

The background features a series of overlapping, organic shapes in shades of yellow and orange. A large, bright yellow shape is on the left, overlapping a larger, darker orange shape on the right. The overall effect is a dynamic, layered composition.

Tallinna Lennujaam Annual Report 2014



AS Tallinna Lennujaam operates and develops airport.

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

Shares of AS Tallinna Lennujaam are owned **by the Republic of Estonia**. The company belongs to the administrative field of the Ministry of Economic Affairs and Communications.

AS Tallinna Lennujaam together with its subsidiary AS Tallinn Airport GH form the Tallinn Airport group. In the year 2014, group companies **employed** close to **600** people.

The Group's busiest international airport is the **Lennart Meri Tallinn Airport** - in the year 2014 it served **2,017,371** passengers. Regional airports served **41,927** passengers.

Key operating indicators of Tallinn Airport in 2014 compared to the year 2013

Passengers at Lennart Meri Tallinn Airport	2,017,371 (+3%)
Passengers at regional airports	41,927 (-5%)
Revenue	EUR 31.9 million (+5%)
Total income	EUR 42.2 million (+4%)
Net profit	EUR 4.9 million (-3%)
Total assets	EUR 145.3 million (-4%)
Capital expenditures	EUR 5.9 million (-58%)

AS Tallinna Lennujaam

Lennujaama tee 12
11101 Tallinn
Tel. +37 2605 8701
Fax. +37 2605 8333
Email administration@tll.aero
www.tallinn-airport.ee



TALLINNA
LENNUJAAM

Introduction

The annual report consists of the management report, environmental report, sustainability report and financial statements and profit allocation proposal and independent auditor's report.

The purpose of the consolidated annual report of Tallinn Airport is to publish the key operating results of 2014, as well as economic, social, environmental and organisational data. We have presented the information based on the principle of transparency and good business practices. The report provides an outlook for 2015, presents the results of the financial year and compares results with prior years or periods. The report corresponds to the reporting level C+ of the Global Reporting Initiative (GRI3). For the list of subjects corresponding to the reporting level refer to the GRI index in the end of the report.

The integrated report aims to provide a closer introduction to the company:

- for the representatives of the owner to be able to make well considered decisions;
- for introducing the principles of operation to the public and gaining trust between various interested groups;
- for a comprehensive explanation of the changes and activities that have occurred in the organisation to the employees of the airport and the community.

The integrated report enables us to:

- be an open and transparent organisation;
- establish a trustworthy basis for potential new partnership relations;
- establish trust between the company and interest groups and stakeholder groups interested in the company's activities;
- provide an overview to the public of changes in the company and future prospects;
- present and promote the bases of sustainable development and responsible business.

Integreeritud aruande alused on:

- raamatupidamise seadus;
- rahvusvahelised finantsaruandluse standardid (IFRS), nagu need on vastu võetud Euroopa Liidu poolt;
- EMAS ja ISO 140001 keskkonnuaruannete koostamissoovitused;
- globaalse aruandlusalgatuse (Global Reporting Initiative - GRI3) juhendmaterjalid.

TABLE OF CONTENTS

Introduction	5	NOTE 4. Key accounting estimates	64
Statement of the chairman of the management board	7	NOTE 5. Property, plant and equipment	65
Important events and recognitions of 2014	9	NOTE 6. Intangible assets	66
Group strategy and values	10	NOTE 7. Investment property	67
Risk management	12	NOTE 8. Operating lease	68
Implementation of objectives set for 2014	14	NOTE 9. Inventories	68
Financial results of 2014	15	NOTE 10. Receivables and prepayments	69
Air traffic	20	NOTE 11. Financial instruments	69
Non-aviation revenue	24	NOTE 12. Cash and cash equivalents	71
Employees	26	NOTE 13. Borrowings	71
Operation and infrastructure	29	NOTE 14. Loan collateral and pledged assets	72
Rescue service	32	NOTE 15. Government grants	72
Regional airports	33	NOTE 16. Derivative instruments	73
Infrastructure development and management	33	NOTE 17. Trade Payables and prepayments	74
Environment	35	NOTE 18. Tax liabilities	74
A look into the future	39	NOTE 19. Accrued expenses to employees	74
Corporate Governance report	40	NOTE 20. Equity	75
GRI content index	44	NOTE 21. Revenue	75
Contact data	47	NOTE 22. Other income	76
Consolidated financial statements	48	NOTE 23. Goods, materials and services	76
Consolidated statement of financial position	48	NOTE 24. Other Operating expenses	76
Consolidated statement of comprehensive income	49	NOTE 25. Staff costs	76
Consolidated statement of cash flows	50	NOTE 26. Financial income and costs	77
Consolidated statement of changes in equity	51	NOTE 27. Contingent liabilities and commitments	77
Notes to the consolidated financial statements	52	NOTE 28. Related party transactions	77
NOTE 1. General information	52	NOTE 29. Financial information on the parent company	78
NOTE 2. Overview of key accounting and reporting policies	52	Profit allocation proposal	83
NOTE 3. Management of financial risks	61	Signatures to the annual report	84

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

The year 2014 was interesting and challenging for AS Tallinna Lennujaam. The number of passengers passed the 2-million mark, as expected (3% growth). Receiving the silver award for responsible business practices was an acknowledgment to the whole team.

537,000 passengers used the services of the flagship Estonian Air, making up 27% of the total passenger count crossing through Tallinn Airport within the year. As predicted, in 2014 trends in the air carrier market solidified from the earlier years. Biggest gainers in our market were Lufthansa and Turkish Airlines. Additional departures by Lufthansa increased the market share of Frankfurt to 15%, grabbing the torch from the former leader, Helsinki. Stockholm and Copenhagen, previous hot destinations, have experienced a significant fall in popularity. 2014 also saw the addition of a new airline, Portuguese TAP. Unfortunately, that route was closed during the winter due to low demand.

Return on sales increased by 5% when compared to the previous year, reaching EUR 32 million. Profit remained the same as in 2013, amounting to EUR 5 million. 61% of return on sales was comprised of non-aviation revenue, a margin that increased by 9% since the previous year.

We are expecting the number of passengers to go up to 2.05 million in 2015. We are also hoping that the passenger count for regional airports will bounce back to 44,000. However, our biggest challenge in the upcoming years is keeping the increase in costs lower than the increase in revenues.

We aspire to be the cosiest airport out there. Customer satisfaction is number one for us. We want our passengers to feel at home with us and to feel awaited, welcomed, comfortable and safe. We wish for our customers to be happy with us.

In order to improve the passenger experience at Tallinn Airport, we are focusing on improving transport connections and ease of parking in the upcoming years. A light rail link between the airport and downtown Tallinn is in the works and our parkade will be finished in the near future. We will make the life of our passengers even more comfortable, starting from the moment they enter the terminal and pass the security screening until they go through the gates to catch their flight. We aim to keep the friendly relationship with passengers during the time of renovations. Deadline for completing the projects is 2017, end of the year.

AS Tallinna Lennujaam is investing EUR 126 million during the 2015-2021 period. The most important project is the reconstruction of the runway infrastructure with a price tag of EUR 75 million. This project is funded in part by the European Cohesion Fund.



Group timeline

- 1932** Construction of the airport begins at its current location.
- 1936** Ülemiste Airport was opened. Runways 40 metres in width and 300 metres in length enabled aircraft to take off and land in six directions.
- 1954** Passenger terminal was completed.
- 1980** In preparation of the Tallinn Olympic Regatta of the Moscow Olympic Games, the Tallinn Airport runway is extended and a new passenger terminal is built.
- 1945-1989** Tallinn Airport is used exclusively by Aeroflot. All flights are within the Soviet Union.
- 1989** The first international route is re-opened. SAS starts operating the Tallinn-Stockholm route. In the following years Finnair, Lufthansa and LOT Polish Airlines start operations.
- 1992** A state-owned enterprise, Eesti Lennujaamad, is formed.
- 1995** The runway is completely reconstructed. The new length of the runway is 3,070 metres.
- 1997** The following companies are formed: AS Tallinna Lennujaam, AS Tartu Lennujaam, AS Kuressaare Lennujaam, AS Kärdla Lennujaam and AS Pärnu Lennujaam.
- 1998** A cargo terminal and a contemporary airport rescue service buildings are completed in Tallinn Airport.
- 1999** President Lennart Meri formally opened the reconstructed passenger terminal of Tallinn Airport.
- 2004** The airport joined the European Union Open Skies Treaty, which provided an opportunity for a significant expansion of flight operations. The first low-cost airline, EasyJet, starts its flights to Tallinn.
- 2005** AS Pärnu Lennujaam, AS Tartu Lennujaam, AS Kuressaare Lennujaam and AS Kärdla Lennujaam are merged with AS Tallinna Lennujaam. For the first time in history, the number of annual passengers at Tallinn Airport exceeded one million. The subsidiary AS Tallinn Airport GH was formed.
- 2008** Tallinn Airport's air traffic area and passenger terminal are renovated.
- 2010** The visual identity of Tallinn Airport is updated. Ryanair starts flying to Tallinn Airport.
- 2011** First cruise ship turnaround took place. 7,100 passengers were served with 5 turnarounds.
- 2012** For the first time in history, the number of annual passengers at Tallinn Airport exceeded two million. Tallinn Airport organised a conference Routes Europe, bringing to Tallinn 900 European and Asian aviation decision-makers from 40 different countries.
- 2013** Tallinn Airport was awarded a silver award for responsible business practices. Turkish Airlines started its flights from Tallinn to Istanbul.

Important events and recognitions of 2014

AS Tallinna Lennujaam was awarded a **silver award for responsible business practices** for the second year in a row.

A project by Tallinn Airport, "*Koos parimaks*" ("Better Together") was awarded **the Quality Award of the Year by Estonian Association for Quality (EAQ)**.

Lennart Meri Tallinn Airport was voted the **sixth best airport by passengers** among all European airports according to the **website Sleeping in Airports.net**.

A mobile application for the airport was completed.

New airlines started using Tallinn airport:
TAP Portugal - route Tallinn-Lisbon,
Vueling - route Tallinn-Barcelona and
Air Lituanica - route Tallinn-Vilnius.

New work and safety management software, **Parro**, was implemented.

Estonian college and university students have chosen Tallinn Airport as one of the **top 4 employers**; the users of recruiting website CV Keskus voted Tallinn Airport among the **top 20 most attractive employers**.

A crisis management training exercise was held at Kuressaare airport in order to improve the cooperation between the airport and different departments.

The visit of Barack Obama, the President of the United States, to Estonia tested the limits of several departments of Tallinn Airport in accommodating a state visit of such a magnitude.

Preparations for the air traffic area development project continued.

The construction of a hangar complex serving business customers was completed and AS Panaviatic started operating it.



GROUP STRATEGY AND VALUES

The Republic of Estonia, as the sole shareholder of Tallinn Airport, confirmed its expectations for the activities of Tallinn Airport in the spring of 2014. The group was identified as a business association with public interest. The fulfilling of the goals set forth by the country's leaders is in the hands of the management and the board.

Goals set forth by the owner:

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

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



Corporate social responsibility guidelines:

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

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

Tallinna Lennujaam AS strategy map

Slogan	The world's cosiest airport
Vision	To develop into a well-known and respected flight transport hub in Northern Europe
Owner's strategic objectives	Maintaining air traffic (incl. regional airports) and increasing it through efficient, profitable, sustainable and responsible business practices

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

Risk management

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

Risk management involves all operations of the company, including, but not limited to the risks of managing regional airports.

Risk management process also involves mapping out the risks, giving them an impact and probability assessment and drafting up an action plan for risk management according to their level of seriousness and objective.

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

Business risks

The aviation profits of the group's businesses are strongly influenced by the situation of the flagship, Estonian Air. One third of the total number of passengers passing through Tallinn Airport uses services of the flagship. Therefore, it is important for Tallinn Airport to closely follow the European Commission's decision on the state assistance to the flagship with regard to the latter's restructuring plan and its compliance with the state assistance regulations in effect in the European Union.

Political and economic uncertainty

The entire economic environment, including the operations and results of Tallinn Airport, are influenced by the geopolitical tensions brought forth by the actions of Russia in Ukraine. Uncertainty about the future has a major impact on the decisions of Estonians when it comes to planning flights and vacations which manifests in an inhibited increase or even a decrease in passenger numbers.

Passenger numbers have a direct impact on route development – do new airlines have enough interest in Estonia as a destination in the current geopolitical situation and do the current routes remain topical? The results of 2014 were strongly influenced

by the sanctions between Russia and the European Union decreasing the transit trade destined for Russia significantly.

Operational risks

Number one priority for the organisation is to avoid flight safety risks and to maintain security. We have implemented a safety management system that allows us to monitor and analyse the daily activities on the airfield and passenger areas and to plan preventive actions for risk management.

In 2014 we focused on testing information systems that improve the quality of business projects and improve the cooperation between departments in crisis situations. In order to achieve this, several training scenarios were simulated with involvement of local governments and state institutions.

We requisitioned an outside "attack" on our info systems to test the information safety risks. The security of Tallinn Airport info systems is good, according to our evaluations. The servers and systems governing the parking services turned out to be the weak spots. However, these have already been replaced by newer systems and therefore the security is guaranteed there as well.

Environmental risks

Runway and plane de-icing and fuelling have the biggest environmental impact. Tallinn Airport has developed procedures for avoiding and cleaning up a spill. Airport's rescue service is equipped with the necessary resources and they are prepared for pollution abatement.

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

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

Project risks

In 2015 we will start a large-scale development project co-funded by the European Union. The biggest challenges of the project implementation are ensuring the successful achievement of the following:

- Aviation safety and security requirements during construction;
- Completion quality without having to stop air traffic;
- Correct and errorless project documentation;
- Maximum quality end result dependent on the constructor.

As of the endorsement date of the annual report, we still have not heard back in terms of the decision on the co-funding from the European Union. Action plans on managing intra-company risks are being drafted.



Implementation of objectives set for 2014

GOAL

Quality service

Services offered by Tallinn Airport are available at all times.
Regional airport services are available dependent upon the amount of state support.
Creation of a safe and sustainable operating environment. No serious aviation accidents or incidents. The number of incidents on the ground has been reduced to minimum.

Efficient and profitable operations

Group's return on equity of 7% and profit margin of 12%. The increase in passenger numbers exceed the GDP increase (passenger number increase/GDP increase) 5,1% / 3,6%.
In 2014 one can travel to 25 international destinations from Tallinn Airport.

Client-friendly and cosy airport

General client satisfaction according to client surveys is 4.2 out of 5.
Business plan is drawn up; preliminary project will be complete by the end of 2015.

Responsible and green organisation

AS Tallinna Lennujaam to receive a silver award for responsible business practices. Environmental and sustainability reports are published as an integrated part of the annual report.

Forward-thinking and innovative operations

Preparation of the flight traffic area development project with the goal of realizing the project in 2016-2018 with the co-funding from the European Cohesion Fund. Creation of a multimodal transport hub to serve different modes of transport in the most optimal and clean way possible. Connect Tallinn Airport's passenger terminal and future Rail Baltica's Ülemiste terminal. Project to be completed at the end of 2014.

REALIZATION

Quality service

Services at Tallinn Airport are available 24/7 and 365 days in a year. Services are available at regional airports depending on the amount of state funding.
There were no aviation accidents or incidents. The number of registered incidents grew compared to 2013 from 64 to 83 per 10,000 flight operations due to improved safety culture (better recording of incidents).

Efficient and profitable operations

Tallinn Airport's return on equity is 8% and profit margin is 15.3%. The increase in passenger numbers (3%) exceeds the GDP increase (2.1%). In 2014, Tallinn Airport offered 25 year-round destinations with an additional 11 destinations during the summer season.

Client-friendly and cosy airport

General client satisfaction according to client surveys is 4.5 out of 5. Renovation of the passenger terminal done according to the current aviation changes in passenger-area functionality and with the aim to improve passenger experience. Preliminary project planning finished in 2014.

Responsible and green organisation

Implementation of responsible way of thinking on both strategic and operational level in the company.

Forward-thinking and innovative operations

The project was included in the list of projects funded by the European Cohesion Fund. Procurement for the construction process will commence in 2015. Preliminary project is being completed. Transportation hub is to be completed by early 2018 the latest.

Financial results of 2014

Forecast for economic growth in Estonia 2014-2016

In our preparation of the budget for 2014 and planning for a 5-year period, we were convinced that our operating environment in the coming years will be turbulent and changing at a fast pace - the world in the year 2020 will look different. We strive for continued successful performance of the company even in a changing and already changed world.

The global aviation market grew by 5.9% compared to the previous year, which is above the average 10-year growth rate of 5.6%. The market grew by 4.5% in Europe, exceeding the rate of growth of 0.7% that was recorded last year. The global economy is expected to grow at a rate of 3.2% (2014: 2.6%) in the year 2015. This would be the first time since 2010 that growth exceeds the 3% threshold. The growth in the number of passengers globally is forecast at 7%. Low oil prices support growth of the sector but a decline in consumer confidence since the middle of 2014 may negatively influence the rate of growth. (International Air Transport Association).

The European Commission is continually investigating the lawfulness of government aid provided by the state to AS Estonian Air. This decision will have an impact on the development of our aviation market in the near term.

	Forecast*	Actual
2014	2,3%	2,1%
2015	2,3%	
2016	2,9%	

*Forecast by European Commission (winter 2014, 2015)



Key sales and financial indicators of the group

		2014	2013	Change (%)
Lennart Meri Tallinn Airport				
Passengers		2,017,371	1,958,801	3%
Flight operations	qty	37,791	37,856	0%
Cargo volume	tons	19,860	20,941	-5%
Total regional airport				
Passengers		41,927	44,288	-5%
Flight operations	qty	10,762	11,330	-5%
Group <i>thousand EUR</i>				
Sales revenue		31,918	30,288	5%
incl. aviation revenue		12,360	12,296	1%
incl. non-aviation revenue		19,558	17,992	9%
Other income		10,282	10,203	1%
incl. government grants for assets		3,837	3,884	-1%
incl. government grants for security and rescue expenses		4,748	4,748	0%
incl. government grants for regional airports		1,615	1,400	15%
incl. other income		82	171	-52%
Operating profit before depreciation*		12,156	12,216	0%
Net profit		4,869	5,044	-3.5%
Cash flows from main activity		10,545	10,863	-3%
Investments		5,937	14,023	-58%
<hr/>				
Assets (year-end)		145,340	150,612	-4%
Assets excluding government grants* (year-end)		90,786	92,230	-2%
Equity (year-end)		59,748	54,879	9%
Borrowing (year-end)		26,048	30,642	-15%
<hr/>				
Equity/assets (year-end)*	%	66%	60%	
Debt/operating profit before depreciation *		2.1	2.5	
<hr/>				
Employees (absolute number)	#	579	574	1%
Employees (full time equivalent units)	FTE	537	536	0%

* excluding government grants for property plant and equipment

Revenue

Aviation revenue accounted for 38.7% and non-aviation revenue for 61.3% of total sales revenue (2013: 40.6% and 59.4%, respectively).

Growth in aviation revenue in 2014 compared to 2013 was minimal at 1% (2013: 7%).

The number of passengers grew by 3% compared to the year 2013 (2013: -11%). The number of flight operations at 37.8 thousand is relatively flat compared to 37.9 thousand in the year 2013.

The average passenger fee per enplaned passenger was up by 4% compared to 2013 (2014: EUR 6.25, 2013: EUR 6.01). This was attributable to the decrease in the proportion of new routes in the entire aviation portfolio. Aviation revenue of Tallinn Airport from the route support programme accounted for 4.6% in the year 2014, whereas in the year 2013 it accounted for 6.1%.

Non-aviation revenue growth of the Group in 2014, compared to the previous year, was 9% (2013: 1%), the Parent company experienced growth of 11% (2013: 20%) and the subsidiary grew by 4.5% (2013: -20%).

Growth of non-aviation revenue was attributable to incremental rental income from the tenant of the new aircraft hangar completed in April 2014, increased concession from retail, increased car parking income, and increased aircraft handling revenue.

Other income consists of Government grants related to assets and income.

Government grants for covering the cost of regional airports grew by EUR 0.2 million or 15% (2013 was unchanged compared to the previous reporting period). Government grants intended for covering the costs of aviation security and rescue services were unchanged in 2014, as well as in the previous year.

Income of the Group grew by EUR 1.7 million or 4.2% (2013: EUR 1.1 million or 2.8%). Sales revenue accounted for 75.6% and other income accounted for 24.4% of income. The ratio was unchanged compared to 2013.

Expenses

Expenses of the Group amounted to EUR 37.1 million (2013: EUR 35.2 million); a growth of EUR 1.9 million or 5%.

Labour costs grew by EUR 1.5 million or 12% (2013: EUR -0.1 million or -1%).

Other expenses declined by EUR -0.05 million or -7% (2013: EUR -0.03 million or -27%).

Miscellaneous operating expenses increased by EUR 0.35 million or 35.6% (2013: EUR -0.15 million or 13%).

The expense of external aviation security amounted to EUR 2.9 million (2013: EUR 2.7 million); a growth of EUR 0.14 million or 5.1% (2013: growth of 4%).

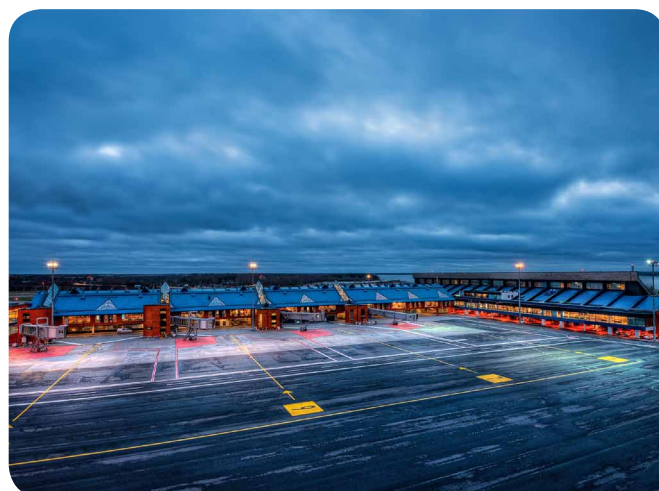
Depreciation on non-current assets (including investment property) in 2014 amounted to EUR 10.9 million (2013: EUR 10.8 million); a growth of EUR 0.1 million or 0.8% (2013: growth of 8.6%).

Expenses of the Group in 2014 were lower than expected by EUR 0.4 million. For the second winter in a row there is little snow and fuel costs for runway and aprons maintenance machinery were lower than usual.

Finance costs in the year 2014 were EUR 0.24 million (2013: EUR 0.26 million). This included interest expense on loans and bonds of EUR 0.63 million (2013: EUR 0.74 million) and a gain from derivative instruments of EUR 0.39 million (2013: EUR 0.49 million).

Profit

Operating profit before depreciation (excluding government grants for non-current assets) and finance income and expense (EBITDA) amounted to EUR 12.2 million, unchanged from the year 2013. Operating profit (EBIT) in the year 2014 amounted to EUR 5.1 million (2013: EUR 5.3 million); a decrease of EUR 0.2 million or 3.7%.



Group income statement indicators

<i>thousand EUR</i>	2014	2013	2014-2013	2014-2013,%
Revenue	31,918	30,288	1,630	5%
Total income	42,200	40,491	1,709	4%
Expenses:				
goods, raw materials, services	11,442	11,445	-3	0%
labour costs	13,380	11,901	1,479	12%
Total expenses excl. depreciation and amortisation	26,208	24,391	1,817	7%
Operating profit before depreciation, amortisation and interest* (EBITDA)	12,156	12,216	- 60	0%
Depreciation and amortisation	10,887	10,798	89	1%
Operating profit (EBIT)	5,106	5,301	- 195	-4%
Profit for the accounting period	4,869	5,044	- 175	-3%

* excluding government grants for property, plant and equipment

The profit of Tallinn Airport in 2014 amounted to EUR 4.87 million, which was lower than the previous year by EUR 0.17 million or 3.5% (2013: EUR 5.04 million or higher by 36%).

Income in 2014 was higher by EUR 1.7 million and expenses were higher by EUR 1.9 million, resulting in a negative difference of EUR 0.2 million. Finance costs were lower by EUR 0.02 million.

Tallinn Airport repaid loans totalling EUR 4.55 million. No new borrowings were raised. As of the year-end of 2014, the loans outstanding amounted to EUR 25.9 million: NIB loan of EUR 10.7 million, Pohjola loan of EUR 7.7 million, and bonds of EUR 7.5 million.

At the year-end of 2014, total assets amounted to EUR 145.3 million (2013: EUR 150.6 million). Thus, total assets have decreased by EUR 5.3 million or 3.5% (2013: increased by 2.7%).

Non-current liabilities have decreased by EUR 8.7 million or 10.3% (2013: decreased by 0.4%).

Equity has increased by EUR 4.9 million (by the net profit of the year 2014) or 8.9 % (2013: increased by 10.1%).

In 2014, equity accounted for 41% and liabilities accounted for 59% of total assets (2013: 36% and 64%, respectively). Depreciation on non-current assets in 2014 exceeded total capital expenditures by EUR 6 million (2013: capital expenditures exceeded the depreciation charge by EUR 4 million), which has reduced assets by 4% (2013: assets increased by 3%).

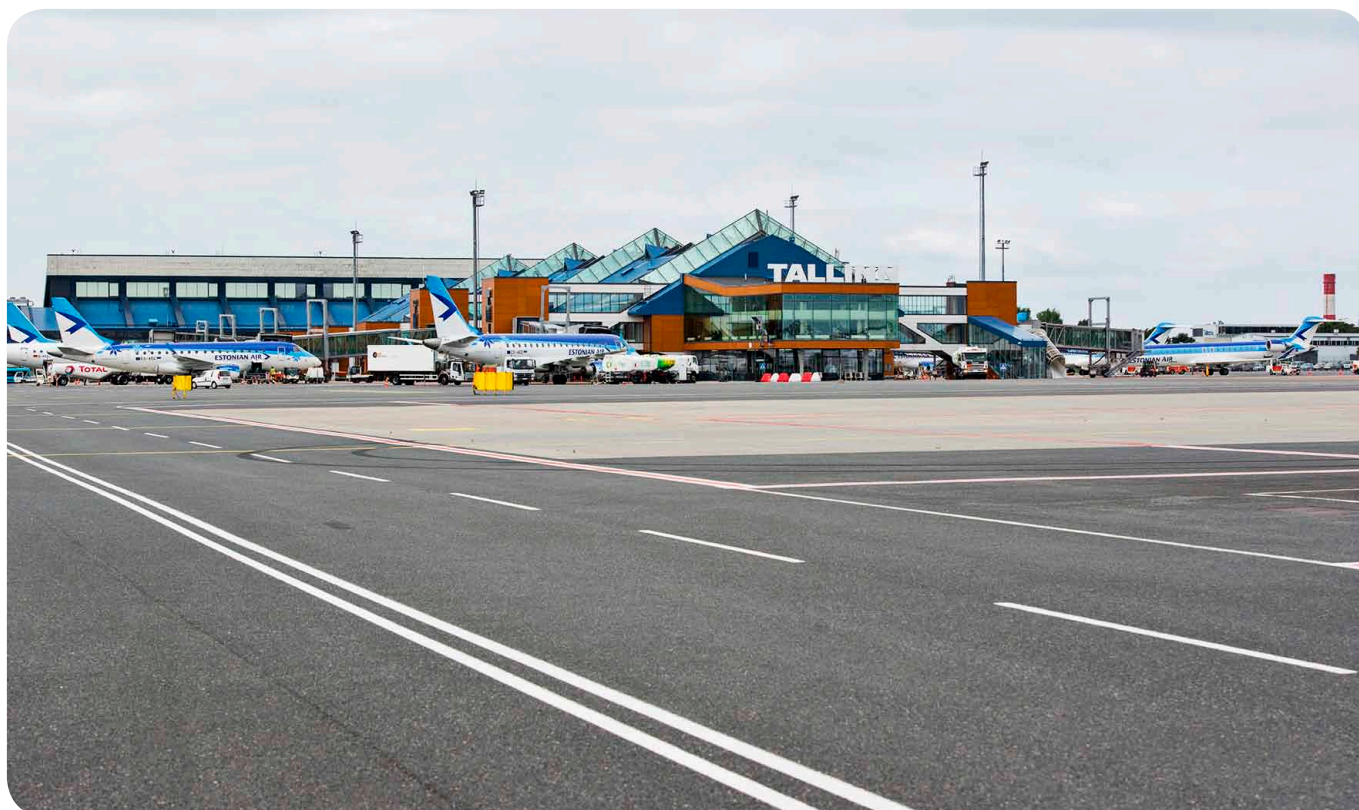
The cash balance of group companies as of the start of 2014 stood at EUR 9.7 million. Cash flows from operating activities in the year 2014 were EUR 10.5 million (2013: EUR 10.9 million), cash flows from investing activities were EUR - 5.9 million (2013: EUR 14.0 million), and cash flows from financing activities were EUR - 4.6 million (2013: EUR 2.9 million). The cash balance of the Group as of the year-end of 2014 stood at EUR 9.8 million. In the year 2014, the cash balance increased by EUR 0.1 million (1%) (2013: increased by EUR 0.01 million (0.1%)).

The Group incurred capital expenditures in the year 2014 of EUR 5.9 million (2013: EUR 14.0 million). The largest capital expenditures were incurred for the construction of an aircraft hangar of EUR 1.2 million (total capital expenditure of EUR 4.0 million, construction was started in the year 2013) and prepayment for two fire trucks totalling EUR 1.3 million (they will be delivered in February 2015).

8 largest customers of the Group in 2014 and 2013

	Service segment	Sales revenue 2014, million EUR	Percentage of turnover	Sales revenue 2013, million EUR	Percentage of turnover	Rank of customer in 2013
Estonian Air AS	aviation	5.7	18.0%	6.0	19.7%	1
Inflight Service Estonia Eesti OÜ	retail premises	2.5	7.8%	2.4	8.0%	2
Lufthansa German Airlines Estonia	aviation	2.4	7.6%	1.9	6.3%	6
Flybe Finland OY	aviation	2.1	6.7%	2.2	7.1%	3
Magnetic MRO AS	hangar premises	2.1	6.5%	1.9	6.4%	5
Air Baltic Corporation AS	aviation	2.0	6.3%	2.0	6.6%	4
SmartLynx Airlines Estonia OÜ	aviation	1.6	5.0%	1.4	4.5%	7
Aeroflot-Russian Airlines-Joint Stock Company	aviation	0.8	2.4%	0.7	2.4%	9
		19.2	60.2%	18.5	61.0%	
Total group sales revenue		31.9	100.0%	30.3	100.0%	

Total revenue attributable to the 8 largest customers of Tallinn Airport was EUR 19.2 million, which accounted for 60.2% of sales revenue. The largest customer in the year 2014 was AS Estonian Air, which accounted for EUR 5.7 million or 18% of the sales revenue of Tallinn Airport. Revenue from AS Estonian Air in 2014 was lower by EUR 0.3 million compared to the year 2013 and the share of revenue has decreased by 1.7 percentage points. The second largest customer of the group was Inflight Service Estonia Eesti OÜ, which is a retailer in the passenger terminal. The third-ranked customer was Lufthansa German Airlines Estonia with a sales revenue in 2014 of EUR 2.4 million, accounting for 7.6% of revenue.



Air traffic

Lennart Meri Tallinn Airport's catchment area

The catchment area is used to measure the size of the airport market or the potential number of passengers. Calculation methodologies may differ, from simple ones such as distance from the airport to complex, accounting for regions' social economic data and route network details.

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

In order to ensure adequate comparison with other airports, market size must also be accounted for. The generally used ratio is number of flights per resident.

	Residents in country (000)	Passengers (000)	Flights per resident
Vilnius	3 053	2 943	1,0
Tallinn	1 340	2 017	1,5
Riga	2 075	4 814	2,3
Stockholm Arlanda	9 416	22 417	2,4
Helsinki Vantaa	5 375	15 949	3,0

Flights per resident in 2014

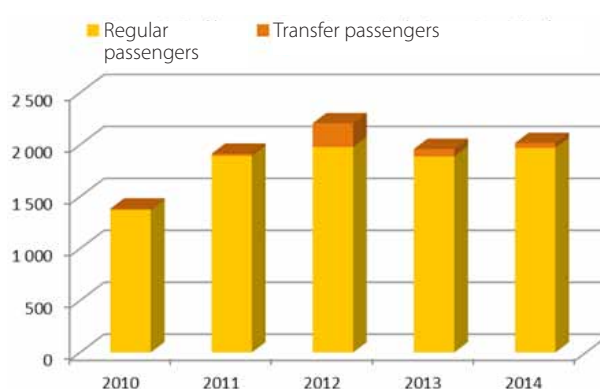
Tallinn Airport has a substantial impact on the economy of Tallinn and Estonia as a whole. Research confirms that for every 100,000 passengers enplaned or deplaned by Tallinn Airport, the airport's catchment area adds an average of 134 new jobs. This generates EUR 12 million of wage income (including social tax) and increases the country's gross domestic product by EUR 28 million. The total impact (direct, indirect, and induced) of the air transport sector on Estonia's GDP in 2012 was 3.2% or EUR 538 million. (Study by Maris Lauri titled "Impact of passengers of Tallinn Airport on the Estonian economy", 2013).

Major global events in 2014 with an impact on aviation

Global aviation was characterised by strong demand in the year 2014, the number of passengers increased on average by 5%. According to IATA data, growth outpaced the average of the 10 most recent years. Despite the economic and geopolitical tensions in Europe, the number of international airline passengers in Europe increased by an average of 5%, primarily attributable to low-cost airlines and Turkish airlines. The price of oil, which decreased substantially during the last quarter of the year to approximately 50 dollars per barrel will have a positive effect starting from the year 2015.

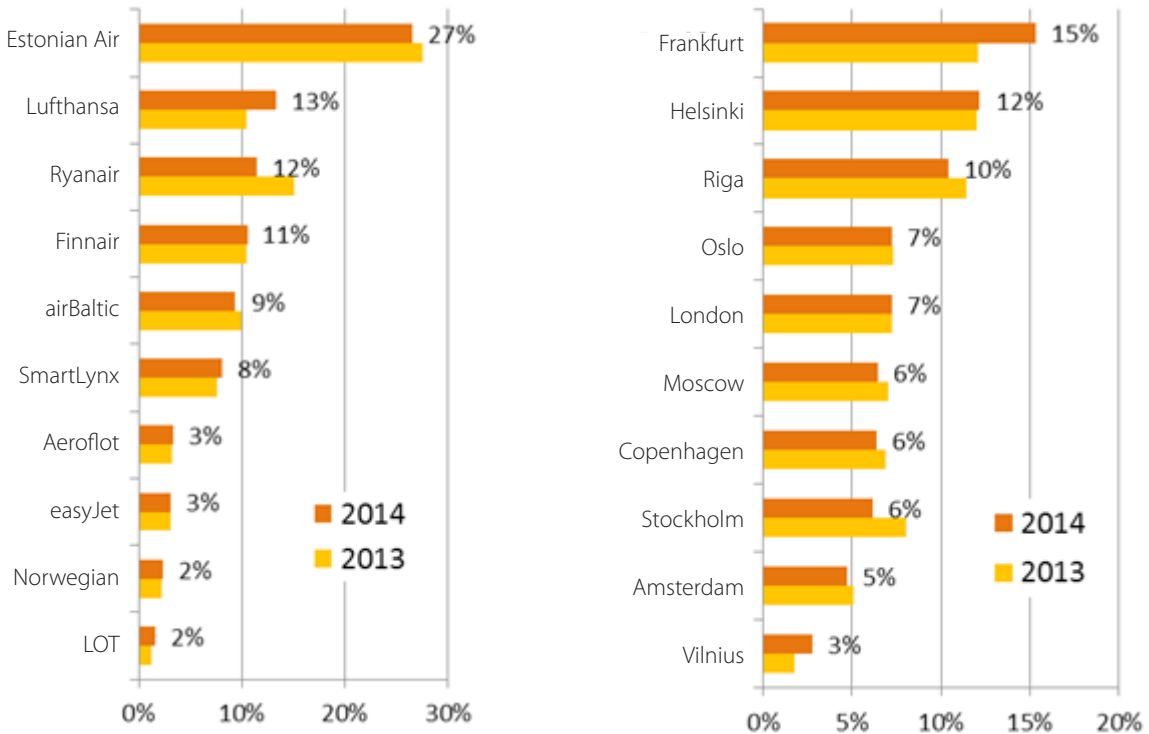
Air traffic in 2014

In 2014 Lennart Meri Tallinn Airport served 2,017,371 passengers, which is the second best result in the Group's history. Compared to the year 2013, the number of passengers grew by 3.0%, including 2.6% in scheduled flights and 5.2% in charter flights.



Passengers 2010-2014

Unlike the year 2013, no major changes took place on the market regarding airline strategies or offerings. Overall, air traffic was characterised by stable demand that began to strengthen somewhat in the second half of the year.



Market share for airlines and destinations 2013-2014

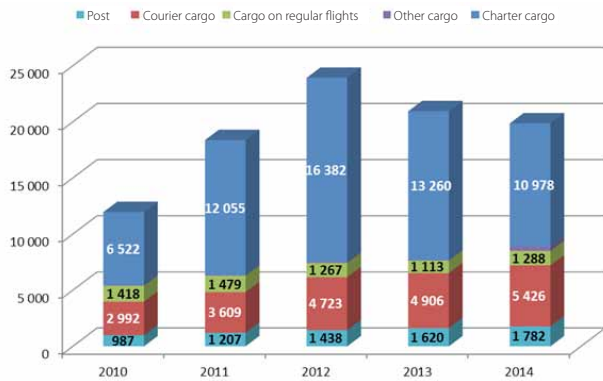
Frankfurt continued to be the number one ranked destination. Helsinki and Riga, comparable in terms of volume, once again reaffirmed their position as hub airports. 20 routes were served on a year-round basis. This includes the Lisbon flights of the TAP airline that started during the year. The Lithuanian airline Air Lituania was added in the Vilnius route. Seasonal flights to Barcelona were carried out by the Spanish low-cost airline Vueling. In total, 15 different airlines performed scheduled flights. Passengers on scheduled flights accounted for 87% of all passengers.



Map of route network. Summer 2014

The most popular holiday destinations among Estonian charter passengers continued to be Turkey and Egypt. Charter passengers entering Estonia arrived mainly from Spain via cruise turnaround. 5 turnarounds took place in partnership with the cruise line Pullmantur Cruises during which a total of 14,161 passengers, who started or finished their Baltic Sea cruise in Tallinn, were served. In addition to Tallinn Airport and Port of Tallinn, turnarounds were organised by the tour operator DenEesti and the ship agency CF&S.

The majority of cargo volumes served was attributable to non-scheduled cargo flights. However, the cargo volumes started to notably decrease from the second half of the year. This was associated with changes in the economy in Russia as the cargo was in transit to the Russian market. The situation can be expected to continue in the year 2015.



Cargo and post 2010-2014

Competitiveness

Aviation in Estonia and Europe as a whole has become more dynamic in the last decade. Passengers have more options to choose from and they are more sensitive to changes in price and quality. Airlines on the other hand are flexibly reacting to passenger demand and acting more aggressively in negotiations with airports. Countermeasures must be taken against this trend in the competitive situation. The most conventional ones are changes in airport charges, marketing activities and route development.

Due to the similar structure of airport charges, Tallinn Airport can be compared to other airports. Tallinn Airport is among the cheapest in the Baltic Sea region with regard to airport charges. The price level is comparable to Riga. (Source: www.airportcharges.com). However, there is no comparable information on the route development programmes and discounts used by various airports.

	Total charges	Average cost per passenger
Tallinn	1 772	12,14
Riga	1 724	11,81
Vilnius	1 852	12,69
Helsinki	2 791	19,12
St. Petersburg	5 480	37,53

Airport charges per A320 aircraft, EUR

In addition to participation in regular route development conferences Routes, a large portion of emphasis in route development was on marketing activities in collaboration with airlines operating in Tallinn. Flight opportunities were promoted to passengers and the development of airlines in Tallinn was supported through organising various events (route openings, anniversaries, etc.) and through social media. Several airlines supplemented the flight possibilities by successful marketing efforts. For example Turkish Airlines were able to increase the frequency of flights and as a result transitioned from indirect flights to direct flights.



Ground handling of aircraft and serving passengers

AS Tallinn Airport GH provides ground handling services in Tallinn Airport. The company started operating in the year 2005. Currently, the company provides ground handling services also in the Tartu Airport and when necessary in the Pärnu Airport. The founder and owner of the company is AS Tallinna Lennujaam.

AS Tallinn Airport GH provides ground handling services: handling of aircraft and serving passengers, leasing of transport equipment and special equipment, providing cashier services, acting as an intermediary selling various services to airlines and passengers, and selling and preparing passenger and cargo transport documents.

Tallinn Airport GH has established a strategic quality objective for the period 2014-2018: to become the highest quality provider of ground handling services in Northern Europe. The quality management system is continually being improved to accomplish this objective in accordance with ISAGO requirements, and customer feedback is analysed on a regular basis in order to develop the service standards of the company to meet customer expectations even better.

The objective of the company is to ensure at least 98% on-time performance of all outbound flights to all airlines that the company serves and to be ranked top five in the quality rankings of airlines.

AS Tallinn Airport GH

- A leading aircraft ground handling provider and airline passenger service provider in Estonia
- Established in 2005
- Operates in the airports of Tallinn and Tartu
- The average number of employees in 2014 was 235
- Serves 2.1 million passengers annually

Results of 2014

The average aircraft turnaround in Tallinn Airport is 30 minutes. After the start of the luggage unloading, the first luggage will arrive on the passengers' baggage claim carousel in an average of 4.6 minutes; in container-loaded aircraft it takes on average 8.3 minutes. The last baggage reaches the baggage claim carousel for ordinary planes in 9.7 minutes after the start of baggage unloading; for container planes - on average 14.8 minutes.

One of the most important indicators for comparing aircraft ground handling providers is punctuality of the departure of the aircraft. Tallinn Airport GH continues to be one of the most punctual providers in the world. In the year 2014, service punctuality provided to the largest customers was as follows: Finnair - 97%; Lufthansa - 99%; Estonian Air - 99%; Aeroflot - 97%; LOT - 99% and airBaltic - 98%. With such results Tallinn Airport continues to be among the top 5 airports in the world in the on-time performance rankings.

In 2014, Tallinn Airport GH was nominated for a tourism award for 2014 from Tallinn Business Awards and for a contest run by the Tallinn Sports and Youth Department titled "Company Catering to Children and Youth in Tallinn".

Key financial indicators of Tallinn Airport GH

	2014	2013	
Total income from operations, thousand EUR	8 092	7 747	4%
EBITDA, thousand EUR	610	740	-18%
Net profit, thousand EUR	165	232	-29%
Total assets, thousand EUR	7 722	7 362	5%
Capital expenditures, thousand EUR	91,0	51,8	76%

Total income from operations of Tallinn Airport GH in 2014 amounted to EUR 8.1 million (2013: EUR 7.7 million), an increase of 4.5% (2013: a decrease of 21%).

Income from operations is impacted by the aircraft de-icing service provided, which accounts for 18% of income and is largely dependent on weather conditions. De-icing revenue declined by 10% compared to the year 2013 and 65% compared to the year 2012.

Total operating expenses of Tallinn Airport GH in 2014 amounted to EUR 7.9 million (2013: EUR 7.5 million), an increase of 5% (2013: expenses decreased by 6%). The reason for the growth in expenses was increased staff costs by 14% (2013: expenses decreased by 13%). Aircraft de-icing products expenses increased by 7.6% (2013: expenses decreased by 53%). Aircraft cleaning expenses increased by 10% (2013: expenses decreased by 20%) and rental expense of premises increased by 7.3% (2013: expenses increased by 25%). Other cost categories have been on a somewhat reduced level in 2014 compared to the year 2013.

The profit of Tallinn Airport GH in the year 2014 amounted to EUR 165 thousand (2013: EUR 232 thousand). The rate of decrease was 29% (2013: 71%).

Non-aviation revenue

Our competitive advantage is based on cosiness and localness

What makes Tallinn Airport special is that we aim to be the cosiest airport in the world. Thus, we pay great attention to making sure everything is in order, clean, and available for the passenger. We follow very closely which products are being sold in shops and restaurants. We deliberate for each new product as to how, in addition to earning revenue, it would improve the airport and make it cosier.

In the year 2014, our aim was to continue with the cosiest airport idea in the passenger experience design. In order to implement the idea, Estonian folk patterns were installed on the seats in all Schengen Zone seating areas. This creates a warm overall atmosphere and also introduces beautiful Estonian patterns to people.

Working together with partners, we added many exciting new things in the passengers' area of the airport. A good example of this is a 3D image of a bog landscape installed on the floor of the EAS gate. A bog looks extremely realistic when photographed from the correct perspective.

The biggest accomplishment in passenger experience design is that Tallinn Airport was included among the 10 best airports of Europe. The survey was conducted by the Sleeping in Airports website. Results are based on passenger evaluation and absolute votes. It is very difficult for an airport with two million passengers to compete in absolute votes with an airport with 30 million passengers but we actually succeeded!



Share of non-aviation revenue in the management of airports

In recent years, airports have been under constant pressure to lower airport fees charged to airlines. In order to avoid losses, other opportunities must be sought. The general trend of European airports is to increase the share of non-aviation revenue. Such revenue comprises rent income, concessions paid by lessees, and from sale of other airport services.

The group's non-aviation revenue comprises the rent on passenger terminal commercial space, concession fees paid by retailers, advertising revenue and the rental income on other commercial spaces located on the territory of the airport. Non-aviation revenue accounts for 61% of the group's turnover, growing at a rate in excess of 9% during 2014, a total of EUR 19.5 million. The largest factor for the revenue growth was the lease of the new aircraft storage and maintenance hangar complex that was completed in 2014 in cooperation with Panaviatic AS. Revenue generated by concessions, car parking and advertising sales also grew.

At the end of 2014, the passenger terminal accommodated 11 shops offering various products. It is important for us to be able to give opportunity for passengers to purchase Estonian art, souvenirs, sweets, food and music. The average spend per departing passenger in retail sales grew compared to the 2013 financial year from EUR 9.12 to EUR 9.80. In the year 2014, 10 food service locations were open in the passenger terminal with each departing passenger spending during 2014 an average of EUR 2.63, which is 8% more than they have spent in 2013.

Tallinn Airport also leases commercial space to companies in buildings, hangars, warehouses and office buildings located on the premises of the airport. Rental income increased by EUR 0.6 million or 17.5% compared to the previous year. Income in the 2014 financial year amounted to EUR 3.9 million compared to EUR 3.3 million in the previous year. This accounted for 12.1% of the total sales revenue of the group in 2014.

The 11 buildings, 4 tents and 2 fuel terminals on the airport property are leased to 31 different companies. In total, 37,331 m² of space has been leased out, and the average vacancy rate is 5%.

The major tenants on airport property are Magnetic MRO, Panaviatic KVH, TNT Express Worldwide Eesti, DHL Estonia AS, Essenta Logistics, Cargo Handling, Estonian Air, etc.

Advertising in the airport – brand advertising and sales channel

A positive reputation, diverse and flexible options make the airport an excellent advertising location. By skilfully leveraging this, we have grown the revenue generated from sale of advertising. The aim of new advertising projects is to add cosiness and offer additional value to passengers.

The design of waiting areas is a good example, as well as working together with G4S to add warmth to the security control area, a cause for concern for many passengers. Multiple simple and neat solutions have attracted plenty of attention. Working together with Porsche, we made the trip of VIP guests from the passenger terminal to the aircraft more luxurious. We try to be clever and convert even the most unexpected locations into humorous advertising space in collaboration with the right partners. Working together with Gustavsberg, we made the airport's first comic strip themed men's toilet. In the baggage claim area, two baggage carousels added colour and smiles in collaboration with Ülemiste and Viru shopping centres.

Serving disabled passengers and passengers with reduced mobility

During the financial year 2014, the number of passengers with reduced mobility grew by 7%. In the previous year 3,149 were served, whereas, now 3,368 passengers with reduced mobility were served. The same growth trend has been observed in Europe. The growth is related to the ageing of the population and the expansion of the rights of passengers with reduced mobility. Tallinn Airport has specially trained service personnel

who assist passengers with reduced mobility. A separate elevator was built in the year 2014 for entrance to the business class waiting lounge, making it much more convenient to serve passengers with reduced mobility.

Airport's mobile application helps to travel in comfort

Since almost 50% of the people who access the site of Tallinn Airport do it from a mobile device (cell phone or tablet), we focused on mobile solutions in our digital development. The development of mobile application started in July 2014 and was made public at the end of November.

The main idea was to enable passengers to access information on their flight at all times, and that important messages would be transmitted as a notification without them having to actually visit the airport's website or check the information screens at the airport.

Our goal was to get 10,000 downloads within three years, but the download count hit close to the 7,000 mark during the first three months.



EMPLOYEES

Reputation of AS Tallinna Lennujaam as an employer

We are proud that the reputation of Tallinn Airport as an employer is so high. According to the image survey conducted among students by Instar EBC we came 4th in the top 10 best employers in Estonia. People who participated in the poll conducted by CVKeskus also ranked the airport as one of 20 most esteemed employers in Estonia.

Staff

There were approximately 576 people working in the group – 282 at Tallinn Airport, 21 at Kuressaare Airport, 15 at Kärdla Airport, 12 at Tartu Airport and 11 at Pärnu Airport. AS Tallinna Lennujaam employed 341 people in 2014 (2013: 325) and AS Tallinn Airport GH had an average staff of 209 (2013: 211).

The necessity of employees is dependent upon the operational volume of the airport. The determining factors in the case of AS Tallinna Lennujaam and AS Tallinn Airport GH are the numbers of peak periods and flight operations. As for regional airports, the importance falls into the opening hours and services offered and the volume of services.

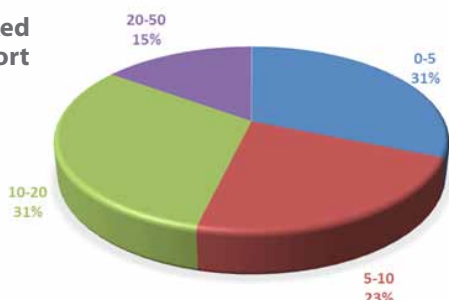
Employee mobility

The number of jobs offered in Estonia has gone up and employment rate has dropped. However, there were no changes in employee mobility trends in the group.

22 new employees joined the group in 2014. In 2014, the staff turnover in AS Tallinna Lennujaam was 8,2%; voluntary turnover - 5,3%. There were no significant changes in staff turnover trends when compared to 2013 (9% and 3% respectively).

The total staff turnover in AS Tallinn Airport GH was 15% and voluntary turnover 11%. When compared to 2013, both indicators have decreased by approximately 10%.

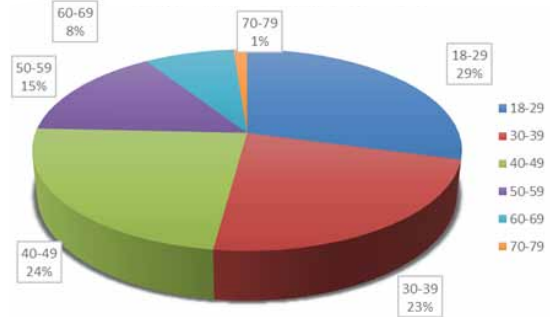
Years worked at the airport



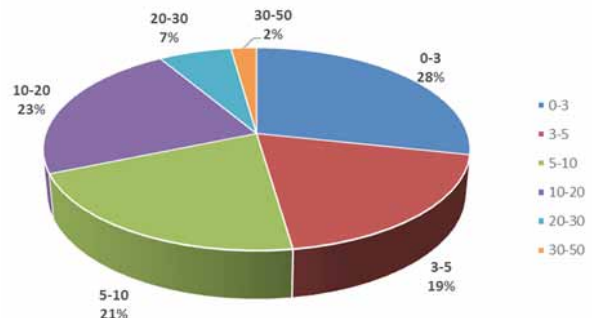
Ensuring sustainability

The existence of employees of various age groups with different record of service provides the availability of competent personnel and ensures the sustainability of critical business competencies. We also take the age structure in the department's workforce into account when recruiting.

Different age groups



Group employees according to years worked in the group



We support intra-company career opportunities of our employees and work closely with different educational institutions and student organizations. We conduct introductory internships, enable an individual training experience and our employees have been co-advisors and consultants on final papers. 73 students took part in introductory internships in 2014. We offered individual training experience positions in the following fields: information technology, environmental conservation, communication and navigational systems, and mechatronics.

Two students of Estonian Aviation Academy were awarded the Airport scholarship by AS Tallinna Lennujaam in 2014 with the following specialties: Aviation Management, and Management of Aviation Communication and Navigation Systems.

Job management and employment relationships

Working at the airport is characterized by shift work, including nights. 72% of the workforce works in shifts and 28% work at the office.

We offer the opportunity to work full- or part-time with a fixed-term contract or in a permanent position. For example, we offer women returning from maternity leave the opportunity to work part-time. Part-time work is also offered to employees studying at the university or in a trade school. We also consider the employee's requests for days off as much as possible when drafting schedules.

The relationship between the employee and the employer is respectful and trusting. There were no employment disputes initiated in 2014 and no termination of contract due to misconduct. All new employees on probationary period also passed their evaluations with positive results.

It is important for us to ensure a sufficient resting time for our employees. Therefore, our workforce has been designed with a calculation to keep overtime to minimum, implementing it only in emergency situations.

We give public recognition to good employees. There is an active and popular section among employees both in intranet and extranet: Praise Good Service (Klidan Tegijat), where we publish all recognitions to good service from both clients and colleagues.

We aspire to be a family-friendly company and we celebrate important events happening in our employees' lives. As an employer, we pay a subsidy when an employee has a baby and there is a gift for the baby as well. Similarly, we support our employees if they happen to lose a loved one.

We were the first company in 2014 to join the proposal by Estonian Employers Confederation to support taking part in reservist training. We compensate the salary difference to the employees taking part in reservist training.

Remuneration

Our salary policies follow the principles of competitive edge in the market, internal justice, comparable positions' remuneration and gender equality. Competitiveness of the salary is evaluated based on the research on salaries on the market compared with the salary levels in the company by position groups. Positioning is based on average gross salary indicators.

Remuneration system is position-centric, base salary rates are the same for equal positions. Job management and intensity in the division (i.e. the number of flight operations in an hour) is also taken into account in calculating the salary rate. The employer has also recognized employees with additional monetary bonuses for remarkable performance.

Remuneration principles and compensation components have been confirmed and apply to the whole group.

Cost of labour for the Group in 2014 was EUR 13.3 million (2013: EUR 11.9 million), increasing by 11.8% within a year. The labour costs increased due to salary correction in November 2013 and the change in compensation for using a personal vehicle (making it a salary component) as per the change in legislation.

Promoting a healthy lifestyle

Airport provides its employees the support to practice recreational sports weekly.

A weekly office exercise was implemented for the positive impact of movement and to promote a healthy lifestyle. We created a section in our intranet called "Be healthy", where advice and guidelines for achieving a healthy lifestyle are gathered together.

The following health-promoting events were held in 2014 for the airport's employees: winter sports day, GPS orienteering competition, health day and a walk-run around the perimeter of the airport combined with solving tasks.

We have also been active participants in corporate sports competitions. Tallinn Airport sports club achieved 6th position out of 111 participating companies in 2014. Corporate ranking at Tartu Rattaralli was III position and II position was achieved at Tartu Rattamaraton.

Occupational health and safety

There were no occupational accidents reported in 2014 at AS Tallinna Lennujaam. One severe occupational accident and 11 smaller accidents happened at AS Tallinn Airport GH. There were no fatal work accidents in the Group. The severe occupational accident was caused by the violation of work safety regulations by the employee. Smaller accidents were mostly banging of head, hands or feet against surfaces.

The company plans to implement the regulations set forth in the standard EVS 18001:2007 in order to improve occupational safety culture and decrease the number of accidents by implementing an operational occupational health and safety management system.

Employee training and development opportunities

We follow the principles of sustainability in supervising the training and development of our employees, focusing on ensuring the necessary level of competency, effective resource management, and creating ways for learning in the organisation. The training and development budget in the company reached EUR 265,000 in 2014 (2013: EUR 234,000). Cost of training formed 0.8% of the Group's turnover in 2013 and 2014. Average amount of training cost per employee in 2014 was EUR 458 (2013: EUR 407).

Trends in training

- Maintaining the competencies of engineer-technical personnel involved in providing air navigational service;
- Participation of key specialists in international schooling and conferences;
- Participation of customer service representatives in the training programme "Service experience at Tallinn Airport";
- Increasing the awareness of representatives serving special needs passengers by training them how to use e-learning materials based on video lectures and arranging practical training in cooperation with organizations representing people with special needs;
- Continuing the tradition of initiating training day, where new employees get an overview of the good service practices and safety and security culture at the airport;

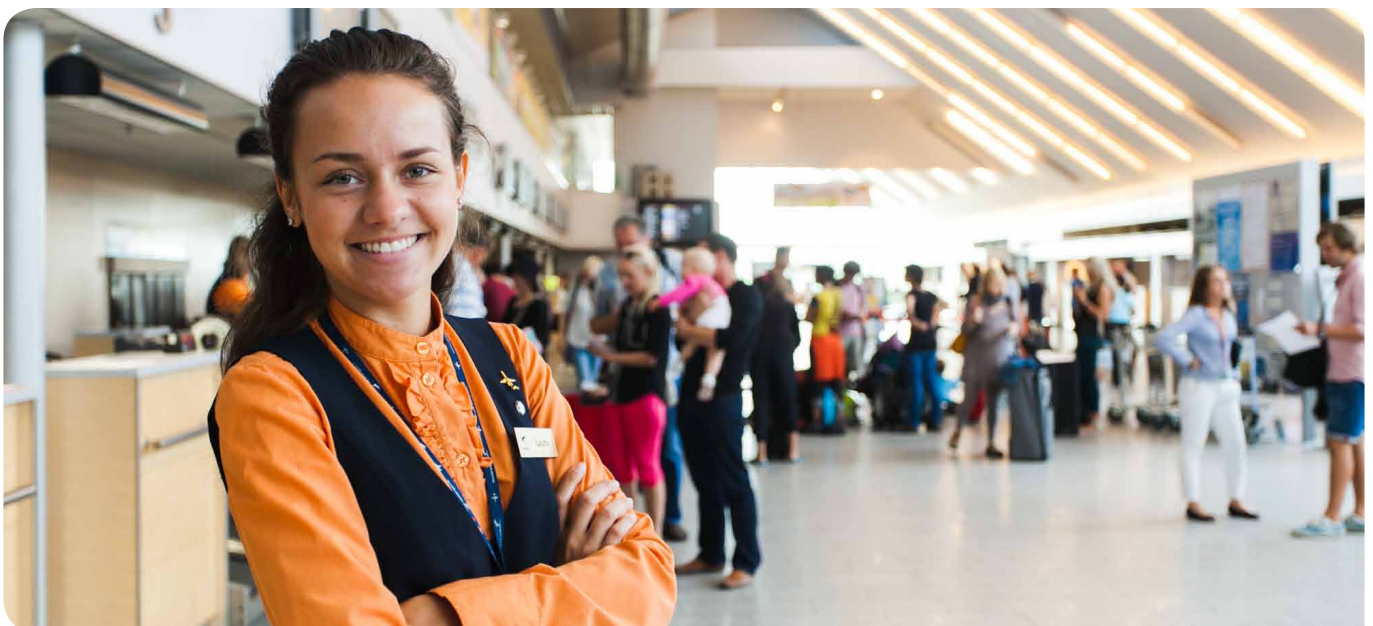
- Continue to offer aviation security, aviation safety, first aid and fire safety courses to the businesses in the community.

Airport community

We have been engaged in improving the cohesion of airport community to support the positive image of the airport and to clarify the mutual goals to the employees of partnering companies. Airport community includes all employees working on the airport's territory. The number of these companies in 2014 was 80 with a total number of employees reaching almost 2000. The airport has to manage communications between different partner companies and to increase the sense of community to emphasize each individual effort and responsibility in the big picture that is the airport's general image.

Airport users' committee

Airport users' committee holds regular meetings. The necessity for convening is decided by and meetings are preceded by a member of the board at AS Tallinna Lennujaam from the operational division. The members of Airport Users' Committee are the companies using the airport and operating on the premises. The objective of the committee is to share information with interested parties about the developments and operations at the airport. We provide an overview of the aviation and economic indicators of the airport, aviation safety and security, and community undertakings. All committee members can also make proposals of their own, if they wish.



Operation and infrastructure

Key indicators of Tallinn Airport infrastructure

Runway	3,070 metres in length and 45 metres in width
Taxiways	3,855 metres
Apron A	34 parking positions
Apron B	2 parking positions used by the Aviation Group of the Police and Border Guard Board
Apron C	parking area for business and private aviation
Passenger terminal	28,000 m ² , capacity of 2.5 million passengers annually
Cargo terminals	11,589 m ²
Rescue service	CAT VIII
Aircraft maintenance hangars	3 hangars with a total area of 21,520 m ² and 3 tents with a total area of 3,664 m ²

The main objective of AS Tallinna Lennujaam is to provide safe and secure airport services regardless of the season, time of day or weather conditions, and in compliance with all international and national regulations and norms.

AS Tallinna Lennujaam holds two certificates that are being regularly renewed.

Each airport has a separate airport certificate and the aero-navigation service provider's certificate is group-based. In the year 2014, a regulation of the European Commission entered into force whereby from 31 August 2015, airports are certified according to EASA (European Aviation Safety Agency) requirements instead of the formerly applicable ICAO (International Civil Aviation Organization) requirements. Compliance with certificate conditions is supervised by the Civil Aviation Administration.

Safety

All operations on the airport's territory are based on the principle of safety. In order to prevent accidents and protect people, the environment and property, we have established a safety management system involving all employees and partners. Its elements are the company's safety policy, safety measures programme, risk management, general

culture of safety and safety-related processes, and operations that are described in the form of policies, procedures and guidelines.

The Lennart Meri Tallinn Airport has formed a safety committee connecting the companies that operate there. Its purpose is to collect and share information about potential flight safety factors in all fields and to give recommendations as how to reduce and eliminate hazards.

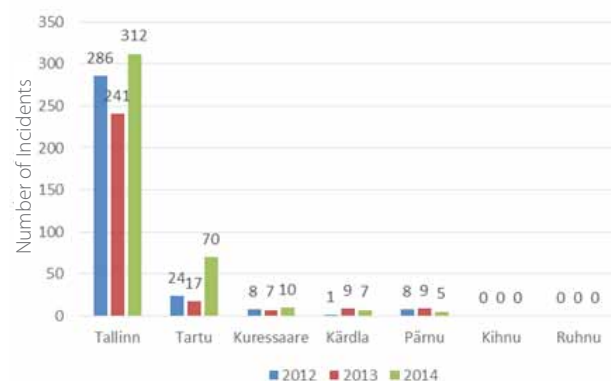
The major safety development activities in 2014 of AS Tallinna Lennujaam were the following:

- Implementation of the electronic workflow and safety management system PARRO;
- Purchase of 2 additional gas-based bird deterrent devices;
- Update and translation of documentation concerning aviation safety.

No serious aviation incidents took place in the airports of AS Tallinna Lennujaam in the financial year 2014.

Notable incidents in 2014 were:

- The tail of an A320 aircraft touched the runway during landing;
- The tyre of a CRJ9 aircraft broke during take-off and an emergency landing was performed at Tallinn Airport with a damaged landing gear and engines;



Number of incidents by airport.

In total, Tallinn Airport recorded 312, Tartu Airport recorded 70, Pärnu Airport recorded 5, Kuressaare Airport recorded 10, and Kärdla Airport recorded 7 notifications of incidents concerning aviation safety. The main violations were related to motor vehicle traffic in the air traffic area of the airports and the servicing of aircraft. The rise in the number of notifications about incidents impacting aviation safety is attributable to the systematisation of the safety management system and improved movement of information related to aviation safety (implementation of the electronic aviation safety information notification and management system PARRO) and an improvement in the culture of safety in the community.

PARRO – workflow and safety management software

In addition to safety precautions, we have also launched the electronic system that notifies the administrators about the irregularities in the functioning of the safety management system and its administration, i.e. PARRO, which accumulates all of the information and activities related to safety. Its concept is based on the description of irregularities and the analysis of their reasons and root causes, which allows ascertaining the initial causes of similar accidents efficiently and preventing them in the future. All users of airports can submit their questions/problems or suggestions/feedback connected with safety using the link on our homepage. In addition to that, the employees can inform us about the suggestions or problems concerning workflow management as well as about the instances concerning work ethics and corruption. There are 94 active users in the system.

Incidents related to birds and animals

Aircraft bird or animal strikes can have very serious consequences. In 2014, 32 bird- or animal-related incidents were recorded at Tallinn Airport. In order to avoid them, investments in infrastructure must be made, and with regards to the land use of the airport, conditions preventing the nesting of birds and the habitation of animals must be created (fences must be kept in order, grass must be cut, puddles and wet areas must be drained). The contracted ornithologists of Tallinn Airport are observing the movements and migration of birds and help to develop the measures for scaring off different bird species. The information received is transmitted to air traffic controllers who in turn send it to aircraft

crews. The remote-controlled bird control system acquired in 2013 has been effective in Tallinn Airport, and in 2014, two more bird deterrent devices using gas were purchased.

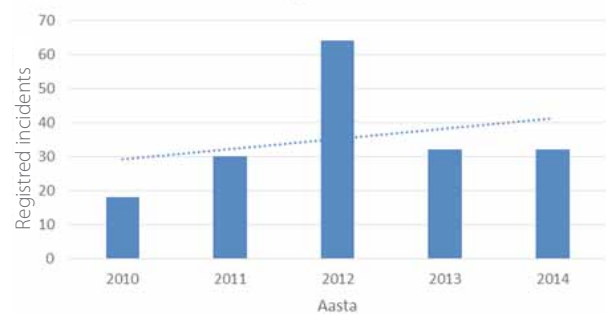
Airport maintenance service

The area of the Lennart Meri Tallinn Airport is approximately 300 hectares, of which asphalt paved areas account for 62 hectares. Together with the regional airport properties, the total managed and maintained area is about 900 hectares.

The main goal of the maintenance service of AS Tallinna Lennujaam is to keep Tallinn Airport open and in the best possible order to provide flight safety and customer satisfaction. In 2014, the provision of the airfield service was disrupted only for one hour due to slippery conditions caused by ice rain, which left a layer of ice that was 2-3 cm thick on some of the surfaces. The situation was soon back under control due to the maximum effort made by the maintenance service, as a result all of the aircrafts landed safely and passengers got safely home.

The proper maintenance of the runway and the air traffic area requires the use of special equipment, which is updated on a regular basis. There is a fleet of 150 vehicles at the Tallinn airport, 30 of which must be maintained in winter. The volume of winter maintenance operations mainly depends on weather conditions.

A more efficient planning of works and boosting the output capacity are an ongoing process and priority, towards which we are striving in our activities. Our work requires a lot of responsibility, which is why we hold the in-service training courses for our operators of special equipment on a regular basis. In 2013 and 2014, we held the training course for all operators of special equipment at a snow-clearing equipment manufacturing facility in Finland.



Incidents related to birds and animals 2010-2014

Aviation security

The purpose of aviation security is to ensure the safety of passengers, crew members, employees and the public by preventing any unlawful interventions into civil aviation. In all airports passengers pass security control before boarding their flight. In Tallinn, Tartu and Pärnu airports, the contracted partner G4S Eesti AS check the passengers. In Kärdla, Kuressaare, Kihnu and Ruhnu airports, passengers are checked by airport employees. In 2014, a total of 7,542 items included in the list of prohibited items/substances (2013: 7 396) were detected in the course of security screening at Tallinn Airport, and 3 bomb threats were made.

The year 2014 was the year of getting ready for the changes in aviation security. The European Committee has passed a number of resolutions concerning the establishment of new requirements, which will come into effect in 2015. The most important change is going to be a random hand luggage check, which will help to find the possible residues of explosives on the items in the hand luggage of the passengers.

In the beginning of 2014, some changes were made in the procedure for liquid control, in the result of which a new requirement was established, i.e. now the liquids held by all of the transfer passengers arriving at the airport from third countries must be checked. In order to do that, the airport had to purchase the relevant equipment and hold the in-service training for 130 safety employees.

In 2014, the Civil Aviation Administration carried out several tests and one audit at Tallinn Airport. Neither the tests nor the audit have revealed any serious shortcomings, which proves that the airport is doing its best to meet the appropriate established requirements.

An important component of assessing the functioning of aviation security is, in addition to meeting the requirements, also the satisfaction of passengers with our work. Two components are assessed in the course of the annual studies of customer satisfaction: waiting times for queues at security screening (2014: 4.5 on a five-point scale; 2013: 4.0) and the helpfulness of security employees (2014: 4.3 on a five-point scale; 2013: 4.0). The results indicate that, in addition to meeting the requirements, the security employees also manage to provide good customer service.

In 2014, the aviation security department conducted 97 training courses (2013: 98) where 1,145 (2013: 801) people related to aviation were trained. The total number of hours spent on training amounted to 295.

One of the biggest challenges for the whole security department was the participation in the arrangement of the visit of the American president Barack Obama in September 2014. One of the peculiarities of this visit was a very short-term preparation notice and the coordination of the work of the whole airport community in order to provide an opportunity to arrange different visit-related events on the territory of the airport.

Crisis management and rescue training

A crisis is an unexpected situation, incident, or accident, and crisis management is a set of measures taken after the notification about a possible accident has been received, or after the accident has happened. There is a crisis management group operating at Tallinn Airport as a permanent workgroup, the activities of which are regulated by the crisis management manual.

The main priorities of crisis management and the crisis management group in case of emergency situation are the following:

- first of all, to remove a threat to people's life and health, and if it is not possible, to minimize the risk for people's life and health as much as possible;
- to eliminate a threat to environment, and if it is not possible, to minimize the damage done to the environment as much as possible;
- to eliminate a threat to property, and if it is not possible, to minimize the damage as much as possible;
- to re-establish the normal functioning of the airport without disruptions.

The incident with the Estonian Air aircraft which took place on 14 August 2014 was indicative of the efficient cooperation between the crisis management group and the rescue service of Tallinn Airport and the Rescue Board through the fast and efficient resolving of the situation.

At least once a year the crisis management group holds training courses, and at least once in two years the practical training courses in cooperation with other rescue organisations are held. The last

training course involving different organisations took place in May 2014 in Kuressaare. The goal of the course was to verify the preparedness of the rescue team of Kuressaare Airport, the Rescue Board, the ambulance, and the Police and Border Guard Board for the provision of emergency services as well as to practice the management of search and rescue operations in the event of an accident in the

area that is difficult to access, and also to verify the cooperation of different departments and organisations in carrying out rescue operations. Kuressaare Airport, the Western Rescue Centre of the Rescue Board, the Police and Border Guard Board, Kuressaare Hospital Foundation, and the community of the island of Abruca participated in the training..

Rescue service

The task of the rescue service of AS Tallinna Lennujaam is to provide a fast and efficient response in the event of an aviation accident threat or an aviation accident, to remove pollution, to safeguard the fuelling of aircrafts, and, whenever required, to provide simple medical assistance. Besides, one of the most important actions is the provision of preparedness for sea rescue, since Tallinn Airport is located in close proximity to Lake Ülemiste. The airport rescue service also takes part in search and rescue operations within a radius of five sea miles from the territory of the Tallinn airport, but does not respond to fire calls in the neighbourhood.

The existence and preparedness of the rescue service provides the 8th rescue category to Tallinn Airport all year round. The 8th category means the capacity to handle the aircrafts with the maximum length of the body of 61 m and the maximum diameter of up to 7 m.

Government grants for covering the aviation security and rescue expenses

The activities in the field of aviation security and rescue service are based on various European directives, which set very clear requirements that must be met. Pursuant to these directives, it is required to update the equipment monitoring the aviation security and the IT equipment on a regular basis. The amount of expenses is increasing very fast, while the relevant services are extremely labour-intensive. The activities in the fields that are mentioned above are subject to both local and the European control, and if the company does not meet the requirements specified in the directive, it loses the activity license.

As a rule, the aviation security and rescue are the services, for which the state is responsible through its public and legal powers and authority. The state has been covering the aviation security and rescue expenses of AS Tallinna Lennujaam since 2011. The volume of the services listed above is directly related to the number of passengers and flight operations.

Year	Million EUR
2011	3,6
2012	4,75
2013	4,75
2014	4,75
2015	4,1

Government grants for covering the aviation security and rescue expenses

In 2014, the total amount of the aviation security and rescue expenses of AS Tallinna Lennujaam made up EUR 5.44 million (2013: EUR 4.98 million). The amount increased by EUR 0.46 million, or 9.3%.

Out of that amount, EUR 4.2 million (77.2%) was spent on aviation security, while EUR 1.2 million (22.8%) was spent on rescue services. AS Tallinna Lennujaam covered the amount of EUR 0.69 million (2013: EUR 0.23 million) from its own funds.



Regional airports

AS Tallinna Lennujaam operates regional airports in order to support the development of economic environment of different regions in Estonia at least within the amount of allocations for a specific purpose from state budget. AS Tallinna Lennujaam ensures the safety of operations of Kärdla, Kuressaare, Tartu and Pärnu airports as well as the airfields in Kihnu and Ruhnu, which would enable to continue the provision of regular public transportation service and, whenever required, also to handle other flights in those areas.

In all of the airports mentioned above, the safety of the operation was provided as well as the proper functioning of the regular transportation service, the delivery of goods to small islands, and the handling of sanitary and training flights, whenever required. In addition to allocations for a specific purpose from state budget, the own funds of AS Tallinna Lennujaam were also used for the provision of proper functioning of regional airports.

The list of the activities scheduled for 2015 in all regional airports includes the preparation of airfields in all regional airports for the certification procedure in accordance with the new EASA requirements. All regional airports must prepare the new airfield manual with a structure that is different from the previous versions of the manual and, whenever required, amend or add the airfield operation procedures.

Air traffic in regional airports

The number of passengers at the airports of Tartu and Kuressaare has been quite stable in recent years, averaging approximately 14,000 passengers annu

ally. The number of passengers declined the most in Kärdla. Air traffic at Pärnu Airport was impacted by reconstruction work carried out at the airport in the summer period.

Passengers	2014	2013
Tartu	14 493	13 717
Kuressaare	13 665	13 163
Kärdla	7 750	10 222
Pärnu	2 752	3 538
Kihnu	1 968	2 434
Ruhnu	1 299	1 214
Total	41 927	44 288

Number of passengers in regional airports 2013-2014

The number of flight operations in regional airports depends to a great extent on regional policy. Compared to other airports, the number of operations in Tartu Airport is substantially increased by the training flights of the Estonian Aviation Academy. Tartu is also the only regional airport with a scheduled international flight.

Flight operations	2014	2013
Tartu	5 173	5 159
Kuressaare	2 342	2 073
Kärdla	1 305	1 340
Pärnu	914	1 465
Kihnu	538	754
Ruhnu	490	540
Total	10 762	11 331

Number of flight operations in regional airports 2013-2014

Infrastructure development and management

The total area of group airports is 900 hectares, of which the area of Tallinn Airport accounts for 270 hectares. Tallinn Airport has 32 buildings with a total floor area of 85,189 m². Regional airports have 51 buildings with a total floor area of 21,437 m².

53% of space at Lennart Meri Tallinn Airport is accounted for by commercial space that is being leased out and 47% is accounted for by the infrastructure portion that is required for providing airport services. Buildings require constant maintenance and management, which is coordinated by the property division of AS Tallinna Lennujaam.

Tallinn Airport	2014	2013	change
Buildings, #	32	31	1
Buildings, m ²	85 189	79 961	5 228
Core activity m ²	40 089	40 074	15
Commercial space m ²	45 100	39 887	5 213
incl. leased out	42 865	37 483	5 382
incl. available commercial space	2 235	2 404	-168
Average yield per m²			
incl. commercial space in the passenger terminal	59,92	60,45	-0,53
incl. other buildings	7,03	6,81	0,22

Tallinn Airport commercial space and yield

Tallinn airport air traffic area development project

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

The project sees the runway surface structure renewed and the runway itself lengthened to 3,480 meters. The navigation lighting system of the runway and the taxiway are swapped for more efficient LED-technology and higher category navigation system is introduced (CAT II). East and South area water drainage systems are reconstructed and designated snow melting areas and snow melt water drainage and monitoring systems in compliance with the regulations will be constructed. Eastern part of the airport will also get a new de-icing area and an engine testing area in compliance with applicable regulations. Aircraft apron system will be improved, perimeter fence and patrol routes will be renewed, and runway maintenance equipment manoeuvring-waiting area will be created.

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

An international procurement for finding a contractor is planned to be announced in the first half of 2015. AS Tallinna Lennujaam has started to draw up the documents necessary for receiving co-financing from the European Cohesion Fund. The guidelines for Tallinn Airport air traffic development project have been highlighted both in 2014-2020 measures and also in the 2014-2020 operational programme of the Cohesion Policy Fund. Project investment proposal has been set forth to be entered into the transport infrastructure development plans for the 2014-2020 period.

Major project preparations in 2014

There are additional developments planned for the upcoming years in addition to the air traffic area development project. These developments are partly brought on by Estonian presidency of the EU in 2018. The preparation of several airport development projects was started in 2014.

Passenger terminal expansion, new parkade and airport activity centre

Analysing and design works for the planned passenger terminal expansion started at the end of 2014. The area of the passenger terminal expansion is relatively small (surface area will increase by 3%), but the expansion gives way for several relocation possibilities inside the airport.

The consistently increasing need for parking spots around the airport has deemed the parkade project a very current and necessary one. Work began on the task and procurement conditions of the parking structure in 2014. The parkade will be located in front of the passenger terminal and should be completed in 2017 according to current plans.

Tallinn Airport has an interesting history and many activities that might interest people. We have decided to create an airport activity centre with a permanent installation introducing the airport's history, technology and operations. Additionally, there will be a great place for aviation enthusiasts and photographers, since a platform with a great view onto the runway will be constructed. The activity centre will be opened in 2016.

ENVIRONMENT

The environmental goal of AS Tallinna Lennujaam is to ensure the stable and sustainable development of the company while keeping the ecological footprint small. Environmental protection measures are integrated into the company's business activities and are an intrinsic part of its management system.

Environmental policy

Environmental management principles and trends are set by the company's environmental policy. These are as follows:

- We operate on the basis of a management system compliant with the requirements of ISO 14001 and ISO 9001 standards;
- In our day-to-day activities we comply with requirements arising from Estonian and European Union legislation, conventions and agreements;
- We identify and evaluate the environmental impacts of our activities on surrounding areas and employ necessary measures to prevent and reduce the environmental pollution hazard;
- We promote the principles of sustainable development: we consume natural resources economically and generate less waste;
- We monitor and calculate our CO² and other emissions to air and find ways to reduce the release of emissions that cause global warming.

Operations with possible negative environmental impact:

- Refuelling and handling of fuels;
- Movement of ground transport on airfields;
- De-icing;
- Aircraft handling and passenger servicing;
- Maintenance and development on airfields;
- Noise and pollution caused by aircraft.
- Maintenance and development activities on the airfields.

Main environmental initiatives and continuing activities in 2014:

- Upgrading the software and hardware of the noise monitoring station;
- Participation in the noise related X-Noise workshop that focuses on reducing noise caused by air traffic;

- Cleaning up areas located inside the protection zone of Tallinn Airport;
- Directing seagull colonies inhabiting the perimeters of Tallinn Airport to other nesting areas;
- Improving the waste management process;
- Reducing the use of environmental resources.

Investments in environmental protection

The environmental priority of the airport is to use environmental resources economically and therefore the investments made in 2014 were aimed at saving on environmental resources.

Investments having a direct effect on reducing environmental impact reached EUR 98,300 in 2014. The biggest investment (EUR 66,200) was purchase of a chemical sprayer enabling a more sustainable and efficient use of chemicals on tarmac in de-icing. The renewal of the ventilation, heating and water processing systems in the old part of the passenger terminal and the procurement of a reheating system for the A-wing for heating non-potable water had a significant impact on the use of water and energy at the airport.

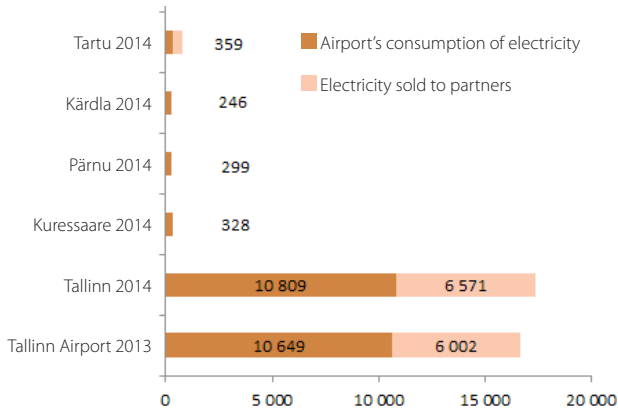
Investments with an indirect effect on reducing environmental impact reached EUR 42,800.

2014 marked the end phase of developing the major air traffic area development project. With the air traffic area development project, we reduce the environmental impact in the following areas:

- Reducing the contamination of soil and ground water;
- Saving energy and reducing light pollution on surrounding areas;
- Reducing noise pollution.

Use of energy

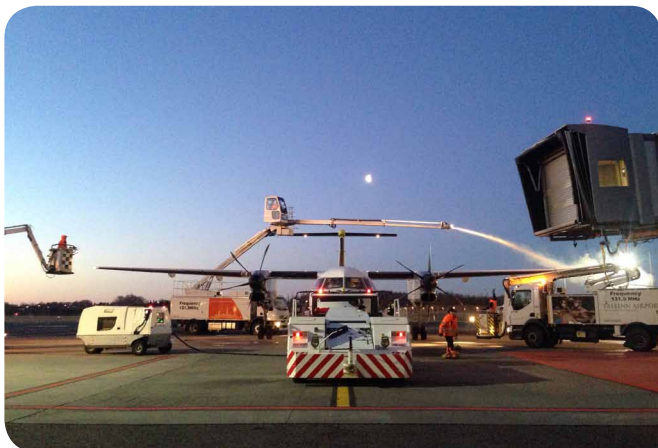
Electricity is used by 35 buildings and affiliated properties on the premises of Tallinn Airport. The airport uses 12 buildings and business partners use the rest. Biggest energy consumers are the passenger terminal and the navigational and runway lights system.



AS Tallinna Lennujaam, energy sales and consumption MWh

The weather conditions have enabled the reduction of energy consumption by 1% in regional airports and also in Tallinn Airport. However, when compared to 2013, the energy consumption of the passenger terminal has decreased by 2%, from 5.1 GWh to 4.99 GWh. This is due to the implementation of the energy saver program in the passenger terminal in 2014. The program saw the transition from 24/7 lighting to LED-lighting and the introduction of using the existing cooling water from cooling systems to heat non-potable water. This in turn means that we don't need to use any additional energy sources to heat water during summer.

Energy sale to partners has increased due to the addition of the Panaviatic hangar complex into the list of rental properties.



Water consumption

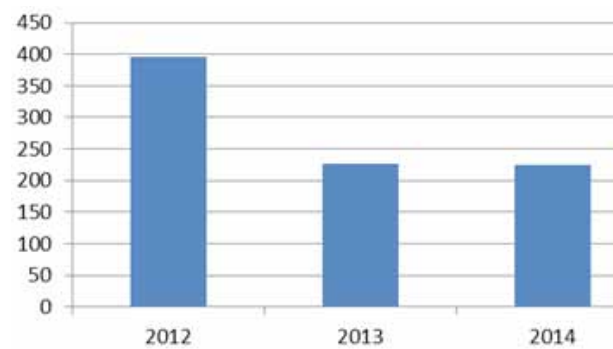
The Group's total water consumption in 2014 was 23,853 m³ (2013: 23,856 m³).

We have implemented the following measures to reduce water consumption:

- We send aircraft that have ordered de-icing to pre-scraping. As a result, the following spraying will use up less de-icing fluid and water consumption is lower.
- We will gradually replace mixer taps in the passenger terminal with touch-free taps. We also installed a heat recovery system.
- We favour dual flush toilet systems in updating bathrooms in the passenger terminal and in other buildings.

Use of de-icing supplies

De-icing is performed on the airport's asphalt surfaces and aircrafts in order to ensure safe take-off, landing, and ground traffic of aircraft.



Use of aircraft de-icing supplies at Tallinn Airport, 2012-2014 (m³)

The use of de-icing supplies on asphalt surfaces in regional airports increased from 52 tons to 63 tons in 2013. Tallinn Airport also saw an increase from 275 tons to 376 tons. The use of aircraft de-icing supplies at Tallinn Airport remained the same as in 2013 - 224 m³. The use of aircraft de-icing supplies in regional airports increased from 0.7 m³ to 1.1 m³.

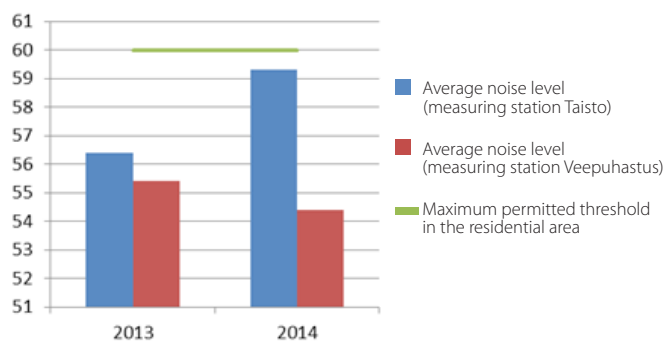
Fuel consumption

Consuming motor fuel in the airport is mainly related to the transport serving planes and managing the airfield territory.



The noise level of Tallinn Airport is measured at two measuring stations located at a distance of 1 km from the end of the runway. The average daily noise level increased in the eastern noise station (Taisto), from 56.4 decibels to 59.3 decibels in 2014. The increase in the average noise level is brought on by military aircrafts visiting the airport more frequently than during the previous year.

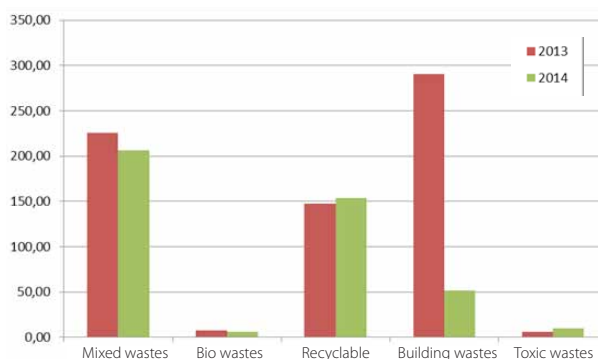
The noise level in the western noise station, which is located closer to the city of Tallinn, decreased from 55.4 decibels to 54.4 decibels. This is an indicator that noisier take-offs are directed to runway 08 and landings to runway 26 if possible, thereby reducing the impact on the residents in the area.



The average daytime noise level at Tallinn Airport measuring stations and the maximum permitted threshold in the residential area. (dB)

Waste

In 2014, Tallinn Airport generated a total of 419 tons of waste. 48% of waste was mixed urban waste, 36% recyclable waste, and 12% construction waste. Hazardous waste and biodegradable waste made up 3% of total waste.



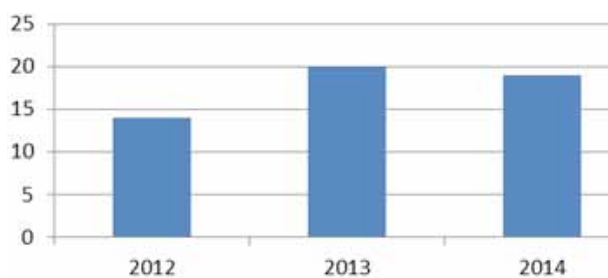
The Breakdown of waste volumes by category in Tallinn Airport, 2013 and 2014 (t)

The waste volumes have decreased by 200 tons when compared to 2013. There is a significant decrease in construction waste, since there were no major demolition projects carried out at the airport. We transport all of our construction waste to Tallinn Waste Recovery Centre and ATI Grupp OÜ.

The volume of mixed urban waste has decreased by 20 tons and recyclable waste volume has increased by 4% when compared to the previous period.

Number of significant chemical spills and way to prevent them

Chemical spills and contaminations during the airport's operational activities can occur mostly during handling motor fuel or de-icing chemicals. We analyse the cause of every spill and train our employees on how to prevent such occurrences.



Number of chemical spills in Tallinn, 2012 – 2014



A look into the future

Compared to 2014, the total revenue of AS Tallinna Lennujaam will increase by 3% in 2015 from EUR 31.9 million to EUR 32.9 million. Aviation revenue will increase by 2% as per the predicted increase in passenger numbers (2015: 2,054,359, 2014: 2,017,371). Non-aviation revenue will grow by 4%, the growth will be from income from leasing out the new aircraft hangar complex. Concession and parking revenue will increase due to the increase in the number of passengers. Other business revenues will get a 5% budget cut, since the directed state funding to cover security and rescue costs will decrease by EUR

0.6 million or 13%. The Group's total business revenue will increase by 1.1%.

Expenses will increase by 3%, from EUR 37.1 million to EUR 38.1 million. The planned increase in employment costs will be 7%. The Group's projected profit will be EUR 3.9 million.

The Group plans to invest a total of EUR 125.7 million during the 2015-2021 period; EUR 14.1 million will be spent in 2015 alone. The most important investment for Tallinn Airport is the air traffic area development project.

Group's key sales and financial forecasts

		2015	2014	
Lennart Meri Tallinn Airport				
Passengers		2,054,359	2,017,371	2%
Flight operations	qty	38,022	37,791	1%
Cargo volume	tons	19,860	19,860	0%
Total regional airport				
Passengers		41,711	41,927	-1%
Flight operations	qty	10,638	10,762	-1%
Group				
Sales revenue	thousand EUR	32,894	31,918	3%
incl. aviation revenue		12,657	12,360	2%
incl. non-aviation revenue		20,236	19,558	3%
Other income		9,760	10,282	-5%
incl. government grants for assets		3,773	3,837	-2%
incl. government grants for security and rescue expenses		4,135	4,748	-13%
incl. government grants for regional airports		1,615	1,615	0%
incl. other income		238	82	189%
Operating profit before depreciation*		11,674	12,156	-4%
Net profit		3,926	4,869	-19%
Cash flows from main activity		10,811	10,545	3%
Investments		14,126	5,937	138%
<hr/>				
Assets (year-end)		146,854	145,340	1%
Assets excluding government grants* (year-end)	thousand EUR	92,805	90,786	2%
Equity (year-end)		64,119	59,748	7%
Borrowing (year-end)		25,361	26,048	-3%
<hr/>				
Equity/assets (year-end)*	%	69	66	
Debt/operating profit before depreciation *	multiplier	2.2	2.1	
<hr/>				
Number of employees		579	579	0%

* excluding government grants for property, plant and equipment

Corporate Governance report

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

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

General meeting

The ordinary general meeting of shareholders of AS Tallinna Lennujaam was held on April 22, 2014. The chairman of the management board provided an overview of the progress in meeting the targets of the year 2013, financial results, and material transactions at the general meeting of shareholders. The chairman of the supervisory board made a presentation on the duties of the supervisory board, management board, the control environment, and remuneration. The ordinary general meeting of shareholders approved the annual report and profit allocation proposal of AS Tallinna Lennujaam. PricewaterhouseCoopers AS was appointed as the auditor of the company for the financial years 2014-2016. The general meeting of shareholders confirmed the owner's expectations concerning AS Tallinna Lennujaam.

Supervisory Board

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

The supervisory board supervises the activities of the management and participates in making important decisions. The supervisory board acts independently in the best interests of the Group and shareholders.

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

In the financial year 2014, the supervisory board was comprised of 6 members. In the period 01.01.-18.06.2014, the supervisory board consisted of Toivo Jürgenson (chairman), Arto Aas, Kalle Palling, Väino Linde, Cinzia Siig, Tiit Riisalo. In the period 18.06.-31.12.2014, the supervisory board members were Margus Puust (chairman), Arto Aas, Kalle Palling, Väino Linde, Kai-Riin Meri and Priit Lomp.

In 2014, the supervisory board held 10 meetings. The rate of attendance in the supervisory board meetings was 97%. The management board reported on the operations and financial condition of the company at the meetings of the supervisory board. The supervisory board approved the 2013 annual report of AS Tallinna Lennujaam before it was presented to the general meeting of shareholders and the budget of AS Tallinna Lennujaam for 2015 and acknowledged the draft budget for the years 2016-2021.

As a result of the expiry of management board members' contracts, the supervisory board organised an application process for finding a chairman of the management board and members of the management board. No changes occurred in the composition of the management board as a result of the application process.

AS Tallinna Lennujaam has not entered into any transactions with the members of the supervisory board or their related parties.

Audit committee

The supervisory board of the company has formed an audit committee as its work body. The responsibility of the audit committee is advising the supervisory board in supervision-related issues, including arrangement of accounting, performance of external audit, functioning of an internal control system, management of financial risks and monitoring of the legality of the activities, preparation and approval of the financial budget and the annual report.

From 01.01.2014 to 18.06.2014, members of the audit committee were Tiit Riisalo (chairman), Cinzia Siig and Väino Linde. From 18.06.2014 to 31.12.2014, members of the audit committee were Kalle Palling (chairman), Väino Linde and Priit Lomp.

In 2014, 4 meetings were held. The meetings addressed observations and recommendations made during audits and results were presented for the consideration of the company's supervisory board.

The auditor PricewaterhouseCoopers AS twice provided an overview to the audit committee of its major observations and submitted proposals regarding risk management and control systems: when issuing its opinion on the 2013 annual report 2013 and as part of the interim audit of the 2014 financial year.

Management Board

In 2014, the management board of AS Tallinna Lennujaam was comprised of 4 members. The management board members' areas of responsibility and duties are described in the contracts of the management board members. Chairman of the management board Rein Loik is in charge of the day-to-day business operations. Erik Sakkov is responsible for marketing and sales, Einari Bambus is responsible for the operation of airports and Anneli Turkin is responsible for finance.

The management board represents and manages the Group's day-to-day operations in compliance with laws and the articles of association. The management board must act in the most economically purposeful manner.

The management board makes decisions taking into consideration the best interests of the company and the shareholder and ensures the company's sustainable development in accordance with set objectives and the strategy. The management board ensures the functioning of risk management and internal control system.

In 2014, the management board held 33 meetings.

AS Tallinna Lennujaam has not entered into any transactions with the members of the management board or their related parties.

Subsidiary

The authorisations and responsibility of the subsidiary's supervisory board are based on the company's articles of association. Members of the supervisory board are appointed by the management board of AS Tallinna Lennujaam. Meetings of the subsidiary's supervisory board are held as needed but not less than once per quarter. Meetings are called based on internal rules of the Group, articles of association of the subsidiary and legislation.

The supervisory board of AS Tallinn Airport GH is comprised of 4 members. The composition of the supervisory board until September 2014 was as follows: Einari Bambus (chairman), Katrin Kelder, Siiri Paenurm and Tõnu Ader. From September 2014 it was as follows: Einari Bambus (chairman), Anneli Turkin, Martin Männik and Tõnu Ader. No compensation is paid to members of the management board of AS Tallinna Lennujaam for serving on the supervisory board of the subsidiary.

The management board is appointed and compensation of the management board members is set by the supervisory board of the subsidiary.

In 2014, the management board of AS Tallinn Airport GH was comprised of 2 members: chairman of the management board Tiit Kepp and member of the management board Jarno Mänd.

Due to the expiry of the term of the chairman of the management board on 31.12.2014, Tiit Kepp was elected as chairman of the management board for a new three-year term.

AS Tallinn Airport GH has not entered into any transactions with the members of the supervisory board or the management board or their related parties.

Objectives

The Group's objectives are results-oriented. This includes all processes, management levels and airports.

Together with its budget for the year 2015, the supervisory board of AS Tallinna Lennujaam also approved the objectives for the years 2015-2019.

The objectives of subdivisions are approved by the management board with the budget. Based on objectives, departments' annual action plans are prepared, incl. a procurement plan.

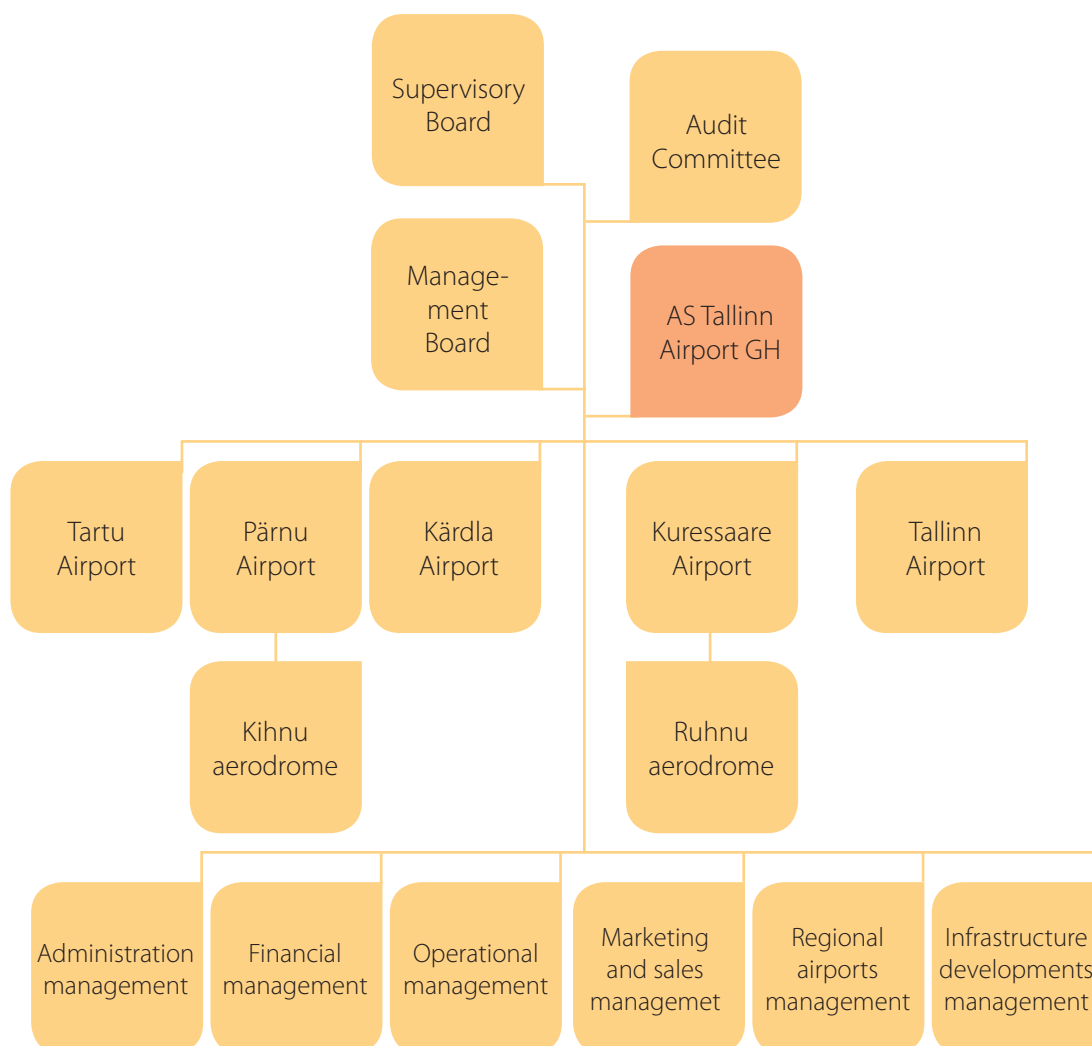
Objectives and the report on their implementation are approved by the supervisory board once per year and they are disclosed as part of the management report.

Organisational structure

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

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

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



Reporting

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

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

The management board in 2014 submitted to the supervisory board monthly financial and operational progress reports.

Information disclosure

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

Supervision

Internal auditors supervise the Group's activities related to quality, the environment and risks, including safety and security and verify them.

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

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

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

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

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

In the year 2014, the Group companies were audited a total of 35 times and 19 of such audits were external.

Ethics

Incidents involving ethics and corruption are handled by committee. During the period, no notifications concerning ethics or corruption were received.

For the prevention of corruption and agreeing on norms of ethical behaviour, a document Code of Business Ethics is applicable within the company, which spells out the values, beliefs and norms of behaviour of the Group companies. Since the year 2012, the external auditor is under obligation to audit the business interests of the supervisory board and the management board pursuant to the Anti-corruption Act. In 2015, training will be provided to strengthen public sector ethics and prevent corruption.

GRI content index	Page number or comment
Strategy and profile	
1.1 Statement of the chairman of the management board	7
1.2 Description of key impacts, risks, and opportunities	12,13,16
Organisational profile	
2.1 Name of the organisation	4
2.2 Primary brands, products, and/or services.	3,10,47
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	3
2.4 Location of organization's headquarters.	47
2.5 Number of countries where the organization operates, and names of countries,	47
2.6 Nature of ownership and legal form.	47
2.7 Markets served	20, 21, 22
2.8 Scale of the reporting organization	3, 4, 23, 47
2.9 Significant changes during the reporting period regarding size, structure, or ownership:	no changes
2.10 Awards received in the reporting period.	9
Scope and profile of report	
3.1 Reporting period (e.g., fiscal/calendar year) for information provided.	year
3.2 Date of most recent previous report	28.02.2014
3.3 Reporting cycle (annual, biennial, etc.)	4
3.4 Contact point for questions regarding the report or its contents.	5
3.5 Process for defining report content, defining materiality, order of importance of subjects in the report.	5
3.6 Boundary of the report	5
3.7 Any specific limitations on the scope or boundary of the report.	5
3.8 Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	5
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	information presented in earlier reports has not been changed
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	there are no significant changes
3.12 Table identifying the location of the Standard Disclosures in the report.	44-45
Management	
4.1 Governance structure of the organization, including committees under the highest governance body.	40-43
4.3 For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	41
4.14 List of stakeholder groups engaged by the organization.	10

Economic performance	
Summary of management aspects related to economic performance, indirect economic impacts and market presence. Organization-wide objectives concerning economic performance, management aspects, key successes and shortcomings	10-14
Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	46-48
Development and impact of infrastructure investments and services provided primarily for public benefit.	33-34
Understanding and describing significant indirect economic impacts, including the extent of impacts.	20
Environment	
Environmental management, objectives, certificates, risks	35
Materials used by weight or volume.	36-37
Direct energy consumption by primary energy source.	36
Energy saved due to conservation and efficiency improvements.	36
Total weight of waste by type and disposal method.	37
Total number and volume of significant spills.	38
Total environmental protection expenditures and investments by type.	35
Employment	
Total number and rate of new employee hires and employee turnover by age group.	26
Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	27
Society	
Positions and participation in public policy development and lobbying.	
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	The group does not financially support political parties or groups or individual politicians.
Operations with significant potential or actual negative impacts on local communities.	33-34

The background features a series of overlapping, organic shapes in shades of yellow and orange. A bright yellow shape is on the left, overlapping a darker yellow shape, which in turn overlaps a large orange shape. The text is centered within the orange shape.

**CONSOLIDATED
FINANCIAL
STATEMENTS**

CONTACT DATA

Business name:	AS Tallinna Lennujaam
Commercial registry number:	10349560
Legal address:	Lennujaama tee 12 11101 Tallinn Republic of Estonia
Phone:	+372 6 058 701
Fax:	+372 6 058 333
E-mail:	administration@tll.aero www.tallinn-airport.ee
Auditor:	AS PricewaterhouseCoopers
Beginning of financial year:	01.01.2014
End of financial year:	31.12.2014

GENERAL INFORMATION

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

The Group's main activity is operation and development of airports, and provision of ground handling services for aircraft and passengers. The Group employed 576 people on average in 2014 (2013: 573).

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR thousand	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment	Note 5	111,483	117,862
Intangible assets	Note 6	213	271
Investment property	Note 7	19,775	19,325
Total non-current assets		131,471	137,458
Current assets			
Inventories	Note 9	205	196
Receivables and prepayments	Note 10	3,915	3,303
Cash	Note 12	9,749	9,654
Total current assets		13,869	13,153
TOTAL ASSETS		145,340	150,612
EQUITY			
	Note 20		
Share capital		24,361	24,361
Statutory reserve capital		2,436	2,436
Retained earnings		32,951	28,082
TOTAL EQUITY		59,748	54,879
LIABILITIES			
Non-current liabilities			
Borrowings	Note 13	21,361	25,917
Government grants	Note 15	54,554	58,381
Derivative instruments	Note 16	491	880
Other payables		41	0
Total non-current liabilities		76,446	85,178
Current liabilities			
Borrowings	Note 13	4,687	4,726
Payables and prepayments	Note 17	4,459	5,830
Total current liabilities		9,146	10,555
TOTAL LIABILITIES		85,592	95,733
TOTAL LIABILITIES AND EQUITY		145,340	150,612

The notes to the financial statements presented on pages 52-81 form an integral part of the consolidated financial statements

Consolidated statement of comprehensive income

<i>in EUR thousand</i>	Note	2014	2013
Revenue	Note 21	31,918	30,288
Other income	Note 22	10,282	10,203
Goods, materials and services	Note 23	-11,442	-11,445
Other operating expenses	Note 24	-1,320	-974
Staff costs	Note 25	-13,380	-11,901
Depreciation, amortisation and impairment	Note 5, 6, 7	-10,887	-10,798
Other expenses		-66	-71
OPERATING PROFIT		5,106	5,301
Finance income and costs	Note 26	-237	-257
Net profit for the year		4,869	5,044
COMPREHENSIVE INCOME FOR THE YEAR		4,869	5,044

The notes to the financial statements presented on pages 52-81 form an integral part of the consolidated financial statements.

Consolidated statement of cash flows

<i>in EUR thousand</i>	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Collections from customers		33,792	33,514
Payments to suppliers and employees		-28,977	-28,107
Interest received	Note 26	5	6
Interest paid		-670	-757
Government grants received from state budget	Note 15	6,363	6,148
Other grants related to income received	Note 15	32	60
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		10,545	10,863
CASH FLOWS FROM INVESTING ACTIVITIES			
Paid for acquisition of intangible assets, property, plant and equipment and investment property	Notes 5,6,7	-5,952	-14,023
Proceeds from sale of property, plant and equipment	Note 5	15	26
Government grants received for non-current assets		42	199
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES		-5,894	-13,799
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings	Note 13	-4,556	-4,556
Borrowings received and bonds issued	Note 13	0	7,500
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		-4,556	2,944
NET CASH FLOWS			
Cash and cash equivalents at beginning of the period		9,654	9,645
Cash and cash equivalents at end of the period		9,749	9,654
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	Note 12	95	8

The notes to the financial statements presented on pages 52-81 form an integral part of the consolidated financial statements

Consolidated statement of changes in equity

<i>in EUR thousand</i>	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 31.12.2012	24,360	2,436	23,038	49,834
Comprehensive income for 2013	0	0	5,044	5,044
Balance as at 31.12.2014	24,360	2,436	28,082	54,879
Comprehensive income for 2014	0	0	4,869	4,869
Balance as at 31.12.2014	24,360	2,436	32,951	59,748

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

The notes to the financial statements presented on pages 52-81 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

NOTE 1. General information

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

The consolidated financial statements of AS Tallinna Lennujaam Group for the year ended 31 December 2013 comprise AS Tallinna Lennujaam (parent company) and its fully owned subsidiary AS Tallinn Airport GH, engaged in provision of ground services for aircraft and passengers and the shares of which are registered in Estonia.

The Management Board authorised the Group's consolidated financial statements for issue at 31 March 2015.

Pursuant to the Commercial Code of the Republic of Estonia, the annual report including the consolidated financial statements must be prepared by the Management Board and approved by the Supervisory Board and be authorised by the General Meeting of Shareholders for issue.

NOTE 2. Overview of key accounting and reporting policies

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

(A) BASIS OF PREPARATION

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

The financial information presented in the consolidated financial statements is mostly based on historical cost, other than financial assets and liabilities (incl. derivative instruments) carried at fair value through profit or loss. Certain accounting estimates have been used for preparation of the consolidated financial statements, as well as management judgement has been used to apply several accounting and reporting principles. The areas in which the

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

(B) Changes in accounting and disclosure policies

Adoption of new or revised standards and interpretations

There are no new or revised standards or interpretations that are effective for the first time for the financial year beginning on 1 January 2014 that would be expected to have a material impact to the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2015, and which the Group has not early adopted:

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

Amendments in IAS 1 may change the presentation of information in the financial statements.

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

(C) Preparation of consolidated financial statements

Principles of consolidation

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

Subsidiaries

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

Parent company's separate financial statements

The separate primary financial statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. The primary financial statements of the parent have been prepared using the same accounting policies as those that have also been used for the preparation of the consolidated financial statements, except for accounting policies for recognition of subsidiaries which have been changed in the parent's separate primary financial statements in accordance with the requirements of IAS 27 Consolidated and Separate Financial Statements and investments in the shares of subsidiaries have been recognised at cost less any impairment losses (see Note 29).

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

Functional and presentation currency

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

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

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the dates of the transactions. The exchange rate differences which arise in case of differences between the exchange rates at the cash transfer date and the transaction

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

(E) Classification of assets and liabilities as current and non-current

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

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

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

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

(F) property, plant and equipment

Property, plant and equipment are tangible assets with a cost more than EUR 2,000, that are used for rendering of services or for administrative purposes and that are expected to be used during more than one year. Property, plant and equipment are carried in the statement of financial position at historical cost less accumulated depreciation and any impairment losses.

Cost

Property, plant and equipment initially is recognised at cost which comprises its purchase price and any costs directly attributable to its acquisition.

The cost of a self-constructed assets is comprised of location preparation, material and labour expenses.

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

Depreciation

If an item of property, plant and equipment consists of components with different useful lives, these components are depreciated as separate items. Depreciation is calculated on cost, using the straight-line method over the estimated useful life of the asset. Land as an exception is not subject to depreciation.

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

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

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

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

Buildings and facilities:

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

Machinery and equipment:

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

Other fixtures, tools, fittings:

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

Subsequent expenditures

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

Derecognition

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

Impairment of assets

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

(G) Intangible assets

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

Software

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

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

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

(H) investment property

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

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

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

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

(I) Impairment of non-financial assets

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

External indicators of possible impairment:

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

Internal indicators of possible impairment:

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

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

An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the higher of the fair value of the asset less costs to sell and its value in use. For the purpose

of assessing impairment, the recoverable amount of the asset is assessed for each asset or the smallest possible group of assets for which it is possible to determine cash flows.

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

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

(J) Financial assets

Classification

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

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

1. Financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets acquired for the purpose of trading which are intended to be sold in the near future. Derivative instruments are also recognised at fair value through profit or loss except for those derivative instruments which have been designed and are effective as hedging instruments. All assets in this category are included within current assets in the statement of financial position, except for those derivative instruments whose due date is later than 12 months.

2. Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. Loans and receivables are included within current assets except for those loans and receivables whose due date is later than 12 months as at the end of the reporting period. In this case, they are included within non-current assets. The following financial assets are included within the

category of loans and receivables: *Cash and cash equivalents, Deposits held at banks with maturities greater than 3 months, Trade and other receivables.*

Recognition and measurement

Purchases and sales of financial assets which are concluded at regular market conditions are recognised or derecognised using settlement date accounting. Financial assets not recognised at fair value through profit or loss are initially recognised at fair value, including transaction costs. Financial assets recognised at fair value through profit or loss are initially recognised at fair value and the transaction costs attributable to the acquisition are charged to expenses in the statement of comprehensive income. The Group derecognises financial assets when the contractual rights to the cash flows attributable to the financial asset expire or are transferred, and most of the risk and rewards relating to the financial asset are also transferred. Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Loans and receivables are subsequently measured at amortised cost, using the effective interest rate method.

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

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

(K) Impairment of Financial assets

Financial assets recognised at amortised cost.

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

The circumstances indicating an impairment loss may include bankruptcy or major financial difficulties of the debtor or a group of debtors, their inability to make payments or insolvency with regard to interest or principal payments, a probability of bankruptcy or financial reorganisation, and a considerable decrease in future cash flows which can be assumed on the basis of available information, such as changes in payables or economic conditions related to non-fulfilment of obligations.

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

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

(L) Derivative instruments

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

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

Gains and losses from changes in the fair value of a derivative instrument are recognised in the statement of comprehensive income of the reporting period, except for such derivative instruments which qualify for hedge accounting rules applied to instruments acquired for the purpose of hedging. The Group did not have any such instruments in the reporting and comparative period. The fair value of an interest rate swap is determined on the basis of future cash flows based on 6-month Euribor.

(M) inventories

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

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

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

(N) trade receivables

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

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

(O) cash and cash equivalents

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

(P) Share capital and statutory reserve capital

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

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

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

(Q) trade payables

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

(R) borrowings

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

(S) borrowing costs

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

(T) Financial liabilities

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

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

(U) taxation**Income tax on dividends in Estonia**

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

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

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

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

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

Other taxes in Estonia

The following taxes have a material impact on the Group's expenses:

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

(V) employee benefits

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

(W) provisions and contingent liabilities

Provisions are recognised when the Group has a legal or factual obligation related to past events, which require giving up of resources and the amount of the obligation can be measured reliably. Provisions are recognised at the present value of the expenditures necessary for fulfilment of obligations,

using the interest rate which reflects the time value of money by the market and risks characteristic of obligations. The increase of provisions due to the approaching of the settlement date is recognised as an interest expense in the statement of comprehensive income. Provisions are evaluated using management's estimates, experience and if necessary, opinions of independent experts.

Provisions are not recognised to cover future operating losses.

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

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

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

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

(X) revenue recognition

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

The Group's main activity is provision of air transportation and passenger services. In addition, revenue

is generated by leasing of available premises, provision and intermediation of utility services to tenants.

Revenue

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

Interest income

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

(Y) government grants

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

Government grants related to assets

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

Grants related to income

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

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

(Z) leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease which transfers all

significant risks and rewards incidental to ownership to the lessee. Other leases are classified as operating leases.

The Group as the lessee

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

The Group as the lessor

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

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

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

(AA) Dividends

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

(BB) cash flow statement

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

(CC) events after the balance sheet date

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

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

NOTE 3. Management of financial risks

(A) Financial risks

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

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

(B) market risks

Foreign currency risk is the risk that the fair value or cash flows of financial instruments fluctuate due to the changes in exchange rates in the future. The assets and liabilities denominated in euros are considered to be neutral assets and liabilities in relation to the foreign currency risk. In order to avoid foreign currency risk, transactions are concluded primarily in euros. In 2014 and 2013, the Group's receivables exposed to foreign currency were insignificant.

Price risk is the risk that the fair value or cash flows of financial instruments fluctuate in the future for other reasons than the changes in market prices due to interest rate risk or foreign currency risk. The Group does not have any financial instruments that are exposed to price risk.

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

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

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

The Group's borrowings have floating interest rates; they depend on fluctuations in Euribor. Average interest rates have not changed significantly in 2014 compared to 2013.

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

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

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

(C) Credit risk

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

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

The following measures have been applied to mitigate credit risk:

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

The accounting and marketing department is daily engaged in processing overdue receivables of customers. If the invoices that have been submitted to

customers are overdue, repeat invoices, reminders and warnings are sent to them, upon non-collection of debt, the provision of the service is cancelled in accordance with the conditions laid down in the contract. There are also conditions in place requiring collection of debt through court or the collection of debt is transferred to a collection agency.

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

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

1. ensuring of liquidity;
2. capital preservation;
3. revenue generation.

Additional information about credit risk is disclosed in Note 11.

(D) Liquidity risk

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

As at the end of the financial year, the Group had available financial resources in the amount of EUR 9,749 thousand (31.12.2013: EUR 9,654 thousand).

In order to hedge liquidity risk, the Group uses various sources of financing, such as bank loans, overdraft facilities and ongoing monitoring of accounts receivable. As at the balance sheet date, the Group's current assets exceeded current liabilities by EUR 4,723 thousand (31.12.2013: EUR 2,598 thousand).

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

Distribution of liabilities by due date

in EUR thousand

As at 31.12.2014	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Later than 5 years	Total undiscounted cash flows	Carrying amount
Borrowings (Note 13) ¹	101	1,994	2,658	19,046	2,793	26,592	26,048
Derivative instruments (Note 16)	0	0	0	491	0	491	491
Trade payables (Note 17)	1,290	3	0	0	41	1,334	1,334
Total	1,391	1,997	2,658	19,537	2,834	28,418	27,873
As at 31.12.2013							
Borrowings (Note 13) ²	106	2,011	2,700	22,856	3,840	31,513	30,642
Derivative instruments (Note 16)	0	0	0	880	0	880	880
Trade payables (Note 17)	2,604	6	0	0	0	2,610	2,610
Total	2,711	2,017	2,700	23,735	3,840	35,003	34,132

(D) capital risk management

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

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

As at 31.12.2014 and 31.12.2013, the Company's equity was in compliance with the requirements of the Commercial Code.

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

in EUR thousand	31.12.2014	31.12.2013
Borrowings (Note 13)	26,048	30,642
Less : cash and cash equivalents and term deposits with maturities greater than 3 months (Note 12)	-9,749	-9,654
Net debt (borrowings-cash and cash equivalents)	16,299	20,988
Equity	59,748	54,879
Total capital (net debt + equity)	76,047	75,867
Debt to equity	34%	40%
Net debt to total capital	21%	28%

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

2 For determining the undiscounted cash flows, the interest rate at the year-end 2013 has been used

(E) Fair value estimates

The Group estimates that the fair values of financial assets recognised at amortised cost do not materially differ from the carrying amounts reported in the consolidated statement of financial position of the Group as at 31.12.2014 and 31.12.2013. As most of the Group's long-term borrowings carried a floating interest rate which changes according to the changes in the money market interest rates, their fair values do not materially differ from their carrying amounts. The carrying amount of short-term receivables from customers and accounts receivable is estimated to equal their fair value.

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

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

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

NOTE 4. Key accounting estimates

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

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

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

As at 31 December 2014, the carrying amount of the Group's property, plant and equipment was EUR 111,483 thousand (31 December 2013: EUR 117,862 thousand), the depreciation charge for the reporting period was EUR 9,718 thousand (2013: EUR 9,843 thousand) (see Note 5). If the useful lives of all assets were changed by one year, the profit would change by EUR 871 thousand (2013: EUR 592 thousand).

As at 31 December 2014, the carrying amount of the Group's investment property was EUR 19,775 thousand (31 December 2013: EUR 19,325 thousand) (see Note 7). If the useful lives of investment property were changed by one year, the profit would change by EUR 22 thousand (2013: EUR 61 thousand).

Valuation of doubtful receivables

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

The amount of doubtful receivables is adjusted at each balance sheet date, using information based on prior experience about how many of the doubtful receivables will be collected in a later period and how many of the receivables less than 90 days overdue as at the balance sheet date will not be collected in a later period. As at 31 December 2014, the Group had doubtful receivables in the amount of EUR 197 thousand (31 December 2013: EUR 8 thousand) (Note 10). Estimation of the recoverable amount of items of property, plant and equipment and investment property

IAS 36 specifies indications for estimating impairment losses of assets. There are no such indications in the Group's business.

The operations of regional airports depend on the national policy. The regional policy with regard to airports specifies that state grants to AS Tallinna Lennujaam need to cover the necessary expenditure for the daily use of infrastructure. The state will create an opportunity for the landing of aircraft and will also support local airlines in order to ensure an airline connection between the islands and the mainland. The assets will need to be valued from

the point of view of the regional policy. Assets will be evaluated through the benefits created for the region and the Company's profitability is thus assumed to be irrelevant.

The Group's Management Board assessed the existence of indications of impairment losses and determined that there were no indications in 2014 to conclude that the assets had lost a major share of their cash generation ability and no impairment test was performed (similarly to 2013).

NOTE 5. Property, plant and equipment

<i>in EUR thousand</i>	Construction in progress and prepayments	Land	Buildings and facilities	Machinery and equipment	Other inventory	Total
Balance as at 31.12.2012						
Cost	2 560	4 933	121 955	65 335	4 596	199 379
Accumulated depreciation	0	0	-40 964	-31 872	-3 631	-76 466
Carrying amount 31.12.2012	2 560	4 933	80 991	33 463	966	122 913
Changes occurred in 2013						
Acquisitions and improvements	874	0	1 481	2 493	178	5 026
Depreciation charge	0	0	-4 058	-5 321	-464	-9 843
Carrying amount of assets disposed	0	0	0	-3	0	-3
Carrying amount of assets written off	-86	0	0	-5	-17	-109
Reclassifications	-767	0	184	31	552	0
Reclassification to investment property	-121	0	0	0	0	-121
Balance as at 31.12.2013						
Cost	2 460	4 933	123 616	67 491	5 132	203 632
Accumulated depreciation	0	0	-45 018	-36 833	-3 918	-85 769
Carrying amount 31.12.2013	2 460	4 933	78 598	30 658	1 214	117 862
Changes occurred in 2014						
Acquisitions and improvements	1 588	0	17	1 868	204	3 677
Depreciation charge	0	0	-3 986	-5 363	-369	-9 718
Carrying amount of assets disposed	0	0	0	-1	0	-1
Carrying amount of assets written off	-50	0	-1	-5	-3	-59
Reclassifications	-1 817	0	1 498	230	89	0
Reclassification to investment property	-278	0	0	0	0	-278
Balance as at 31.12.2014						
Cost	1 902	4 933	125 031	69 075	4 746	205 687
Accumulated depreciation	0	0	-48 905	-41 689	-3 611	-94 205
Carrying amount 31.12.2014	1 902	4 933	76 126	27 387	1 134	111 483

As at 31.12.2014 (as well as at 31.12.2013) the Group had no assets acquired under the finance lease terms.

The carrying amount of the assets partly used in business operations and partly for earning rental income was EUR 25,849 thousand as at 31.12.2014 (31.12.2013: EUR 27,016 thousand).

The assets leased out are included within the group of non-current assets *Buildings and facilities* (see Note 8).

Capital expenditures by airport and subsidiary

<i>in EUR thousand</i>	2014	2013
Tallinn Airport	3,480	3,785
Kärdla Airport	10	970
Pärnu Airport	0	67
Tallinn Airport GH	91	52
Tartu Airport	85	48
Kuressaare Airport	10	18
Total purchases and improvements	3,677	4,940

The purchases of non-current assets of regional airports have been financed from the ERDF funds. Information about the liabilities for government grants to purchase non-current assets is disclosed in Note 15.

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

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Tallinn Airport	17,334	15,817
Pärnu Airport	2,031	1,683
Tartu Airport	1,228	1,286
Kuressaare Airport	1,739	919
Kärdla Airport	527	530
Tallinn Airport GH	650	375
Total non-current assets in use with the carrying amount of zero	23,510	20,611

NOTE 6. Intangible assets

SOFTWARE

in EUR thousand	2014	2013
Cost as at 01.01.	1,016	1,304
Accumulated amortisation as at 01.01.	-802	-1,127
Carrying amount as at 01.01.	214	177
Prepayments for non-current assets as at 01.01.	57	112
Total intangible assets as at 01.01.	271	289
Movements in intangible assets in the period		
Purchases and improvements	81	138
Amortisation charge	-82	-100
Reclassification of prepayments	-57	-56
	1,096	1,016
Cost as at 31.12.		
Accumulated amortisation as at 31.12.	-883	-802
Carrying amount as at 31.12.	213	214
Prepayments for non-current assets as at 31.12.	0	57
Total intangible assets as at 31.12.	213	271

NOTE 7. Investment property

<i>in EUR thousand</i>	Construction in progress and prepayments	Investment property	Total
Balance as at 31.12.2012			
Cost	0	11 514	11 514
Accumulated depreciation	0	-1 458	-1 458
Carrying amount as at 31.12.2012	0	10 056	10 056
Changes occurred in 2013			
Purchases and improvements	2 479	7 500	9 979
Depreciation charge	0	-832	-832
Cost of assets disposed	0	-1 189	-1 189
Accumulated depreciation of assets disposed	0	1 189	1 189
Reclassification from property, plant and equipment to investment property	121	0	121
Balance as at 31.12.2013			
Cost	2 601	17 825	20 426
Accumulated depreciation	0	-1 101	-1 101
Carrying amount as at 31.12.2013	2 601	16 724	19 325
Changes occurred in 2014			
Purchases and improvements	-2	1 252	1 250
Depreciation charge	0	-1 078	-1 078
Reclassification from property, plant and equipment to investment property	210	68	278
Reclassifications	-2 809	2 809	0
Balance as at 31.12.2014			
Cost	0	21 954	21 954
Accumulated depreciation	0	-2 179	-2 179
Carrying amount as at 31.12.2014	0	19 775	19 775

The majority of lease agreements for investment property have a short cancellation notice except for the maintenance hangar built in 2014 which has been leased out for 15 years (maintenance hangar built in 2013 has been leased out for 30 years). All contractual obligations related to the development, repairs and maintenance of investments properties are the responsibility of the Group as the lessor. The rental income from investment properties totalled EUR 2,077 thousand (2013: EUR 1,504 thousand) and direct operating expenses were EUR 609 thousand (2013: EUR 368 thousand).

Material capital expenditures in 2014 were:

- Aircraft hangar, cost of construction: EUR 3.9 million (as at 31.12.2013 accounted for as assets under construction: EUR 2.6 million). The company has entered into a 15-year lease with the tenant that will be using the building.

The management believes that the fair value of the aircraft maintenance hangar built in 2014 does not significantly differ from its carrying amount. The management estimates that the fair values of the office building, hangar and garage acquired in 2013 do not differ from their carrying amount because the assets were acquired by way of public tender at regular market conditions. The Group's investment properties are classified as level 3.

NOTE 8. Operating lease

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

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

Rental income

<i>in EUR thousand</i>	2014	2013
Concessions	3,499	3,295
Buildings and facilities	3,857	3,281
Infrastructure fees	102	75
Total rental income	7,458	6,651

Future rental income under non-cancellable lease agreements³

<i>in EUR thousand</i>	2014	2013
< 1 year	3,149	2,890
1 - 5 years	9,992	9,259
> 5 years	12,595	7,485
Total rental income	25,735	19,634

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

Rental expense

<i>in EUR thousand</i>	2014	2013
Passenger cars	44	66
Total rental expense	44	66

Future operating lease payments under non-cancellable lease agreements

<i>in EUR thousand</i>	2014	2013
< 1 year	46	30
1 - 5 years	87	48
> 5 years	1	0
Total rental expense	134	78

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

NOTE 9. Inventories

<i>in EUR thousand</i>	31.12.2014	31.12.2013
De-icing materials of aircraft	132	127
Fuel	27	33
Runway maintenance and rescue service materials	31	23
Food	8	12
Marketing materials	7	1
Total inventories	205	196

No inventory write-downs were recognised during the period or in 2013.

³ This does not include contingent rent (concession), because the rental rate is not fixed but depends on the sales of the customer, number of passengers and the CPI.

NOTE 10. Receivables and prepayments

10.1 Trade receivables

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Accounts receivable	3,841	2,456
Allowance for doubtful receivables	-197	-8
Total trade receivables	3,644	2,448

10.2 Other receivables

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Government grants receivable	25	159
Other receivables	5	-4
Total other receivables	30	163

10.3 Prepayments

<i>in EUR thousand</i>	31.12.2014	31.12.2013
VAT receivable	87	526
Prepayments	153	166
Accrued income	1	0
Total prepayments	241	692
Total receivables	3,915	3,303

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

10.4 Changes in doubtful receivables

<i>in EUR thousand</i>	2014	2013
Allowance for doubtful receivables at beginning of the period	-8	-229
Receivables deemed doubtful during the reporting period (Note 24)	-211	-39
Receivables deemed uncollectible	16	166
Receivables deemed doubtful collected during the reporting period	6	95
Allowance for doubtful receivables at end of the period	-197	-8

NOTE 11. Financial instruments

(A) FINANCIAL INSTRUMENTS BY CATEGORY

Items of financial assets in the statement of financial position

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Trade receivables, government grant related to non-currents not received and other receivables (Note 10.1 and 10.2)	3,674	2,611
Cash and cash equivalents (Note 12)	9,749	9,654
Total items of financial assets in the consolidated statement of financial position	13,423	12,265

Items of financial liabilities in the statement of financial position

<i>in EUR thousand</i>	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
As at 31.12.2014			
Borrowings (Note 13)	0	26,048	26,048
Trade and other payables (Note 17)	0	1,334	1,334
Derivative instruments (Note 16)	491	0	491
Total items of financial liabilities in the consolidated statement of financial position	491	27,382	27,873
As at 31.12.2013			
Borrowings (Note 13)	0	30,642	30,642
Trade and other payables (Note 17)	0	2,625	2,625
Derivative instruments (Note 16)	880	0	880
Total items of financial liabilities in the consolidated statement of financial position	880	33,267	34,147

(B) Financial instruments by credit quality

Analysis of accounts receivable

<i>in EUR thousand</i>	2014	2013
Accounts receivable from new customers (less than 12 month relationship) that are not overdue as at 31.12.	23	3
Accounts receivable from new customers (less than 12 month relationship) that are overdue as at 31.12.	20	48
Accounts receivable from existing customers (over 12 month relationship) that are not overdue as at 31.12.	2,315	1,960
Accounts receivable from existing customers (over 12 month relationship) that are overdue as at 31.12.	1,483	445
Total accounts receivable	3,841	2,456

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Not overdue	2,338	2,008
Overdue by up to 30 days	681	331
Overdue by up to 60 days	202	58
Overdue by more than 60 days	620	59
Total accounts receivable	3,841	2,456

Of the accounts receivable as at 31.12.2014, a total of EUR 317 thousand had not been collected by 13.03.2015 (13.03.2014: EUR 37 thousand), EUR 190 thousand of which has been already recognised as doubtful receivable as at 31.12.2014.

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

in EUR thousand	31.12.2014	31.12.2013
Banks with Moody's credit rating of A1	7,472	1,777
Banks with Moody's credit rating of A2	2,191	7,081
Banks with Moody's credit rating of Aa2	0	728
Banks with Moody's credit rating of Aa3	20	0
Total amounts exposed to credit risk	9,683	9,586

NOTE 12. Cash and cash equivalents

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Cash on hand	65	67
Bank accounts	9,683	2,530
Overnight deposit	0	7,057
Total cash and cash equivalents	9,749	9,654

NOTE 13. Borrowings

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Long-term borrowings		
Long-term bank loans	13,861	18,417
Bonds issued	7,500	7,500
Total long-term borrowings	21,361	25,917
Short-term borrowings		
Repayments of long-term bank loans in the next period	4,556	4,556
Interest payable related to long-term bank loans as at 31.12	131	170
Total short-term borrowings	4,687	4,726
TOTAL BORROWINGS	26,048	30,642

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

	Date of entry into contract	Due date	Security	Loan amount
Nordic Investment Bank	31.01.2007	5.12.2017	See Note 14	32,000,000
Pohjola Bank	28.11.2011	30.09.2022	See Note 14	10,000,000
Pohjola Bank bonds	28.03.2013	2.04.2018	Unsecured	7,500,000

All loans are denominated in euros.

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

<i>in EUR thousand</i>				
As at 31.12.2014	NIB	Pohjola	Pohjola bonds	TOTAL
Loan balance at beginning of the period	14,222	8 750	7 500	30,472
Paid off during the period	-3,556	-1 000	0	-4,556
Loan balance at end of the period	10,667	7 750	7 500	25,917
Loan interest payable	109	0	22	131
Interest rate	6-month Euribor +0.12%	3-month Euribor +1.0%	3-month Euribor +1.1%	
As at 31.12.2013	NIB	Pohjola	Pohjola bonds	TOTAL
Loan balance at beginning of the period	17,778	9,750	0	27,528
Loan received during the period	0	0	7,500	7,500
Paid off during the period	-3,556	-1,000	0	-4,556
Loan balance at end of the period	14,222	8,750	7,500	30,472
Loan interest payable	145	0	25	170
Interest rate	6-month Euribor +0.12%	3-month Euribor +1.0%	3-month Euribor +1.1%	

BONDS

In 2013, Tallinn Airport issued 75 unsecured bonds at par of EUR 100 thousand maturing in 2018. The bonds are denominated in euros. The bonds carry an interest rate of 3 month Euribor + 1.1% margin. The bond issuance costs were 0.1% of the transaction amount.

NOTE 14. Loan collateral and pledged assets

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

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

NOTE 15. Government grants

15.1 Government grants related to income

<i>in EUR thousand</i>	2014	2013
Allocation for a specific purpose from state budget ⁴	6,363	6,148
Tartu City Government	22	23
Enterprise Estonia	0	14
Foreign financing	29	55
Government grants related to income recognised as income (Note 22)	6,414	6,240

15.2 Government grants related to assets

<i>in EUR thousand</i>	2014	2013
Long-term government grants received as at beginning of the period	58,381	61,186
Grants received		
Domestic government grant	10	8
European Regional Development Fund (ERDF)	0	1,071
Total grants received	10	1,079
Recognised as income		
Grants related to assets	-270	-269
Cohesion Fund (ISPA)	-2,082	-2,082
European Regional Development Fund (ERDF)	-1,485	-1,461
Write-off of asset and liability acquired with government grants		
European Regional Development Fund (ERDF)	-0	-72
Total long-term government grants recognised as income (Note 22)	-3,837	-3,884
Total long-term government grants as at end of the period	54,554	58,381
incl Domestic government grants	2,404	2,664
incl Cohesion Fund (ISPA)	39,809	41,891
incl European Regional Development Fund (ERDF)	12,341	13,826

With the amendment no. 57 dated 18 March 2005 to the regulation no. 81 of the Government of the Republic *Appointment of Intermediate Bodies and Final Beneficiaries for Structural Assistance and Approval of the List of Measures for Investment by the State and Local Governments* dated 22 March 2004, AS Tallinna Lennujaam was included in the list of final beneficiaries. The final beneficiary was established with the goal of ensuring legal use of European structural assistance.

⁴ The grant is for operation of regional airports (Kärdla, Kuressaare, Tartu and Pärnu Airport), from 2011, an additional government grant is received for rescue and security activities.

The final beneficiary is within AS Tallinna Lennujaam, i.e. the Ministry of Economic Affairs and Communications has granted a right to arrange the management and implementation of government grants to AS Tallinna Lennujaam as a final beneficiary. The final beneficiary pays the funds from government grants transferred directly from the ERDF to the State Treasury to its suppliers, as a result of which government grants received for acquisition of non-current assets are not included within the cash flows from investment activities in the statement of cash flows (see *Paid for acquisition of intangible assets, and property, plant and equipment* in the consolidated statement of cash flows).

AS Tallinna Lennujaam has no control over the funds of the final beneficiary.

15.3 Key acquisitions funded by the ERDF in 2014:

- Tartu Airport – overlay and extension of runway, runway's light system with substation, rescue depot, reconstruction of terminal, maintenance hangar, maintenance equipment;
- Kärdla Airport – reconstruction of terminal, construction of garage, rescue and service equipment;
- Kuressaare Airport – reconstruction of terminal, reconstruction of runway and platform, runway's lighting system, navigation devices and service equipment;
- Pärnu Airport – security and maintenance equipment;

15.4 Cost of assets acquired with the government grant of ERDF by airport

in EUR thousand	2005 - 2013
Tartu airport	10,484
Kuressaare airport	7,641
Kärdla airport	1,968
Pärnu airport	83
Total airports	20,176

NOTE 16. Derivative instruments

Interest rate swap	1. Interest-rate swap on a floating rate loan from Nordic Investment Bank	2. Interest-rate swap on a floating rate loan from Nordic Investment Bank
Contract was entered into at	16.03.2007;	30.01.2009
Opening date:	17.09.2007;	16.03.2009
Closing date:	15.09.2017;	15.09.2017
Nominal amount:	EUR 18,000,000	EUR 13,222,222
Fixed SWAP rate	4.015%.	2.395%
Floating interest base rate	6-month Euribor	6-month Euribor

Changes in interest rate swaps

in EUR thousand

Fair value as at 31.12.2014 (negative market value)	491
Incl. non-current portion	491
Change in fair value in 2014 (Note 26)	-389
Fair value as at 31.12.2013 (negative market value)	880
Change in fair value in 2013 (Note 26)	-485
Fair value as at 01.01.2013 (negative market value)	1,365

NOTE 17. Trade Payables and prepayments

17.1 Trade Payables and prepayments

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Payables for non-current assets	110	1,201
Payables for goods and services	1,170	1,409
Other payables	14	14
Total trade payables	1,294	2,625

17.2 Accrued expenses to employees, tax liabilities and prepayments

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Accrued expenses to employees (Note 19)	1,951	1,827
Tax liabilities (Note 18)	990	1,195
Prepayments	225	183
Total other payables and prepayments	3,165	3,205
Total payables and prepayments	4,459	5,830

NOTE 18. Tax liabilities

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Social security taxes on wages and salaries, and fringe benefits	586	558
Income tax on wages and salaries, and fringe benefits	321	312
Unemployment insurance tax	43	46
Pension insurance	32	28
Excise tax	6	6
Land tax	0	242
Corporate income tax	0	2
Other taxes	0	1
Total tax liabilities	990	1,195

NOTE 19. Accrued expenses to employees

<i>In EUR thousand</i>	31.12.2014	31.12.2013
Bonus reserve liability	983	937
Wages and salaries accrued but not yet paid	648	599
Holiday pay liability	317	287
Other payables to employees	2	4
Total accrued expenses to employees	1,951	1,827

NOTE 20. Equity

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

	31.12.2014	31.12.2013
Share capital	EUR 24,360,500	EUR 24,360,500
Number of shares	2,436,050 pcs	2,436,050 pcs
Nominal value of shares	EUR 10	EUR 10

As at 31.12.2014, the share capital of the Group's parent consisted of 2,436,050 ordinary shares (31.12.2014: 2,436,050) with nominal value of EUR 10 each.

As at 31 December 2014, the retained earnings of the Group were EUR 32,951 thousand (31 December 2013: EUR 28,082 thousand). In case of payment of dividends to shareholders, the income tax expense is 20/80 of the amount paid out as net dividends. As at the balance sheet date, it is possible to pay out dividends to the shareholders in the amount of EUR 26,361 thousand (31 December 2013: EUR 22,185 thousand) and the corresponding income tax would amount to EUR 6,590 thousand (31 December 2013: EUR 5,897 thousand).

NOTE 21. Revenue

Aviation revenue

<i>in EUR thousand</i>	2014	2013
Passenger fees	6,502	6,637
Landing fees	5,532	5,326
Parking fees	295	305
Navigation fees	20	21
Take-off fees	11	6
Total aviation revenue	12,360	12,296

Non-aviation revenue

<i>in EUR thousand</i>	2014	2013
Aircraft handling and passenger servicing revenue	8,874	8,126
Rental income (Note 8)		
Concessions	3,499	3,295
Rent for premises and hangars	3,857	3,281
Infrastructure fees	102	75
Total rental income	7,458	6,651
Other services sold		
Parking services for cars	1,495	1,307
Services provided to tenants	1,066	890
Advertising services	535	537
Aviation related services	391	368
Other services provided and intermediated	138	114
Total other services sold	3,626	3,215
Total non-aviation revenue	19,558	17,992
TOTAL REVENUE	31,918	30,288

NOTE 22. Other income

<i>in EUR thousand</i>	2014	2013
Government grants related to operating expenses (Note 15)	6,414	6,240
Government grants related to assets recognised as income (Note 15)	3,837	3,884
Other income	29	44
Gain from disposal of machinery and equipment	2	35
Total other income	10,282	10,203

NOTE 23. Goods, materials and services

<i>in EUR thousand</i>	2014	2013
Security, safety and rescue	3,406	3,266
Utilities expenses	2,713	2,528
Maintenance expenses of buildings and facilities	1,754	1,498
Vehicle operation expenses	1,098	1,347
Maintenance of runways	973	930
IT and communication expenses	753	1,132
Cost of provision of services to passengers and aircraft	746	744
Total goods, materials and services	11,442	11,445

NOTE 24. Other Operating expenses

<i>in EUR thousand</i>	2014	2013
Marketing and public relations	384	337
Training costs	296	252
Administrative expenses	205	216
Costs related to doubtful receivables (Note 10)	205	-56
Special clothing and uniforms	110	128
Business trips	89	97
Total other operating expenses	1,320	974

NOTE 25. Staff costs

<i>in EUR thousand</i>	2014	2013
Wages and salaries, performance pay, holiday pay, bonuses	9,754	8,680
Average monthly salary in EUR	1,514	1,242
Taxes calculated on staff costs	3,430	3,051
Staff costs classified as fringe benefits	115	68
Other remuneration fees paid to supernumeraries	145	68
Benefits and allowances	36	34
Total staff costs	13,380	11,901
Staff count	2014	2013
Number of employees at beginning of the period	536	539
Number of employees at end of period	579	574
Average number of employees	537	536

NOTE 26. Financial INCOME and costs

<i>in EUR thousand</i>	2014	2013
Change in fair value of derivative instruments (Note 16)	389	485
Interest income on deposits	5	6
Other finance income and costs	0	-8
Interest expense on loans secured by derivatives	-369	-472
Interest expense on loans with floating interest rates	-161	-193
Interest expense on bonds	-101	-75
Total finance income and costs	-237	-257

NOTE 27. Contingent liabilities and commitments

Potential liabilities arising from tax inspection

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

NOTE 28. Related party transactions

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

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

	2014	2013
Assets	598	8 080*
Liabilities	25	17
Sales	5 854	6 812
Purchases	133	150

* Including investment property acquired from AS Estonian Air in amount of EUR 7,500 thousand.

Management and Supervisory Boards

In 2014, the remuneration of the Supervisory and Management Boards, including social security taxes totalled EUR 513 thousand (2013: EUR 452 thousand).

AS Tallinna Lennujaam has provided cars for the members of the Management Board to be used for business purposes; the contract for services does not stipulate payment of termination benefits.

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

NOTE 29. Financial information on the parent company

Separate statement of financial position

<i>in EUR thousand</i>	31.12.2014	31.12.2013
Assets		
Non-current assets		
Long-term financial investments	1,028	1,028
Property, plant and equipment	109,095	115,119
Intangible assets	213	267
Investment property	19,775	19,325
Total non-current assets	130,111	135,739
Current assets		
Inventories	67	62
Payables and prepayments	2,740	2,481
Cash	5,928	6,208
Total current assets	8,735	8,751
TOTAL ASSETS	138,846	144,490
EQUITY		
Share capital	24,361	24,361
Statutory reserve capital	2,436	2,436
Retained earnings	27,577	22,871
TOTAL EQUITY	54,374	49,668
LIABILITIES		
Non-current liabilities		
Borrowings	21,361	25,917
Government grants	54,554	58,381
Derivative instruments	491	880
Total non-current liabilities	76,406	85,178
Current liabilities		
Borrowings	4,687	4,725
Payables and prepayments	3,379	4,919
Total current liabilities	8,066	9,644
TOTAL LIABILITIES	84,472	94,822
TOTAL LIABILITIES AND EQUITY	138,846	144,490

Separate statement of comprehensive income

in EUR thousand	2014	2013
Revenue	25,365	24,054
Other income	10,279	10,197
Goods, materials and services	-10,154	-10,036
Other operating expenses	-1,180	-837
Staff costs	-8,864	-7,951
Depreciation, amortisation and impairment	-10,437	-10,281
Other expenses	-63	-68
OPERATING PROFIT	4,946	5,079
Finance income and costs (net)	-239	-259
Net profit for financial year	4,707	4,820
COMPREHENSIVE INCOME FOR FINANCIAL YEAR	4,707	4,820

Separate statement of cash flows

in EUR thousand	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from customers	27,493	26,724
Paid to suppliers and employees	-23,139	-21,912
Interest received	3	4
Interest paid	-670	-757
Government grant received from the state budget	6,363	6,148
Government grants related to income	32	60
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	10,028	10,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Paid for purchase of property, plant and equipment, and intangible assets	-5,861	-13,972
Proceeds from sale of property, plant and equipment	12	23
Government grant related to non-current assets	42	199
TOTAL CASH FLOWS FROM INVESTING ACTIVITIES	-5,806	-13,749
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	-4,556	-4,556
Loan received	0	7,500
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES	-4,556	2,944
NET CASH FLOWS	-280	-539
Cash and cash equivalents at beginning of year	6,208	6,747
Cash and cash equivalents at end of year	5,928	6,208
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-280	-539

Separate statement of changes in equity

<i>in EUR thousand</i>	Share capital	Statutory reserve capital	Retained earnings	Total
Balance as at 31.12.2012	24,360	2,436	18,051	44,848
Net profit for 2013	0	0	4,820	2,876
Balance as at 31.12.2013	24,360	2,436	22,871	49,668
Net profit for 2014	0	0	4,707	4,707
Balance as at 31.12.2014	24,360	2,436	27,578	54,374

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

<i>in EUR thousand</i>	2014	2013
Unconsolidated equity of the parent	54,373	49,668
Carrying amount of subsidiaries in the separate balance sheet of the parent (minus)	-1,028	-1,028
Value of subsidiary under the equity method (plus)	6,402	6,239
Total	59,748	54,879

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholder of AS Tallinna Lennujaam

We have audited the accompanying consolidated financial statements of AS Tallinna Lennujaam and its subsidiary, which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Tallinna Lennujaam and its subsidiary as of 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

/signed/

Tiit Raimla
Auditor's Certificate No. 287

31 March 2015

/signed/

Janno Hermanson
Auditor's Certificate No. 570

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

Profit allocation proposal





Retained earnings as at 31.12.2013	EUR 28,082 thousand
Net profit for 2014	EUR 4,869 thousand

Total distributable profit as at 31.12.2014 **EUR 32,951 thousand**

The Management Board proposes to distribute the net profit for 2014 in the amount of EUR 4,869 thousand as follows:

not to distribute EUR 4,869 thousand and transfer it to retained earnings.



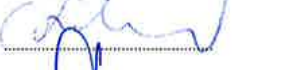

Balance of retained earnings after profit allocation **EUR 32,951 thousand**

Rein Loik	Chairman of the Management Board		March 31, 2015
Einari Bambus	Member of the Management Board		March 31, 2015
Anneli Turkin	Member of the Management Board		March 31, 2015
Erik Sakkov	Member of the Management Board		March 31, 2015

SIGNATURES TO THE ANNUAL REPORT



The Management Board of AS Tallinna Lennujaam has prepared the management report and financial statements for the year 2014. The Management confirms the correctness of information presented in the annual report.

Management Board:

Rein Loik	Chairman of the Management Board		March 31, 2015
Einari Bambus	Member of the Management Board		March 31, 2015
Anneli Turkin	Member of the Management Board		March 31, 2015
Erik Sakkov	Member of the Management Board		March 31, 2015

The Supervisory Board has reviewed the annual report prepared by the Management Board and which consists of the management report, financial statements, profit allocation proposal and independent auditor's report and approved it for presentation at the General Meeting of Shareholders. The Supervisory Board confirms the correctness of the information presented in the annual report.

Supervisory Board:

Toivo Jürgenson	Chairman of the Supervisory Board		March 31, 2015
Arto Aas	Member of the Supervisory Board		March 31, 2015
Väino Linde	Member of the Supervisory Board		March 31, 2015
Kalle Palling	Member of the Supervisory Board		March 31, 2015
Cinzia Siig	Member of the Supervisory Board		March 31, 2015
Tiit Riisalo	Member of the Supervisory Board		March 31, 2015

Revenue of AS Tallinna Lennujaam according to EMTAK 2008

in EUR thousand		2014	2013
EMTAK code			
35131	Distribution of electricity	637	577
52231	Operation of airports and airport passenger terminals	22,747	21,551
52239	Other support activities for air transportation	8,474	8,126
85599	Other education	60	34