,234	7,372
Parking fees	652	528
Navigation fees	17	21
Take-off fees	2	3
Total aviation revenue	6,575	17,497

Non-aviation revenue

In EUR thousand	2020	2019
Aircraft handling and passenger servicing revenue	5,279	13,629
Rental income		
Concessions	1,610	4,858
Rent for premises and hangars	3,722	4,344
Infrastructure fees	300	532
Total rental income (Note 7)	5,632	9,734
Other services sold		
Parking services for cars	743	2,338
Services provided to tenants	1,054	1,289
Advertising services	433	827
Aviation related services	718	1,713
Other services provided and intermediated	121	93
Total other services sold	3,069	6,260
Total non-aviation revenue	13,980	29,623
Total revenue	20,555	47,120

Note 20. Other income

In EUR thousand	2020	2019
Government grants related to operating expenses (Note 14)	11,715	9,395
Government grants related to assets recognised as income (Note 14)	3,744	3,763
Gain from disposal of machinery and equipment (Note 5)	220	81
Other income	32	27
Total other income	15,711	13,266

Note 21. Goods, materials and services

In EUR thousand	2020	2019
Security, safety and rescue*	3,966	4,743
Utilities expenses	2,319	3,059
Maintenance of runways	698	1,606
Vehicle operation expenses	634	1,417
Cost of provision of services to passengers and aircrafts	460	1,397
Maintenance expenses of buildings and facilities	844	1,852
IT and communication expenses	1,109	1,660
Total goods, materials and services	10,030	15,734

* Includes only outsourced security services. Other security and rescue expenses are recognised on other expense lines. In 2020, all other security and rescue expenses amounted to EUR 7,4 million (2019: EUR 7 million).

Note 22. Other operating expenses

In EUR thousand	2020	2019
Administrative expenses	321	467
Marketing and public relations	243	541
Training costs	108	315
Human Resources	15	40
Special clothing and uniforms	260	272
Business trips	27	128
Costs related to doubtful receivables (Note 10)	381	139
Total other operating expenses	1,355	1,902

Note 23. Staff costs

In EUR thousand	2020	2019
Wages and salaries, performance pay, holiday pay, bonuses	11,701	15,454
Average monthly salary in EUR	1,872	2,029
Taxes calculated on staff costs	3,933	5,183
Staff costs classified as fringe benefits	33	151
Taxes classified as fringe benefits	38	161
Total staff costs	15,705	20,949

Staff count

Number of employees at the beginning of the period	681	680
Number of employees at the end of period	509	681
Average number of employees	521	635

Note 24. Contingent liabilities and commitments

Potential liabilities arising from tax inspection

Tax authorities have neither launched nor performed tax inspections or single case reviews at Group entities. The tax authorities have the right to verify the Group's tax records up to 5 years from the time of submitting the tax declaration and upon finding errors, impose additional taxes, interest and fines. The management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Group.

Binding future obligations under construction contracts

As at 31 December 2020, the Group had future commitments of EUR 31,9 million (2019: EUR 0,2 million) under contracts concluded for the construction of fixed assets (see Notes 5, 12 and 14).

Binding future obligations under government grants

In the event of a breach of the agreement, the Cohesion Fund of the European Union will be entitled to recover the funds financed. As at 31 December 2020, government grants in amount of EUR 22,9 million were received (31.12.2019: EUR 20,7 million).

Note 25. Related party transactions

In EUR thousand	2020	2019
Receivables	34	42
Liabilities	8	545
Incl. liability due to route incentive program	0	81
Sales	479	628
Reduction of sales due to route incentive program	0	-151
Purchases	97	158

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

In 2020, the remuneration of the Supervisory and Management Boards of a parent company, excluding social security taxes amounted to EUR 292 thousand (2019: EUR 385 thousand) and the remuneration of the Supervisory and Management Boards of subsidiaries, excluding social security taxes amounted to EUR 93 thousand (2019: 198 thousand). Tallinn Airport Ltd 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.

As at 31.12.2019, a provision related to an insurance case in the amount of 456 thousand euros was recorded as a liability. In 2020, an agreement was entered into between the liability insurer and the parties in connection with the insurance case. As a result of which the Group recognized 481 thousand euros as a reduction of other operating expenses in 2020. As of 31.12.2020, the provision related to the insurance case is 0 euros.

Transactions with related parties have been concluded at market prices and no allowance has been recognised for the receivables from related parties during the period.



Note 26. Financial information of the parent company

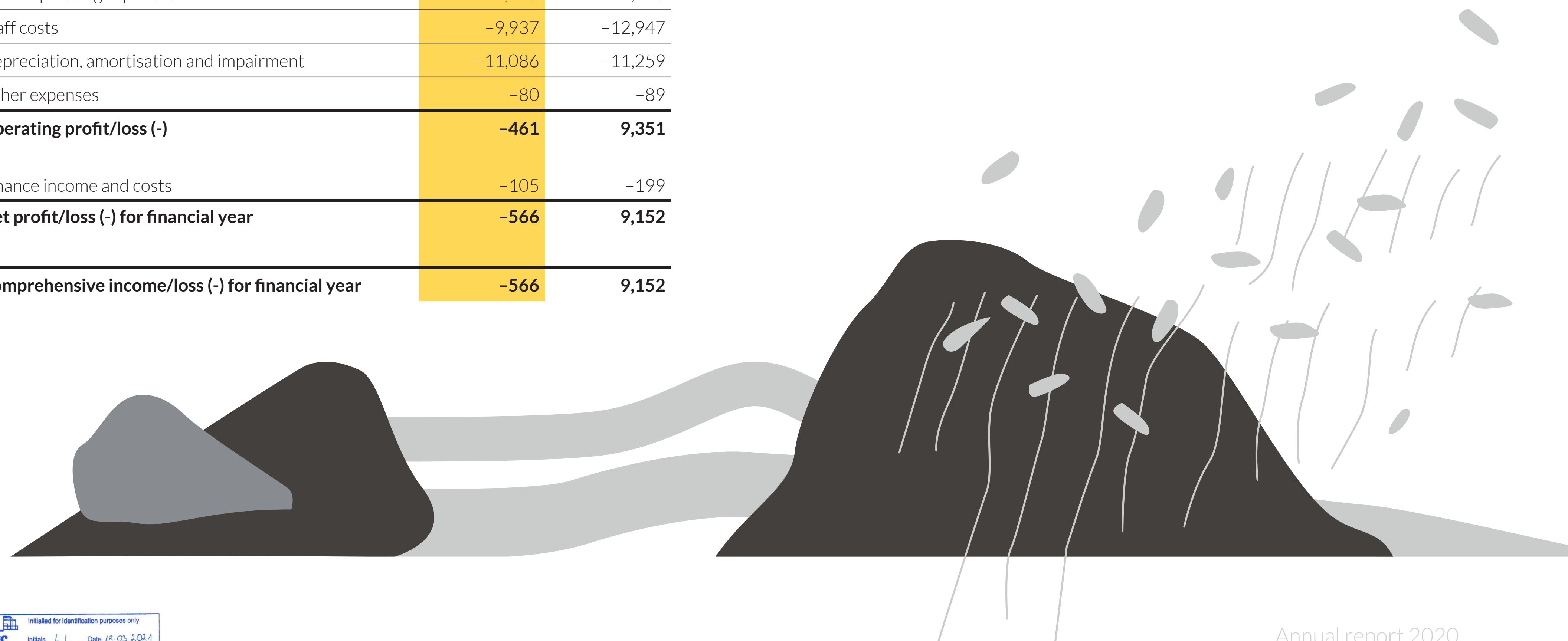
Separate statement of financial position

In EUR thousand	31.12.2020	31.12.2019
Assets		
Non-current assets		
Long-term financial investments	1,028	1,028
Property, plant and equipment	155,309	148,279
Right-of-use assets	46	67
Intangible assets	511	514
Investment property	15,698	16,762
Total non-current assets	172,592	166,650
Current assets		
Inventories	109	138
Payables and prepayments	4,981	3,782
Cash	43,556	43,394
Total current assets	48,646	47,314
Total assets	221,238	213,964

In EUR thousand	31.12.2020	31.12.2019
Equity		
Share capital	25,617	25,095
Statutory reserve capital	2,510	2,510
Retained earnings	57,394	57,960
Total equity	85,521	85,565
Liabilities		
Non-current liabilities		
Borrowings	49,036	42,322
Lease liabilities	29	46
Government grants	75,900	77,139
Total non-current liabilities	124,965	119,507
Current liabilities		
Borrowings	3,297	3,297
Lease liabilities	18	21
Payables and prepayments	7,226	5,574
Provision	211	0
Total current liabilities	10,752	8,892
Total liabilities	135,717	128,399
Total liabilities and equity	221,238	213,964

Separate statement of comprehensive income

In EUR thousand	2020	2019
Revenue	16,285	35,522
Other income	14,871	13,252
Goods, materials and services	-9,339	-13,583
Other operating expenses	-1,175	-1,545
Staff costs	-9,937	-12,947
Depreciation, amortisation and impairment	-11,086	-11,259
Other expenses	-80	-89
Operating profit/loss (-)	-461	9,351
Finance income and costs	-105	-199
Net profit/loss (-) for financial year	-566	9,152
Comprehensive income/loss (-) for financial year	-566	9,152



Separate statement of cash flows

In EUR thousand	2020	2019
Cash flows from operating activities		
Collections from customers	20,719	38,982
Paid to suppliers and employees	-24,936	-31,833
Interest received	73	2
Interest paid	-178	-200
Government grant received from the state budget for covering the cost of operating activities	9,620	9,195
Other grants received for covering the cost of operating activities	75	200
Total cash flows from operating activities	5,373	16,346
Cash flows from investing activities		
Paid for purchase of property, plant and equipment, and intangible assets	-12,937	-10,979
Proceeds from sale of property, plant and equipment	225	51
Government grants received from state budget for non-current assets	-1,456	17,300
Government grants received for non-current assets	2,263	2,700
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	-11,905	9,072

In EUR thousand	2020	2019
Cash flows from financing activities		
Repayments of borrowings	-3,285	-2,143
Borrowings received	10,000	14,000
Repayment of lease liabilities	-21	-27
Total cash flows from financing activities	6,694	11,830
Net cash flows		
Cash and cash equivalents at beginning of year	43,394	6,146
Cash and cash equivalents at end of year	43,556	43,394
Net increase/decrease in cash and cash equivalents	162	37,248

Separate statement of changes in equity

In EUR thousand	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 31.12.2018	25,095	2,510	48,808	76,413
Comprehensive income for 2019	0	0	9,152	9,152
Balance as at 31.12.2019	25,095	2,510	57,960	85,565
Increase of share capital by non - monetary contribution	522	0	0	522
Comprehensive income for 2020	0	0	-566	-566
Balance as at 31.12.2020	25,617	2,510	57,394	85,521

Adjusted unconsolidated equity of Tallinn Airport Ltd (parent company)

In EUR thousand	2020	2019
Unconsolidated equity of the parent	85,521	85,565
Carrying amount of subsidiaries in the separate reporting of the parent (minus)	-1,028	-1,028
Value of subsidiary under the equity method (plus)	9,489	10,920
Total	93,982	95,457





Independent Auditor's Report

To the Shareholder 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 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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

Translation note:

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

Basis for opinion

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

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

Independence

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

Other information

The Management Board is responsible for the other information. The other information comprises the Management report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information 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.

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- 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

18 March 2021
Tallinn, Estonia

/signed/

Kristiina Veermäe
Auditor's certificate no.596

Translation note:

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Profit allocation proposal

Retained earnings as at 31.12.2019	EUR 67,852 thousand
Net loss for 2020	EUR -1,997 thousand
Total distributable profit as at 31.12.2020	EUR 65,855 thousand

The Management Board proposes to cover the net loss for 2020 in the amount of –1,997 thousand euros from retained earnings.

Retained earnings after profit allocation	EUR 65,855 thousand
--	----------------------------

Riivo Tuvike	Einari Bambus	Anneli Turkin
Chairman of the board	Member of the Management Board	Member of the Management Board
18.03.2021	18.03.2021	18.03.2021

Signatures to the annual report

The Management Board of Tallinn Airport Ltd has prepared the management report and financial statements for the year 2020. The Management confirms the correctness of information presented in the annual report.

Management board:

Riivo Tuvike	Einari Bambus	Anneli Turkin
Chairman of the board	Member of the Management Board	Member of the Management Board
18.03.2021	18.03.2021	18.03.2021

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	Kadri Land	Toivo Jürgenson
Chairman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
29.03.2021	29.03.2021	29.03.2021

Piret Aava	Jaanus Uiga
Member of the Supervisory Board	Member of the Supervisory Board
29.03.2021	29.03.2021

Sales revenue of Tallinn Airport Ltd according to EMTAK 2008

In EUR thousand	2020	2019
EMTAK code		
35131 Distribution of electricity	619	715
52231 Operation of airports and airport passenger terminals	14,624	32,744
52239 Other air transport service activities	5,279	13,629
85599 Other education	34	32

