

Naritolla

Annual Report 2005

Tallinn Airport 



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GENERAL INFORMATION

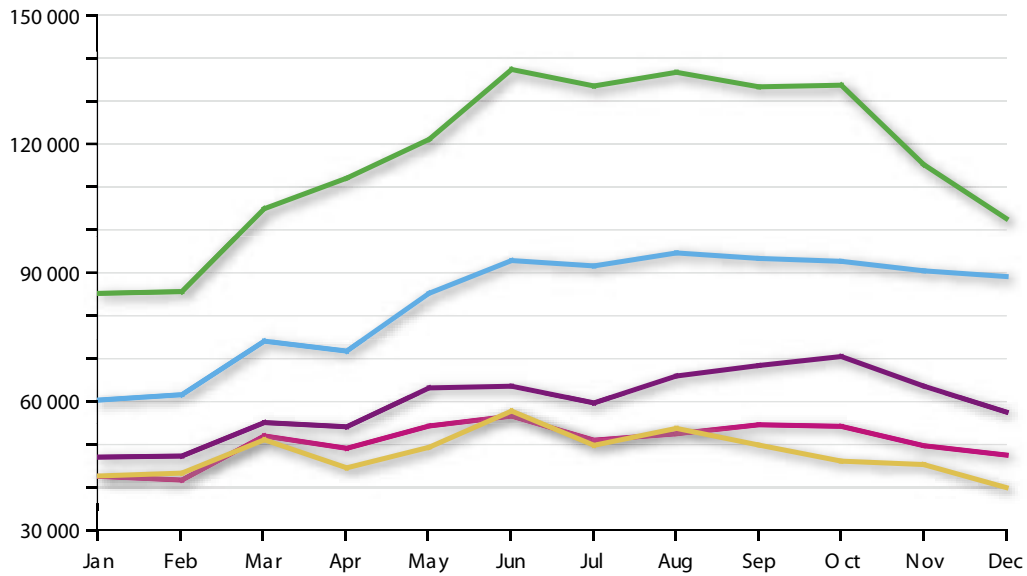
Status:	Airport open to international and domestic flights.
Codes:	EETN (ICAO), TLL (IATA)
Category:	Aerodrome Reference Code 4E according Annex 14 ICAO CAT I (navigation) Category 7 (Rescue & Fire Fighting)
Address:	Lennujaama 2, Tallinn 11101, Estonia
Phones:	(+372) 6 05 88 88 (information) (+372) 6 05 87 01 (administration) (+372) 6 25 82 93 (24 h NOTAM office)
Fax:	(+372) 6 05 83 33 (administration) (+372) 6 05 84 33 (apron control) (+372) 6 05 87 33 (handling) (+372) 6 25 82 80 (AIS)
SITA:	TLLXT8X (apron control) TLLGH8X (ground handling)
AFTN of airport:	EETN ZXZX
AFTN of ATC:	EETT ZDZX
Situated:	4 kms/2.7 nm SE from Tallinn City Centre 20 kms/12.5 mls from Port of Tallinn (Uussadam) 1.5 kms/1 ml from nearest railway station (Ülemiste)
Operation hours:	GMT 0400 - 2200, flights between 2200 - 0400 on request
Curfew time:	None

GENERAL OVERVIEW

	2001	2002	2003	2004	2005
Passengers	573 758	606 348	716 204	997 680	1 402 538
International	568 261	590 877	699 700	979 408	1 377 846
Domestic	5 232	14 820	16 159	18 053	23 213
Direct transit	265	651	345	219	1 479
Total air cargo	4 543	4 292	5 076	5 238	9 936
Mail (tons)	1 020	937	868	886	836
Air freight (tons)	3 524	3 355	4 209	4 352	9 100
Aircraft movements	23 633	26 226	25 294	28 149	33 610
Commercial	18 923	19 778	19 397	21 860	26 878
Other movements	4 710	6 448	5 897	6 289	6 732
Operators	253	316	277	293	206
Scheduled operators	10	10	11	13	13
Destinations	259	269	270	289	343
Scheduled destinations	16	14	19	24	24

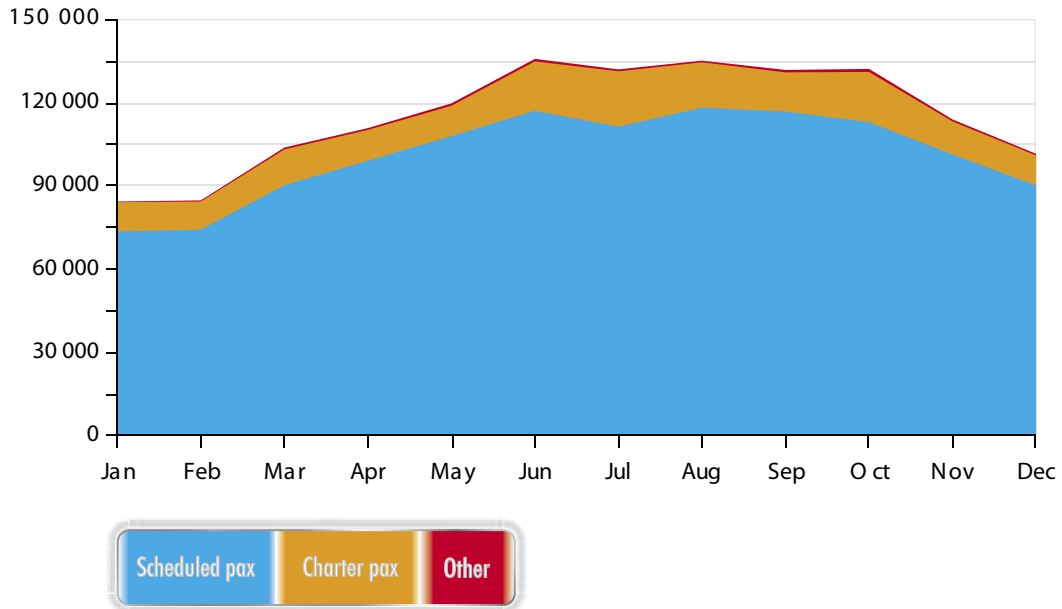


PASSENGERS 2001 - 2005



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2001	42 658	43 321	51 083	44 546	49 341	57 776	49 798	53 738	49 853	46 109	45 311	39 959	573 493
2002	42 555	41 703	51 977	49 090	54 295	56 601	50 983	52 483	54 575	54 208	49 704	47 523	605 697
2003	47 046	47 295	55 087	54 109	63 166	63 559	59 667	65 935	68 383	70 475	63 587	57 550	715 859
2004	60 343	61 586	74 057	71 739	85 206	92 829	91 579	94 603	93 324	92 650	90 437	89 108	997 461
2005	85 190	85 592	104 903	112 026	121 062	137 334	133 492	136 677	133 294	133 672	115 191	102 626	1 401 059
% growth rate 2004/05	41,2%	39,0%	41,7%	56,2%	42,1%	47,9%	45,8%	44,5%	42,8%	44,3%	27,4%	15,2%	40,5%

PASSENGER STRUCTURE



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Scheduled pax	74 202	74 901	91 121	100 089	109 110	118 343	112 546	119 507	118 082	114 198	102 373	91 083	1 225 555
Charter pax	10 759	10 285	13 108	11 289	11 066	18 075	20 258	16 582	14 321	18 371	12 093	10 965	167 172
Other	229	406	674	648	886	916	688	588	891	1 103	725	578	8 332
Total pax	85 190	85 592	104 903	112 026	121 062	137 334	133 492	136 677	133 294	133 672	115 191	102 626	1 401 059

MARKET SHARE

TOP AIRLINES BY PASSENGERS

	2001	2002	2003	2004	2005
1 Estonian Air	50,8%	52,7%	57,3%	54,8%	45,8%
2 easyJet	-	-	-	2,3%	12,0%
3 Aero Airlines	-	10,7%	17,2%	14,0%	11,6%
4 Czech Airlines	-	-	3,1%	5,6%	5,3%
5 Air Baltic	1,2%	1,1%	1,7%	2,5%	3,5%
6 Lufthansa	-	-	-	3,2%	3,5%
7 FlyNordic	-	-	-	-	2,6%
8 KLM Cityhopper	-	-	-	-	2,3%
9 Scandinavian Airlines	9,3%	5,0%	3,8%	2,6%	2,0%
10 Avies	0,3%	1,2%	1,1%	1,7%	1,6%
Other	38,4%	29,3%	15,8%	13,3%	9,8%

TOP DESTINATIONS BY PASSENGERS

	2001	2002	2003	2004	2005
1 London	5,0%	6,3%	6,2%	6,8%	12,3%
2 Helsinki	27,7%	25,5%	22,4%	16,8%	12,1%
3 Stockholm	20,6%	19,2%	13,1%	10,2%	9,9%
4 Copenhagen	18,0%	15,6%	17,4%	11,7%	9,0%
5 Berlin	-	-	2,3%	2,9%	6,9%
6 Frankfurt	4,3%	4,6%	5,2%	7,2%	6,2%
7 Prague	-	-	3,1%	5,6%	5,3%
8 Amsterdam	-	-	1,1%	2,2%	3,8%
9 Oslo	-	-	3,2%	3,2%	3,6%
10 Vilnius	3,4%	3,3%	3,2%	3,0%	2,6%
Other	31,0%	25,5%	22,8%	30,4%	28,3%

PASSENGER TRAFFIC ON REGULAR ROUTES IN 2001-2005

Code	Airport	2001	2002	2003	2004	2005	% change 2004/05
LON	London	28 696	37 773	44 287	82 041	172 928	110,8%
HEL	Helsinki	157 439	150 774	158 517	167 138	168 700	0,9%
STO	Stockholm	118 102	94 096	93 958	101 995	138 699	36,0%
CPH	Copenhagen	103 104	116 296	124 317	116 418	125 629	7,9%
BER	Berlin	0	0	6 768	18 975	96 659	409,4%
FRA	Frankfurt	24 786	27 843	37 357	71 986	87 192	21,1%
PRG	Prague	0	0	22 478	55 572	74 629	34,3%
AMS	Amsterdam	0	0	2 810	22 924	52 528	129,1%
OSL	Oslo	0	0	9 012	31 057	49 982	60,9%
VNO	Vilnius	19 318	19 624	22 261	26 628	35 472	33,2%
RIX	Riga	11 049	9 728	11 705	22 278	27 053	21,4%
HAM	Hamburg	9 535	10 660	28 329	29 727	23 674	-20,4%
DUB	Dublin	0	0	0	3 430	23 371	581,4%
BRU	Brussels	0	0	0	5 324	20 701	288,8%
MOW	Moscow	15 009	16 702	26 045	21 187	18 744	-11,5%
PAR	Paris	0	0	17 658	28 308	16 942	-40,2%
WAW	Warsaw	11 697	15 367	15 098	17 526	16 815	-4,1%
IEV	Kiev	10 698	9 267	10 149	15 807	14 731	-6,8%
MIL	Milan	0	0	0	10 801	14 341	32,8%
MAN	Manchester	0	0	0	0	12 249	N/A
URE	Kuressaare	842	6 148	6 707	8 447	11 689	38,4%
KDL	Kärdla	2 136	6 111	7 045	7 781	9 339	20,0%
GOT	Gothenburg	0	0	0	4 261	7 412	73,9%
MUC	Munich	0	0	0	15 233	6 076	-60,1%
	other scheduled	16 131	22 822	6 525	610	0	
	Total scheduled	528 542	543 211	651 026	885 454	1 225 555	38,4%

PASSENGER MOVEMENTS 2005

MONTHLY TOTALS - PASSENGER MOVEMENTS BY DESTINATIONS ON SCHEDULED FLIGHTS 2005

Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
London	11 839	11 565	14 896	13 636	14 832	15 959	16 545	16 185	14 900	15 211	13 406	13 954	172 928
Helsinki	12 243	13 836	15 283	14 767	12 980	13 857	10 316	12 459	16 193	15 891	16 592	14 283	168 700
Stockholm	6 277	6 632	8 648	12 026	12 353	13 234	11 102	13 478	15 181	14 807	13 681	11 280	138 699
Copenhagen	7 024	7 260	8 662	10 030	11 148	12 491	11 377	11 988	12 684	11 997	11 996	8 972	125 629
Berlin	5 757	5 675	8 526	8 330	9 174	9 503	10 688	10 403	9 116	8 527	5 298	5 662	96 659
Frankfurt	5 835	4 606	5 441	6 055	7 959	9 264	9 627	9 748	8 559	7 962	6 081	6 055	87 192
Prague	3 854	3 820	5 788	5 590	7 192	7 565	8 187	8 127	7 373	6 963	5 272	4 898	74 629
Amsterdam	1 499	1 317	1 796	5 161	4 987	5 312	5 527	6 050	5 332	5 363	5 195	4 989	52 528
Oslo	2 569	2 744	3 269	4 622	4 977	5 064	4 084	4 372	4 452	5 354	4 964	3 511	49 982
Vilnius	2 389	2 822	2 920	3 334	3 497	3 261	1 727	2 848	3 975	2 740	3 281	2 678	35 472
Riga	1 529	1 942	2 058	2 573	2 365	2 346	1 701	2 432	2 831	2 583	2 475	2 218	27 053
Hamburg	1 527	1 225	1 644	1 647	2 059	2 630	2 958	2 624	1 908	2 034	1 811	1 607	23 674
Dublin	1 524	1 468	1 656	1 831	1 847	2 177	2 641	2 694	1 975	1 940	1 923	1 695	23 371
Brussels	1 500	1 478	2 023	1 457	1 735	2 143	1 264	1 301	1 663	2 181	2 339	1 617	20 701
Moscow	1 428	1 458	1 383	1 354	1 732	1 782	1 686	1 650	1 316	1 736	1 677	1 542	18 744
Paris	1 670	1 075	1 190	1 381	1 983	2 252	2 265	2 118	1 734	1 274	0	0	16 942
Warsaw	782	910	1 328	1 451	1 662	1 993	1 931	1 732	1 783	1 307	1 047	889	16 815
Kiev	955	982	878	1 008	1 585	1 439	1 558	1 644	1 265	1 495	1 031	891	14 731
Milan	0	0	133	1 323	1 156	1 770	2 208	2 380	1 574	1 174	1 456	1 167	14 341
Manchester	0	0	0	0	1 229	1 566	2 213	2 411	1 626	1 312	945	947	12 249
Kuressaare	717	735	879	963	1 156	1 111	1 143	1 208	1 023	987	830	937	11 689
Kärdla	508	596	691	722	809	869	1 112	905	826	819	717	765	9 339
Gothenburg	788	888	116	520	693	755	686	750	793	541	356	526	7 412
Munich	1 988	1 867	1 913	308	0	0	0	0	0	0	0	0	6 076
Total	74 202	74 901	91 121	100 089	109 110	118 343	112 546	119 507	118 082	114 198	102 373	91 083	1 225 555

PASSENGER MOVEMENTS 2005

MONTHLY TOTALS - CHARTER PASSENGERS 2005

Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sharm el Sheikh	5 072	5 067	5 912	5 448	1 356	0	0	0	480	2 939	4 969	4 378	35 621
Antalya	0	0	0	109	2 227	3 861	4 076	4 345	3 290	3 606	131	0	21 645
Hurghada	2 796	1 283	1 473	1 642	0	0	0	0	0	1 140	2 610	2 743	13 687
Iraklion	0	0	0	0	846	2 144	2 531	2 154	2 548	1 494	0	0	11 717
Monastir	0	0	0	713	1 023	1 095	1 135	1 117	1 321	1 671	151	0	8 226
Tenerife	157	647	929	342	0	0	0	0	0	474	1 595	1 094	5 238
Malaga	0	0	0	542	1 429	472	0	244	1 303	538	0	0	4 528
Las Palmas	536	0	0	0	0	0	0	0	0	332	1 608	1 246	3 722
Vienna	0	0	0	0	1 101	1 829	0	701	0	0	0	0	3 631
Salzburg	1 079	961	838	0	0	0	343	0	0	0	0	117	3 338
Athens	0	0	0	0	0	0	0	541	1 449	1 266	0	0	3 256
Lanzarote	728	600	940	555	0	0	0	0	0	0	0	0	2 823
Nice/Cote D'Azur	0	0	0	0	579	0	1 085	627	406	0	0	0	2 697
Rhodos	0	0	0	0	0	0	122	955	975	601	0	0	2 653
Palma de Mallorca	0	0	0	78	633	890	929	120	0	0	0	0	2 650
Palermo	0	0	0	0	0	585	298	0	680	922	0	0	2 485
Rijeka (Croatia)	0	0	0	0	0	715	900	796	0	0	0	0	2 411
Mugla/Dalaman	0	0	0	0	158	1 490	634	0	0	0	0	0	2 282
Faro	0	0	0	0	329	1 090	816	0	0	0	0	0	2 235
Verona	0	0	0	0	0	559	584	682	334	0	0	0	2 159
other	391	1 727	3 016	1 860	1 385	3 345	6 805	4 300	1 535	3 388	1 029	1 387	30 168
total charter pax	10 759	10 285	13 108	11 289	11 066	18 075	20 258	16 582	14 321	18 371	12 093	10 965	167 172

PASSENGER PROFILE

In 2005 Tallinn Airport Marketing Department organised the tenth annual passenger research at the airport. The research was carried out in two parts: in May and in November. Altogether 4413 passengers were interviewed. The aim of the survey was to learn more about our passenger and route structures, the changes that have occurred compared to the previous surveys (seasonality) and the opinions about services at our airport.

As a result of the survey the following information about passengers of Tallinn Airport was found:

Tariff (Fare)	2001	2002	2003	2004	2005
Business	27%	22%	10%	4%	3%
Economy	72%	77%	89%	95%	95%
Other	1%	1%	1%	1%	2%
Purpose of journey	2001	2002	2003	2004	2005
Leisure	15%	16%	16%	23%	27%
Business	74%	69%	69%	61%	54%
VFR	6%	8%	10%	10%	13%
Other	5%	7%	5%	6%	6%
Average monthly income	2001	2002	2003	2004	2005
Up to 324 EUR	8%	8%	8%	8%	7%
325 – 544 EUR	10%	12%	10%	11%	11%
545 – 1084 EUR	20%	20%	21%	21%	21%
1085 – 2174 EUR	17%	18%	21%	21%	23%
2175 – 3249 EUR	14%	14%	17%	16%	16%
Over 3250 EUR	31%	28%	23%	23%	22%
Sex	2001	2002	2003	2004	2005
Female	29%	30%	35%	35%	39%
Male	71%	70%	65%	65%	61%
Who paid for the ticket?	2001	2002	2003	2004	2005
Passenger itself	24%	27%	30%	36%	44%
Family	1%	2%	3%	4%	4%
Company/Organisation	73%	68%	65%	56%	49%
Other	2%	3%	2%	4%	3%
Travelling in group or alone	2001	2002	2003	2004	2005
Alone	51%	53%	60%	62%	N/A
With family	7%	9%	9%	11%	N/A
With friends	7%	6%	5%	8%	N/A
With colleagues	30%	27%	23%	16%	N/A
In group	5%	5%	3%	3%	N/A
Age group	2001	2002	2003	2004	2005
15 – 24	7%	8%	8%	11%	12%
25 – 34	29%	28%	29%	30%	31%
35 – 44	30%	29%	31%	30%	27%
45 – 54	21%	21%	20%	18%	16%
55 – 64	10%	11%	9%	8%	10%
64 and older	3%	3%	3%	2%	4%

PASSENGER PROFILE

Where was the ticket booked/ bought	2001	2002	2003	2004	2005
From airline office at airport	9%	8%	7%	5%	4%
From airline office downtown	4%	5%	4%	4%	2%
Via Internet	2%	3%	9%	24%	43%
From travel agency	85%	84%	80%	67%	51%
Passenger nationality profile	2001	2002	2003	2004	2005
Estonian	43,5%	40,5%	41,7%	42,6%	41,5%
Latvian	1,0%	0,7%	1,4%	1,2%	1,0%
Lithuanian	2,0%	1,3%	1,9%	2,1%	0,9%
Total Baltic State Residents	46,5%	42,5%	45,0%	45,9%	43,4%
Finnish	10,7%	6,3%	7,4%	7,0%	5,2%
Swedish	9,0%	10,6%	9,0%	7,2%	8,0%
Norwegian	2,7%	3,2%	3,8%	2,7%	3,6%
Danish	4,5%	4,3%	3,2%	2,8%	2,1%
Total Scandinavian	26,9%	24,4%	23,5%	19,7%	18,9%
German	4,2%	4,3%	5,2%	9,2%	7,5%
British	5,5%	6,7%	4,6%	7,2%	8,8%
Dutch	1,2%	1,4%	1,9%	0,9%	1,4%
Italian	0,8%	1,7%	1,5%	1,6%	1,5%
Russian	5,3%	6,1%	7,4%	5,6%	6,5%
French	1,1%	1,1%	1,2%	1,4%	1,4%
Belgian	0,7%	0,7%	0,5%	0,4%	0,4%
Rest of Europe	5,0%	6,5%	5,1%	4,6%	6,1%
Total Europe	97,2%	95,5%	96,4%	96,5%	95,9%
Total North America	1,9%	2,7%	2,4%	1,9%	2,2%
Total Far East	0,5%	0,8%	0,7%	0,6%	0,5%
Other	0,4%	1,0%	0,5%	1,0%	1,4%

MAIL AND FREIGHT 2005

MARKET SHARE

TOP AIRLINES BY MAIL AND FREIGHT

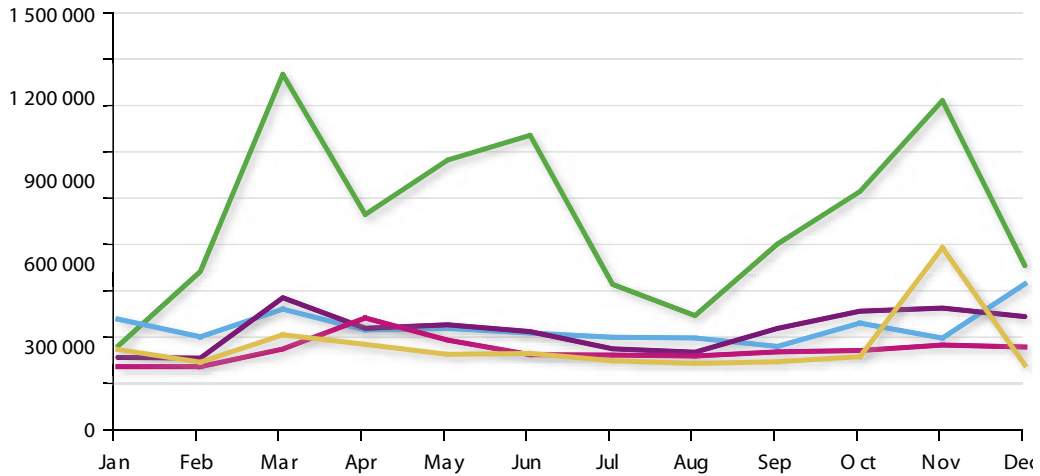
	2001	2002	2003	2004	2005
1 Estonian Air	38,5%	37,8%	35,0%	34,4%	16,4%
2 Tesis	-	-	-	-	12,4%
3 AeroVis Airlines	-	-	-	-	11,3%
4 Aviastar-Tu	-	-	-	-	8,5%
5 TNT	7,1%	8,3%	12,1%	13,1%	8,2%
6 Aero Airlines	-	10,5%	13,5%	12,9%	6,7%
7 DHL	8,0%	8,8%	9,9%	9,9%	5,8%
8 Antonov Airlines	-	-	-	4,2%	4,1%
9 UPS	5,1%	6,1%	5,9%	6,8%	3,7%
10 Jet Line International	-	-	-	-	3,2%
Other	41,3%	28,5%	23,6%	18,7%	19,7%

TOP DESTINATIONS BY MAIL AND FREIGHT

	2001	2002	2003	2004	2005
1 Helsinki	44,9%	48,4%	46,6%	35,8%	16,7%
2 Istanbul	-	-	-	0,1%	13,1%
3 Aktybinsk	-	-	-	-	12,1%
4 Kustanay	-	-	-	-	8,2%
5 Copenhagen	17,6%	19,3%	18,8%	16,9%	7,2%
6 Liege	-	-	-	-	6,0%
7 Rimini	-	-	-	0,4%	5,6%
8 Frankfurt	6,2%	5,8%	5,3%	4,9%	4,8%
9 Turku	-	-	-	10,1%	3,5%
10 Akmola (Tselinograd)	-	-	-	-	3,0%
Other	31,3%	26,5%	29,3%	31,8%	19,8%

MAIL AND FREIGHT

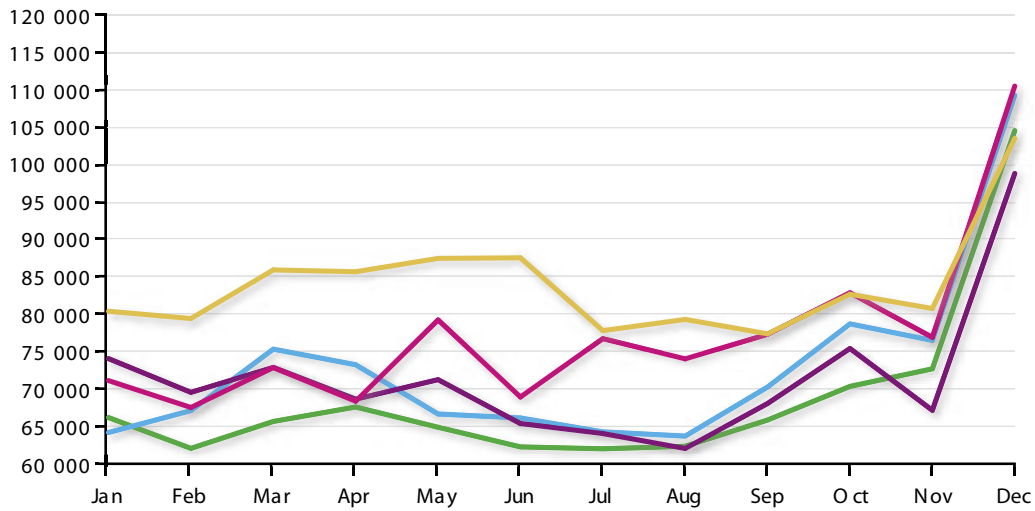
MONTHLY TOTALS: FREIGHT 2001 - 2005



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2001	281 572	235 990	334 483	300 051	263 986	267 596	241 087	231 551	237 586	255 739	647 896	225 982	3 523 519
2002	219 758	219 807	283 415	394 987	315 273	262 843	261 503	258 117	273 016	277 932	297 639	290 455	3 354 745
2003	253 084	250 538	467 794	358 001	370 479	345 886	283 999	271 810	357 386	419 307	430 539	399 954	4 208 777
2004	390 795	327 092	426 731	351 532	357 404	340 646	325 540	323 030	292 642	376 515	322 443	517 202	4 351 572
2005	293 498	562 246	1 271 589	767 169	963 149	1 052 142	515 836	403 499	661 171	849 705	1 177 012	583 191	9 100 207
% growth rate 2004/05	-24,9%	71,9%	198,0%	118,2%	169,5%	208,9%	58,5%	24,9%	125,9%	125,7%	265,0%	12,8%	109,1%

MAIL AND FREIGHT

MONTHLY TOTALS: MAIL 2001 - 2005



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2001	81 351	80 362	86 932	86 685	88 489	88 568	78 730	80 240	78 301	83 642	81 718	104 696	1 019 714
2002	71 977	68 347	73 733	69 194	80 178	69 761	77 645	74 913	78 232	83 850	77 816	111 764	937 410
2003	74 946	70 388	73 763	69 467	72 107	66 170	64 826	62 807	68 888	76 315	67 964	99 956	867 597
2004	64 964	67 921	76 228	74 121	67 465	66 929	65 050	64 480	71 111	79 637	77 410	110 515	885 831
2005	66 983	62 821	66 459	68 409	65 677	63 020	62 765	63 104	66 655	71 193	73 567	105 741	836 394
% growth rate 2004/05													
	3,1%	-7,5%	-12,8%	-7,7%	-2,7%	-5,8%	-3,5%	-2,1%	-6,3%	-10,6%	-5,0%	-4,3%	-5,6%

AIRCRAFT MOVEMENTS 2005

MARKET SHARE

TOP AIRLINES BY AIRCRAFT MOVEMENTS

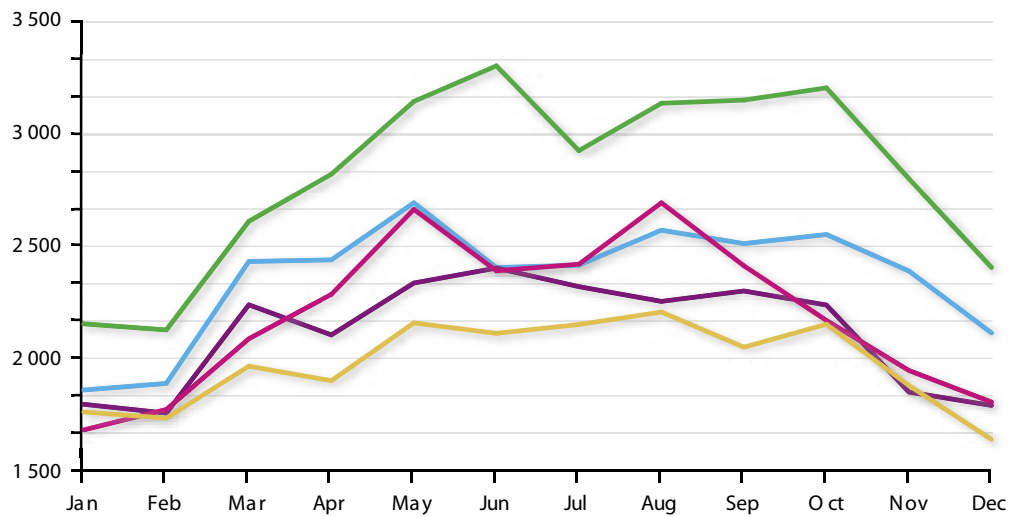
	2001	2002	2003	2004	2005
1 Estonian Air	29,5%	26,4%	27,7%	29,5%	26,9%
2 Aero Airlines	-	7,1%	13,4%	13,2%	13,0%
3 Avies	6,6%	8,1%	9,1%	12,2%	11,2%
4 Air Baltic	2,1%	2,0%	2,5%	4,5%	6,5%
5 easyJet	-	-	-	0,9%	4,2%
6 Estonian State Aviation Group	5,1%	4,3%	4,5%	3,6%	3,5%
7 various private aircraft	N/A	N/A	N/A	3,7%	3,4%
8 Pakker Avio	5,4%	4,5%	4,2%	4,0%	3,3%
9 CSA	-	-	2,3%	3,1%	3,1%
10 Lufthansa	-	-	-	2,0%	2,2%
Other	51,3%	47,7%	36,3%	23,3%	22,7%

TOP DESTINATIONS BY AIRCRAFT MOVEMENTS

	2001	2002	2003	2004	2005
1 Helsinki	28,2%	26,3%	25,6%	22,2%	18,3%
2 Tallinn*	10,9%	15,2%	13,5%	9,5%	8,7%
3 Stockholm	12,7%	9,7%	9,3%	6,7%	6,1%
4 Copenhagen	7,8%	7,3%	7,7%	6,9%	6,1%
5 Riga	4,1%	3,2%	3,2%	4,6%	4,5%
6 Frankfurt	1,8%	1,7%	2,5%	4,1%	4,0%
7 Kärdla	1,8%	4,0%	4,3%	3,8%	3,9%
8 Vilnius	4,7%	3,8%	3,9%	3,0%	3,8%
9 Kuressaare	1,1%	4,0%	4,4%	4,1%	3,7%
10 Prague	-	-	2,3%	3,1%	3,1%
Other	26,9%	24,8%	23,3%	32,0%	37,8%

AIRCRAFT MOVEMENTS

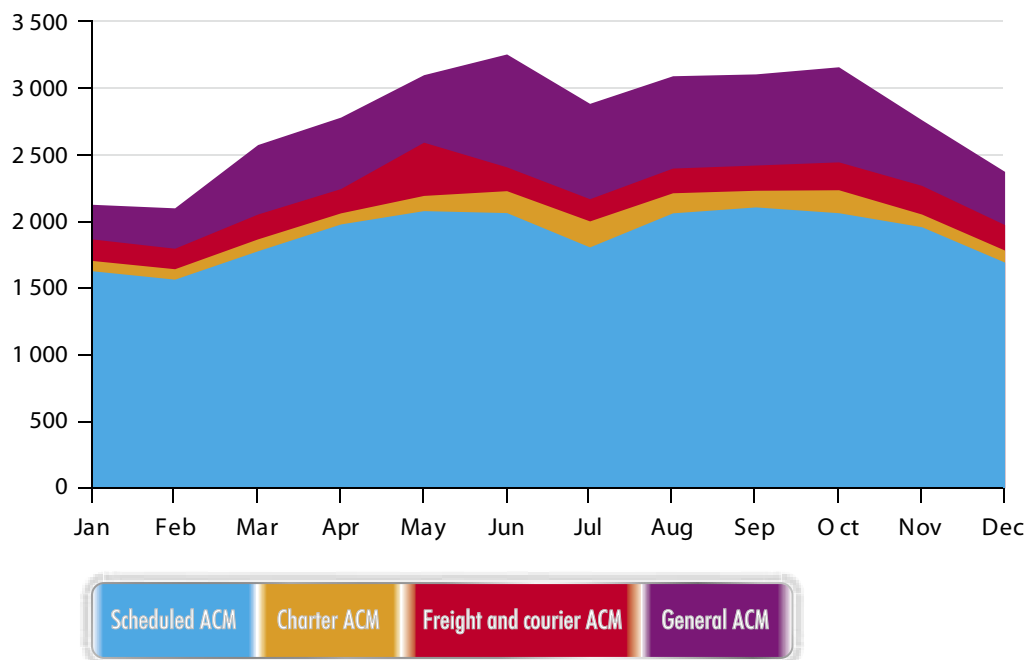
MONTHLY TOTALS: AIRCRAFT MOVEMENTS 2001 - 2005



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2001	1757	1730	1959	1895	2150	2104	2143	2198	2043	2144	1874	1636	23633
2002	1678	1768	2080	2276	2651	2380	2409	2680	2402	2161	1940	1801	26226
2003	1791	1752	2230	2097	2326	2392	2310	2245	2291	2229	1845	1786	25294
2004	1854	1883	2421	2428	2680	2394	2405	2559	2500	2540	2379	2106	28149
2005	2146	2119	2598	2806	3127	3284	2910	3119	3133	3187	2786	2395	33610
% growth rate 2004/05	15,7%	12,5%	7,3%	15,6%	16,7%	37,2%	21,0%	21,9%	25,3%	25,5%	17,1%	13,7%	19,4%

AIRCRAFT MOVEMENTS

MONTHLY TOTALS: AIRCRAFT MOVEMENTS BY FLIGHT TYPES



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Scheduled ACM	1 643	1 579	1 794	1 997	2 098	2 083	1 823	2 081	2 126	2 082	1 976	1 708	22 990
Charter ACM	78	79	90	84	115	166	197	152	126	174	96	91	1 448
Freight and courier ACM	163	155	188	184	403	180	168	187	191	211	217	193	2 440
General ACM	262	306	526	541	511	855	722	699	690	720	497	403	6 732
Total ACM	2 146	2 119	2 598	2 806	3 127	3 284	2 910	3 119	3 133	3 187	2 786	2 395	33 610

AIRCRAFT MOVEMENTS

MONTHLY TOTALS - SCHEDULED PASSENGER AIRCRAFT MOVEMENTS 2005

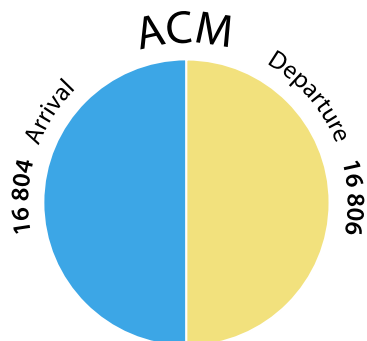
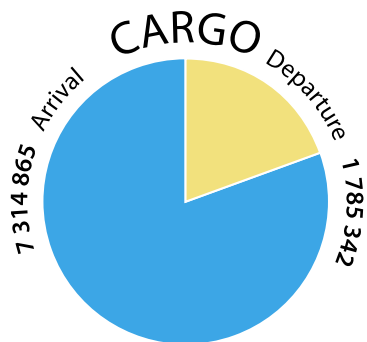
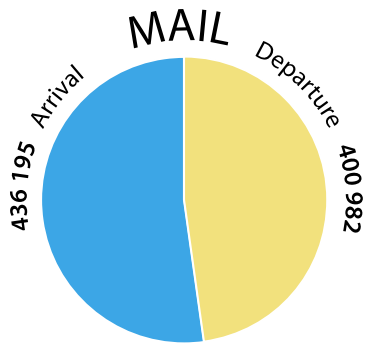
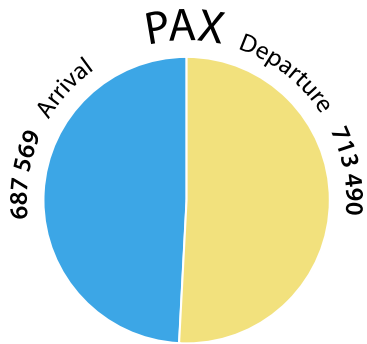
Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Helsinki	328	361	362	393	400	394	288	382	415	411	411	316	4 461
Stockholm	122	116	168	190	189	182	136	174	201	208	196	154	2 036
Copenhagen	140	134	162	170	178	172	184	186	178	182	180	146	2 012
London	132	112	138	128	136	138	142	140	132	142	136	132	1 608
Frankfurt	114	102	114	106	114	112	114	116	108	116	110	104	1 330
Riga	74	80	90	132	134	132	86	122	140	122	94	82	1 288
Vilnius	82	80	90	128	123	128	68	117	134	85	95	86	1 216
Kärdla	78	76	87	100	106	98	104	106	104	104	100	98	1 161
Kuressaare	82	74	90	92	96	96	94	100	96	92	88	86	1 086
Prague	85	76	88	86	89	85	89	88	87	88	85	80	1 026
Berlin	88	78	88	80	86	86	88	88	86	86	60	56	970
Amsterdam	26	24	34	86	83	84	84	90	86	86	85	82	850
Oslo	42	36	50	66	68	62	44	62	60	70	74	58	692
Warsaw	46	48	54	56	60	60	62	60	58	56	52	42	654
Gothenburg	24	24	10	26	32	44	30	34	44	42	36	40	386
Moscow	26	24	26	26	34	34	34	36	28	34	36	30	368
Brussels	34	32	38	26	32	32	20	24	30	34	36	24	362
Hamburg	26	24	26	22	26	28	34	32	24	26	26	24	318
Dublin	18	16	17	25	27	24	26	27	26	26	26	22	280
Paris	26	16	18	18	26	26	26	26	24	20	0	0	226
Kiev	18	16	16	18	22	16	18	18	18	18	16	18	212
Milan	0	0	2	17	17	26	26	27	25	16	18	14	188
Manchester	0	0	0	0	20	24	26	26	22	18	16	14	166
Munich	32	30	26	6	0	0	0	0	0	0	0	0	94
TOTAL	1 643	1 579	1 794	1 997	2 098	2 083	1 823	2 081	2 126	2 082	1 976	1 708	22 990

AIRCRAFT MOVEMENTS

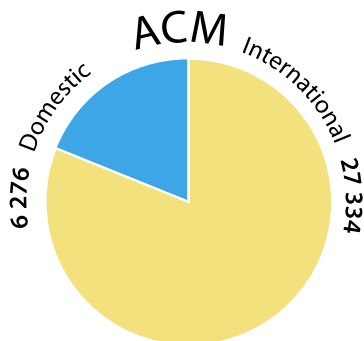
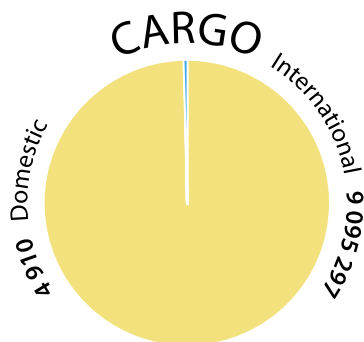
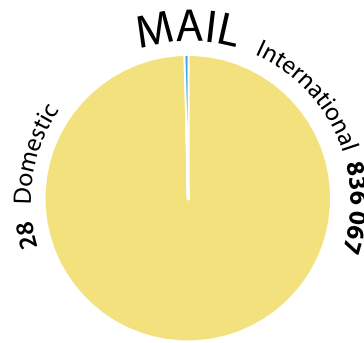
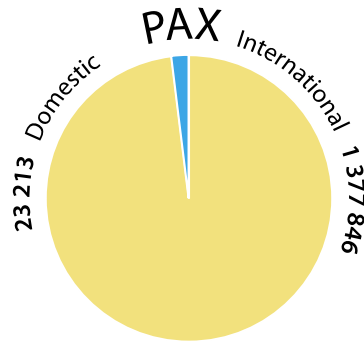
MONTHLY TOTALS - AIRCRAFT MOVEMENTS BY DESTINATIONS ON CHARTER FLIGHTS 2005

Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sharm el Sheikh	34	32	36	35	9	0	0	0	4	24	40	37	251
Antalya	0	0	0	2	23	30	34	34	27	36	2	0	188
Iraklion	0	0	0	0	10	16	20	16	18	14	0	0	94
Hurghada	18	8	8	10	1	0	0	0	0	9	18	19	91
Monastir	0	0	0	6	8	8	10	8	10	13	1	0	64
Tenerife	1	4	5	2	0	0	0	0	0	4	10	8	34
Salzburg	10	9	8	0	0	0	2	0	0	0	0	2	31
Athens	0	0	0	0	0	0	0	5	14	12	0	0	31
Palermo	0	0	0	0	0	8	5	0	8	10	0	0	31
Palma de Mallorca	0	0	0	2	8	9	9	1	0	0	0	0	29
Malaga	0	0	0	3	8	3	0	2	8	3	0	0	27
Nice/Cote D'Azur	0	0	0	0	6	0	10	6	4	0	0	0	26
Las Palmas	3	0	0	0	0	0	0	0	0	3	10	8	24
Rijeka (Croatia)	0	0	0	0	0	7	10	7	0	0	0	0	24
Rhodos	0	0	0	0	0	0	1	8	8	6	0	0	23
Vienna	0	0	0	0	8	10	0	4	0	0	0	0	22
Faro	0	0	0	0	4	10	8	0	0	0	0	0	22
Agadir	0	1	8	10	2	0	0	0	0	0	0	0	21
Dubai	0	0	0	0	0	0	0	0	0	2	10	8	20
Keflavik	0	0	0	0	0	0	9	0	0	9	1	0	19
other	12	25	25	14	28	65	79	61	25	29	4	9	376
total charters	78	79	90	84	115	166	197	152	126	174	96	91	1448

ARRIVALS / DEPARTURES 2005



DOMESTIC / INTERNATIONAL 2005



HIGHLIGHTS OF 2005

THE BUSIEST DAYS

30. September	6 184	passengers	08. June	149	aircraft movements
23. September	6 003	passengers	20. May	149	aircraft movements
16. September	5 812	passengers	14. June	144	aircraft movements
03. June	5 704	passengers	09. June	142	aircraft movements
17. June	5 694	passengers	10. June	142	aircraft movements

TONNAGE LANDED

Annual	556 902	tons
Average per day	1 525 759	kgs
Average per aircraft	33 139	kgs
The largest aircraft	392 000	kgs
The smallest aircraft	449	kgs
The furthest destination	6 974	kms
- Camp Springs, USA		

MAIN BALTIC AIRPORTS YEARLY STATISTICS 2001-2005

Passengers	2001	2002	2003	2004	2005
Riga	622 647	633 322	711 753	1 060 426	1 878 035
Tallinn	573 493	605 697	715 859	997 461	1 401 059
Vilnius	584 171	634 991	719 850	994 159	1 281 872
Cargo (metric tons)	2001	2002	2003	2004	2005
Riga	5 209	6 580	13 534	8 752	15 896
Tallinn	4 543	4 292	5 076	5 237	9 937
Vilnius	4 947	5 082	5 206	5 183	5 281
Aircraft movements	2001	2002	2003	2004	2005
Riga	18 910	18 676	19 504	27 325	34 552
Tallinn	23 633	26 226	25 294	28 148	33 610
Vilnius	18 362	17 124	18 336	23 655	29 193

REPUBLIC OF ESTONIA

Estimated population 1st of January 2005	1 347 510
Currency	15,6466 EEK (kroon) = 1 EUR
GDP change at constant prices 2004/2005	9,8%
Registered unemployment - 4th quarter 2005	2,7%
Average monthly gross wages and salaries - 3rd quarter 2005	7 786 EEK
Other main social and economic indicators	http://www.stat.ee/files/eva2005/UL120502.pdf

Financial Report

The main field of activity of AS Tallinna Lennujaam (Tallinn Airport Ltd) is the provision of air transport services. The company employs nearly 370 people.

Beginning of financial year:	01.01.2005
End of financial year:	31.12.2005
Company name:	Tallinn Airport Ltd
Commercial Register No.:	10349560
Legal address:	Lennujaama tee 2, PO box 1 11101 Tallinn Republic of Estonia
Telephone:	372 – 6 057 701
Fax:	372 – 6 058 333
E-mail:	administration@tl.aero www.tallinn-airport.ee
Auditor:	Ernst & Young Baltic AS
Attached documents:	Auditor's report Profit allocation proposal

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MANAGEMENT REPORT

Tallinn Airport Ltd manages and develops the Tallinn Airport, and provides services to companies operating at the airport. The shares of the airport are held by the Republic of Estonia; the company lies within the jurisdiction of the Ministry of Economic Affairs and Communications of the Republic of Estonia.

In 2005, the net turnover of Tallinn Airport Ltd amounted to 297 million kroons (2004: 250 million kroons), incl. the net turnover from regional airports in the amount of 4.5 million kroons. Net turnover thus increased by 19%, compared to 2004.

Aviation revenues increased by 15%, compared to 2004, and non-aviation revenues by 26%.

Aviation indicators	2001	2002	2003	2004	2005	Change in 2004/2005
Number of passengers	573 493	605 697	715 859	997 475	1 401 059	40.5%
Cargo (in tons)	4 543	4 292	5 076	5 238	9 937	89.7%
Number of flight operations	23 633	26 226	25 294	26 501	33 610	26.8%

Development of the aviation product and increase in passenger numbers in 2005-2006

In 2005, for the first time in its history, Tallinn Airport served over a million passengers in the year (1,401,059 passengers—a 40.5% increase, compared to 2004).

The growth in passenger numbers is mostly conditioned by the launch of new regular flights (a 38% increase) and charter flights (62%).

Changes in regular flight destinations in 2005

Suspended flight destinations

Tallinn – Munich

In April 2005, Estonian Air suspended all flights on the Tallinn – Munich route.

Tallinn – Gothenburg

Estonian Air suspended all flights to Gothenburg on March 2. In April, City Airline launched flights on the route, starting out with 3 flights per week, later changed to 5 flights per week.

Tallinn – Paris

Estonian Air suspended all flights to Paris for the autumn/winter season. The flights will reopen in the spring/summer season 2006.

New destinations

New destinations	Number of flights per week	Airline	Aircraft	Number of seats
Tallinn – Milan (Bergamo) (opened in March 2005)	2-3	Estonian Air	B737-500	118
Tallinn – Manchester (May 2005)	3	Estonian Air	B737-500	118
Tallinn – Amsterdam (March 2005)	7	KLM Air France	F70	80
Tallinn – Stockholm (March 2005)	3-4*	FlyNordic	MD82/83	149-163
Tallinn – Copenhagen (November 2004)	3	FlyNordic	MD82/83	149-163

* The number of flights was reduced to 2 per week in the autumn/winter season.

Changes in regular flight destinations in 2006

Suspended flight destinations

Tallinn – Amsterdam

Estonian Air suspended all flights on the Tallinn – Amsterdam route in January.

Tallinn – Gothenburg

City Airline suspended all flights to Gothenburg in January.

Tallinn – Copenhagen

FlyNordic suspended all flights to Copenhagen in January.

New destinations

New destinations	Number of flights per week	Airline	Aircraft	Number of seats
Tallinn – Barcelona	4	Estonian Air	B737-500	118
Tallinn – Dubrovnik	2	Estonian Air	B737-500	118
Tallinn – Simferopol	2	Estonian Air	B737-500	118
Extra flights				
Tallinn – Copenhagen) (in the spring/summer season)	1	Estonian Air	B737-500	118
Tallinn – Oslo	1	Estonian Air	B737-500	118
Tallinn – Stockholm	4	Estonian Air	B737-500	118
Tallinn – Vilnius	5	Air Baltic	Fokker 50	50

Main service groups

Passenger service in the passenger terminal

Tallinn Airport uses the passenger charge to cover the following expenses: passenger terminal administration and utility expenses, maintenance expenses on passenger terminal waiting halls, passenger gates, escalators and elevators, security surveillance expenses as well as pre-flight security inspection, border guard and customs expenses. In connection with the growth in passenger numbers and a significant improvement of the profitability of the passenger terminal, we dropped the passenger charge from 235 kroons to 155 kroons per departing passenger in November 2004. Revenue from passenger charges thus remained on par with that of 2004. During rush hours, the passenger terminal presently operates above its capacity.

Aircraft landing, takeoff and parking services

Tallinn Airport uses the landing and parking charge to cover the following expenses: runway, taxiway, aircraft parking zone, lane and dock maintenance expenses, expenses on landing systems, beacons, meteo, rescue service, environmental protection, security and aviation safety as well as on-ground flight control.

Revenue from landing charges and aircraft parking charges showed a significant increase. The landing charge is calculated on the number of tons landed. Tallinn Airport has established a landing charge of 170 kroons per ton.

Since the Tallinn Airport runway allows servicing a significantly bigger number of flight operations, the profitability of the unit is insufficient. Due to the increase in the number of flight operations in 2005, landing charges were raised by 39%. As a result, we succeeded, for the first time, in earning a profit from the business segment.

Ground handling of aircrafts; passenger and luggage service

Ground handling of aircrafts depends on the needs of the airline, and involves various services, such as aircraft guiding and de-icing, electricity and water supply, toilet services, cleaning, etc.

Passenger service involves check-in and luggage handling.

Tallinn Airport Ltd and AS Estonian Air provided the above services in Tallinn Airport in 2005.

Tallinn Airport Ltd established a subsidiary AS Tallinn Airport GH in order to guarantee competition in the area, and make revenues and expenses transparent. Fully owned by Tallinn Airport Ltd, the subsidiary launched its operations on January 1, 2006.

Car parking in the public area

Parking was organised in previous periods by an independent operator, who paid the airport a concession. The Tallinn Airport Terminal Service operates airport car parking from July 4, 2005 onwards.

In 2005, we added new parking spaces to the passenger parking lot, replaced the parking technology, and made the payment procedure more convenient for the customer. We also opened new parking lots for airport operators and the airport staff, and a separate parking lot for car rental companies. In the near future, we also plan to build a parking house.

Other important services

- Passenger terminal space rental – we lease out space for stores, caterers, tourist agencies, airlines, currency exchange points and car rental companies;
- Corporate customer service in the restricted area of the passenger terminal;
- Advertising in the passenger terminal;
- Passenger luggage store;
- Cargo terminal space rental;
- Utility services.

Regional airports

Pursuant to Regulation No. 782-k of the Government of the Republic of Estonia from October 27, 2004, Pärnu Airport, Tartu Airport, Kuressaare Airport and Kärdla Airport were merged with Tallinn Airport Ltd in 2005. Kuressaare Airport controls a grass airfield on Ruhnu island, and Pärnu Airport a similar airfield on Kihnu island.

Regional airports are necessary for implementing the regional transportation policy, and have not been designed to serve as money-generating units. In 2005, the state allocated 9 million kroons for covering the operating expenses related to the above airports.

Management system of Tallinn Airport Ltd

The management system of Tallinn Airport Ltd complies with the requirements of the international ISO 9001:2000 and ISO 14001:2004 standards. The compliance certificates have been issued by the certification company Bureau Veritas Eesti OÜ.

The ISO 9001:2000 management system includes:

- passenger service;
- ground service of aircrafts;
- airfield maintenance and management (traffic control, electricity service, terminal technical maintenance, communication service);
- aviation safety and security.

One of the main objectives for Tallinn Airport Ltd is to take responsibility for the surrounding environment. Therefore, the following main activity-related environmental aspects were included in the ISO 14001:2004 management system:

- land use and construction activity;
- energy and natural resource exploitation;
- noise and radiation;
- pollutants into ambient air;
- waste generation;
- use of chemicals.

Establishment of environmental objectives, their continual assessment and performance of the resulting tasks enables to ensure the efficiency of Tallinn Airport Ltd's environmental activities.

In 2006, we plan to implement a safety management system which complies with the requirements set forth in ICAO Annex 14.

Major investments

Purchase of airfield maintenance technology – 20.8 million kroons;

Car parking in the public area – 8 million kroons;

Purchase of 6.4 ha of land for airport expansion – 6.7 million kroons;

Machinery and equipment required for passenger service in the apron – 7.9 million kroons.

Investments planned by Tallinn Airport Ltd for 2005-2008

Rehabilitation of the airside area

Publication reference: EUROPEAID/116500/D/SV/EE

The project has a budget of 24 million EUR, of which 85% will be financed by the EU Cohesion Fund, and 15% co-financed by Tallinn Airport Ltd.

The project objective is to rehabilitate the airside area, improve aviation safety and implement environment protection measures. Construction will be launched in June 2006, and completed in the autumn of 2007. The construction work involves:

- reconditioning the pavement of the second part of the apron together with the associated marking and reconstruction of roads of patrol; reconstruction of the storm and drainage water collection system together with the construction of a local preliminary treatment facility and the option of conducting polluted storm water to the city waste water treatment plant for additional treatment;
- extension of the taxiway and the associated marking; construction of the required drainage water and storm water collection and direction system;
- reconstruction of the perimeter roads together with the installation of perimeter guard systems, which enable to raise the security level on the airside area;
- installation of runway temperature sensors to obtain adequate measuring of de-icing chemicals;
- establishment of aircraft de-icing facilities together with the de-icing fluid collection and preliminary treatment systems. De-icing fluids are collected from all docks connected with passenger gates as well as an additional dock that enables to de-ice a type E aircrafts (at the maximum). Storm water polluted with de-icing chemicals is first conducted to the preliminary treatment facility, and, thereafter, to the city waste water treatment plant for further treatment. In the summer, storm water is conducted to the city storm water sewerage;
- reconstruction of the storm water and drainage system;
- installation of the storm water and drainage water quality monitoring system, which enables continuous monitoring of the content of pollutants in the storm water exhausted from the airside area and automatic waste water conducting to the waste water treatment plant for further treatment;
- remediation of the polluted soil under the old maintenance yard;
- installation of the required communication, power and automatics systems;
- levelling and landscaping.

Upgrading of the passenger terminal according to EU and Schengen Agreement requirements

Publication reference: EUROPEAID/116499/D/SV/EE

continue 

The maximum budget of the project is 33 million EUR of which 75% can be applied for from the EU Cohesion Fund and 25% must be co-financed by Tallinn Airport Ltd. Tallinn Airport Ltd is responsible for upgrading the passenger terminal and cargo service centre according to EU and Schengen Agreement requirements. Pursuant to the above requirements, Tallinn Airport must re-organise passenger flow and improve the security level in the passenger terminal. The extensions and upgrades to be carried out within the framework of the project are intended to satisfy the needs of the airport until at least 2012. Construction is scheduled to be completed in the summer of 2008.

The project objective:

- extension of the passenger terminal in connection with the increase in passenger numbers in accordance with the forecast, as well as interior reconstruction in accordance with the EU and Schengen requirements;
- construction of veterinary and phyto-sanitary border inspection points (BIP), which consist of three BIPs (pets, foodstuffs intended for human consumption and foodstuffs of vegetable origin) next to the cargo service centre;
- 18-meter extensions at the north and south end of the passenger terminal;
- construction of a walkway perpendicular to the terminal so as to serve arriving and departing passengers, as well as connect the gates; division of the passenger zone into two separate zones: one for EU/Schengen passengers and another for international passengers (which, in turn, will be divided into two separate zones: arrivals and departures);
- extension and upgrading of construction-technical systems (power supply, heat, ventilation, communication) and aviation-specific systems (flight information system, video surveillance, entry/exit control system, especially the passenger and pre-flight security inspection system);

The newly designed passenger terminal configuration provides 9 docks, which can be connected to a maximum of 11 passenger gates. In addition, 1 international and 2 Schengen/EU bus gates can be used for aircrafts serviced at the apron.

Information system

All major IT systems will be replaced in Tallinn Airport in 2006. The flight information central database management and flight information display system will be upgraded.

The flight information management system enables to improve compatibility with the systems used by our partners, and allow the airport to comply with various international requirements also in the future.

The new flight information display system enables to forward relevant flight information to passengers more flexibly and quickly, and is much more flexible than the hitherto used system.

The total cost of the investments is nearly 11 million kroons.

Investments in regional airports in 2005-2007

In 2005-2007, the Republic of Estonia has resolved to upgrade the infrastructure of regional airports as well as carry out technical reconstruction designed to ensure aviation safety and improve environmental protection, aviation security and security measures. The plan for the use of grants, specified in Measure 4.1 (“Development of Transport Infrastructure”) of the “Estonian National Development Plan for the Implementation of the EU Structural Funds – Single Programming Document 2004-2006”, approved with Regulation No. 536 of the Government of the Republic from July 12, 2004 (entered into force on March 7, 2005) lays out the following investments.

Projects to be implemented in 2005-2006, with 50% eligible cost financing

The total cost of the projects is 60.1 million kroons. Only the costs incurred between June 15, 2005 and May 31, 2007 will be deemed eligible.

2005

Name of project	Project cost (in thousands of kroons)
1. Ensuring aviation safety in Kuressaare Airport: purchase of security equipment, reconstruction of the high-frequency omnirange (VOR) radio equipment, construction of a boundary fence, purchase of a fire and rescue truck (two-year project 2005-2006)	5 700
2. Upgrading the Kuressaare airport infrastructure: extension of the passenger terminal, reorganisation of the airfield lighting system, construction of the maintenance and rescue team garage, purchase of the aircraft ground power unit (GPU) (two-year project 2005-2006)	18 100
3. Ensuring aviation safety in Kärdla Airport: construction of a boundary fence, reconstruction of the distance measuring equipment (DME) and the precision approach radar (PAR) TESLA, purchase of a fire and safety truck, high-frequency communication equipment and continuous friction measuring equipment (two-year project 2005-2006)	9 500
4. Ensuring aviation safety in Tartu Airport: construction of a boundary fence, purchase of security equipment and radio direction finder, continuous friction measuring equipment, meteo system, omnirange radio beacon NDB & markers and rescue technology (two-year project 2005-2006)	12 700
5. Ensuring aviation safety in Pärnu Airport: purchase of security equipment	900

2006

Investment	Estimated project cost (in thousands of kroons)	Eligible project costs (in thousands of kroons)
6. Upgrading the Kärdla Airport infrastructure: reconstruction of the control tower and apron; purchase of tanker truck	6 490	5 500
7. Upgrading the Tartu Airport infrastructure: reconstruction of the control tower, taxiway and apron; purchase of the ground power unit (GPU)	9 086	7 700

Projects to be implemented in 2005-2006, with 75% eligible cost financing

The total cost of the project is 63.8 million kroons. Only the costs incurred between January 1, 2006 and December 31, 2007 will be deemed eligible.

Investment	Estimated project cost (in thousands of kroons)	Eligible project costs (in thousands of kroons)
1. Reconstruction of the Kuressaare Airport: extension of runways, purchase of de-icing equipment, rescue technology, runway lighting system, flight control radio station, meteo equipment, navigation equipment, omnirange radio beacon	75 331	63 840

Personnel

The company employed an average of 366 people in 2005, incl. 65 people in regional airports.

Wages and salaries totalled 49,779 thousand kroons. The remuneration of the six-member Supervisory Board amounted to 432 thousand kroons, and the remuneration of the Management Board members to 2,455 thousand kroons. Severance compensation is payable to the members of the Management Board for termination of the employment relationship. A corresponding provision has been established in the amount of 321 thousand kroons.

Financial forecast for 2006

The Management Board of Tallinn Airport Ltd forecasts 1,601 thousand arrivals and departures (a 14.3% increase), and a profit of 50 million kroons in 2006.

FINANCIAL STATEMENTS

Management Board representation

The Management Board take responsibility for the correctness of the preparation of the financial statements 2005 of Tallinn Airport Ltd, set out on pages 12-51, and confirm that, to the best of their knowledge:

- the accounting principles and basis of estimations used in preparing the financial statements are in compliance with the International Financial Reporting Standards (IFRS);
- the financial statements give a true and fair view of the financial position of the Tallinn Airport Ltd Group, and the results of its operations and cash flows;
- material circumstances, which became evident before the date of preparation of the financial statements have been appropriately accounted for and presented in the financial statements;

Tallinn Airport Ltd and its subsidiary are able to continue as a going concern.

Member of the Management Board / **Rein Loik**



Member of the Management Board / **Aarne Orav**



Member of the Management Board / **Einari Bambus**



Consolidated balance sheet

In Estonian kroons	31.12.2005	31.12.2004 restated*	Note
ASSETS			
Current assets			
Cash and cash equivalents	89 620 662	44 061 508	1
Receivables	22 985 499	17 475 381	2
Prepayments	1 091 865	787 277	3
Inventories	647 043	68 375	4
Total current assets	114 345 069	62 392 540	
Non-current assets			
Property, plant and equipment	632 545 374	577 997 797	8
Intangible assets	3 766 929	0	9
Total non-current assets	636 312 302	577 997 797	
TOTAL ASSETS	750 657 371	640 390 337	
LIABILITIES			
Current liabilities			
Borrowings	36 480 423	40 809 340	10
Payables	22 915 834	15 576 040	11
Derivative instruments	602 378	0	15
Short-term provisions	0	640 800	16
Total current liabilities	59 998 635	57 026 180	
Non-current liabilities			
Long-term borrowings	205 265 267	241 746 037	10
Long-term provisions	3 474 532	3 401 842	16
Government grants allocated for property, plant and equipment	99 204 459	55 323 047	17
Total non-current liabilities	307 944 258	300 470 926	
TOTAL LIABILITIES	367 942 893	357 497 106	
OWNER'S EQUITY			
Share capital	144 871 700	128 714 300	
Mandatory reserve	22 855 471	22 855 471	
Retained earnings	126 689 560	67 819 587	
Profit for the financial year	88 297 746	63 503 873	
TOTAL OWNER'S EQUITY	382 714 477	282 893 231	19
TOTAL LIABILITIES AND OWNER'S EQUITY	750 657 371	640 390 337	

*The comparative data for 2004 has been restated in accordance with the changes in the presentation in 2005 (see "Government grants" under "Accounting principles and basis of estimations").

Consolidated income statement

In Estonian kroons	01.01.-31.12.05	01.01.-31.12.04	Note
REVENUE			
Revenue	297 357 610	250 557 192	20
Government grants allocated for property, plant and equipment	8 630 765	5 170 174	20
Government grants allocated for operating expenses	9 544 531	0	20
Other income	491 768	771 030	20
TOTAL REVENUE	316 024 675	256 498 396	
EXPENSES			
Goods, raw materials and services	68 902 958	53 996 243	21
Other operating expenses	10 124 922	9 371 205	21
Personnel expenses	70 947 185	53 164 904	21
Depreciation of property, plant and equipment	70 562 894	68 724 981	21
Other expenses	549 521	428 276	21
TOTAL EXPENSES	221 087 479	185 685 609	
OPERATING PROFIT	94 937 195	70 812 787	
Total net financial items	-6 639 449	-7 308 914	22
PROFIT FOR THE FINANCIAL YEAR	88 297 746	63 503 873	



Consolidated cash flow statement

In Estonian kroons	01.01.-31.12.05	01.01.-31.12.04	Note
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	309 080 384	275 528 753	
Amounts paid to suppliers and personnel	-162 186 712	-137 815 448	
Fund yield and interest received	1 417 966	1 278 814	
Interest paid	-7 592 740	-8 717 895	
Total cash flow from operating activities	140 718 898	130 274 224	
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	-67 673 127	-98 861 694	
Proceeds from disposals of property, plant and equipment	402 712	1 270 593	8, 20
Cash flow from business combinations	1 419 665	0	5
Total cash flow from investing activities	-65 850 750	-97 591 101	
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of finance lease	0	-19 125	
Loan repayment	-180 851 755	-40 554 070	10
Loans received	140 042 531	0	10
Government grants received	11 500 230	0	
Total cash flow from financing activities	-29 308 994	-40 573 195	
NET CASH FLOW			
	45 559 154	-7 890 072	
Cash and cash equivalents at the beginning of the period	44 061 508	51 951 580	
Cash and cash equivalents at the end of the period	89 620 662	44 061 508	1
Change in cash and cash equivalents	45 559 154	-7 890 072	

Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet.

Consolidated statement of changes in equity

In Estonian kroons	Share capital	Mandatory reserve	Retained earnings	Total owner's equity
Owner's equity as at 31.12.2003	128 714 300	22 855 471	67 819 587	219 389 358
Profit for 2004	0	0	63 503 873	63 503 873
Owner's equity as at 31.12.2004	128 714 300	22 855 471	131 323 460	282 893 231
Bonus issue	16 157 400	0	-16 157 400	0
Merger with regional airports (Note 5)	0	0	11 523 500	11 523 500
Profit for 2005	0	0	88 297 746	88 297 746
Owner's equity as at 31.12.2005	144 871 700	22 855 471	214 987 306	382 714 477

Additional information on owner's equity has been disclosed in Note 19.

Accounting principles and estimations

General information

Tallinn Airport Ltd was established in the Republic of Estonia on December 30, 1997 on the basis of the assets of the Tallinn airport of the state enterprise Eesti Lennujaamad. The company is fully owned by the Republic of Estonia.

Pursuant to the amendments, which were introduced to the general public sector accounting rules on July 26, 2004 and entered into force on January 1, 2005, the business and financial reporting of a state subsidiary must adhere to the accounting principles specified in the above rules. The general public sector accounting rules are based on the generally accepting accounting principles of Estonia, as well as the International Public Sector Accounting Standards (IPSAS). IPSAS is based on the

International Financial Reporting Standards (IFRS). The generally accepted accounting principles of Estonia have been harmonised, to a material extent, with IFRS.

The Annual Report which is prepared by the Management Board and approved by the Supervisory Board and includes the financial statements, is approved by the General Shareholder's Meeting in accordance with the Commercial Code of the Republic of Estonia. Shareholders have the right not to approve the Annual Report prepared by the Management Board and approved by the Supervisory Board, and demand preparation of a new Annual Report, and its submission to the General Shareholders' Meeting.

Accounting principles and basis of estimations

The consolidated financial statements of Tallinn Airport Ltd and its subsidiary (hereinafter jointly the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS). In cases where IFRS allows choosing between several alternative accounting principles, implementation of the principle is based on the general public sector accounting rules (provided that these comply with the allowed alternative in IFRS).

The consolidated financial statements have been prepared in Estonian kroons, on a historical cost basis, unless otherwise stipulated in the accounting principles described below (e.g. certain financial investments and derivative instruments

are recorded at fair value).

The accounting principles and presentations used in the preparation of these financial statements comply with the accounting principles and presentations used in the preparation of the financial statements for the previous year, except for what regards implementation of the following new/revised standards, the implementation of which is mandatory for the Group upon the preparation of the financial statements for the year that began on January 1, 2005. Implementation of the above standards has no effect on the Group's owner's equity as of January 1, 2004, and net profit for 2004:

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Accounting principles and estimations

- IFRS 3** Business combinations;
- IAS 1** Presentation of financial statements;
- IAS 2** Inventories;
- IAS 8** Accounting policies, changes in accounting estimates and errors;
- IAS 10** Events after the balance sheet date;
- IAS 16** Property, plant and equipment;
- IAS 17** Leases;
- IAS 21** The effects of changes in foreign exchange rates;
- IAS 24** Related party disclosures;
- IAS 27** Consolidated and separate financial statements;
- IAS 32** Financial instruments: disclosures and presentation;
- IAS 36** Impairment of assets;
- IAS 38** Intangible assets;
- IAS 39** Financial instruments: recognition and measurement;
- IAS 40** Investment property;
- IFRS 5** Non-current assets held for sale and discontinued operations.

New or revised standards and interpretations, which have been passed by the balance sheet date, but which will enter into force after the balance sheet date, and which have not been prematurely implemented by the Group, have no effect on the accounting principles applied by

the Group. The Group does not currently plan to implement these standards and interpretations before the entry into force of the standards applicable for the Group—January 1, 2006 (IFIRC 4) or January 1, 2007 (other standards), i.e. the following standards and interpretations:

- IFRS 4** Insurance contracts – financial guarantee contracts (revised)¹;
- IFRS 6** Exploration for and evaluation of mineral resources¹;
- IFRS 7** Financial instruments: disclosures;
- IAS 1** Presentation of financial statements (revised);
- IAS 19** Employee benefits – actuarial gains and losses, group plans and disclosures (revised)¹;
- IAS 39** Financial instruments: recognition and measurement (revised);
- IFRIC 4** Determining whether an arrangement contains a lease;
- IFRIC 5** Rights to interests arising from decommissioning, restoration and environmental funds¹;
- IFRIC 6** Liabilities arising from participating in a specific market – waste electrical and electronic equipment¹.

Accounting principles and estimations

Consolidation principles

The consolidated financial statements comprise the financial statements of Tallinn Airport Ltd and its subsidiary, consolidated on a line-by-line basis. Subsidiaries are consolidated from the date on which significant influence is transferred to the group, and cease to be consolidated from the date on which the significant influence is transferred out of the group. Subsidiaries are companies controlled by the parent company. Control is presumed to exist, if the parent company directly or indirectly holds over 50% of the voting shares of the subsidiary, or is otherwise able to control the operating or financial policies of the subsidiary. The accounting principles applied by the subsidiary upon preparation of the financial statements are the same principles applied by the parent company. All intra-group transactions, receivables and liabilities, including unrealised profits and losses arising from intercompany transactions, have been eliminated in full. Unrealised losses are not eliminated, if these losses essentially represent a drop in the value of assets.

A business combination took place in 2005, with the Republic of Estonia, owner of Tallinn Airport Ltd, merged with Tallinn Airport Ltd the state-owned Pärnu Airport, Tartu Airport, Kuressaare Airport and Kärdla Airport (see Note 5). The adjusted purchase method, specified in the Guidelines of the Accounting Board of the Republic of Estonia (RTJ) No. 11 "Business combinations and recognition of subsidiaries and associated companies), was applied upon recognising the business combination. This method is applied for recognising business combinations between companies under joint control, as such business combinations are not in the scope of IFRS. Further to the RTJ 11 requirements, the assets and liabilities acquired through the business combination were recognised at book value on the balance sheet date, whereas the retained earnings in the owner's equity of Tallinn Airport Ltd were increased in the amount of the difference between the acquisition cost and the book value of the acquired net assets.

Foreign currency transactions

The Estonian kroon is the functional currency of the parent company, and the reporting currency of the consolidated financial statements of the group and the unconsolidated financial statements of the parent company. All other currencies are considered foreign currencies. Transactions denominated in foreign

currency are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. The exchange rate between Euro and Estonian kroon has been fixed at 1 EUR = 15.6466 EEK. Assets and liabilities denominated in foreign currency have been translated into

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Accounting principles and estimations

Estonian kroons on the basis of the currency exchange rates of the Bank of Estonia officially valid on the balance sheet date. Foreign exchange gains and losses resulting from revaluation are recorded in the income statement of the reporting

period, whereas foreign exchange gains and losses related to settlements with suppliers and customers are recorded under revenue and expenses, and other foreign exchange gains and losses under net financial items in the income statement.

Cash and cash equivalents

Cash and cash equivalents include:

- cash in hand;
- cash at bank;
- short-term deposits;
- liquid shares in money market fund and interest fund with an insignificant risk of change in the market value, and with a term of redemption of less than one week.

Available cash is invested in money market and interest fund shares of banks to earn interest income. Hansa Money Market Fund pays interest for the shares; the purchase/redemption price of the shares equals to their nominal value. Hansa Interest Fund shares are measured at their fair value – i.e. their market value.

Financial assets

Financial assets are initially recognised at cost, being the fair value of the consideration given. The acquisition cost includes all expenditures directly related to the purchase of the financial asset, including service charges payable to brokers and advisors, non-refundable taxes and other similar expenditures. All regular way purchases and sales of financial assets are recognised on the trade date—i.e. the day when the group commits (e.g. concludes a contract) to purchase or sell the particular financial asset. Regular way transactions are purchases and sales transactions that require delivery of the financial asset to be purchased or sold by the seller to the buyer within the time frame generally established by regula-

tion or convention in the marketplace. Following initial recognition, the financial assets are classified into the following groups, whereas the classification will be reviewed in the end of each financial year, if necessary:

- financial assets at fair value through profit and loss are measured at their fair value;
- investments to be held to maturity are measured at amortised cost;
- receivables are measured at amortised cost;
- available-for-sale financial assets are measured at fair value, except for investments in shares and other equity instruments the fair value of which cannot be reliably measured, and which are measured at cost.

Accounting principles and estimations

Financial assets measured at fair value

Financial assets that are measured at fair value are revaluated on each balance sheet date into their fair value, whereas the possible transaction costs related to the disposal of the asset are not deducted. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the Bank of Estonia on the balance sheet date. Unlisted securities are measured at their fair value on the basis of the information available to the group on the value of the investment. Any gains and losses arising from changes in fair value are recorded under “Net financial items” in the income statement, except for available-for-sale financial assets (the group has no such assets in the financial year or in the comparative period). Proceeds and losses from disposals of financial assets measured at fair value, as well as interests and dividends on the respective securities, are recognised under “Net financial items” in the income statement.

Receivables and financial assets intended to be held to maturity

Receivables, which the group has not purchased for resale, including financial assets that are intended to be held to maturity are measured at amortised cost using the effective interest rate method. Financial assets measured at amortised cost will be written down, if there are any objective indications that their recoverable amount is lower than their carrying amount. The write-down of financial assets related to operating activities is charged to expenses in the income statement (under “Other operating expenses”), while

the write-down of financial assets related to investing activities is charged to financial expenses in the income statement. Impairment of financial assets will be presented separately for each item (considering the estimated collectibility), if the item is material. In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged. Interest income on receivables and financial investments intended to be held to maturity are charged to “Net financial items” in the income statement.

Financial assets measured at acquisition cost

Financial assets measured at acquisition cost will be written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets measured at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The amount of write-down is charged to the financial expenses of the period. The write-down of financial assets measured at cost will not be subject to later reversal. The derecognition of financial assets will take place when the group no longer controls the rights arising from the financial assets, or when group is obliged to immediately transfer to a third party all cash flows attributable to the asset, and a majority of the risks and benefits related to the financial asset.

Accounting principles and estimations

Derivative instruments

The group uses derivative instruments such as interest rate swap to hedge the risk associated with interest rate. Such derivative instruments are initially stated at fair value on the contract conclusion date. Subsequent to initial recognition, the instrument will be revaluated in accordance with the change in its fair value. The derivative instrument will be recognised under assets, if the fair value is positive, and under liabilities, if the fair value is negative. Gains and losses arising from chang-

es in the fair value of the derivative instrument are transferred to the income statement of the period, except for derivative instruments that qualify for hedge accounting. The group had no instruments that qualified for hedge accounting in the period, or in the comparative period. The fair value of the interest rate swap is determined on the basis of the future cash flows method, which is based on the estimated 6-month EURIBOR.

Inventories

Other inventories are measured at cost. Goods in stock are recognised based on the weighed average acquisition cost method. Inventories are measured in the balance sheet according to the lower of

the acquisition cost or net realisable value. Write-down of inventories is measured under "Goods, raw materials and services" in the income statement.

Investment property

Investment property is a building, which is held to earn rentals or for capital appreciation, and which is not used for the business activities of the group. Thereafter, investment properties are recorded by using the

cost model – i.e. the investment properties are recorded by using the same accounting principles applied upon accounting for property, plant and equipment.

Property, plant and equipment

Assets with an acquisition cost over 30,000 kroons and a useful life of over one year are considered property, plant and equipment (PPE). Assets with a useful life of over 1 year, but an acquisition cost of less than 30 thousand kroons, are recorded as low-value items (in inventories) and are fully expensed when the asset is taken into use. Low-value items that have

been expensed are accounted for off-balance sheet.

Acquisition cost

PPE are recorded at cost, consisting of the purchase price, transportation and installation expenses as well as other expenses directly related to the acquisition and implementation of the asset item. If PPE

continue 

Accounting principles and estimations

consists of separable components with different useful lives, these components are recorded as separate items, with depreciation rates determined according to their useful lives.

Borrowing costs of loans taken for financing PPE constructed for own use are not capitalised to acquisition cost.

Subsequent to initial recognition, an item of PPE is carried in the balance sheet at its cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation of PPE is calculated on the acquisition cost on the basis of the straight-line method during the estimated useful life of the asset. As an exception, land is not depreciated.

The depreciation methods, depreciation rates and residual values of PPE are reviewed at least at the end of each financial year. If the new estimates differ from previous ones, the changes will be recorded as changes in accounting estimates (prospectively).

The group has estimated the useful lives of PPE to be the following:

Buildings, runways, apron, taxiways	20 years
Facilities (beacons, heat networks, substations)	10 years
Other facilities (hangars, warehouses)	5 years
Other systems	10 years
Runway maintenance machinery and equipment	7 years
Other non-current assets	3-10 years

Assessment of the useful life of PPE

The useful life of PPE is determined based on the management's estimations on the period of actual use of the asset. Experience has shown that the period of actual use of assets are somewhat longer than their estimated useful life.

Improvements

Improvement costs will be added to the acquisition cost of the asset, if these comply with the definition of PPE and the criteria for recognising assets in the balance sheet. If a component of a PPE item is replaced, the acquisition cost of the new component will be added to the acquisition cost of the item, whereas the

replaced component or a proportional part of the replaced asset will be written off from the balance sheet. Expenditures related to current maintenance and repairs are recorded under expenses in the income statement.

Derecognition

PPE is derecognised upon transfer of the asset, or if the group can expect no financial benefits from use or disposal of the asset. Any profits and losses arising from derecognition of PPE are charged to "Other income" or "Other expenses" in the income statement of the period when the PPE were derecognised.

Accounting principles and estimations

Non-current assets held for sale

PPE items which are likely to be sold within 12 months are reclassified into available-for-sale non-current assets, and recorded on a separate entry under current assets

Intangible assets

Intangible assets are initially recorded at acquisition cost, consisting of purchase price and expenses directly related to the acquisition. Intangible assets are recorded in the balance sheet at their cost, less accumulated amortisation and any accumulated impairment losses. The purchased software with a definite useful life is recorded under intangible assets. In

in the balance sheet. Available-for-sale assets will no longer be depreciated, and will be recorded at the lower of the net book value or fair value (less sales expenses).

the accounting period or the comparative period, the group had no intangible assets with an undefined useful life, which are not amortised but on which impairment tests are conducted on each balance sheet date. Amortisation of intangible assets is calculated on the basis of the straight-line method during the estimated useful life of the asset item.

Impairment of assets

The group assesses, on each balance sheet date, whether there is any indication of that the coverable amount of assets has dropped below the carrying amount. If any such indication exists, or once a year when the group is required to conduct annual evaluation, the group will estimate the recoverable amount of its assets. If the estimated recoverable amount of PPE is lower than its carrying amount, the asset (or the assets of the cash-generating unit) will be written down to its recoverable amount, which is the higher of the present value of the estimated future cash flows of the asset (i.e. value-in-use) and the fair value of the asset, less sales expenses.

Independent experts are used for determining the fair value of the asset. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects

current market assessments of the time value of money and the risks specific to the asset. The write-down is charged to the expenses of the period in the income statement—under the entry used for recording depreciation of the written-down asset or assets of the cash-generating unit. On each balance sheet, the group assesses whether there is any indication that the previous impairment is no longer justified. If any such indications exist, the recoverable amount of the asset will be estimated, whereas the write-down will be cancelled, if necessary, and the carrying amount of the asset increased, but not in excess of the carrying amount the asset item would have had if no write-down was conducted. Reversal of the write-down is recorded in the income statement—under the same entry previously used for the write-down.

Accounting principles and estimations

Government grants

Government grants allocated for assets

Government grants allocated for assets are recorded based on the gross method. Assets acquired with the help of government grants are recorded in the balance sheet at cost, i.e. government grants received for the purpose of acquiring assets are recorded in the balance sheet under non-current liabilities as deferred income from government grants. The acquired assets are depreciated and the deferred income is recognised as income over the useful life of the asset.

In the 2004 financial statements, the liabilities related to government grants were divided into current and long-term portions. In connection with the changes in the accounting principles, the comparative data for 2004 has been restated in the balance sheet (current liabilities were reduced and long-term liabilities increased by 11.3 million kroons).

Accounting for lease

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating lease.

Assets acquired on finance lease terms are initially recognised in the lessee's balance sheet as assets and liabilities at the lower of the fair value or net present value of lease payments. The liability is reduced by repayment of the principal. Finance lease-related interest expenses

Government grants for operating expenses

Grants related to income are recorded in the income statement in proportion with the related expenses. The gross method is applied for recording income, i.e. the grant received and the expenses to be compensated for are recorded under different entries of the income statement. Income related to government grants is recorded under "Other income" in the income statement.

Government grants, which are allocated for covering expenses incurred in previous periods or which do not incur future obligations, are charged to income during the period the grant was allocated. Government grants are not recorded as income before the group has sufficient reason to believe that the group meets the conditions established for the government grant, and the grant will be awarded.

are recorded under financial expenses in the income statement.

Operating lease payments made by the group are recorded during the rental period as expenses; operating lease payments received by the group are recorded under income based on the straight-line method.

Tallinn Airport Ltd leases commercial premises to companies. The lease has been associated with the consumer price index. Concession contracts, which grant

continue

Accounting principles and estimations

the concessionaire the right to operate on the premises of Tallinn Airport are considered conditional lease contracts.

There are two types of concession fees:

- fixed annual fees which are adjusted by the rate of increase in passenger numbers;

- a fixed proportion of revenue earned by the concessionaire upon operating on the premises of Tallinn Airport.

Corporate income tax

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit. Rather, they are subjected to income tax on the paid dividends and certain disbursements as well as costs laid down in the Income Tax Act. The established tax rate is 24/76 until December 31, 2005, and 23/77 from January 1, 2006 onwards. Since income tax is paid on the dividends rather than

profit, all temporary differences between the tax bases and carrying values of assets and liabilities cease to exist.

The company's potential income tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. Income tax from payment of dividends is recorded under expenses in the income statement at the moment of announcing the dividends.

Financial liabilities

All financial liabilities (accounts payable, loans taken, accrued expenses and other short-term and long-term payables) are initially accounted for at their acquisition cost, consisting of the fair value of the amounts received thereof. Following initial recognition, financial liabilities are recorded based on the amortised cost principle by

using the effective interest rate method. Interest expenses related to the financial liability are recorded under "Net financial items" in the income statement.

The financial liability will be derecognised when the liability is paid, cancelled or expired.

Current and non-current liabilities

Liabilities are divided into current and non-current liabilities in the balance sheet. Liabilities due for payment within the

next financial year are considered current liabilities. Other liabilities are recognised as non-current liabilities.

Accounting principles and estimations

Provisions and contingent liabilities

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; but the final amount of the obligation or the deadline for payment is not clearly fixed. The management's judgements and experience as

well as evaluations of independent experts (if necessary) are taken as basis for evaluating the provisions.

Promises, guarantees and other commitments that in certain circumstances may become liabilities, but only have a lower than 50% probability of becoming liabilities (according to the management of the company), are disclosed as contingent liabilities in the notes to the financial statements.

Mandatory reserve

The mandatory reserve is set up, in accordance with the Commercial Code, of annual net profit allocations and other transfers to mandatory reserve in accordance with the Commercial Code or the Articles of Association. With the resolution of the General Shareholders' Meeting, the

mandatory reserve can be used for covering the loss, if loss cannot be covered from the available shareholder's equity. Mandatory reserve can also be used for increasing the share capital of the company. The mandatory reserve cannot be paid out as dividends.

Revenue recognition

The main activity of Tallinn Airport Ltd is the provision of air transport services to passengers. The company also earns revenue from rent, and the provision and mediation of utility services to tenants. Revenue from sales of services is recorded during the month the service was rendered

on the basis of the matching principle. Revenue from fines for delay is recorded upon their receipt in the received amount. Interest income and other accrued income are recorded as income on the moment the right of claim arises.

Cash flow statement

Cash flows are divided into cash flow from operating activities, investing activities and financing activities. In the cash flow state-

ment, cash flows from operating activities, investing activities and financing activities is shown using the direct method.

Accounting principles and estimations

Off-balance-sheet receivables and liabilities

Contingent and conditional receivables and liabilities are accounted for off-balance sheet. Uncollectible debts are the most significant off-balance sheet receivables.

Events after the balance sheet date

Material transactions or events that have an effect on the company's operations and became evident between the balance sheet date and the date of preparing the financial statements, are recorded in the notes to the financial statements. Subsequent events which have an effect on the financial results of the year are recorded in the balance sheet and income statement of the period.

Accounting estimations and assumptions

Several financial indicators included in the financial statements are based on the management's best judgements—e.g. depreciation rates for property, plant and equipment items, classification of lease into operating and finance lease, write-down of accounts receivable. These judgements may not reflect the actual results. Changes in the management's estimations are recorded in the income statement of the period when the changes occurred.

Accounting for investments in subsidiaries in the parent company's unconsolidated financial statements

In the parent company's unconsolidated financial statements (disclosed in notes 25-28), investments in subsidiaries have been measured at cost. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the drop in the value of the investment. The carrying values of investments will be reviewed when certain events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the group will estimate the recoverable value of its assets. If the estimated recoverable amount is smaller than the carrying amount, the investment will be written down to its recoverable amount (the higher of the value-in-use and fair value, less sales expenses). The amount of write-down is charged to the financial expenses of the period. Dividends paid by the subsidiary are recorded when the parent company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable from the retained earnings generated by the subsidiary before the group acquired the company. The respective portion of the dividends is recorded as a reduction of the investment.

Management of financial risks

Liquidity risk, credit risk, interest risk and currency risk are related to the standard business operations of the company. The company has identified itself as a company which avoids financial risks. The most significant objectives for managing the

financial risks of the company (in the order of priority) are:

- liquidity;
- capital preservation;
- revenue generation.

Liquidity risk

In case of current fixed-term investments, the company will ensure liquidity for timely fulfilment of single bigger-than-average expenditures. Investments are only made in liquid securities and partners with high credit rating.

Tallinn Airport had four valid loan agreements at the beginning of 2005. One

loan was repaid and two loans refinanced during the year. Loan agreements totalled 296.5 million kroons at the end of the year (2004: 423 million kroons). As of the end of the financial year, the group had available monetary funds in the total amount of 91 million kroons (as of the end of 2004: 44 million kroons).

Credit risk

The management has implemented a credit policy, and constantly hedges the credit risk. The credit risk of the company involves potential damages caused by the business partners inability to fulfil their

obligations. As of the balance sheet date, the company was not aware of any major risks related to accounts receivable (except for those deemed doubtful receivables).

Interest risk

The company's loan liabilities have a floating interest rate (depending on the Euribor fluctuations). Average interest rates did not rise during the financial year.

A contract was concluded with Nordea Bank in order to fix the interest expenses on the loan with a floating interest rate (interest rate swap).

Currency risk

The company will hedge any currency risks related to assets and liabilities. Assets and liabilities denominated in euros are considered neutral assets and liabilities as regards currency risk. In order to hedge

currency risks, the company settles accounts mostly in Estonian kroons and euros (the exchange rate has been fixed at 1 EUR = 15.6466 EEK).

Management of financial risks

Hedging the business risk

In order to hedge business-related risks, the company uses, among other measures, the risk transition method. The company's buildings and other facilities have been insured for a maximum of 413 million kroons, equipment for 118 million kroons, special equipment for 27 million kroons, and suspension of business activities for 135 million kroons.

Transportation vehicles used for traffic

outside the airport premises have been insured against insurance events caused both by own employees and third parties.

In addition to property insurance, the company holds a liability insurance policy for receivables arising from business risks for a maximum of 649 million kroons.

Rescue service staff has been insured against accidents at work.



NOTES TO THE FINANCIAL STATEMENTS

Note 1

Cash and cash equivalents

	31.12.2005	31.12.2004
Cash in hand	185 201	25 372
Cash at bank	7 359 515	1 184 328
Overnight deposits	34 427 313	0
Hansa Money Market Fund shares	808	17 921 000
Hansa Interest Fund shares	47 647 825	24 930 808
Total cash and bank accounts	89 620 662	44 061 508

	01.01.-31.12.05		01.01.-31.12.04	
Hansa Money Market Fund	Number of shares	Acquisition cost	Number of shares	Acquisition cost
Shares at the beginning of the period	17 921	17 921 000	5 169	5 169 000
Shares acquired	99 652	99 651 808	224 131	224 131 000
Shares sold	-117 572	-117 572 000	-211 379	-211 379 000
Shares at the end of the period	1	808	17 921	17 921 000
Financial gain from Hansa Money Market Fund during the accounting period (Note 22)		160 014		276 590

	01.01.-31.12.05		01.01.-31.12.04	
Hansa Interest Fund	Number of shares	Fair value	Number of shares	Fair value
Shares at the beginning of the period	180 201	24 930 808	343 201	46 030 118
Shares acquired	157 823	22 000 000	0	0
Shares sold	0	0	-163 000	-22 035 490
Shares at the end of the period (at purchase price)	338 024	46 930 808	180 201	23 994 628
Market value of shares at the end of the period	338 024	47 647 825	180 201	24 930 808
Financial gain from Hansa Interest Fund during the accounting period (Note 22)		717 017		936 180

NOTES TO THE FINANCIAL STATEMENTS

Note 2

Receivables

	31.12.2005	31.12.2004
Accounts receivable	17 529 347	12 923 995
Allowance for doubtful receivables	-943 297	0
Total accounts receivable	16 586 050	12 923 995
Government grants allocated for property, plant and equipment yet to be received *	3 143 324	0
Refundable VAT	2 933 263	4 474 947
Other receivables	322 860	76 440
Total receivables	22 985 499	17 475 381

* As the final beneficiary, Tallinn Airport Ltd recognises EBRD-financed government grants, which have been approved by the implementation unit but which have not yet been received.

	2005	2004
Allowance for doubtful receivables at the beginning of the period	0	-44 043
Receivables deemed doubtful during the accounting period (Note 21)	-943 297	-1 834 790
Uncollectible debts	0	1 857 800
Collection of doubtful receivables during the accounting period	0	21 033
Allowance for doubtful receivables at the end of the period	-943 297	0

Note 3

Prepayments

	31.12.2005	31.12.2004
Lease prepayments	23 550	23 550
Insurance prepayments	554 707	536 721
Other prepayments	513 608	227 006
Total prepaid expenses	1 091 865	787 277

Note 4

Inventories

	31.12.2005	31.12.2004
Materials	591 496	0
Prepayments to suppliers	0	24 012
Other inventories	55 547	44 363
TOTAL INVENTORIES	647 043	68 375

NOTES TO THE FINANCIAL STATEMENTS

Note 5

Merging of airports

Pursuant to the Regulation of the Government of the Republic of Estonia, Pärnu Airport, Tartu Airport, Kuressaare Airport and Kärdla Airport were merged with Tallinn Airport Ltd. The acquired companies have a common owner—the Republic of Estonia.

The balance sheets were united on January 1, 2005. With the merger, the number of group employees increased by 61.

Balance sheets of regional airports as of January 1, 2005

	Kärdla Airport	Kuressaare Airport	Tartu Airport	Pärnu Airport	TOTAL
ASSETS					
Current assets					
Cash and cash equivalents	552 354	107 861	636 950	122 499	1 419 665
Accounts receivable	70 504	115 536	93 620	34 848	314 508
Other receivables and prepayments	46 718	173 769	71 097	41 953	333 537
Inventories	128 570	11 139	79 651	55 050	274 411
Total current assets	798 146	408 306	881 319	254 351	2 342 122
Property, plant and equipment (Note 8)	19 143 917	26 656 049	1 295 212	9 023 255	56 118 433
TOTAL ASSETS	19 942 063	27 064 355	2 176 531	9 277 606	58 460 555
LIABILITIES					
Current liabilities					
Payables and prepayments	224 239	634 863	459 057	335 673	1 653 832
Total current liabilities	224 239	634 863	459 057	335 673	1 653 832
Non-current liabilities					
Government grants allocated for PPE (Note 17)	16 532 650	18 716 819	1 319 119	8 714 635	45 283 223
Total non-current liabilities	16 532 650	18 716 819	1 319 119	8 714 635	45 283 223
TOTAL LIABILITIES	16 756 889	19 351 682	1 778 176	9 050 308	46 937 055
TOTAL OWNER'S EQUITY	3 185 174	7 712 673	398 355	227 297	11 523 500
TOTAL LIABILITIES AND OWNER'S EQUITY	19 942 063	27 064 355	2 176 531	9 277 606	58 460 555

The difference between the carrying amount of the acquired assets and liabilities, and the acquisition cost of the business combination (0 kroons) in the amount of 11.5 kroons was recorded as retained earnings in the owner's equity of Tallinn Airport Ltd.

NOTES TO THE FINANCIAL STATEMENTS

Note 6 ReceivEstablishment of the subsidiaryables

Tallinn Airport Ltd established, on the basis of the Ground Handling Department, the public limited company AS Tallinn Airport GH. The corresponding entry was made in the Commercial Register on December 29, 2005. AS Tallinn Airport GH is fully owned by Tallinn Airport Ltd. The main activity of AS Tallinn Airport GH is the on-ground servicing of legal persons and private individuals who use the airport. As of January 1, 2006, 77 employees were transferred to the new public limited company.

Note 7

Investment property

	2005	2004
Acquisition cost at the beginning of the period	19 648 632	19 648 632
Accumulated depreciation at the beginning of the period	-19 648 632	-19 648 632
Net book value of investment property at the beginning of the period	0	0
Write-off (net book value: 0 EEK)*	-1 016 462	0
Acquisition cost at the end of the period	18 604 410	19 648 632
Accumulated depreciation at the end of the period	-18 604 410	-19 648 632
Net book value of investment property at the end of the period	0	0

* Buildings written off from the balance sheet were demolished in the financial year.

The company has not disclosed the fair value of the above investment property, since this property lacks any material value and the buildings recognised as investment property are subject to demolition.

The group earned 2,067,143 kroons of rental revenue from investment property in the financial year (2004: 2,158,128 kroons).

Expenses directly related to the management of investment property amounted to 1,832,428 kroons (2004: 1,405,495 kroons).



NOTES TO THE FINANCIAL STATEMENTS

Note 8

Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other	Total
Balance as at 31.12.2003	31 459 723	388 207 762	100 921 874	3 496 833	524 086 192
Reclassification	0	135 353	-671 665	807 017	0
Purchases and additions	0	82 618 973	29 509 497	2 229 837	114 358 307
Disposed and written-off PPE at net book value	0	-309 254	-1 606 647	-92 560	-2 008 461
Depreciation charge (Note 21)	0	-35 954 990	-29 281 836	-3 027 702	-68 264 528
Balance as at 31.12.2004	31 459 723	434 427 138	98 871 223	3 413 426	568 171 510
Purchases and additions	6 704 757	9 185 969	39 653 082	3 074 250	58 618 058
Additions from business combinations*	6 258 670	45 633 722	3 833 172	16 000	55 741 564
Disposed and written-off PPE at net book value	0	0	-2 949	0	-2 949
Depreciation charge (Note 21)	0	-42 708 132	-25 586 081	-2 211 293	-70 505 506
Balance as at 31.12.2005	44 423 150	446 538 697	116 768 447	4 292 383	612 022 677
Construction-in-progress					
Balance as at 31.12.2003	0	13 519 380	0	0	13 519 380
Work completed	0	77 263 688	0	0	77 263 688
Additions to PPE	0	-81 856 291	0	0	-81 856 291
Balance as at 31.12.2004	0	8 926 776	0	0	8 926 776
Work completed	0	17 981 341	0	0	17 981 341
Additions to PPE	0	-15 111 467	0	0	-15 111 467
Additions from business combinations ¹	0	376 869	0	0	376 869
Balance as at 31.12.2005	0	12 173 519	0	0	12 173 519
Prepayments for property, plant and equipment					
Balance as at 31.12.2003	0	0	5 532 167	0	5 532 167
Change in prepayments	0	0	-4 632 655	0	-4 632 655
Balance as at 31.12.2004	0	0	899 512	0	899 512
Change in prepayments	0	4 806 894	2 621 125	21 647	7 449 666
Balance as at 31.12.2005	0	4 806 894	3 520 637	21 647	8 349 178
PPE at net book value as of 31.12.2005	44 423 150	463 519 110	120 289 084	4 314 030	632 545 374

continue 

NOTES TO THE FINANCIAL STATEMENTS

As of 31.12.2004	Land	Buildings	Machinery and equipment	Other	Total
Acquisition cost	31 459 723	592 643 451	208 499 098	16 956 753	849 559 025
Accumulated depreciation	0	-149 289 538	-108 728 364	-13 543 326	-271 561 228
As of 31.12.2005					
Acquisition cost	44 423 150	684 942 159	255 968 253	19 442 029	1 004 775 592
Accumulated depreciation	0	-221 423 049	-135 679 171	-15 127 997	-372 230 218

* Tallinn Airport Ltd acquired the non-current assets of regional airports

As of 31.12.2005	Land	Buildings	Machinery and equipment	Other	Total
Kärdla Airport	145 000	18 361 842	637 075	0	19 143 917
Kuressaare Airport	6 008 477	18 426 842	2 220 730	0	26 656 049
Tartu Airport	0	880 614	414 598	0	1 295 212
Pärnu Airport	105 193	8 341 293	560 769	16 000	9 023 255
TOTAL (Note 5)	6 258 670	46 010 591	3 833 172	16 000	56 118 433
As of 31.12.2005					
Acquisition cost	6 258 670	76 485 404	9 472 934	182 947	92 399 955
Accumulated depreciation	0	-30 474 813	-5 639 762	-166 947	-36 281 522

Information on government grants allocated for non-current assets has been disclosed in Note 17.

The main purchases made in 2005 involved special-purpose equipment (in the amount of 27,886,369 kroons). Investments in 2004 involved construction: the company completed the maintenance services building, cargo handling terminal, substation-2, renovated the boundary fence and turned the old passenger terminal into an office building (in the total amount of 82,618,973 kroons). In both 2004 and 2005, investments were made at the expense of own resources.

50% of the investments made by regional airports in 2005 were financed by ERDF. Co-financing for the ERDF financing has been provided from the state budget (see Note 17).

2005	Acquisition cost	Accumulated depreciation	Net book value	ERDF financing	Co-financing
Kärdla Airport boundary fence	250 000	5 784	244 216	122 108	122 108
Kärdla Airport radar ELDIS	1 836 457	30 608	1 805 849	902 925	902 925
TOTAL	2 086 457	36 392	2 050 065	1 025 033	1 025 033

NOTES TO THE FINANCIAL STATEMENTS

Note 9

Intangible assets

	2005	2004
Net book value at the beginning of the period	0	0
Purchases	517 000	0
Amortisation charge (Note 21)	-57 387	0
Prepayments*	3 307 316	0
Net book value at the end of the period	3 766 929	0

* The airport information system will be replaced in 2006. The estimated total cost of the investment amounts to 11 million kroons.

As of 31.12.2005	
Acquisition cost*	3 840 930
Accumulated amortisation	-74 001

* 16,614 kroons was added from the business combination to the acquisition cost and accumulated amortisation.

Note 10

Long-term loans

All loans taken were denominated in euros. In 2005, the company fully repaid the Hansabank loan in the amount of 4,328,800 kroons, used for financing construction of the temporary passenger terminal. Tallinn Airport Ltd took a loan from Nordea Bank in the amount of 140,042,531 kroons (8,950,349 EUR), and used the loan for refinancing the two loans taken from EBRD.

Loan conditions

Creditor	Contract date	Repaid	Repayment due date	Collateral (Note 18)	Loan amount EEK
Hansabank	28.08.1997	15.09.2004	-	commercial pledge	21 000 000
Hansabank	08.04.1998	01.03.2005	-	commercial pledge	10 000 000
EBRD	15.10.2002	16.11.2005	-	Guarantee provided by the Republic of Estonia	117 349 500
EBRD	19.04.1999	16.11.2005	-	Guarantee provided by the Republic of Estonia	118 479 700
EIB	23.10.1997	-	15.06.2012	Guarantee provided by the Republic of Estonia	156 466 000
NORDEA	15.11.2005	-	20.11.2012	See Note 18	140 042 531

According to the Management Board, the market value of the loans does not materially differ from their net book value.

continue 

NOTES TO THE FINANCIAL STATEMENTS

Change in borrowings

	2005	2004
Loan balance at the beginning of the period	282 555 379	323 109 446
Loans repaid during the period	180 852 219	40 554 068
Loans received during the period	140 042 531	0
Loan balance at the end of the period	241 745 691	282 555 378
Current portion of the loan balance at the end of the period	36 480 423	40 809 340
Long-term portion of the loan balance at the end of the period	205 265 267	241 746 038
Calculated interest expenses during the period (Note 22)	7 135 374	8 496 056



NOTES TO THE FINANCIAL STATEMENTS

Change in borrowings (by loans)

	Hansabank		Hansabank		EBRD		EBRD		EIB		NORDEA	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2005
In Estonian kroons												
Loan balance at the beginning of the period	0	2 739 130	4 328 800	5 663 200	85 093 330	96 439 106	75 783 449	85 271 571	117 349 800	132 996 440	0	0
Loan repayments during the period	0	2 739 130	4 328 800	1 334 400	85 093 330	11 345 776	75 783 449	9 488 122	15 646 640	15 646 640	0	0
Loans received during the period											140 042 531	
Loan balance at the end of the period	0	0	0	4 328 800	0	85 093 330	0	75 783 449	101 703 160	117 349 800	140 042 531	
Current portion of the loan balance at the end of the period	0	0	0	4 328 800	0	11 345 777	0	9 488 123	15 646 600	15 646 640	20 833 823	
Long-term portion of the loan balance at the end of the period	0	0	0	0	0	73 747 553	0	66 295 326	86 056 560	101 703 160	119 208 707	
Calculated interest expenses during the period	0	58 981	33 323	229 516	2 135 613	2 854 500	2 077 330	2 653 263	2 446 354	2 699 796	442 752	
Interest rate	6m Euribor +2.5%	6m Euribor +2.5%	6m Euribor +2.5%	6m Euribor +2.5%	Floating, average, 2.9%	Floating, average, 3.0%	Floating, average, 3.2%	Floating, average, 3.0%	Floating, average, 2.1%	Floating, average, 2.1%	6m Euribor +0.3%	

NOTES TO THE FINANCIAL STATEMENTS

Note 11

Payables

	31.12.2005	31.12.2004
Accounts payable		
Payables for non-current assets	3 659 088	943 407
Other payables for goods and services	4 759 082	2 714 990
Prepayments for products and services	239 387	235 975
Total accounts payable	8 657 558	3 894 372
Taxes payable (Note 12)	5 632 309	4 571 805
Accrued expenses (Note 13)	8 625 967	7 109 863
Total payables and prepayments	22 915 834	15 576 040

Note 12

Taxes payable

	31.12.2005	31.12.2004
Corporate income tax	83 085	77 506
Income tax on wages and fringe benefits	1 866 479	1 640 850
Social tax on wages and fringe benefits	3 457 628	2 489 618
Unemployment insurance	111 699	103 992
Pension insurance	113 418	82 813
Land tax liability	0	177 026
Total taxes payable	5 632 309	4 571 805

Note 13

Accrued expenses

	31.12.2005	31.12.2004
Employee-related liabilities	7 988 878	6 311 923
incl. holiday pay	4 583 630	3 968 828
Loan interest payable	553 044	734 133
Other accrued expenses	84 046	63 807
Total accrued expenses	8 625 967	7 109 863

NOTES TO THE FINANCIAL STATEMENTS

Note 14

Operating lease

Rental income

The company has earned rentals from the lease of rooms, hangars, land and ground handling equipment. A majority of the lease agreements have been concluded without a term and may be terminated with a short advance notice.

	2005	2004
Rental income		
Lease of passenger terminal space	10 104 720	9 078 756
Lease of cargo terminal space	6 651 140	4 680 393
Lease of other space	2 067 144	2 337 926
Lease of other premises	3 148 774	2 165 944
Total lease	21 971 779	18 263 019

Concession revenue

In case of service concession contracts, Tallinn Airport Ltd grants, for the duration of the concession, the concessionaire the right to render services on the airport premises.

Revenue from commercial activities yields the majority of the passenger terminal concession revenue. Passenger terminal concessionaires also render car rental and catering services. Banks provide the currency exchange service as well.

The services rendered on the airport premises on the basis of concession contract include aircraft refuelling, cargo handling, on-board catering and provision of security services to the companies operating on the airport premises.

	2005	2004
Concession revenue		
Concessions from commercial activities	17 483 369	16 412 010
Other concessions from the passenger terminal	3 199 482	2 009 214
Concessions from sales of fuel	3 348 297	2 600 451
Concessions from cargo handling	1 421 724	1 287 105
Concessions from security services	226 689	215 518
Total concessions (Note 20)	25 679 560	22 524 298

Rental expenses

	2005	2004
Rental expenses	771 146	925 650
Future lease payments from non-cancellable rental contracts as of the end of the year		
Payments in the next financial year	550 757	763 232
Payable within 1-5 years	190 490	578 311
Total future lease payments	741 247	1 341 543

NOTES TO THE FINANCIAL STATEMENTS

Note 15

Derivative instruments

The group has made one transaction with a derivative instrument in order to fix the interest expense on the Nordea Bank loan which has a floating interest rate (interest rate swap).

The transaction was concluded on November 17, 2005.

Commencement date	Maturity date	Base amount	Market value as of 31.12.2005
21.11.2005	20.11.2012	8,950,349 EUR	-602,378 EEK

Note 16

Provisions

The group has in the balance sheet a provision in the amount of 3,153,532 kroons provision set up on the basis of the former obligation to transfer 75% of the rental revenue to state revenues. No such liability is currently stipulated or regulated by law. The shareholder has previously expressed an interest in offsetting the receivable against the company by transfer into the share capital in accordance with § 346 of the Commercial Code.

As of 31.12.2005, the maximum severance compensation payable to the members of the Management Board upon termination of their employment relationship amounts to 321,000 kroons, recorded under long-term provisions (as of 31.12.2004: 889,110 kroons).

Note 17

Government grants

Pursuant to the Directive No. 123 of the Minister of Economic Affairs and Communications from April 7, 2003, the former Railway Administration (current Railway Inspectorate) was established as the ISPA measure 2002/EE/16/PPA/009 implementation unit for Estonian airports. The Railway Inspectorate will remain the implementation unit for the technical aid projects until completion of these projects.

With the Amendment No. 57 from March 18, 2005 to the Regulation No. 81 of the Government of the Republic from March 22, 2004 ("Establishment of the structural aid implementing agency and implementation units, and approval of the list of investment measures of the state and the local government", Tallinn Airport Ltd was included in the list of implementation units.

	2005	2004
Balance of liabilities at the beginning of the period	55 323 047	54 339 404
Government grants received	7 367 460	6 153 817
Government grants received from business combinations (Note 6)	45 162 912	0
Government grants amortised as income (Note 20)	-8 648 961	-5 170 174
Balance of liabilities at the end of the period	99 204 459	55 323 047

continue 

NOTES TO THE FINANCIAL STATEMENTS

Government grants (by financiers)

	31.12.2005	31.12.2004
Cohesion Fund*	8 283 747	6 153 817
National government grant	85 433 858	49 169 230
European Regional Development Fund (ERDF) **	4 005 049	0
Government grant allocated for co-financing ***	1 481 804	0
TOTAL	99 204 459	55 323 047

* On January 6, 2003, Financial Memorandum No. 2002/EE/16/P/PA/009 was concluded between the European Commission and the Republic of Estonia on the ISPA measures for funding the "Technical aid for rehabilitation of the Tallinn Airport airside area and upgrading of the passenger terminal" project.

Pursuant to the Financial Memorandum, a co-financing agreement was concluded, based on which the co-funding of Tallinn Airport Ltd in the project was set to 25%.

With the resolution of the European Commission from December 23, 2004, the rate of funding to be provided by the Cohesion Fund was changed. The co-financing of Tallinn Airport Ltd was now set to 19.55%.

Cohesion Fund

	Liability related to government grants as of 31.12.2005	Liability related to government grants as of 31.12.2004
Upgrading of the Tallinn Airport passenger terminal	3 450 075	3 450 075
Rehabilitation of the Tallinn Airport airside area	4 833 672	2 703 742
Grants at the end of the period	8 283 756	6 153 817

** Pursuant to the Regulation No. 536-k of the Government of the Republic from July 12, 2004 up to 50% of the eligible costs on the implementation of the aviation projects in the regional airports of Tallinn Airport Ltd will be financed from ERDF. The remainder will be covered by the Tallinn Airport.

European Regional Development Fund

	Liability related to government grants as of 31.12.2005
Ongoing projects	1 376 040
Ensuring aviation safety in Pärnu Airport	140 977
Upgrading the terminal in Kuressaare Airport	322 470
Ensuring aviation safety in Tartu Airport	402 118
Ensuring aviation safety in Kärdla Airport	390 164

continue 

NOTES TO THE FINANCIAL STATEMENTS

Projects completed in 2005 (see Note 8)	1 255 729
Ensuring aviation safety in Kärdla Airport	1 025 033
Liability of the implementation unit	1 724 287
Grants at the end of the period	4 005 049

*** The government grant allocated for covering the co-financing of the foreign projects of regional airports amounted to 1,500,000 kroons.

Government grants used	1 043 229
Prepaid government grants allocated for co-financing	456 772
Government grants allocated for co-financing charged to income	18 195
TOTAL	1 481 804

Note 18 Loan collateral and pledged assets

Commercial pledges had been established, for the benefit of AS Hansapank, as collateral to the loans taken from Hansabank. These pledges were deleted from the register on 29 July 2005.

As regards the loans taken from the European Investment bank (EIB) and the European Bank for Reconstruction and Development (EBRD) for reconstructing the passenger terminal, the Republic of Estonia guaranteed complete and appropriate fulfilment of any contractual financial liabilities of Tallinn Airport Ltd to the banks, including payment of any interest and other amounts payable to the bank on the basis of the provisions of the loan contract.

As of 31.12.2005, the guarantee provided by the Republic of Estonia only applies to the EIB loan, as the EBRD loan was repaid in 2005 (Note 10).

No assets have been pledged as collateral to the Nordea Bank loan. The loan agreement stipulates that Tallinn Airport Ltd is not allowed, without the bank's previous written consent:

- to transfer, lease out or otherwise transfer assets into the use of a third party under the contract, unless this can be deemed ordinary business activity;
- to pledge or encumber assets with any other restricted real right.

NOTES TO THE FINANCIAL STATEMENTS

Note 19

Owner's equity

As of 31.12.2005, the company had 1,448,717 shares (1,287,143 shares as of 31.12.2004). In 2005, share capital was increased, through equity financing, by 161,574 shares. The nominal value of the share is 100 kroons.

All shares of Tallinn Airport Ltd are held by the Republic of Estonia. The administrator of these shares and the exerciser of the shareholder's right is the Ministry of Economic Affairs and Communications, which is represented, on the General Shareholders' Meeting, by the Minister of Economic Affairs and Communications.

The company's potential income tax liability

As of 31.12.2005, the group's retained earnings amounted to 214,987 thousand kroons. The maximum possible income tax liability related to the payment of the retained earnings as dividends is 49,447 thousand kroons. The group can thus pay 165,540 thousand kroons in net dividends.

The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid, and the related total income tax expenses would not exceed the distributable profit as of 31.12.2005.

Note 20

Revenue

On 1 November 2004, the passenger charge for international flights was lowered from 235 kroons to 155 kroons.

AVIATION REVENUE	2005	2004
Aviation charges		
Landing charges	90 369 585	64 989 104
Passenger charges	108 208 133	107 864 041
Parking charges	2 614 697	1 862 116
Takeoff charges	17 100	0
Navigation charges	329 772	0
Total aviation charges	201 539 287	174 715 261

NON-AVIATION REVENUE	2005	2004
Ground service of aircrafts and passengers	24 807 329	19 275 897
Revenue from other services		
Rental income (Note 14)	21 971 779	18 263 019
Concessions (Note 14)	25 679 560	22 524 298
Advertising services	4 833 115	3 974 609
Vehicle parking charges	6 333 261	1 370 079
Other rendered services	5 602 956	4 129 933
Other mediated services	6 590 323	6 304 096
Total revenue from other services	71 010 994	56 566 034
TOTAL REVENUE	297 357 610	250 557 192

continue

NOTES TO THE FINANCIAL STATEMENTS

OTHER INCOME	2005	2004
Government grants allocated for PPE (Note 17)	8 630 765	5 170 174
Government grants allocated for operating expenses	9 526 335	0
Proceeds from disposals of PPE	399 763	541 012
Other income	92 005	230 198
Total other income	18 667 064	5 941 204

Note 21

Expenses

EXPENSES	2005	2004
Goods, raw materials and services		
Mediated services	6 120 960	5 026 878
Security, rescue and safety services	17 403 820	15 875 878
Infrastructure expenses	28 101 161	19 588 574
Transportation and special equipment expenses	11 083 570	9 211 223
IT and communication expenses	6 193 447	4 293 690
Total goods, raw materials and services	68 902 958	53 996 243
Other operating expenses		
Administrative and sales expenses	5 893 600	4 566 080
Other operating expenses	4 231 323	4 805 125
incl. collection of receivables deemed doubtful during the accounting period (Note 2)	943 297	1 834 790
Total other operating expenses	10 124 922	9 371 205
Personnel expenses		
Wages and other remuneration	52 630 703	39 255 000
Social tax	18 316 482	13 909 904
Total personnel expenses	70 947 185	53 164 904
Depreciation (Note 8 and 9)	70 562 894	68 724 9811
Other expenses	549 521	428 276
TOTAL EXPENSES	220 459 820	185 685 609

1 incl. written-off non-current assets in the amount of 460,452 kroons.

NOTES TO THE FINANCIAL STATEMENTS

Note 22

Net financial items

	2005	2004
Financial income		
Financial income from Hansa Money Market Fund (Note 1)	160 014	276 590
Interest income from Hansa Interest Fund (Note 1)	717 017	936 180
Deposit interest	430 556	3 581
Profit from currency exchange rate revaluation	34 920	13 633
Total financial income	1 342 507	1 229 984
Financial expenses		
Loan interest expenses (Note 10)	-7 135 374	-8 496 056
Finance lease interest expenses	0	-319
Change in the fair value of derivatives (Note 15)	-602 378	0
Foreign exchange losses	-34 269	-42 523
Other financial expenses	-209 935	0
Total financial expenses	-7 981 956	-8 538 898
Total net financial items	-6 639 449	-7 308 914

Note 23

Events after the balance sheet date

Pursuant to the Participation in Legal Persons in Private Law by the State Act, the dividends to be paid by a state enterprise shall be established by the Government of the Republic. Pursuant to the Regulation No. 4 of the Government of the Republic from January 3, 2006, no dividends need to be paid by Tallinn Airport Ltd in 2006.

Note 24

Related party transactions

Parties who control the other party or have significant influence over the business decisions of the other party are deemed related parties by the group. Related parties include the Management Board and Supervisory Board of the parent company, except in cases where these individuals do not have significant influence over the business decisions of the company. In addition, related parties include close relatives of and companies controlled by the above individuals.

Management Board and Supervisory Board

The remuneration of the six-member Supervisory Board amounted to 432 thousand kroons in 2005 (440 thousand kroons in 2004). The members of the Management Board received 2,455 thousand kroons in remuneration in 2005 (2004: 2,021 thousand kroons). Information on the provision established for severance compensations payable to the members of the Management Board has been disclosed in Note 16. Tallinn Airport Ltd has insured the members of the Management Board and entrusted company cars into their possession. No other significant transactions were conducted with related parties.

NOTES TO THE FINANCIAL STATEMENTS

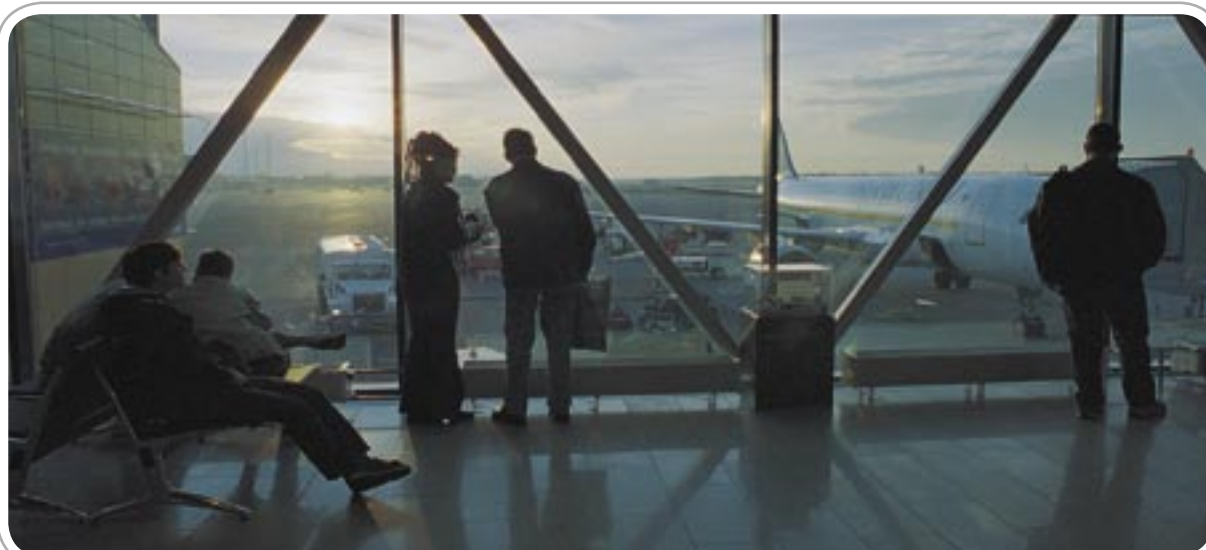
Note 25 Balance sheet of Tallinn Airport Ltd (parent company)

In Estonian kroons	31.12.2005	31.12.2004
ASSETS		
Current assets		
Cash and cash equivalents	82 745 990	44 061 508
Receivables	22 985 499	17 475 381
Prepayments	1 091 865	787 277
Inventories	647 043	68 375
Total current assets	107 470 397	62 392 540
Non-current assets		
Long-term financial investments	10 000 000	0
Property, plant and equipment	629 583 433	577 997 797
Intangible assets	3 766 929	0
Total non-current assets	643 350 362	577 997 797
TOTAL ASSETS	750 820 759	640 390 337
LIABILITIES		
Current liabilities		
Borrowings	36 480 423	40 809 340
Payables and prepayments	22 914 572	15 576 040
Derivative instruments	602 378	0
Short-term provisions	0	640 800
Total current liabilities	59 997 373	57 026 180
Non-current liabilities		
Long-term borrowings	205 265 267	241 746 037
Long-term provisions	3 474 532	3 401 842
Government grants allocated for non-current assets	99 204 459	55 323 047
Total non-current liabilities	307 944 258	300 470 926
TOTAL LIABILITIES	367 941 632	357 497 106
OWNER'S EQUITY		
Share capital	144 871 700	128 714 300
Mandatory reserve	22 855 471	22 855 471
Retained earnings	126 689 560	67 819 587
Profit for the financial year	88 462 396	63 503 873
TOTAL OWNER'S EQUITY	382 879 126	282 893 231
TOTAL LIABILITIES AND OWNER'S EQUITY	750 820 759	640 390 337

NOTES TO THE FINANCIAL STATEMENTS

Note 26 Income statement of Tallinn Airport Ltd (parent company)

In Estonian kroons	01.01.-31.12.05	01.01.-31.12.04
REVENUE		
Revenue	297 357 610	250 557 192
Government grants allocated for property, plant and equipment	8 630 765	5 170 174
Government grants allocated for operating expenses	9 544 531	0
Other income	656 239	771 030
TOTAL REVENUE	316 189 146	256 498 396
EXPENSES		
Goods, raw materials and services	68 902 958	53 996 243
Other operating expenses	10 124 822	9 371 205
Personnel expenses	70 947 185	53 164 904
Depreciation of non-current assets	70 562 894	68 724 981
Other expenses	548 259	428 276
TOTAL EXPENSES	221 086 118	185 685 609
OPERATING PROFIT	95 103 029	70 812 787
Total net financial items	-6 640 633	-7 308 914
PROFIT FOR THE FINANCIAL YEAR	88 462 396	63 503 873



NOTES TO THE FINANCIAL STATEMENTS

Note 27 Cash flow statement of Tallinn Airport Ltd (parent company)

In Estonian kroons	01.01.-31.12.05	01.01.-31.12.04
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	309 080 384	275 528 753
Amounts paid to suppliers and personnel	-162 186 612	-137 815 448
Fund yield and interest received	1 416 782	1 278 814
Interest paid	-7 592 740	-8 717 895
Total cash flow from operating activities	140 717 814	130 274 224
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-67 673 127	-98 861 694
Proceeds from disposals of PPE	402 712	1 270 593
Shares of subsidiaries	-6 873 588	0
Regional airports: cash at the beginning of the period (Note 5)	1 419 665	0
Total cash flow from investing activities	-72 724 338	-97 591 101
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of finance lease	0	-19 125
Loan repayment	-180 851 755	-40 554 070
Loans received	140 042 531	0
Government grants received	11 500 230	0
Total cash flow from financing activities	-29 308 994	-40 573 195
NET CASH FLOW	38 684 482	-7 890 072
Cash and cash equivalents at the beginning of the period	44 061 508	51 951 580
Cash and cash equivalents at the end of the period	82 745 990	44 061 508
Change in cash and cash equivalents	38 684 482	-7 890 072

Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Note 28

Statement of changes in equity of Tallinn Airport Ltd (parent company)

In Estonian kroons	Share capital	Mandatory reserve	Retained earnings	Total owner's equity
Owner's equity as at 31.12.2003	128 714 300	22 855 471	67 819 587	219 389 358
Profit for 2004	0	0	63 503 873	63 503 873
Owner's equity as at 31.12.2004	128 714 300	22 855 471	131 323 460	282 893 231
Bonus issue	16 157 400	0	-16 157 400	0
Merging of regional airports	0	0	11 523 500	11 523 500
Profit for 2005	0	0	88 462 395	88 462 395
Owner's equity as at 31.12.2005	144 871 700	22 855 471	215 151 955	382 879 126



SIGNATURES TO THE ANNUAL REPORT

The Management Board has prepared the management report and financial statements for 2005. The Management Board confirms the correctness of the data presented in the Annual Report.

Management Board:

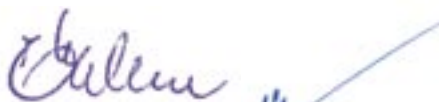
Rein Loik

Chairman of the Management Board



Einari Bambus

Member of the Management Board



Aarne Orav

Member of the Management Board



The Supervisory Board has reviewed and approved the Annual Report submitted by the Management Board, consisting of the management report, financial statements as well as the attached auditor's report and profit allocation proposal. The Supervisory Board confirms the correctness of the data presented in the Annual Report.

Supervisory Board:

Tõnu Ader

Chairman of the Supervisory Board



Andres Taimla

Member of the Supervisory Board



Elmar Truu

Member of the Supervisory Board



Toomas Annus

Member of the Supervisory Board



Helle Kalda

Member of the Supervisory Board



Kaie Karniol

Member of the Supervisory Board

PROFIT ALLOCATION PROPOSAL

Retained earnings as at 31.12.2004:	131,323,460
Change in retained earnings:	-4,633,900
Net profit for 2005:	88,297,746

Total distributable profit as of 31.12.2005: 214,987,306

The Management Board proposes to transfer the net profit for 2005 in the amount of 88,297,746 kroons to retained earnings.

Retained earnings after profit allocation: 214,987,306

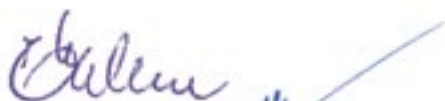
Rein Loik

Chairman of the Management Board



Einari Bambus

Member of the Management Board



Aarne Orav

Member of the Management Board

