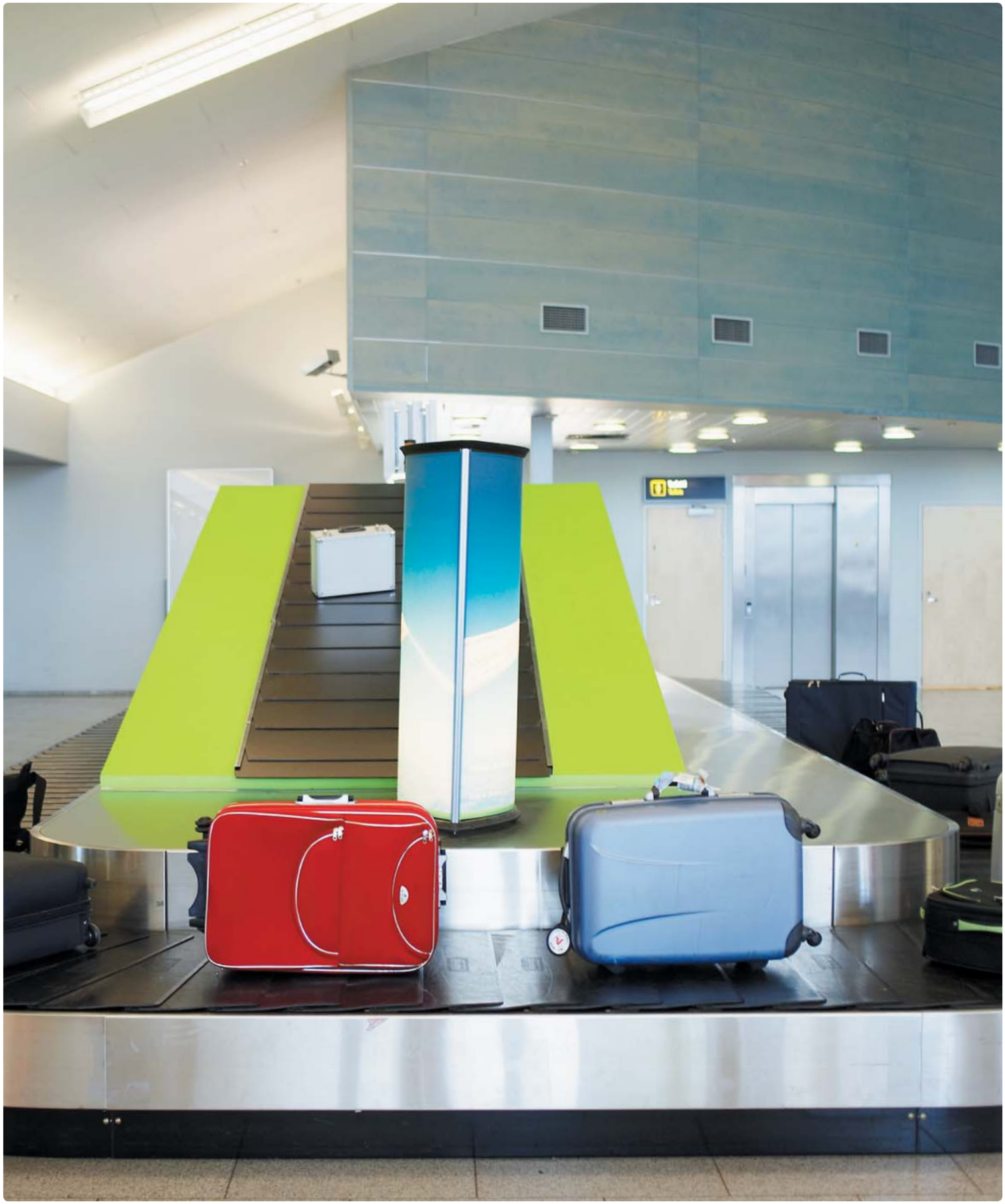

Annual Report 2006

Tallinn Airport

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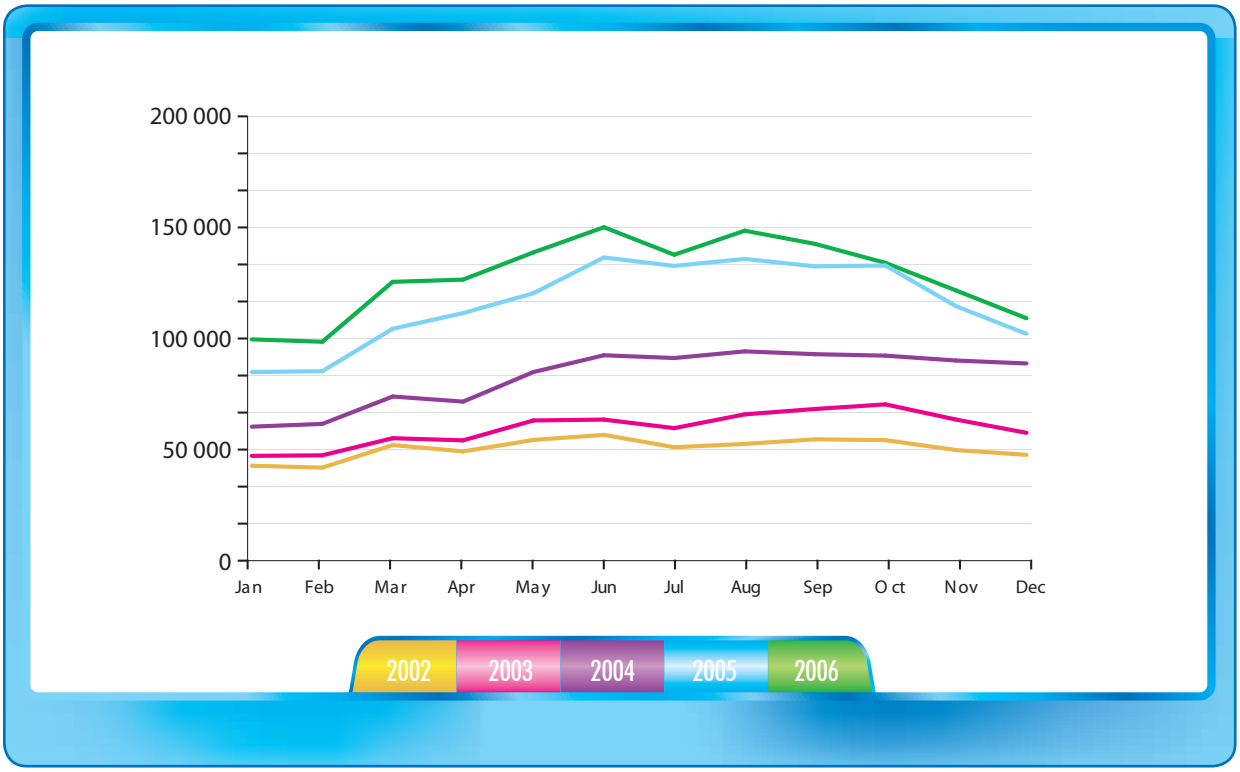
GENERAL INFORMATION

SITA:	TLLXT8X (apron control)
	TLLGH8X (ground handling)
AFTN of airport:	EETN ZXZX
AFTN of ATC:	EETT ZDZX
Situated:	4 kms/2.7 nm SE from Tallinn City Centre
	20 kms/12.5 mls from Port of Tallinn (Uussadam)
	1.5 kms/1 ml from nearest railway station (Ülemiste)
Operation hours:	GMT 0400 - 2200, flights between 2200 - 0400 on request
Curfew time:	None

GENERAL OVERVIEW

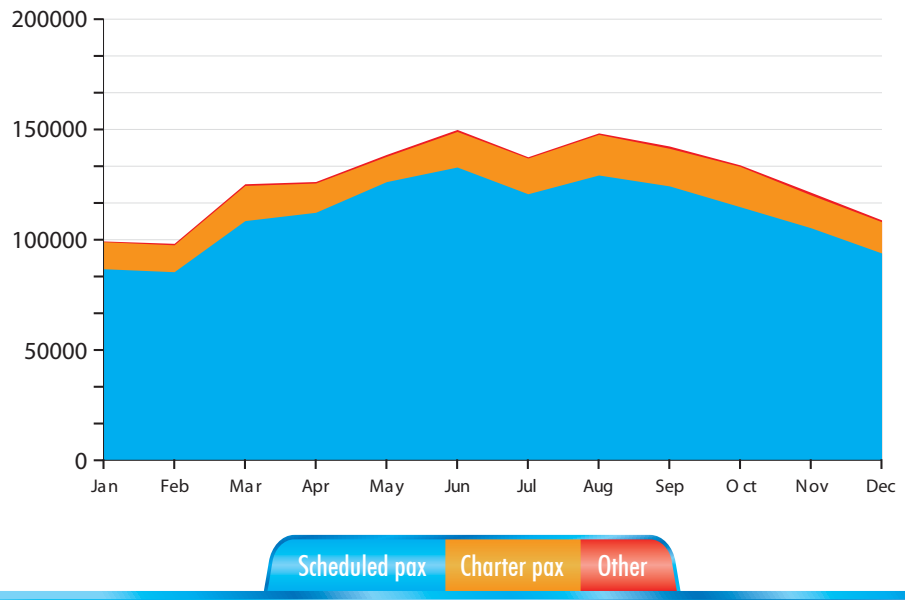
	2002	2003	2004	2005	2006
Passengers	606 348	716 204	997 680	1 402 538	1 542 937
International	590 877	699 700	979 408	1 377 846	1 519 427
Domestic	14 820	16 159	18 053	23 213	22 405
Direct transit	651	345	219	1 479	1 105
Total air cargo	4 292	5 076	5 238	9 936	10 361
Mail (tons)	937	868	886	836	859
Air freight (tons)	3 355	4 209	4 352	9 100	9 502
Aircraft movements	26 226	25 294	28 149	33 610	33 989
Commercial	19 778	19 397	21 860	26 878	27 427
Other movements	6 448	5 897	6 289	6 732	6 562
Operators	316	277	293	206	231
Scheduled operators	10	11	13	13	13
Destinations	269	270	289	343	369
Scheduled destinations	14	19	24	24	26

PASSENGERS 2002 - 2006



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2002	42 555	41 703	51 977	49 090	54 295	56 601	50 983	52 483	54 575	54 208	49 704	47 523	605 697
2003	47 046	47 295	55 087	54 109	63 166	63 559	59 667	65 935	68 383	70 475	63 587	57 550	715 859
2004	60 343	61 586	74 057	71 739	85 206	92 829	91 579	94 603	93 324	92 650	90 437	89 108	997 461
2005	85 190	85 592	104 903	112 026	121 062	137 334	133 492	136 677	133 294	133 672	115 191	102 626	1 401 059
2006	100 060	98 974	126 240	127 265	139 662	151 090	138 588	149 517	143 512	134 872	122 345	109 707	1 541 832
% growth rate 2005/06													
	17,5%	**15,6%**	**20,3%**	**13,6%**	**15,4%**	**10,0%**	**3,8%**	**9,4%**	**7,7%**	**0,9%**	**6,2%**	**6,9%**	**10,0%**

PASSENGER STRUCTURE



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Scheduled pax	87 349	85 979	109 364	113 167	127 204	133 890	121 651	130 247	125 253	115 717	106 095	94 550	**1 350 466**
Charter pax	12 373	12 306	16 080	13 409	11 573	16 288	16 353	18 603	17 214	18 459	15 038	14 326	**182 022**
Other	338	689	796	689	885	912	584	667	1 045	696	1 212	831	**9 344**
Total pax	**100 060**	**98 974**	**126 240**	**127 265**	**139 662**	**151 090**	**138 588**	**149 517**	**143 512**	**134 872**	**122 345**	**109 707**	**1 541 832**

MARKET SHARE

TOP AIRLINES BY PASSENGERS

		2002	2003	2004	2005	2006
1	Estonian Air	52,7%	57,3%	54,8%	45,8%	44,8%
2	Aero Airlines	10,7%	17,2%	14,0%	11,6%	12,3%
3	easyJet	-	-	2,3%	12,0%	10,6%
4	Czech Airlines	-	3,1%	5,6%	5,3%	5,5%
5	Lufthansa	-	-	3,2%	3,5%	5,0%
6	Air Baltic	1,1%	1,7%	2,5%	3,5%	4,6%
7	KLM Cityhopper	-	-	-	2,3%	3,1%
8	Scandinavian Airlines	5,0%	3,8%	2,6%	2,0%	2,2%
9	Norwegian Air Shuttle	-	-	-	-	1,5%
10	Avies	1,2%	1,1%	1,7%	1,6%	1,5%
	Other	29,3%	15,8%	13,3%	12,4%	8,9%

TOP DESTINATIONS BY PASSENGERS

		2002	2003	2004	2005	2006
1	Helsinki	25,5%	22,4%	16,8%	12,1%	12,9%
2	London	6,3%	6,2%	6,8%	12,3%	11,2%
3	Stockholm	19,2%	13,1%	10,2%	9,9%	10,0%
4	Copenhagen	15,6%	17,4%	11,7%	9,0%	9,2%
5	Frankfurt	4,6%	5,2%	7,2%	6,2%	7,1%
6	Berlin	-	2,3%	2,9%	6,9%	5,9%
7	Oslo	-	3,2%	3,2%	3,6%	5,5%
8	Prague	-	3,1%	5,6%	5,3%	5,5%
9	Amsterdam	-	1,1%	2,2%	3,8%	3,1%
10	Vilnius	3,3%	3,2%	3,0%	2,6%	2,5%
	Other	25,5%	22,8%	30,4%	28,3%	27,1%

PASSENGER TRAFFIC ON REGULAR ROUTES IN 2002-2006

Code	Airport	2002	2003	2004	2005	2006	% change 2005/06
HEL	Helsinki	150 774	158 517	167 138	168 700	198 330	17,6%
LON	London	37 773	44 287	82 041	172 928	171 888	-0,6%
STO	Stockholm	94 096	93 958	101 995	138 699	153 325	10,5%
CPH	Copenhagen	116 296	124 317	116 418	125 629	141 857	12,9%
FRA	Frankfurt	27 843	37 357	71 986	87 192	107 797	23,6%
BER	Berlin	0	6 768	18 975	96 659	91 111	-5,7%
OSL	Oslo	0	9 012	31 057	49 982	84 515	69,1%
PRG	Prague	0	22 478	55 572	74 629	84 123	12,7%
AMS	Amsterdam	0	2 810	22 924	52 528	47 332	-9,9%
VNO	Vilnius	19 624	22 261	26 628	35 472	38 637	8,9%
RIX	Riga	9 728	11 705	22 278	27 053	31 761	17,4%
BRU	Brussels	0	0	5 324	20 701	24 262	17,2%
IEV	Kiev	9 267	10 149	15 807	14 731	18 787	27,5%
MOW	Moscow	16 702	26 045	21 187	18 744	18 714	-0,2%
DUB	Dublin	0	0	3 430	23 371	18 180	-22,2%
WAW	Warsaw	15 367	15 098	17 526	16 815	16 914	0,6%
MIL	Milan	0	0	10 801	14 341	16 711	16,5%
BCN	Barcelona	0	0	0	0	15 941	NA
HAM	Hamburg	10 660	28 329	29 727	23 674	14 254	-39,8%
PAR	Paris	0	17 658	28 308	16 942	13 536	-20,1%
URE	Kuressaare	6 148	6 707	8 447	11 689	10 969	-6,2%
KDL	Kärdla	6 111	7 045	7 781	9 339	10 232	9,6%
DBV	Dubrovnik	0	0	0	0	7 683	NA
SIP	Simferopol	0	0	0	0	6 761	NA
MAN	Manchester	0	0	0	12 249	6 669	-45,6%
GOT	Gothenburg	0	0	4 261	7 412	177	-97,6%
	other scheduled	22 822	6 525	15 843	6 076	0	-100,0%
	Total scheduled	543 211	651 026	885 454	1 225 555	1 350 466	10,2%

PASSENGER MOVEMENTS 2006

MONTHLY TOTALS - PASSENGER MOVEMENTS BY DESTINATIONS ON SCHEDULED FLIGHTS 2006

Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
HEL	16 698	17 068	21 748	18 385	16 159	15 779	11 538	15 405	16 703	15 742	18 345	14 760	198 330	14,7%
LON	12 375	11 982	14 943	14 899	15 301	15 978	14 448	16 698	14 802	14 013	13 223	13 226	171 888	12,7%
STO	9 169	9 503	12 494	12 762	16 291	15 375	10 313	13 484	15 166	14 195	14 042	10 531	153 325	11,4%
CPH	8 645	8 953	11 487	12 270	13 528	13 719	12 299	12 525	13 860	13 562	11 157	9 852	141 857	10,5%
FRA	6 052	5 307	6 818	7 898	10 604	12 410	11 918	12 391	11 012	10 602	6 416	6 369	107 797	8,0%
BER	5 141	4 915	6 610	8 513	9 146	9 758	10 776	9 991	8 584	7 118	5 014	5 545	91 111	6,7%
OSL	3 300	3 582	4 507	5 539	7 844	8 739	9 090	7 496	8 669	9 081	8 948	7 720	84 515	6,3%
PRG	4 880	4 902	6 745	7 027	7 477	8 298	8 465	8 466	7 566	7 753	6 608	5 936	84 123	6,2%
AMS	4 144	3 191	3 687	3 553	4 001	4 091	4 331	4 427	4 039	4 080	3 941	3 847	47 332	3,5%
VNO	2 582	2 820	3 528	3 259	3 789	3 320	2 212	3 256	3 723	3 912	3 256	2 980	38 637	2,9%
RIX	2 108	2 422	2 977	2 511	2 782	3 045	2 035	2 895	3 025	2 976	2 779	2 206	31 761	2,4%
BRU	1 571	1 725	2 099	1 941	2 454	2 162	1 860	1 662	1 906	1 844	3 162	1 876	24 262	1,8%
IEV	911	864	1 020	1 132	1 791	1 709	2 098	2 103	1 917	1 817	1 667	1 758	18 787	1,4%
MOW	1 448	1 469	1 633	1 438	1 587	1 799	1 735	1 775	1 503	1 394	1 559	1 374	18 714	1,4%
DUB	1 965	1 379	1 773	1 942	1 249	2 134	2 652	2 516	226	121	1 005	1 218	18 180	1,3%
WAW	1 078	933	1 291	1 467	1 286	1 780	1 440	1 617	1 805	1 413	1 299	1 505	16 914	1,3%
MIL	1 413	1 292	1 514	1 660	1 664	1 272	1 555	1 633	1 456	486	1 199	1 567	16 711	1,2%
BCN	0	0	0	0	1 614	2 896	2 460	2 384	2 409	2 214	1 143	821	15 941	1,2%
HAM	1 191	1 162	1 681	1 293	1 744	2 228	2 791	2 040	124	0	0	0	14 254	1,1%
PAR	0	0	219	1 288	1 895	2 021	2 309	2 175	1 817	1 812	0	0	13 536	1,0%
URE	752	818	892	802	1 181	1 222	1 193	1 071	901	750	644	743	10 969	0,8%
KDL	821	691	622	809	921	1 021	1 123	1 099	889	832	688	716	10 232	0,8%
DBV	0	0	0	625	1 531	1 203	1 331	1 402	1 591	0	0	0	7 683	0,6%
SIP	0	0	0	395	522	869	1 679	1 736	1 560	0	0	0	6 761	0,5%
MAN	928	1 001	1 076	1 759	843	1 062	0	0	0	0	0	0	6 669	0,5%
GOT	177	0	0	0	0	0	0	0	0	0	0	0	177	0,0%
Total	**87 349**	**85979**	**109364**	**113167**	**127204**	**133890**	**121651**	**130247**	**125253**	**115717**	**106095**	**94550**	**1350466**	

PASSENGER MOVEMENTS 2006

MONTHLY TOTALS - CHARTER PASSENGERS 2006

Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sharm el Sheikh	4 144	4 097	5 398	4 483	674	0	0	0	120	2 254	5 271	5 782	32 223
Antalya	0	0	0	145	2 939	3 602	3 453	3 723	3 404	3 371	310	0	20 947
Hurghada	3 278	2 680	2 771	2 698	0	0	0	0	0	1 292	4 110	3 939	20 768
Tenerife	1 295	1 071	1 622	806	0	0	0	0	0	1 266	1 508	1 427	8 995
Chania	0	0	0	115	864	931	1 431	2 402	1 749	1 140	0	0	8 632
Las Palmas	1 111	1 272	1 618	793	0	0	0	0	0	552	1 855	1 393	8 594
Heraklion	0	0	0	0	993	1 148	1 417	1 139	1 429	1 141	146	0	7 413
Monastir	0	0	0	685	1 142	1 459	145	0	909	1 710	146	0	6 196
Catania	0	0	0	386	904	931	892	1 568	829	124	0	0	5 634
Malaga	95	0	0	619	1 865	178	0	0	1 335	936	0	0	5 028
Salzburg	1 011	1 257	1 716	0	0	0	0	0	0	0	0	206	4 190
Rhodos	0	0	0	0	0	0	144	1 416	1 153	427	0	0	3 140
Linz	0	0	0	0	0	1 319	1 313	175	0	0	0	0	2 807
Faro	0	0	0	0	439	1 313	935	0	0	0	0	0	2 687
Palma de Mallorca	0	0	0	0	0	1 177	1 287	173	0	0	0	0	2 637
Ateena	0	0	0	0	0	0	0	661	1 071	769	121	0	2 622
Reykjavik	0	0	0	236	0	0	755	186	0	827	407	0	2 411
Varna	0	0	0	0	0	486	651	657	565	0	0	0	2 359
Santorini	0	0	0	0	0	807	1 038	198	0	0	0	0	2 043
Other	1 439	1 929	2 955	2 443	1 753	2 937	2 892	6 305	4 650	2 650	1 164	1 579	32 696
Total	**12 373**	**12 306**	**16 080**	**13 409**	**11 573**	**16 288**	**16 353**	**18 603**	**17 214**	**18 459**	**15 038**	**14 326**	**182 022**

PASSENGER PROFILE

In 2006 Tallinn Airport Marketing Department organised the twelfth annual passenger research at the airport. The 2006 research was carried out in May. During one week passengers were interviewed (on regular international flights). The aim of the survey was to learn more about our passenger and route structures, the changes that have occurred compared to the previous surveys (seasonality) and the opinions about services at our airport.
As a result of the survey the following information about passengers of Tallinn Airport was found:

Tariff (Fare)	**2002**	**2003**	**2004**	**2005**	**2006**
Business	22%	10%	4%	3%	5%
Economy	77%	89%	95%	95%	94%
Other	1%	1%	1%	2%	1%
Purpose of journey	**2002**	**2003**	**2004**	**2005**	**2006**
Leisure	16%	16%	23%	27%	36%
Business	69%	69%	61%	54%	47%
VFR	8%	10%	10%	13%	12%
Other	7%	5%	6%	6%	5%
Average income	**2002**	**2003**	**2004**	**2005**	**2006**
Up to 324 EUR	8%	8%	8%	7%	7%
325-544 EUR	12%	10%	11%	11%	7%
545-1084 EUR	20%	21%	21%	21%	20%
1085 - 2174 EUR	18%	21%	21%	23%	20%
2175-3249 EUR	14%	17%	16%	16%	23%
Over 3250 EUR	28%	23%	23%	22%	23%
Gender	**2002**	**2003**	**2004**	**2005**	**2006**
Female	30%	35%	35%	39%	38%
Male	70%	65%	65%	61%	62%
Who paid for the ticket?	**2002**	**2003**	**2004**	**2005**	**2006**
Passenger itself	27%	30%	36%	44%	51%
Family	2%	3%	4%	4%	5%
Company/ organisazation	68%	65%	56%	49%	41%
Other	3%	2%	4%	3%	3%
Travelling in group or alone	**2002**	**2003**	**2004**	**2005**	**2006**
Alone	53%	60%	62%	N/A	46%
With family	9%	9%	11%	N/A	15%
With friends	6%	5%	8%	N/A	14%
With colleagues	27%	23%	16%	N/A	13%
In group	5%	3%	3%	N/A	12%

PASSENGER PROFILE

Age group	2002	2003	2004	2005	2006
15 – 24	8%	8%	11%	12%	15%
25 – 34	28%	29%	30%	31%	30%
35 – 44	29%	31%	30%	27%	24%
45 – 54	21%	20%	18%	16%	16%
55 – 64	11%	9%	8%	10%	10%
65 and older	3%	3%	2%	4%	5%

Where was the ticket booked/ bought	2002	2003	2004	2005	2006
From airline office at the airport	8%	7%	5%	4%	4%
From airline office downtown	5%	4%	4%	2%	1%
Vie Internet	3%	9%	24%	43%	51%
From travel agency	84%	80%	67%	51%	44%

Passenger nationality profile	2002	2003	2004	2005	2006
Estonian	40,5%	41,7%	42,6%	41,5%	38,9%
Latvian	0,7%	1,4%	1,2%	1,0%	0,5%
Lithuanian	1,3%	1,9%	2,1%	0,9%	1,7%
Total Baltic State Residents	42,5%	45,0%	45,9%	43,40%	41,1%
Finnish	6,3%	7,4%	7,0%	5,2%	6,5%
Swedish	10,6%	9,0%	7,2%	8,0%	6,1%
Norwegian	3,2%	3,8%	2,7%	3,6%	4,0%
Danish	4,3%	3,2%	2,8%	2,1%	1,5%
Total Scandinavians	24,4%	23,5%	19,7%	18,9%	18,1%
German	4,3%	5,2%	9,2%	7,5%	8,8%
English	6,7%	4,6%	7,2%	8,8%	9,7%
Dutch	1,4%	1,9%	0,9%	1,4%	1,1%
Italian	1,7%	1,5%	1,6%	1,5%	1,1%
Russian	6,1%	7,4%	5,6%	6,5%	6,1%
French	1,1%	1,2%	1,4%	1,4%	0,9%
Belgian	0,7%	0,5%	0,4%	0,4%	0,6%
Rest of Europe	6,5%	5,0%	4,6%	6,1%	7,6%
Total Europe	95,5%	96,4%	96,5%	95,9%	95,1%
Total North America	2,7%	2,4%	1,9%	2,2%	2,1%
Total Far East	0,8%	0,7%	0,6%	0,5%	0,5%
Other	1,0%	0,5%	1,0%	1,4%	2,3%

MAIL AND FREIGHT 2006

MARKET SHARE

TOP AIRLINES BY MAIL AND FREIGHT

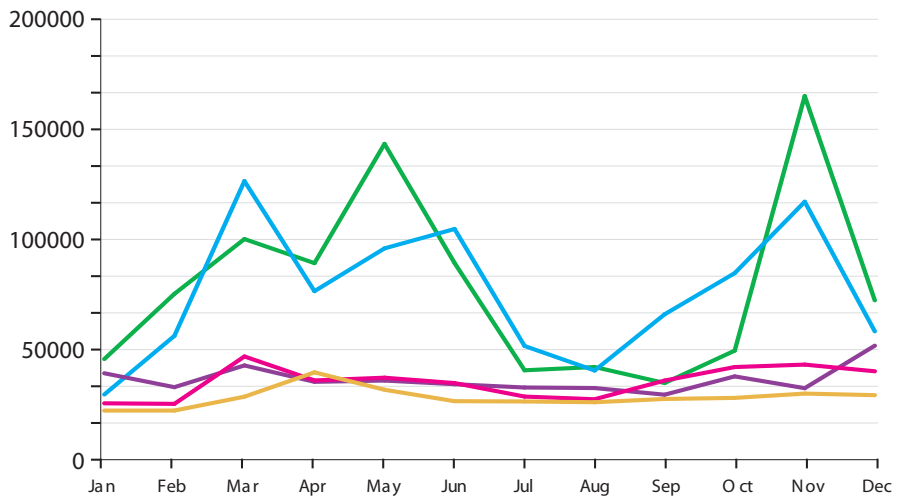
		2002	2003	2004	2005	2006
1	AeroVis Airlines	-	-	-	11,3%	27,5%
2	Estonian Air	37,8%	35,0%	34,4%	16,4%	13,7%
3	TNT	8,3%	12,1%	13,1%	8,2%	9,4%
4	DHL	8,8%	9,9%	9,9%	5,8%	6,7%
5	Aeronord	-	-	-	-	6,4%
6	Tesis	-	-	-	12,4%	6,1%
7	Aero Airlines	10,5%	13,5%	12,9%	6,7%	5,5%
8	UPS	6,1%	5,9%	6,8%	3,7%	3,6%
9	Lufthansa	-	-	0,0%	1,7%	3,4%
10	Czech Airlines	-	2,2%	6,6%	3,0%	3,3%
	Other	28,5%	21,4%	16,3%	30,8%	14,4%

TOP DESTINATIONS BY MAIL AND FREIGHT

		2002	2003	2004	2005	2006
1	Istanbul	-	-	0,1%	13,1%	31,6%
2	Helsinki	48,4%	46,6%	35,8%	16,7%	16,5%
3	Turku	-	-	10,1%	3,5%	9,3%
4	Rimini	-	-	0,4%	5,6%	6,2%
5	Aqtobe (Aktybinsk)	-	-	-	12,1%	6,1%
6	Copenhagen	19,3%	18,8%	16,9%	7,2%	6,1%
7	Frankfurt	5,8%	5,3%	4,9%	4,8%	5,5%
8	Prague	-	2,2%	6,6%	3,0%	3,3%
9	Camp Springs	NA	NA	0,0%	0,0%	1,6%
10	London	5,0%	3,0%	2,6%	1,3%	1,4%
	Other	21,5%	24,1%	22,6%	32,7%	12,4%

MAIL AND FREIGHT

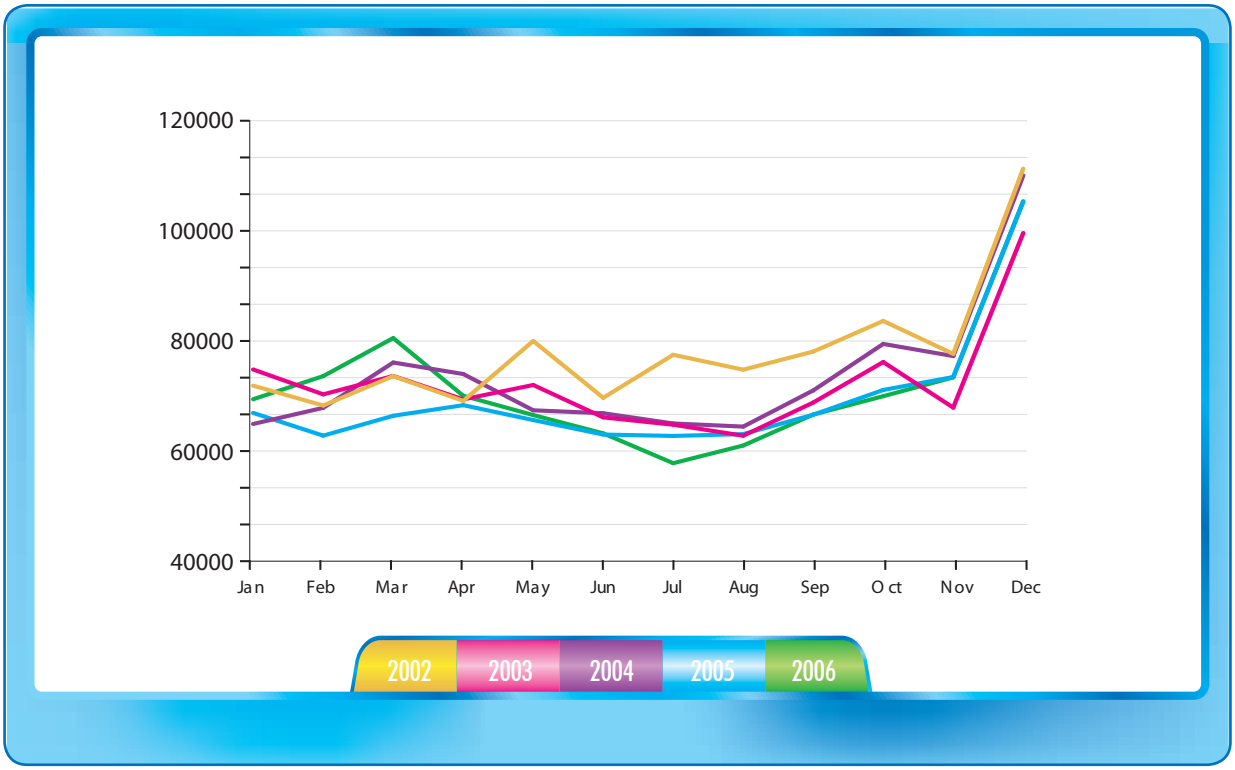
MONTHLY TOTALS: FREIGHT 2002 - 2006



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2002	219 758	219 807	283 415	394 987	315 273	262 843	261 503	258 117	273 016	277 932	297 639	290 455	3 354 745
2003	253 084	250 538	467 794	358 001	370 479	345 886	283 999	271 810	357 386	419 307	430 539	399 954	4 208 777
2004	390 795	327 092	426 731	351 532	357 404	340 646	325 540	323 030	292 642	376 515	322 443	517 202	4 351 572
2005	293 498	562 246	1 271 589	767 169	963 149	1 052 142	515 836	403 499	661 171	849 7051	177 012	583 191	9 100 207
2006	456 143	754 736	1 006 002	895 667	1 442 111	896 444	404 473	419 465	346 120	494 5021	661 202	725 329	9 502 194
% growth rate 2005/06													
	55,4%	**34,2%**	**-20,9%**	**16,7%**	**49,7%**	**-14,8%**	**-21,6%**	**4,0%**	**-47,7%**	**-41,8%**	**41,1%**	**24,4%**	**4,4%**

MAIL AND FREIGHT

MONTHLY TOTALS: MAIL 2002 - 2006



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2002	71 977	68 347	73 733	69 194	80 178	69 761	77 645	74 913	78 232	83 850	77 816	111 764	937 410
2003	74 946	70 388	73 763	69 467	72 107	66 170	64 826	62 807	68 888	76 315	67 964	99 956	867 597
2004	64 964	67 921	76 228	74 121	67 465	66 929	65 050	64 480	71 111	79 637	77 410	110 515	885 831
2005	66 983	62 821	66 459	68 409	65 677	63 020	62 765	63 104	66 655	71 193	73 567	105 741	836 394
2006	69 499	73 734	80 707	70 130	66 593	63 240	57 772	61 011	66 684	70 052	73 501	105 785	858 708
% growth rate 2005/06													
	3,8%	**17,4%**	**21,4%**	**2,5%**	**1,4%**	**0,3%**	**-8,0%**	**-3,3%**	**0,0%**	**-1,6%**	**-0,1%**	**0,0%**	**2,7%**

AIRCRAFT MOVEMENTS 2006

MARKET SHARE

TOP AIRLINES BY AIRCRAFT MOVEMENTS

		2002	2003	2004	2005	2006
1	Estonian Air	26,4%	27,7%	29,5%	26,9%	26,9%
2	Aero Airlines	7,1%	13,4%	13,2%	13,0%	12,9%
3	Avies	8,1%	9,1%	12,2%	11,2%	11,1%
4	Air Baltic	2,0%	2,5%	4,5%	6,5%	8,0%
5	easyJet	-	-	0,9%	4,2%	3,8%
6	Estonian State Aviation Group	4,3%	4,5%	3,6%	3,5%	3,7%
7	CSA	-	2,3%	3,1%	3,1%	3,1%
8	Lufthansa	-	-	2,0%	2,2%	3,1%
9	various private aircraft	na	na	3,7%	3,4%	2,7%
10	Airest	2,5%	2,5%	2,4%	2,1%	2,2%
	Other	52,1%	40,5%	24,9%	23,9%	22,5%

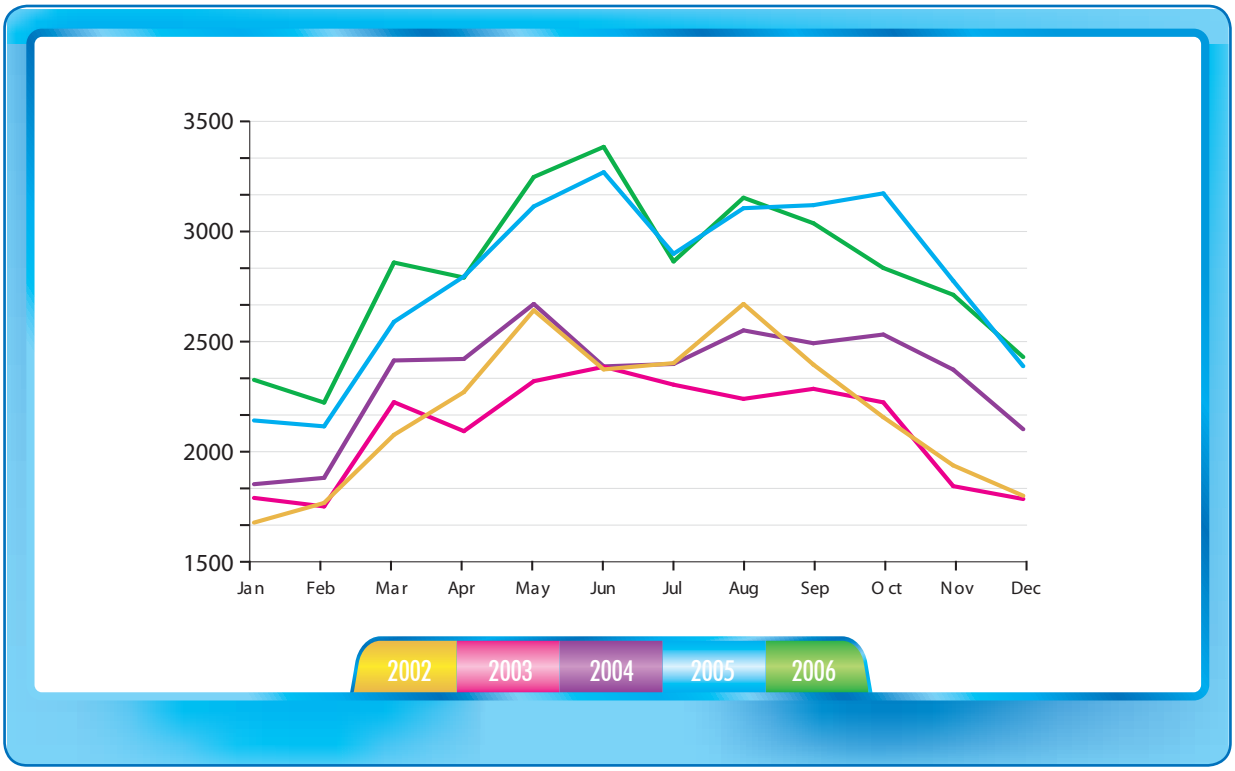
TOP DESTINATIONS BY AIRCRAFT MOVEMENTS

		2002	2003	2004	2005	2006
1	Helsinki	26,3%	25,6%	22,2%	18,3%	18,6%
2	Tallinn*	15,2%	13,5%	9,5%	8,7%	7,1%
3	Stockholm	9,7%	9,3%	6,7%	6,1%	6,7%
4	Copenhagen	7,3%	7,7%	6,9%	6,1%	5,5%
5	London	2,3%	2,4%	3,3%	4,8%	4,6%
6	Riga	3,2%	3,2%	4,6%	4,5%	4,4%
7	Frankfurt	1,7%	2,5%	4,1%	4,0%	4,5%
8	Kärdla	4,0%	4,3%	3,8%	3,9%	3,9%
9	Vilnius	3,8%	3,9%	3,0%	3,8%	4,5%
10	Kuressaare	4,0%	4,4%	4,1%	3,7%	3,9%
	Other	24,8%	25,6%	31,8%	36,1%	36,3%

* - includes training, inspection and demonstration flights

AIRCRAFT MOVEMENTS

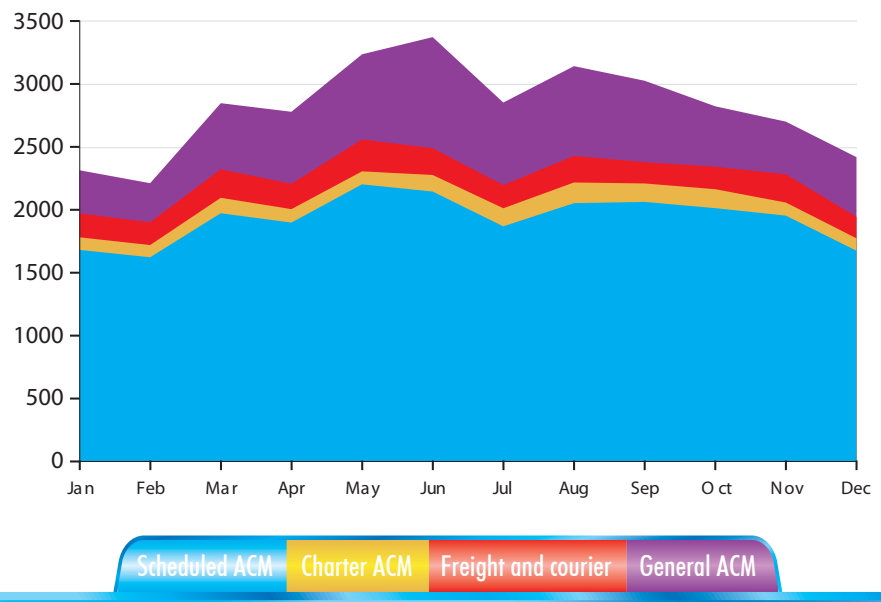
MONTHLY TOTALS: AIRCRAFT MOVEMENTS 2002 - 2006



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2002	1 678	1 768	2 080	2 276	2 651	2 380	2 409	2 680	2 402	2 161	1 940	1 801	26 226
2003	1 791	1 752	2 230	2 097	2 326	2 392	2 310	2 245	2 291	2 229	1 845	1 786	25 294
2004	1 854	1 883	2 421	2 428	2 680	2 394	2 405	2 559	2 500	2 540	2 379	2 106	28 149
2005	2 146	2 119	2 598	2 806	3 127	3 284	2 910	3 119	3 133	3 187	2 786	2 395	33 610
2006	2 332	2 228	2 870	2 801	3 262	3 400	2 875	3 167	3 050	2 845	2 722	2 437	33 989
% growth rate 2005/06													
	8,7%	**5,1%**	**10,5%**	**-0,2%**	**4,3%**	**3,5%**	**-1,2%**	**1,5%**	**-2,6%**	**-10,7%**	**-2,3%**	**1,8%**	**1,1%**

AIRCRAFT MOVEMENTS

MONTHLY TOTALS: AIRCRAFT MOVEMENTS BY FLIGHT TYPES



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Scheduled ACM	1 693	1 634	1 987	1 912	2 219	2 161	1 882	2 068	2 078	2 028	1 968	1 686	**23 316**
Charter ACM	101	98	124	108	104	133	145	166	148	152	105	100	**1 484**
Freight and courier ACM	192	183	229	203	256	215	186	213	171	180	227	173	**2 428**
General ACM	346	313	530	578	683	891	662	720	653	485	422	478	**6 761**
Total ACM	2 332	2 228	2 870	2 801	3 262	3 400	2 875	3 167	3 050	2 845	2 722	2 437	**33 989**

AIRCRAFT MOVEMENTS

MONTHLY TOTALS - SCHEDULED PASSENGER AIRCRAFT MOVEMENTS 2006

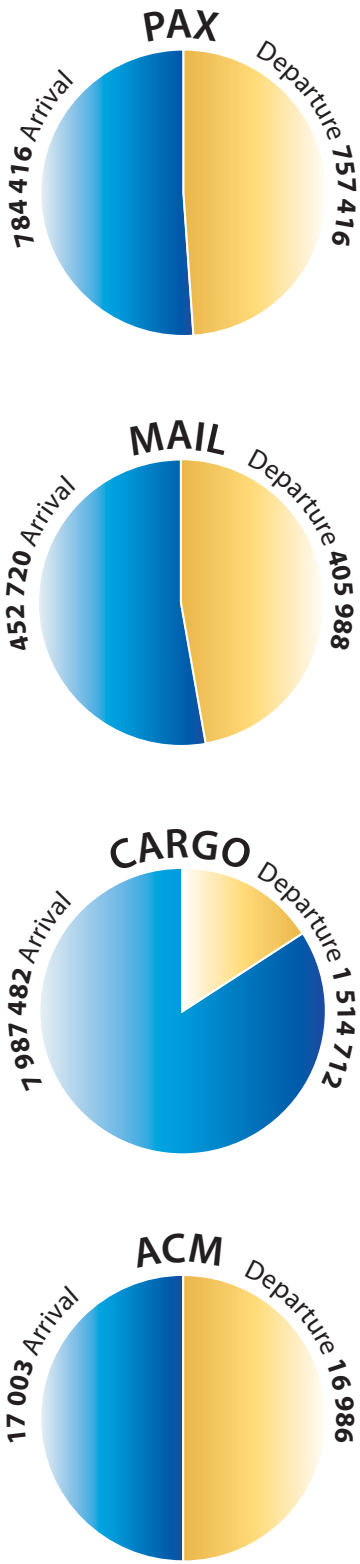
Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Helsinki	351	365	427	355	412	397	296	395	406	391	410	328	4 533
Stockholm	130	136	188	194	230	202	146	172	212	206	245	170	2 231
Copenhagen	145	136	160	156	170	160	164	152	162	168	164	134	1 871
London	124	112	142	136	140	136	114	138	136	140	128	118	1 564
Frankfurt	106	96	112	123	161	157	147	143	133	134	94	86	1 492
Vilnius	80	89	142	122	138	138	94	126	132	136	92	106	1 395
Riga	82	88	100	82	114	134	94	128	132	134	127	84	1 299
Kärdla	96	90	106	98	104	99	104	108	102	100	88	90	1 185
Oslo	64	68	76	80	104	102	98	80	108	116	110	82	1 088
Kärdla	86	82	88	78	96	96	94	100	86	88	80	100	1 074
Prague	84	80	87	85	88	87	88	88	86	91	93	91	1 048
Berlin	54	48	68	86	88	86	88	83	76	66	54	54	851
Amsterdam	68	54	58	58	62	60	62	62	60	62	58	62	726
Warsaw	46	44	50	58	48	54	50	54	54	50	50	54	612
Brussels	30	28	34	28	38	26	24	28	32	36	60	34	398
Moscow	36	32	36	26	36	32	26	26	26	26	28	20	350
Kiev	18	16	18	16	28	24	26	26	26	26	26	22	272
Dublin	27	22	27	25	23	24	26	27	3	2	17	15	238
Milan	18	16	20	26	27	17	18	18	18	6	26	22	232
Barcelona	0	0	0	0	22	34	27	26	26	26	18	14	193
Hamburg	18	16	26	20	24	28	34	24	2	0	0	0	192
Paris	0	0	4	16	26	24	26	28	24	24	0	0	172
Manchester	16	16	18	26	14	16	0	0	0	0	0	0	106
Dubrovnik	0	0	0	8	18	16	18	18	18	0	0	0	96
Simferopol	0	0	0	10	8	12	18	18	18	0	0	0	84
Gothenburg	14	0	0	0	0	0	0	0	0	0	0	0	14
Total	**1 693**	**1 634**	**1 987**	**1 912**	**2 219**	**2 161**	**1 882**	**2 068**	**2 078**	**2 028**	**1 968**	**1 686**	**23 316**

AIRCRAFT MOVEMENTS

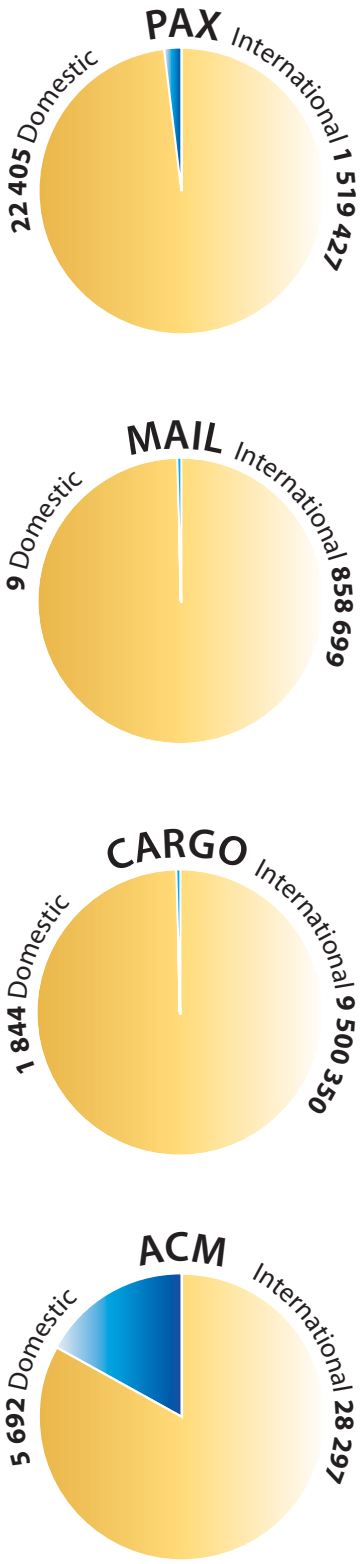
MONTHLY TOTALS - AIRCRAFT MOVEMENTS BY DESTINATIONS ON CHARTER FLIGHTS 2006

Destination	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Sharm el Sheikh	33	32	38	32	8	0	0	0	1	18	34	38	234
Antalya	0	0	0	1	24	26	26	28	26	26	4	0	161
Hurghada	22	16	16	18	0	0	0	0	0	9	25	26	132
Chania	0	0	0	1	8	8	17	25	16	10	0	0	85
Tenerife	8	8	10	5	0	0	0	0	0	8	8	8	55
Heraklion	0	0	0	0	8	8	10	8	10	8	2	0	54
Catania	0	0	0	4	10	8	9	11	8	2	0	0	52
Las Palmas	8	8	10	5	0	0	0	0	0	3	10	8	52
Mnastir	0	0	0	5	8	10	1	0	7	12	2	0	45
Salzburg	10	12	16	0	0	0	0	0	0	0	0	2	40
Malaga	2	0	0	4	10	1	0	0	8	5	0	0	30
Frankfurt	0	0	0	0	5	3	4	5	4	4	0	0	25
Athens	0	0	0	0	0	0	0	6	10	7	2	0	25
Reykjavik	0	0	0	4	0	0	6	2	0	9	4	0	25
Varna	0	0	0	0	0	6	6	6	6	0	0	0	24
Rhodos	0	0	0	0	0	0	1	10	8	3	0	0	22
Dubai	1	0	6	4	0	0	0	0	0	2	3	5	21
Faro	0	0	0	0	4	10	7	0	0	0	0	0	21
Santorini	0	0	0	0	0	8	10	2	0	0	0	0	20
Cagliari	0	0	0	0	0	0	4	16	0	0	0	0	20
other	17	22	28	25	19	45	44	47	44	26	11	13	341
total charter movements	**101**	**98**	**124**	**108**	**104**	**133**	**145**	**166**	**148**	**152**	**105**	**100**	**1 484**

ARRIVALS / DEPARTURES 2006



DOMESTIC / INTERNATIONAL 2006



HIGHLIGHTS OF 2006

THE BUSIEST DAYS

14.June	6 538	passengers	14. June	145	aircraft movements
25. August	6 146	passengers	21. June	145	aircraft movements
15. September	5 898	passengers	09. June	143	aircraft movements
13. June	5 896	passengers	12. May	142	aircraft movements
24. August	5 876	passengers	05. May	138	aircraft movements

TONNAGE LANDED

Annual	584 306	tons
Average per day	1 600 838	kgs
Average per aircraft	34 365	kgs
The largest aircraft	392 000	kgs
The smallest aircraft	449	kgs
The furthest destination	8 641	kms
- Port-Au-Prince, Haiti		

MAIN BALTIC AIRPORTS

Passengers	**2002**	**2003**	**2004**	**2005**	**2006**
Riga	633 322	711 753	1 060 426	1 878 035	2 495 020
Tallinn	605 697	715 859	997 461	1 401 059	1 541 832
Vilnius	634 991	719 850	994 159	1 281 872	1 451 468
Cargo (metric tons)	**2002**	**2003**	**2004**	**2005**	**2 006**
Riga	6 580	13 534	8 752	15 896	12 559
Tallinn	4 292	5 076	5 237	9 937	10 361
Vilnius	5 082	5 206	5 183	5 281	5 565
Aircraft movements	**2002**	**2003**	**2004**	**2005**	**2 006**
Riga	18 676	19 504	27 325	34 552	40 162
Tallinn	26 226	25 294	28 148	33 610	33 989
Vilnius	17 124	18 336	23 655	29 193	29 347

REPUBLIC OF ESTONIA

Estimated population 1st of January 2007	1 342 000
Currency	15,6466 EEK (kroon) = 1 EUR
GDP change at constant prices 2005/2006	11,4%
Registered unemployment - 4th quarter 2006	1,8%
Average monthly gross wages and salaries - 3rd quarter 2006	9 068 EEK
Other main social and economic indicators	http://www.stat.ee/files/evaljaanded/2006/UL120602.pdf

Financial Report

The group's main field of activity is provision of air transport and ground services.
The group employs 422 people.

Beginning of financial year:	01.01.2006
End of financial year:	31.12.2006
Company name:	Tallinn Airport Ltd
Registry code:	10349560
Legal address:	Lennujaama tee 2
	11101 Tallinn
	Republic of Estonia
Telephone:	+372 6 058 701
Fax:	+372 6 058 333
E-mail:	administration@tll.aero
	www.tallinn-airport.ee
Auditor:	Ernst & Young Baltic AS
Attached documents:	Auditor's report
	Profit allocation proposal

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MANAGEMENT REPORT

The Management Report of Tallinn Airport Ltd has been prepared on the basis of consolidated financial indicators.

General information on the company

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

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

Regional airports are necessary for implementing the regional transportation policy, and have not been designed to serve as money-generating units. In 2006, the state allocated 10 million kroons for covering the operating expenses of these airports (9 million kroons in 2005).

The consolidation group includes Tallinn Airport Ltd's subsidiary AS Tallinn Airport GH which organises ground servicing of aircrafts at the Tallinn Airport. The company was established by Tallinn Airport Ltd on 28 December 2005 with the purpose of enhancing flexibility and quality of its partner services with the clear aim of guaranteeing sustainability of the management of the rights and obligations of the companies handling ground servicing of aircrafts at the Tallinn Airport, and separating the revenue from and expenses on the main activities of the airport.

Operating results

	2002	2003	2004	2005	2006
Number of passengers (in thousands)	606	716	997	1 401	1 542
Cargo (in tons)	4 292	5 076	5 238	9 937	10 361
Number of flight operations	26 226	25 294	26 501	33 610	33 989

Tallinn Airport served a million and a half passengers in 2006 (in 2005, the one million passengers limit was achieved for the first time in the company's history). Passenger numbers grew by 10% in 2006, compared to 2005.

Following the sudden increase in the period after accession to the European Union in 2004-2005 (41% increase), passenger numbers have stabilised, with the increase being limited to "natural growth". The change in 2006 was, above all, conditioned by increased regular flight frequencies (a 10.2% increase).

Changes in regular flight destinations in 2006

Suspended flight destinations

Tallinn – Amsterdam	Estonian Air suspended all flights on the Tallinn – Amsterdam route in January.
Tallinn – Gothenburg	City Airline suspended all flights to Gothenburg in January.
Tallinn – Copenhagen	FlyNordic suspended all flights to Copenhagen in January.
Tallinn – Manchester	Estonian Air suspended all flights to Manchester in July.
Tallinn – Hamburg	Estonian Air suspended all flights to Hamburg in September.
Tallinn – Stockholm	FlyNordic suspended all flights to Stockholm in October

Seasonal regular flights

Tallinn – Paris	Estonian Air operated the route in the summer season (from March to October)
Tallinn – Dubrovnik	Estonian Air operated the route from April to September
Tallinn – Simferopol	Estonian Air operated the route from April to September

New destinations

	Number of flights per week	Airline	Aircraft	Number of seats
Tallinn – Barcelona (opened in May 2006)	2	Estonian Air	B737-500	118
Tallinn – Oslo (opened in May 2006)	4	Norwegian Air Shuttle	B737-300	142

Changes in regular flight destinations in 2007

Suspended flight destinations

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

New/reopened destinations

	To be opened in	Number of flights per week	Airline	Aircraft	Number of seats
Tallinn – Gothenburg	March	6	City Airline	EMB135/145	37-49
Tallinn – Hamburg	March	3	Estonian Air	B737-500	118

Extra flights

Tallinn – Amsterdam	April	7	KLM	F70	80
Tallinn – Prague	March	3	CSA Czech Airlines	B737-500	104

continue

Seasonal regular flights

Tallinn – Paris	Estonian Air operates the route from March to October, 3 times a week
Tallinn – Dubrovnik	Estonian Air operates the route from June to September, 2 times a week
Tallinn – Simferopol	Estonian Air operates the route from May to September, 2 times a week
Tallinn – Stockholm	FlyNordic operates the route from May to September, 2 times a week

Main service groups

Passenger service in the passenger terminal

Tallinn Airport uses the passenger charge to cover the following expenses: capital expenditure, financial expenses, maintenance expenses and utility expenses on passenger terminal halls and passenger fates, security surveillance expenses as well as pre-flight security inspection, border guard and customs expenses, and expenses on miscellaneous equipment.

The passenger charge was 155 kroons per passenger in both 2005 and 2006.

Aircraft landing, takeoff and parking services

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

The landing charge is calculated on the number of tons landed. Tallinn Airport has established a landing charge of 170 kroons per ton.

Since the Tallinn Airport runway allows servicing a significantly bigger number of flight operations, the profitability of the unit is insufficient. Due to the increase in the number of flight operations in 2006, landing charges were raised by 7%, compared to 2005 (a 39% increase in the previous period), we succeeded in earning a profit from the business segment.

Ground handling of aircrafts; passenger and luggage service

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

Passenger service involves check-in and luggage handling.

Tallinn Airport Ltd's subsidiary AS Tallinn Airport GH and AS Estonian Air provided the above services at Tallinn Airport in 2006.

Car parking in the public area

Parking was organised in previous periods by an independent operator, who paid the airport a concession. The Tallinn Airport Terminal Service operates airport car parking from 4 July 2005 onwards. In the second half of 2006, the passenger parking lot was expanded to accommodate extra 35 vehicles.

Rent and concessions

Passenger terminal space rental – we lease out space for stores, caterers, tourist agencies, airlines, currency exchange points and car rental companies. Most of the revenue from concessions is made up of trade revenue. Revenues from rent and concessions make up 45% of non-aviation revenues, and have increased by 6% from last year.

Advertisements

Most of the advertising space for sale is located in the passenger terminal. In 2006, ad sales increased by 31% (22% in the comparative period), making up 6% of non-aviation revenues.

Other important services

- Corporate customer service in the restricted area of the passenger terminal;
- Passenger luggage store;
- Cargo terminal space rental;
- Utility services.

Operating income

	2002	2003	2004	2005	2006
Revenue (th of EEK)	185 114	208 387	250 557	297 357	331 392

The net turnover of Tallinn Airport Ltd was 331 million kroons in 2006 (2005: 297 million kroons), including the net turnover of regional airports in the amount of 6.4 million kroons (4.5 million kroons in 2005) and the 25-million-kroon turnover of the subsidiary. The group's turnover increased by 12% from 2005 (19% increase in 2005, compared to 2004).

Aviation revenues showed an 11% increase from 2005 (15% in the previous period), and non-aviation revenues a 17% increase (26% in the comparative period).

Operating expenses

	2002	2003	2004	2005	2006
Expenses (th of EEK)	138 714	156 864	220 460	221 087	254 662

Operating expenses totalled 255 million kroons, having increased by 34 million kroons (i.e. 16%) in the year. Expenses on outsourced security surveillance services showed the biggest increase, growing by 67% (37% in 2005), from 12 million kroons in 2005, to 20 million kroons in 2006, and making up 8% of total expenses. This increase was conditioned both by growth in service volumes, and a rise in service prices.
Personnel expenses also showed a major increase, growing by 20%, from 71 million kroons in 2005, to 85 million kroons in 2006, and making up 34% of total expenses.
Depreciation of non-current assets increased by 6.5 million kroons. This was conditioned by a growth in non-current asset volumes, as well as a change in certain depreciation rates, arising from the shortening of the useful life of non-current assets in connection with replacement of these items in the course of rehabilitation of the airside area and reconstruction of the passenger terminal.

Management system of the group

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

The ISO 9001:2000 management system includes:
- activities on the Tallinn Airport premises;
- passenger service;
- ground service of aircrafts;
- airfield maintenance and management (traffic control, electricity service, terminal technical maintenance, communication service);
- aviation safety and security.

One of the main objectives for Tallinn Airport Ltd is to take responsibility for the surrounding environment. Therefore, the following main activity-related environmental aspects were included in the ISO 14001:2004 management system:
- land use and construction activity;
- energy and natural resource exploitation;
- noise and radiation;
- pollutants into ambient air;
- waste generation;
- use of chemicals.

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Establishment of environmental objectives, their continual assessment and performance of the resulting tasks enables to ensure the efficiency of Tallinn Airport Ltd's environmental activities.
The company is currently implementing the safety management system under the requirements set forth in ICAO Annex 14.
In 2006, Tallinn Airport Ltd established a subsidiary Tallinn Airport GH which handles the ground servicing of passengers and aircrafts. The Tallinn Airport management system has also been implemented in AS Tallinn Airport GH. The management system regulates:

- activities on the Tallinn Airport premises;
- passenger service;
- ground service of aircrafts.

The compliance certificates were issued to AS Tallinn Airport GH on 31 July 2006.

Investments

Major investments

Purchase of special equipment for 25 million kroons. In 2006, the group invested a total of 21 million kroons in new infrastructure objects and improvement of existing infrastructure objects, as well as 6.2 million kroons in expansion of Tartu Airport.

Information system

In 2007, the company plans to implement a universal passenger service system which enables cross-use of passenger service desks and improved resource planning. The company also plans to implement a luggage monitoring system in order to improve customer service.

Rehabilitation of the airside area

The total cost of rehabilitation of the Tallinn Airport airside area will amount to 548 million kroons (35 million euros). The cost of the construction supervision contract - 11 million kroons (0.7 million euros) - will be added. The construction work is co-financed in the amount of 452 million kroons (28.9 million euros) by the EU Cohesion Fund. Tallinn Airport Ltd will bear the remaining costs.
The project objective is to improve the environmental condition and implement environment protection measures at the Tallinn Airport and its immediate vicinity, as well as to increase safety on the airside area in accordance with the international civil aviation standards and requirements.
The contract for supervision of the airside area was concluded on 14.08.2006 and

continue

the contract for construction on 23.08.2006.The construction work is performed by a consortium, represented by AS Talter, and including Lemminkäinen Oyj, AS Eesti Ehitus, AS Aspi, AS Teede REV-2. The engineering services are provided by a consortium, represented by Ramboll Finland Oy, and including AS Teede Tehnokeskus and AS Telora-E. Construction work was launched in September 2006, and is scheduled to be completed in the summer of 2008. The project involves the following work:

- construction of a storm water treatment plant in West zone; construction of 3,700 m3 containers, a pumping station and separators; construction of a water quality monitoring point and a connection to the public sewerage system mains;
- construction of a water quality monitoring station in the South zone: construction of monitoring points on the drainage ditch in the South zone, and on the public drainage ditch outside the airport premises (a total of 2 monitoring points);
- Reconstruction of the storm water collection system on the apron; creation of facilities for separate collection of storm water polluted with runway and aircraft de-icing chemicals;
- remediation and storage of polluted soil under the old maintenance yard: a total of 5,000 m3 of soil;
- reconstruction and expansion of the apron, reconditioning of the asphalt and concrete pavement;
- establishment of aircraft docks on the apron: associated marking and electrical installations; power supply for aircrafts, and the associated marking;
- extension of the taxiway by 1,180 m; pavement of the taxiway and construction of the water collection system, installation of lighting, marking and direction guides;
- construction and reconstruction of perimeter roads; pavement of an area of approximately 1,000 m2;
- construction of an area designed for fire drills (an area of approximately 5,000 m2);
- levelling and landscaping (90,000 m2);
- installation of a new temperature monitoring equipment on the existing runway.

The project work has been divided into stages in order to ensure security and unhindered operation of the airfield during the construction process. In 2007, the company will continue the project work, completing an estimated 60% of the total project work.

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

The budgeted cost of the Tallinn Airport passenger terminal development project amounts to 615 million kroons (39.3 million euros), plus the contract for construction supervision with a cost of 13 million kroons (0.8 million euros). The construction work is co-financed in the amount of 379 million kroons (24.2 million euros) by the EU Cohesion Fund. Tallinn

continue

Airport Ltd will bear the remaining costs.
The contract for supervision was concluded with a consortium, represented by AS Telora-E, and including Ramboll Finland OY on 14.09.2006. The contract for construction was concluded with AS Skanska EMV on 25.09.2006.
The main objective of the passenger terminal expansion project is to enhance air traffic reliability and to create an infrastructure which complies with the requirements established for countries joining the Schengen Agreement. It is important that we increase aviation safety to meet the international civil aviation standards and requirements, and create the facilities required for veterinary and phyto-sanitary inspection.
In the course of construction, which was launched in October 2006, we will upgrade and extend the terminal building by 18 meters at its north and south ends, constructing a walkway perpendicular to the terminal (forming a T-shape) to connect the gates. The protruding part of the terminal has been designed to allow grade-separated traffic for international passengers. The building perpendicular to the terminal will be equipped with 9 passenger gates. The extensions at both ends of the terminal have been designed as additional space for check-ins and arriving luggage claims. Approximately 14,000 m2 will thus be added.
The project has been designed to separate passenger flows and expand check-in and luggage claim facilities while reducing distances that the passengers need to cover on foot. With the passenger gates improving aircraft docking facilities, the whole process will become smoother and more convenient for passengers.
To upgrade the airport, the company will renew the pre-flight passenger and luggage inspection systems and renovate existing technical systems and networks.
Tallinn Airport currently has no facilities for conducting veterinary and phyto-sanitary inspections of goods arriving from third countries. Within the framework of the project, a corresponding border inspection building will be constructed in the vicinity of existing cargo handling buildings.
The project work has been divided into stages in order to ensure security and unhindered operation of the airfield during the construction process. The mobilisation period has been completed. Stage 1 is currently under way. In 2007, the company will continue the project work, and plans to complete the walkway. The passenger terminal construction is scheduled to be completed in the summer of 2008.

Investments in regional airports in 2005–2007

On 29.04.2005, the Minister of Finance accredited Tallinn Airport Ltd for use of structural funds for performing the tasks of the final beneficiary under Measure 4.1.
On 10.06.2005, the Minister of Economic Affairs and Communications issued a directive, declaring Tallinn Airport Ltd as an eligible applicant, and the application of Tallinn Airport Ltd as compliant, satisfying the airport's application for structural aid for upgrading of the infrastructure of regional airports and ensuring aviation safety. The total budget for the planned seven projects was 60,100,000 kroons, with 50% (i.e. 30,050,000 kroons) to be

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financed by the European Regional Development Fund.
29.12.2005, the Minister of Economic Affairs and Communications issued a directive, satisfying the application for development of the Kuressaare Airport infrastructure. The budget for the eligible costs was 63,840,000 kroons, with the aid covering 75% of total eligible costs.
On 30.06.2006, the Minister of Economic Affairs and Communications approved, with his Directive No. 1.1.-3/121, the amendment resolution of the above directives, changing the budget of the seven projects planned by Tallinn Airport Ltd (with the new total amount set to 67,600,000 kroons), and the corresponding total structural aid (with the new total amount set to 33,800,027 kroons); the amendment resolution also changed the budget of the Kuressaare Airport infrastructure development project (with the new total amount set to 58,839,964 kroons), and the corresponding total structural aid (with the new total amount set to 44,129,973 kroons). The total budget for eligible expenses of the approved projects amounts to 126,439,964 kroons, of which 77,930,000 kroons will be financed by the European Regional Development Fund.
Eight project applications have been approved, with one project (ensuring aviation safety at Pärnu Airport) already completed as of 31.12.2006.

Projects to be implemented in 2005-2007, with 50% eligible cost financing

The total cost of the projects is 67.6 million kroons. Only the costs incurred between 15 June 2005 and 31 May 2007 will be deemed eligible.

Name of project. Project activities

1.Ensuring aviation safety at Kärdla Airport:

construction of a boundary fence, purchase of the distance measuring equipment (DME) and reconstruction of the precision approach radar (PAR) TESLA, purchase of a COF tester, purchase of a fire and safety truck, high-frequency communication equipment (VHF), purchase, installation and modification of meteo equipment.

Project cost*	14 158 820
Eligible part	11 999 000
Self financing	5 999 500
Project commencement and expiry date	15.06.05-31.05.07

2.Upgrading the Kärdla Airport infrastructure:

design and reconstruction of the apron; purchase of a tanker truck

Project cost*	4 485 180
Eligible part	3 801 000
Self financing	1 900 500
Project commencement and expiry date	15.06.05-31.05.07

continue

3.Ensuring aviation safety at Pärnu Airport:

Purchase a safety equipment

Project cost*	1 062 000
Eligible part	900 000
Self financing	450 000
Project commencement and expiry date	15.06.05-30.06.06

4.Upgrading the Kuressaare Airport infrastructure:

design and construction of the extension of the passenger terminal, incl. purchase of functional equipment; design and construction of the maintenance and rescue team garage complex; construction supervision; purchase and installation of the aircraft ground power unit (GPU).

Project cost*	29 260 100
Eligible part	24 796 695
Self financing	12 398 375
Project commencement and expiry date	15.06.05-31.05.07

5.Upgrading the Tartu Airport infrastructure:

design and reconstruction of the flight control tower, incl. purchase and installation of functional equipment required for the tower operations; reconstruction of the taxiway, apron and docks; reconstruction of car parking facilities; purchase and installation of the aircraft ground power unit (GPU).

Project cost*	10 406 591
Eligible part	8 819 145
Self financing	4 409 573
Project commencement and expiry date	15.06.05-31.05.07

6.Ensuring aviation safety at Kuressaare Airport:

purchase of safety equipment; purchase of a fire truck and fire fighting equipment.

Project cost*	4 133 900
Eligible part	3 503 305
Self financing	1 751 653
Project commencement and expiry date	15.06.05-31.05.07

7.Ensuring aviation safety at Tartu Airport:

construction of a boundary fence, incl. the necessary earthwork; purchase, installation and modification of meteo equipment; purchase of a COF tester; purchase of safety equipment; purchase of a radio direction finder, purchase of rescue equipment, purchase and installation of NDB and markets; purchase of land for construction of safety zones.

Project cost*	16 261 409
Eligible part	13 780 855
Self-financing	6 890 428
Project commencement and expiry date	15.06.05-31.05.07

* The project cost in the table shows the project cost indicated on the ERDF fund application. Added work is included under self-financing.

Projects to be implemented in 2005–2007, with 75% eligible cost financing

The total cost of the project is 58.8 million kroons. The project costs are eligible from 1 January 2006 till 31 December 2007.

Name of project. Project activities

1.Development of the Kuressaare Airport infrastructure:

preparation of a detailed plan; preparation of an environmental impact assessment statement; preparation of a geodetic survey; establishment of the PCN; purchase of land for establishment of safety zones; design and construction of the runway extension; construction supervision and equipment installation supervision services; equipment purchase, installation, modification and training (de-icing equipment, rescue technology, tower equipment, meteo equipment, navigation equipment, COF tester, luggage truck); reconstruction/design, purchase, installation and testing of the runway lighting system; outsourcing of consulting services.

Project cost*	69 431 158
Eligible part	58 839 964
Self-financing	14 709 991
Project commencement and expiry date	01.01.06-31.12.07

Project implementation as of 31.12.2006

As of 31.12.2006, the following project activities have been completed within the framework of the Kärdla aviation safety project: construction of the boundary fence, installation of the precision approach radar (PAR) TESLA, purchase of the distance measuring equipment (DME), high-frequency communication equipment (VHF) and a fire and rescue truck. As regards meteo equipment, the contract is currently being concluded. Procurement is being organised for purchase of a COF tester.

Within the framework of the Kärdla Airport infrastructure upgrading project, a contract has been concluded for purchase of a tanker truck. Another contract is currently being concluded on the apron design.

Activities completed within the framework of the Tartu Airport infrastructure upgrading project include purchase of the aircraft ground power unit (GPU) and reconstruction of the taxiway, apron, and car parking facilities. Reconstruction of the flight control tower is currently ongoing.

Activities completed within the framework of the Tartu Airport aviation safety project include construction of the boundary fence (with the main gate yet to be completed), purchase of safety and rescue equipment and a radio direction finder. Contracts have been concluded on the purchase of meteo equipment, NDB and markers. Procurement is being held for the purchase of a COF tester.

Activities completed within the framework of the Kuressaare Airport aviation safety project include purchase of safety equipment, a fire truck and fire fighting equipment.

Activities completed within the framework of the Kuressaare Airport infrastructure

continue

development project include establishment of the PCN, preparation of the geodetic survey, purchase of a COF tester and rescue technology. Contracts have been concluded and work is underway on the preparation of the detailed plan and the environmental impact assessment statement. A contract has also been concluded on the purchase of a luggage truck.

Activities completed within the framework of the Kuressaare Airport infrastructure development project include design and construction of the maintenance and rescue team garage complex, and purchase of the aircraft ground power unit (GPU). Passenger terminal extension work and construction supervision is currently ongoing.

The safety equipment described in the Pärnu Airport aviation safety project has been purchased, and the project has thus been completed as of 30 June 2006.

The project objective has been achieved: installation of a metal detector gate and luggage screening device provide the impetus for airport capacity increase. The technical surveillance equipment has improved property preservation at the airport. The purchased equipment service to improve the level of aviation safety prescribed by the European Commission and inspected by the Civil Aviation Administration.

Personnel policy

The group employed an average of 386 people in 2006, incl. 80 people in AS Tallinn Airport GH. As of the end of the year, the group had 422 employees.

Total wages and salaries for 2006 amounted to 63 million kroons, incl. 10 million kroons in AS Tallinn Airport GH.

The wage increase was conditioned by the establishment of new job positions, increase in basic wage and redundancy fees related to the establishment of the subsidiary.

The wage increase was relatively bigger in Tallinn Airport Ltd as regards establishment of new job positions and AS Tallinn Airport GH as regards increase in management expenses related to the establishment of the subsidiary.

The remuneration of the six-member Supervisory Board amounted to 441,000 kroons in Tallinn Airport Ltd and 244,000 kroons in AS Tallinn Airport GH.

The remuneration of the three-member Management Board amounted to 2 million kroons in Tallinn Airport Ltd, and 547 thousand kroons in AS Tallinn Airport GH.

Staff flow

Considering the overall tension on the labour market and the high demand for skilled workers and engineers among infrastructure managers, the staff of Tallinn Airport Ltd has been relatively stable.

Employment contracts were terminated with 67 employees, incl. 33 on the employee's own initiative and 34 for other reasons. 26 people left Tallinn Airport Ltd, 12 people left

continue

regional airports, and 29 people AS Tallinn Airport GH.
The group's staff flow was 17.3%, incl. 8.5% from contract termination on the employees' own initiative.
A total of 28 new job positions were established in 2006. 21 positions were established in Tallinn Airport Ltd, 2 in regional airports and 5 in AS Tallinn Airport GH.

Reasons for creating new jobs:

- administration of construction projects
- reorganisation of service processes in connection with the construction activities
- establishment of a management reserve and strengthening of aviation safety and security functions
- establishment of a company

99 new employees (including with a temporary employment contract) were hired. This represents 24.75% of the total staff number. Tallinn Airport Ltd hired 42, regional airports 15, and AS Tallinn Airport GH 42 new employees.
The recruitment period is getting longer and the selection is decreasing.
The staff recruitment was handled by the Human Resources department by applying in-house, public, and target search methods.
The work arrangement, work processes and tasks of some positions were changed in connection with the establishment of new positions.
In 2006, the group will continue describing the job competencies and standardising the qualification requirements established for the employees in accordance with the requirements provided by both international and national legal acts.
As regards training and development activities, the group focused on mandatory job-specific training and management competence development.

Chairman of the Management Board
Rein Loik

FINANCIAL STATEMENTS

Management Board representation

The Management Board take responsibility for the correctness of the preparation of the financial statements 2006 of Tallinn Airport Ltd, set out on pages 15-52, and confirm that, to the best of their knowledge:

the accounting principles and basis of estimations used in preparing the financial statements are in compliance with the International Financial Reporting Standards (IFRS);

the financial statements give a true and fair view of the financial position of the Tallinn Airport Ltd Group, and the results of its operations and cash flows;

material circumstances, which became evident before the date of preparation of the financial statements have been appropriately accounted for and presented in the financial statements;

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

Chairman of the Management Board
Rein Loik

Member of the Management Board
Aarne Orav

Member of the Management Board
Einari Bambus

Consolidated balance sheet

In Estonian kroons	31.12.2006	31.12.2005	Note
ASSETS			
Current assets			
Cash and cash equivalents	46 216 029	89 620 662	1
Derivative instruments	2 599 464	0	15
Receivables	59 876 521	22 985 499	2
Prepayments	801 426	1 091 865	3
Inventories	668 444	647 043	4
Total current assets	**110 161 884**	**114 345 069**	
Investment property	**491 466**	**0**	7
Non-current assets			
Property, plant and equipment	852 012 440	632 545 374	8
Intangible assets	5 286 763	3 766 929	9
Total non-current assets	**857 299 203**	**636 312 302**	
TOTAL ASSETS	967 952 554	750 657 371	
LIABILITIES			
Current liabilities			
Borrowings	36 480 423	36 480 423	10
Derivative instruments	0	602 378	15
Payables	37 077 838	22 915 834	11,12,13
Total current liabilities	**73 558 261**	**59 998 635**	
Non-current liabilities			
Long-term borrowings	168 784 844	205 265 267	10
Long-term provisions	3 153 532	3 474 532	16
Government grants allocated for property, plant and equipment	244 641 691	99 204 459	17
Total non-current liabilities	**416 580 067**	**307 944 258**	
TOTAL LIABILITIES	**490 138 328**	**367 942 893**	
OWNER'S EQUITY			
Share capital	144 871 700	144 871 700	19
Mandatory reserve	22 855 471	22 855 471	
Retained earnings	214 987 306	126 689 559	
Profit for the financial year	95 099 748	88 297 746	
TOTAL OWNER'S EQUITY	**477 814 225**	**382 714 47**	
TOTAL LIABILITIES AND OWNER'S EQUITY	**967 952 554**	**750 657 371**	

Consolidated income statement

In Estonian kroons	01.01.-31.12.06	01.01.-31.12.05	Note
REVENUE			
Revenue	331 391 898	297 357 610	**20**
Government grants allocated for property, plant and equipment	9 079 152	8 630 765	**20**
Government grants allocated for operating expenses	10 000 000	9 544 531	**20**
Other income	1 440 707	491 768	**20**
TOTAL REVENUE	**351 911 758**	**316 024 675**	
EXPENSES			
Goods, raw materials and services	81 098 778	68 902 958	**21**
Other operating expenses	11 065 918	10 124 922	**21**
Personnel expenses	84 723 822	70 947 185	**21**
Depreciation of property, plant and equipment	77 101 026	70 562 894	**21**
Other expenses	672 168	549 521	**21**
TOTAL EXPENSES	**254 661 712**	**221 087 479**	
OPERATING PROFIT	**97 250 046**	**94 937 195**	
Total net financial items	-2 150 298	-6 639 449	**22**
PROFIT FOR THE FINANCIAL YEAR	**95 099 748**	**88 297 746**	

Consolidated cash flow statement

In Estonian kroons	01.01.-31.12.06	01.01.-31.12.05	Note
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	345 325 325	309 080 384	
Amounts paid to suppliers and personnel	-221 261 781	-162 186 712	
Fund yield and interest received	2 313 509	1 417 966	
Interest paid	-7 526 160	-7 592 740	
Total cash flow from operating activities	**118 850 894**	**140 718 898**	
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	-155 041 391	-67 673 127	**8**
Proceeds from disposals of property, plant and equipment	514 453	402 712	**20**
Cash flow from business combinations	-	1 419 665	**5**
Total cash flow from investing activities	**-154 526 938**	**-65 850 750**	
CASH FLOW FROM FINANCING ACTIVITIES			
Loan repayment	-36 480 423	-180 851 755	**10**
Loans received	0	140 042 531	**10**
Government grants received	28 751 835	11 500 230	
Total cash flow from financing activities	**-7 728 589**	**-29 308 994**	
TOTAL CASH FLOW	-43 404 633	45 559 154	
Cash and cash equivalents at the beginning of the period	89 620 662	44 061 508	
Cash and cash equivalents at the end of the period	46 216 029	89 620 662	**1**
Change in cash and cash equivalents	43 404 633	45 559 154	

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

Consolidated statement of changes in equity

In Estonian kroons	Share capital	Mandatory reserv	Retained earnings	Total owner's equity
Owner's equity as at 31.12.2004	**128 714 300**	**22 855 471**	**131 323 460**	**282 893 231**
Bonus issue	16 157 400	0	-16 157 400	0
Merger with regional airports	0	0	11 523 500	11 523 500
Profit for 2005	0	0	88 297 746	88 297 746
Owner's equity as at 31.12.2005	**144 871 700**	**22 855 471**	**214 987 306**	**382 714 477**
Profit for 2006	0	0	95 099 748	95 099 748
Owner's equity as at 31.12.2006	**144 871 700**	**22 855 471**	**310 087 054**	**477 814 225**

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

Accounting principles and basis of estimations

General information

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

Pursuant to the general public sector accounting rules which entered into force on 1 January 2005, the business and financial reporting of a state subsidiary must adhere to the accounting principles specified in the above rules. The general public sector accounting rules are based on the generally accepting accounting principles of Estonia, as well as the International Public Sector Accounting Standards (IPSAS). IPSAS is based on the International Financial Reporting Standards (IFRS). The generally accepted accounting principles of Estonia have been harmonised, to a material extent, with IFRS.

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

Accounting principles and basis of estimations

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

The consolidated financial statements have been prepared in Estonian kroons, on a historical cost basis, unless otherwise stipulated in the accounting principles described below (e.g. certain investment property and derivative instruments are recorded at fair value).

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

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- **IAS 1** Presentation of Financial Statements (revised);
- **IAS 19** Employee Benefits (revised);
- **IAS 21** Effect of Changes in Currency Exchange Rates (revised);
- **IAS 39** Financial Instruments: Recognition and Measurement (revised);
- **IFRS 4** Insurance contracts (revised);
- **IFRS 6** Exploration for and Evaluation of Mineral Resources;
- **IFRIC 4** Determining Whether an Arrangement Contains a Lease;
- **IFRIC 5** Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds;
- **IFRIC 6** Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

New or revised standards and interpretations, which have been passed by the balance sheet date, but which will enter into force after the balance sheet date, and which have not been prematurely implemented by the Group, have no effect on the accounting principles applied by the Group. The Group does not currently plan to implement these standards and interpretations before the entry into force of the standards applicable for the Group - on 01.01.2007 (IFRS 7, IAS 1, IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 10), or 01.01.2008 (IFRIC 11, IFRIC 12) or 01.01.2009 (IFRS 8), i.e. the following standards and interpretations:

- **IFRS 7** Financial Instruments: Disclosures;
- **IAS 1** Presentation of Financial Statements (revised);
- **IFRS 8** Operating Segments;
- **IFRIC 7** on Applying the Restatement Approach under IAS 29;
- **IFRIC 8** Scope of IFRS 2;
- **IFRIC 9** Reassessment of Embedded Derivatives;
- **IFRIC 10** Interim Financial Reporting and Impairment;
- **IFRIC 11** IFRS 2: Group and Treasury Share Transactions
- **IFRIC 12** Service Concession Arrangements.

Basis of consolidation

The consolidated financial statements comprise the financial indicators of Tallinn Airport Ltd and its subsidiary AS Tallinn Airport GH, consolidated on a line-by-line basis. Subsidiaries are consolidated from the date on which significant influence is transferred to the group, and cease to be consolidated from the date on which the significant influence is transferred out of the group.

Subsidiaries are companies controlled by the parent company. Control is presumed to exist, if the parent company directly or indirectly holds over 50% of the voting shares of the subsidiary, or is otherwise able to control the operating or financial policies of the subsidiary.

The accounting principles applied by the subsidiary upon preparation of the financial statements are the same principles applied by the parent company. All intra-group transactions, receivables and liabilities, including unrealised profits and losses arising from intercompany transactions, have been eliminated in full. Unrealised losses are not eliminated, if these losses essentially represent a drop in the value of assets.

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Foreign currency transactions

The Estonian kroon is the underlying currency of the parent company and the subsidiary, and the reporting currency of the consolidated financial statements of the group and the unconsolidated financial statements of the parent company. All other currencies are considered foreign currencies.
Transactions denominated in foreign currency are recorded on the basis of the foreign currency exchange rates of the Bank of Estonia officially valid on the transaction date. The exchange rate has been fixed at 1 EUR = 15.6466 EEK. Monetary assets and liabilities denominated in foreign currency have been translated into Estonian kroons on the basis of the currency exchange rates of the Bank of Estonia officially valid on the balance sheet date.
Foreign exchange gains and losses resulting from revaluation are recorded in the income statement of the reporting period, whereas foreign exchange gains and losses related to settlements with suppliers and customers are recorded under revenue and expenses, and other foreign exchange gains and losses under net financial items in the income statement.

Cash and cash equivalents

Cash and cash equivalents include:

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

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

Financial assets

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

continue

buyer within the time frame generally established by regulation or convention in the marketplace.

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

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

Financial assets measured at fair value

Financial assets that are measured at fair value are revaluated on each balance sheet date into their fair value, whereas the possible transaction costs related to the disposal of the asset are not deducted. The fair value of listed securities is based on the closing price of the security, as well as the official exchange rate of the Bank of Estonia on the balance sheet date. Unlisted securities are measured at their fair value on the basis of the information available to the group on the value of the investment.

Any gains and losses arising from changes in fair value are recorded under “Net financial items” in the income statement, except for available-for-sale financial assets (the group has no such assets in the financial year or in the comparative period). Proceeds and losses from disposals of financial assets measured at fair value, as well as interests and dividends on the respective securities, are recognised under “Net financial items” in the income statement.

Receivables and financial assets intended to be held to maturity

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

Impairment of financial assets will be presented separately for each item (considering the estimated collectibility), if the item is material. In case of collection of receivables previously written down, or other events indicating that the write-down is no longer justifiable, the previous write-down will be reversed in the income statement as a reduction of the expense item to which the write-down was initially charged.

Interest income on receivables and financial investments intended to be held to maturity are charged to “Net financial items” in the income statement.

continue

Financial assets measured at acquisition cost

Financial assets measured at acquisition cost will be written down to their recoverable amount, if the recoverable amount has fallen below the carrying amount. The recoverable amount of financial assets measured at cost consists of the estimated future cash flows from the financial asset, discounted with the average rate of return from similar financial assets on the market. The amount of write-down is charged to the financial expenses of the period. The write-down of financial assets measured at cost will not be subject to later reversal.

The derecognition of financial assets will take place when the group no longer controls the rights arising from the financial assets, or when group is obliged to immediately transfer to a third party all cash flows attributable to the asset, and a majority of the risks and benefits related to the financial asset.

Derivative instruments

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

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

Inventories

Other inventories are measured at cost. Goods in stock are recognised based on the weighed average acquisition price method. Inventories are measured in the balance sheet according to the lower of the acquisition cost or net realisable value. Write-down of inventories is measured under “Goods, raw materials and services” in the income statement.

Investment property

Investment property is a building, which is held to earn rentals or for capital appreciation, and which is not used for the business activities of the group. IAS 40 allows investment property to be measured either at fair value or at cost, while the general public sector accounting rules prescribes the cost model for companies with state participation. Tallinn Airport Ltd therefore records investment properties by using the cost model – i.e. the investment properties are recorded by using the same accounting principles applied upon accounting for PPE.

continue

Property, plant and equipment

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

Acquisition cost

PPE are recorded at cost, consisting of the purchase price, transportation and installation expenses as well as other expenses directly related to the acquisition and implementation of the asset item. If PPE consists of distinguishable components with different useful lives, these components are recorded as separate items, with depreciation rates determined according to their useful lives.

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

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

Depreciation

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

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

The group has estimated the useful lives of non-current assets to be the following:

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

Assessment of the useful life of non-current assets

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

Improvements

Improvement costs will be added to the acquisition cost of the asset, if these comply with the definition of PPE and the criteria for recognising assets in the balance sheet.

continue

If a component of a PPE item is replaced, the acquisition cost of the new component will be added to the acquisition cost of the item, whereas the replaced component or a proportional part of the replaced asset will be written off from the balance sheet. Expenditures related to current maintenance and repairs are expensed in the income statement as incurred.

Derecognition

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

Non-current assets held for sale

PPE items which are likely to be sold within 12 months are reclassified into available-for-sale non-current assets, and recorded on a separate entry under current assets in the balance sheet. Available-for-sale assets will no longer be depreciated, and will be recorded at the lower of the net book value or fair value (less sales expenses).

Intangible assets

Intangible assets are initially recorded at acquisition cost, consisting of purchase price and expenses directly related to the acquisition. Intangible assets are recorded in the balance sheet at their cost, less accumulated depreciation and any accumulated impairment losses. The purchased software with a definite useful life is recorded under intangible assets. In the accounting period or the comparative period, the group had no intangible assets with an undefined useful life, which are not depreciated but on which impairment tests are conducted on each balance sheet date.

Amortisation of intangible assets is calculated on the basis of the straight-line method during the estimated useful life of the asset item.

The group has estimated the useful lives of intangible assets to be 5 years.

Impairment of assets

The group assesses, on each balance sheet date, whether there is any indication of that the coverable amount of assets has dropped below the carrying amount. If any such indication exists, or once a year when the group is required to conduct annual evaluation, the group will estimate the recoverable amount of its assets. If the estimated recoverable amount of PPE is lower than its carrying amount, the asset (or the assets of the cash-generating unit) will be written down to its recoverable amount, which is the higher of the present value of the estimated future cash flows of the asset (i.e. value-in-use) and the fair value of the asset, less sales expenses. Independent experts are used for determining the fair value of the asset. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The write-down is

continue

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

Government grants

Government grants allocated for assets

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

Government grants allocated for operating expenses

Grants related to income are recorded in the income statement in proportion with the related expenses. The gross method is applied for recording income, i.e. the grant received and the expenses to be compensated for are recorded under different entries of the income statement. Income related to government grants is recorded under “Other income” in the income statement.
Government grants, which are allocated for covering expenses incurred in previous periods or which do not incur future obligations, are charged to income during the period the grant was allocated. Government grants are not recorded as income before the company has sufficient reason to believe that the company meets the conditions established for the government grant, and the grant will be awarded.

Accounting for lease

Lease transactions, where all material risks and benefits from ownership of an asset are transferred to the lessee, are treated as finance lease. All other lease transactions are treated as operating lease.
Assets acquired on finance lease terms are initially recognised in the lessee’s balance sheet as assets and liabilities at the lower of the fair value or net present value of lease payments. The liability is reduced by repayment of the principal. Finance lease-related interest expenses are recorded under financial expenses in the income statement.
Operating lease payments made by the group are recorded during the rental period as expenses; operating lease payments received by the group are recorded under income

continue

based on the straight-line method.
The group leases commercial premises to companies. The lease has been associated with the consumer price index. Concession contracts, which grant the concessionaire the right to operate on the premises of Tallinn Airport are considered conditional lease contracts.
There are two types of concession fees:

(a) fixed annual fees which are adjusted by the rate of increase in passenger numbers;

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

Corporate income tax

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on profit. Rather, they are subjected to income tax on the paid dividends and certain disbursements as well as costs laid down in the Income Tax Act. The established tax rate was 23/77 of the net dividend paid until 31 December 2006, and 22/78 of the net dividend paid from 1 January 2007 onwards. Since income tax is paid on the dividends rather than profit, all temporary differences between the tax bases and carrying values of assets and liabilities cease to exist.
The company's potential income tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. Income tax from payment of dividends is recorded under expenses in the income statement at the moment of announcing the dividends.

Financial liabilities

All financial liabilities (accounts payable, loans taken, accrued expenses and other short-term and long-term payables) are initially accounted for at their acquisition cost, consisting of the fair value of the amounts received thereof. Following initial recognition, financial liabilities are recorded based on the amortised cost principle by using the effective interest rate method. Interest expenses related to the financial liability are recorded under "Net financial items" in the income statement.
The financial liability will be derecognised when the liability is paid, cancelled or expired.

Current and non-current liabilities

Liabilities are divided into current and non-current liabilities in the balance sheet. Liabilities due for payment within the next financial year are considered current liabilities. Other liabilities are recognised as non-current liabilities.

continue

Provisions and contingent liabilities

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

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

Mandatory reserve

The mandatory reserve is set up, in accordance with the Commercial Code, of annual net profit allocations and other transfers to mandatory reserve in accordance with the Commercial Code or the Articles of Association. With the resolution of the General Shareholders' Meeting, the mandatory reserve can be used for covering the loss, if loss cannot be covered from the available shareholder's equity. Mandatory reserve can also be used for increasing the share capital of the company. The mandatory reserve cannot be paid out as dividends.

Revenue recognition

The main activity of the group is the provision of air transport and passenger services. The company also earns revenue from rent, and the provision and mediation of utility services to tenants.

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

Cash flow statement

Cash flows are divided into cash flow from operating activities, investing activities and financing activities. For the purposes of the cash flow statement, cash flow from operating activities, investing activities and financing activities is measured by using the direct method.

Off-balance-sheet receivables and liabilities

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

continue

Events after the balance sheet date

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

Accounting estimations and assumptions

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

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

In the parent company's unconsolidated financial statements (set out on pages 25-28), investments in subsidiaries have been measured at acquisition cost. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, adjusted thereafter by the impairment losses arising from the drop in the value of the investment. The carrying values of investments will be reviewed when certain events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists, the group will ascertain the recoverable value of its assets. If the estimated recoverable amount is smaller than the carrying amount, the investment will be written down to its recoverable amount (the higher of the value-in-use and fair value, less sales expenses). The amount of write-down is charged to the financial expenses of the period.

Dividends paid by the subsidiary are recorded when the parent company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable at the expense of available shareholders' equity generated by the subsidiary before the group acquired the company. The respective portion of the dividends is recorded as a reduction of the investment.

Management of financial risks

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

- liquidity;
- capital preservation;
- revenue generation.

continue

Liquidity risk

In case of current fixed-term investments, the company will ensure liquidity for timely fulfilment of single bigger-than-average liabilities. Investments are only made in liquid securities and partners with high credit rating.
The group had two valid loan agreements at the end of 2006. One loan was repaid and two loans refinanced during the year. Loan agreements totalled 205 million kroons at the end of the year (2005: 242 million kroons). As of the end of the financial year, the group had available monetary funds in the total amount of 46 million kroons (as of the end of 2005: 90 million kroons).

Credit risk

The management has implemented a credit policy, and constantly hedges the credit risk. The credit risk of the public limited company involves potential damages caused by the business partners' inability to fulfil their obligations. As of the balance sheet date, the company was not aware of any major risks related to accounts receivable (except for those deemed doubtful receivables).

Interest risk

The company's loan liabilities have a floating interest rate (depending on the Euribor fluctuations). Average interest rates did not rise during the financial year. A contract was concluded with Nordea Bank in order to fix the interest expenses on the loan with a floating interest rate (interest rate swap).

Currency risk

The company will hedge any currency risks related to assets and liabilities. Assets and liabilities denominated in euros are considered neutral assets and liabilities as regards currency risk. In order to hedge currency risks, the company settles accounts mostly in Estonian kroons and euros (the exchange rate has been fixed at 1 EUR = 15.6466 EEK).

Hedging the business risk

In order to hedge business-related risks, the company uses, among other measures, the risk transition method. The company's buildings, other facilities, equipment and technology have been insured for a maximum of 640 million kroons.
Transportation vehicles used for traffic outside the airport premises have been insured against insurance events caused both by own employees and third parties.
In addition to property insurance, the company holds a liability insurance policy for receivables arising from business risks for a maximum of 649 million kroons. Rescue service staff has been insured against accidents at work.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Cash and cash equivalents

	31.12.2006	31.12.2005
Cash in hand	500 457	185 201
Cash at bank	201 843	7 359 515
Overnight deposits	45 512 816	34 427 313
Hansa Money Market Fund shares	808	808
Hansa Interest Fund shares	105	47 647 825
Total cash and bank accounts	**46 216 029**	**89 620 662**

	01.01.-31.12.06		01.01.-31.12.05	
Hansa Money Market Fund	**Number of shares**	**Acquisition cost**	**Number of shares**	**Acquisition cost**
Shares at the beginning of the period	1	808	17 921	17 921 000
Shares acquired	0	0	99 652	99 651 808
Shares sold	0	0	-117 572	-117 572 000
Shares at the end of the period	**1**	**808**	**1**	**808**
Financial gain from Hansa Money Market Fund during the accounting period (Note 22)				160 014

	01.01.-31.12.06		01.01.-31.12.05	
Hansa Interest Fund	**Number of shares**	**Fair value**	**Number of shares**	**Fair value**
Shares at the beginning of the period	338 024	47 647 825	180 201	24 930 808
Shares acquired	0	0	157 823	22 000 000
Shares sold	-338 023	-48 752 857	0	0
Shares at the end of the period (at purchase price)	1	139	338 024	46 930 808
Market value of shares at the end of the period	**1**	**105**	**338 024**	**47 647 825**
Financial gain from Hansa Interest Fund during the accounting period (Note 22)		1 105 137		717 017

NOTES TO THE FINANCIAL STATEMENTS

Note 2 Receivables

	31.12.2006	31.12.2005
Accounts receivable	21 734 016	17 529 347
Allowance for doubtful receivables	-1 172 162	-943 297
Total accounts receivable	**20 561 854**	**16 586 050**
Government grants allocated for property, plant and equipment yet to be received	4 560 187	3 143 324
Refundable VAT	34 659 379	2 933 263
Other receivables	95 100	322 860
Total receivables	**59 876 521**	**22 985 499**

	2006	2005
Allowance for doubtful receivables at the beginning of the period	-943 297	0
Receivables deemed doubtful during the accounting period (Note 21)	-1 191 812	-943 297
Uncollectible debts	335 287	0
Collection of doubtful receivables during the accounting period	627 659	0
Allowance for doubtful receivables at the end of the period	**-1 172 162**	**-943 297**

Note 3 Prepayments

	31.12.2006	31.12.2005
Lease prepayments	0	23 550
Insurance prepayments	459 301	554 707
Other prepayments	342 125	513 608
Total prepaid expenses	**801 426**	**1 091 865**

Note 4 Inventories

	31.12.2006	31.12.2005
Materials	668 444	591 496
Other inventories	0	55 547
Total inventories	**668 444**	**647 043**

NOTES TO THE FINANCIAL STATEMENTS

Note 5 Merging of airports

Pursuant to the Regulation of the Government of the Republic of Estonia, Pärnu Airport, Tartu Airport, Kuressaare Airport and Kärdla Airport were united with Tallinn Airport Ltd. The acquired companies have a common owner—the Republic of Estonia. The balance sheets were united on 1 January 2005. With the merger, the number of group employees increased by 61.

Note 6 Subsidiary

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

Note 7 Investment property

	2006	2005
Acquisition cost at the beginning of the period	18 604 410	19 648 632
Accumulated depreciation at the beginning of the period	-18 604 410	-19 648 632
Net book value of investment property at the beginning of the period	**0**	**0**
Acquisitions in the period	517 333	0
Depreciation charge (Note 21)	-25 867	0
Acquisition cost at the end of the period	19 121 743	19 648 632
Accumulated depreciation at the end of the period	-18 630 277	-19 648 632
Net book value of investment property at the end of the period	**491 466**	**0**

The group earned 1,982,913 kroons of rental revenue from investment property in the financial year (in 2005: Tallinn Airport Ltd earned 2,067,143 kroons).

Expenses directly related to the management of investment property amounted to 1,899,979 kroons (2005: Tallinn Airport Ltd' expenses amounted to 1,832,428 kroons).

Three buildings have been recognised as investment property. According to the real estate service of Tallinn Airport Ltd, the fair value of investment property amounts to a total of 10,150,000 kroons.

The club building located in the restricted area is scheduled for demolition in 2007 and has a fair value of 0 kroons.

The temporary passenger terminal is a specific-purpose building, a part of which has been leased out. The building has no market value as it has no market. The land under the building, together with the service land has a total area of 8,000 m2, and a fair value of 9.6 million kroons.

The company apartment in Kärdla City has a fair value of 550,000 kroons.

NOTES TO THE FINANCIAL STATEMENTS

Note 8 Property, plant and equipment

	Land	Buildings	Machinery and equipment	Other	Total
Balance as at 31.12.2004	**31 459 723**	**434 427 138**	**98 871 223**	**3 413 426**	**568 171 510**
Purchases and additions[1]	6 704 757	9 185 969	39 653 082	3 074 250	58 618 058
Additions from business combinations (Note 5)	6 258 670	45 633 722	3 833 172	16 000	55 741 564
Disposed and written-off PPE at net book value	0	0	-2 949	0	-2 949
Depreciation charge (Note 21)	0	-42 708 132	-25 586 081	-2 211 293	-70 505 506
Balance as at 31.12.2005	**44 423 150**	**446 538 697**	**116 768 447**	**4 292 383**	**612 022 677**
Purchases and additions[1]	6 237 618	21 186 327	43 610 097	7 475 167	78 509 209
Depreciation charge (Note 21)	0	-44 304 882	-29 454 987	-3 113 296	-76 873 165
Balance as at 31.12.2006	**50 660 768**	**423 420 142**	**130 923 557**	**8 654 254**	**613 658 720**
Construction-in-progress and prepayments					
Balance as at 31.12.2004	**0**	**8 926 776**	**899 512**	**0**	**9 826 288**
Change	0	8 053 637	2 621 125	21 647	10 696 409
Balance as at 31.12.2005	**0**	**16 980 413**	**3 520 637**	**21 647**	**20 522 697**
Change	6 774	218 188 715	-451 866	87 400	217 831 023
Balance as at 31.12.2006	**6 774**	**235 169 128**	**3 068 771**	**109 047**	**238 353 720**
Total balance of PPE					
31.12.2005	44 423 150	463 519 110	120 289 084	4 314 030	632 545 374
31.12.2006	50 667 542	658 589 270	133 992 328	8 763 301	852 012 440
As of 31.12.2005					
Acquisition cost	44 423 150	667 961 746	252 447 616	19 420 382	984 252 895
Accumulated depreciation	0	-221 423 049	-135 679 171	-15 127 997	-372 230 218
As of 31.12.2006					
Acquisition cost	50 660 768	689 103 166	293 891 223	25 747 735	1 059 402 892
Accumulated depreciation	0	-265 683 024	-162 406 592	-17 654 556	-445 744 172

[1] Total acquisition of PPE, by airports	2006	2005
Tallinn Airport	43 745 524	56 432 101
Kärdla Airport	6 394 976	2 185 957
Kuressaare Airport	11 652 782	0
Tartu Airport	15 500 671	0
Pärnu Airport	1 215 256	0
Total purchases and additions	**78 509 209**	**58 618 058**

continue

NOTES TO THE FINANCIAL STATEMENTS

The purchases of PPE by regional airports have partially been financed from ERDF funds. Information on government grants allocated for non-current assets has been disclosed in Note 17.

Acquisition cost of zero-value PPE still in use	2006	2005
Tallinn Airport	74 732 176	55 162 553
Kärdla Airport	1 403 291	1 185 909
Kuressaare Airport	1 811 259	1 811 259
Tartu Airport	3 386 714	3 386 714
Pärnu Airport	6 963 212	6 102 466
Total	88 296 652	67 648 901

In 2006, the rehabilitation of the Tallinn Airport airside area and reconstruction of the passenger terminal was launched. The construction work is scheduled to be completed in 2008. In connection with the reconstruction, some of the equipment currently recorded as non-current assets will be written off with the completion of construction. The useful lives of these non-current assets were changed at the beginning of 2006, thus increasing the depreciation charge for 2006 by 3,600 thousand kroons.

Purchase of non-current assets includes the following:

	2006	2005
Purchase of and additions to PPE (Note 8)	-296 340 232	-69 314 467
Purchase of and additions to intangible assets (Note 9)	-1 721 829	-3 824 316
Purchase of investment property (Note 7)	-517 333	0
Government grants allocated for property, plant and equipment (direct grant by the financier to the supplier) (Note 17)	134 322 688	2 764 454
Accounts payable to suppliers for non-current assets	9 082 460	2 715 681
Accounts payable to employees for non-current assets	195 203	0
Reclassification	-40 357	-14 479
Purchase of non-current assets	**-155 019 400**	**-67 673 127**
Total purchase of non-current assets	**-155 019 400**	**-67 673 127**

Note 9 Intangible assets

	2006	2005
Net book value at the beginning of the period	3 766 929	0
Purchases	895 000	517 000
Amortisation charge (Note 21)	-201 993	-57 387
Change in prepayments	826 829	3 307 316
Net book value at the end of the period	5 286 763	3 766 929

The airport information system will be replaced in 2007. The estimated total cost of the investment amounts to 11 million kroons.

NOTES TO THE FINANCIAL STATEMENTS

Note 10 Long-term loans

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

A public procurement was conducted in 2006 for a new loan.

Nordic Investment Bank won the procurement. The loan amount is 500,691,200 kroons (32,000,000 EUR). The loan was not used in 2006.

Loan conditions

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

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

Change in borrowings

	2006	2005
Loan balance at the beginning of the period	**241 745 691**	**282 555 379**
Loans repaid during the period	36 480 423	180 852 219
Loans received during the period	0	140 042 531
Loan balance at the end of the period	**205 265 267**	**241 745 691**
Current portion of the loan balance at the end of the period	36 480 423	36 480 423
Long-term portion of the loan balance at the end of the period	168 784 844	205 265 267
Calculated interest expenses during the period (Note 22)	7 182 992	7 135 374

continue

NOTES TO THE FINANCIAL STATEMENTS

Change in borrowings (by loans)

	Hansabank		EBRD		EBRD		EIB		NORDEA	
In Estonian kroons	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
Loan balance at the beginning of the period	0	4 328 800	0	85 093 330	0	75 783 449	101 703 160	117 349 800	140 042 531	0
Loan repayments during the period	0	4 328 800	0	85 093 330	0	75 783 449	15 646 600	15 646 640	20 833 823	0
Loans received during the period	0	0	0		0		0	0	0	140 042 531
Loan balance at the end of the period	0	0	0	0	0	0	86 056 560	101 703 160	119 208 707	140 042 531
Current portion of the loan balance at the end of the period	0	0	0	0	0	0	15 646 600	15 646 600	20 833 823	20 833 823
Long-term portion of the loan balance at the end of the period	0	0	0	0	0	0	70 409 960	86 056 560	98 374 884	119 208 707
Calculated interest expenses during the period	0	33 323	0	2 135 613	0	2 077 330	2 825 986	2 446 354	4 357 005	442 752
Interest rate		6m Euribor +2.5%		Floating, average, 2.9%		Floating, average, 3.2%	Floating, average, 2.9%	Floating, average, 2.1%	6m Euribor +0.3%	6m Euribor +0.3%

NOTES TO THE FINANCIAL STATEMENTS

Note 11 Payables

	31.12.2006	31.12.2005
Accounts payable		
Payables for non-current assets	12 741 548	3 659 088
Other payables for goods and services	5 919 382	4 759 082
Prepayments for products and services	152 280	239 387
Total accounts payable	**18 813 210**	**8 657 558**
Taxes payable (Note 12)	**7 104 191**	**5 632 309**
Accrued expenses (Note 13)	**11 160 436**	**8 625 967**
Total payables and prepayments	**37 077 838**	**22 915 834**

Note 12 Taxes payable

	31.12.2006	31.12.2005
Corporate income tax	84 021	83 085
Income tax on wages and fringe benefits	2 347 490	1 866 479
Social tax on wages and fringe benefits	4 413 380	3 457 628
Unemployment insurance	104 946	111 699
Pension insurance	154 354	113 418
Total taxes payable	**7 104 191**	**5 632 309**

Note 13 Accrued expenses

	31.12.2006	31.12.2005
Employee-related liabilities	10 376 426	7 988 878
incl. holiday pay	5 741 519	4 583 630
Loan interest payable	693 304	553 044
Other accrued expenses	90 706	84 046
Total accrued expenses	**11 160 436**	**8 625 967**

NOTES TO THE FINANCIAL STATEMENTS

Note 14 Operating lease

Rental income

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

Rental income	2006	2005
Lease of passenger terminal space	10 786 107	10 104 720
Lease of cargo terminal space	7 552 172	6 651 140
Lease of other space	2 697 610	2 067 144
Lease of other premises	2 552 244	3 148 774
Total lease (Note 20) **23 588 133** **21 971 779**		

Concession revenue

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

Most of the revenue from concessions is made up of trade revenue. Passenger terminal concessionaries also render car rental and catering services. Banks provide the currency exchange service as well.

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

Concession revenue	2006	2005
Concessions from commercial activities	19 089 227	17 483 369
Other concessions from the passenger terminal	2 905 243	3 199 482
Concessions from sales of fuel	3 553 896	3 348 297
Concessions from cargo handling	1 315 693	1 421 724
Concessions from security services	222 224	226 689
Total concessions (Note 20)	**27 086 284**	**25 679 560**

Rental expenses

Rental expenses	838 433	771 146
Future lease payments from non-cancellable rental contracts as of the end of the year		
Payments in the next financial year	533 451	550 757
Payable within 1-5 years	140 230	190 490
Total future lease payments	**673 681**	**741 247**

NOTES TO THE FINANCIAL STATEMENTS

Note 15 Derivative instruments

The group has made one transaction with a derivative instrument in order to fix the interest expense on the Nordea Bank loan which has a floating interest rate (interest rate swap). The transaction was concluded on 17 November 2005.

Commencement date	21.11.2005
Maturity date	20.11.2012
Base amount	140 042 531
Market value as of 31.12.2005	**-602 378**
Changes in 2005	
Change in market value	2 366 717
Interest paid	369 631
Market value as of 31.12.2006	**2 599 464**

Note 16 Provisions

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

As of 31.12.2005, the provision for severance compensation payable to the members of the Management Board upon termination of their employment relationship amounted to 321,000 kroons. Since the obligation to pay severance compensation is not stipulated in the employment contracts of Management Board members, the provision will no longer be established.

NOTES TO THE FINANCIAL STATEMENTS

Note 17 Government grants

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

	2006	2005
Balance of liabilities at the beginning of the period	**99 204 459**	**55 323 047**
Government grants received		
Cohesion Fund (ISPA)[1] (Note 8)	134 322 688	2 129 939
European Regional Development Fund (ERDF)[2]	19 668 697	3 737 521
National government grant[3]	500 000	1 500 000
Total government grants received	**154 491 385**	**7 367 460**
Government grants received from business combinations	**0**	**45 162 912**
Written-off government grants (Note 20)	**-212 291**	**0**
Government grants depreciated as income		
European Regional Development Fund (ERDF)	-699 262	-18 196
National government grant	-8 142 600	-8 630 765
Total government grants depreciated as income (Note 20)	**-8 841 862**	**-8 648 961**
Balance of liabilities at the end of the period	**244 641 691**	**99 204 459**

[1] Grants from the Cohesion Fund

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

Pursuant to resolution K(2006)7254 of the European Commission from 26 December 2006, amending resolution K(2005)5522 of the European Commission from 13 December 2005 on the provision of funding for rehabilitation of the Tallinn Airport airside area, the rate of funding to be received from the Cohesion Fund is 452 million kroons (29 million euros), which makes up 82% of the maximum contractual price.

The total grant to be received from the Cohesion Fund thus amounts to 831 million kroons (53 million euros).

[2] Grants from the European Regional Development Fund

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

continue

NOTES TO THE FINANCIAL STATEMENTS

Additions to non-current assets in 2006

	Buildings	Machinery and equipment	Construction-in-progress and prepayments	TOTAL
Kärdla Airport	0	3 131 438	-635 646	2 495 791
Kuressaare Airport	2 564 399	2 938 772	5 027 571	10 530 742
Tartu Airport	2 491 277	1 954 615	2 148 092	6 593 984
Pärnu Airport		450 000	-401 821	48 180
Total ERDF grant	5 055 676	8 474 824	6 138 196	19 668 696

[3] National government grant

Tartu City allocated 500,000 kroons to Tartu Airport for preparation of the detailed plan. The Republic of Estonia allocated 1,500,000 kroons to Tallinn Airport Ltd in 2005 as co-financing of the foreign projects of regional airports.

Note 18 Loan collateral and pledged assets

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

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

As of 31.12.2006, the guarantee provided by the Republic of Estonia only applies to the EIB loan.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Note 19 Owner's equity

As of 31.12.2006, the public limited company had 1,448,717 shares (1,287,143 shares as of 31.12.2004). In 2005, share capital was increased, through bonus issue, by 161,574 shares. At the end of 2006, the number of shares amounted to 144,871,700. The nominal value of the share is 100 kroons.

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

The company's potential income tax liability

As of 31.12.2006, the group's retained earnings amounted to 310,087 thousand kroons. The maximum possible income tax liability related to the payment of the retained earnings as dividends is 68,219 thousand kroons. The group can thus pay 241,868 thousand kroons in net dividends.

The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid, and the related total income tax expenses would not exceed the distributable profit as of 31.12.2006.

Note 20 Revenue

The aviation charges were not changed in 2005 or 2006. The passenger charge is 155 kroons per passenger and the landing charge 170 kroons per ton.

AVIATION REVENUE	2006	2005
Aviation charges		
Landing charges	96 525 621	90 369 585
Passenger charges	119 619 283	108 208 133
Parking charges	3 110 069	2 614 697
Takeoff charges	58 906	17 100
Navigation charges	333 657	329 772
Total aviation charges	**219 647 536**	**201 539 287**

continue

NOTES TO THE FINANCIAL STATEMENTS

NON-AVIATION REVENUE	2006	2005
Ground service of aircrafts and passengers	**25 514 445**	**24 807 329**
Revenue from other services		
Rental income (Note 14)	23 588 133	21 971 779
Concessions (Note 14)	27 086 284	25 679 560
Advertising services	6 297 947	4 833 115
Vehicle parking charges	13 978 202	6 333 261
Other rendered services	5 999 272	5 602 956
Other mediated services	9 280 079	6 590 323
Total revenue from other services	**86 229 917**	**71 010 994**
TOTAL REVENUE	**331 391 898**	**297 357 610**

OTHER INCOME	2006	2005
Government grants allocated for PPE (Note 17)	9 054 152	8 630 765
Government grants allocated for operating expenses	10 000 000	9 526 335
Proceeds from disposals of PPE1	514 453	399 763
Other income	951 254	92 005
Total other income	**20 519 859**	**18 667 064**

[1] The net book value of sold PPE was 0 kroons.

NOTES TO THE FINANCIAL STATEMENTS

Note 21 Expenses

EXPENSES	2006	2005
Goods, raw materials and services		
Mediated services	7 517 359	6 120 960
Outsourced security surveillance services	20 427 632	12 363 895
Other security, rescue and safety services	3 758 262	4 640 366
Insurance	4 817 911	5 067 937
Infrastructure expenses	19 719 906	16 980 885
Airfield management expenses	7 511 621	6 451 898
Transportation and special equipment expenses	10 818 037	11 083 570
IT and communication expenses	6 528 049	6 193 447
Total goods, raw materials and services	**81 098 778**	**68 902 958**
Other operating expenses		
Administrative and sales expenses	6 206 962	5 893 600
Other operating expenses	4 858 955	4 231 323
incl. collection of receivables deemed doubtful during the accounting period (Note 2)	1 191 812	943 297
Total other operating expenses	**11 065 918**	**10 124 922**
Personnel expenses		
Wages and other remuneration	63 038 608	52 630 703
Social tax	21 685 214	18 316 482
Total personnel expenses	**84 723 822**	**70 947 185**
Depreciation (Note 8 and 9)	**77 101 026**	**70 562 894**
Other expenses	672 168	549 521
TOTAL EXPENSES	**254 661 712**	**220 459 820**

NOTES TO THE FINANCIAL STATEMENTS

Note 22 Net financial items

Financial income	2006	2005
Financial income from Hansa Money Market Fund (Note 1)	0	160 014
Interest income from Hansa Interest Fund (Note 1)	1 105 137	717 017
Deposit interest	1 179 380	430 556
Change in the fair value of derivatives (Note 15)	2 832 211	0
Profit from currency exchange rate revaluation	28 713	34 920
Total financial income	5 145 441	1 342 507

Financial expenses	2006	2005
Loan interest expenses (Note 10)	-7 182 992	-7 135 374
Change in the fair value of derivatives (Note 15)	0	-602 378
Foreign exchange losses	-112 700	-34 269
Other financial expenses	-46	-209 935
Total financial expenses	**-7 295 739**	**-7 981 956**
Total net financial items	**-2 150 298**	**-6 639 449**

Note 23 Events after the balance sheet date

Pursuant to the Participation in Legal Persons in Private Law by the State Act, the dividends to be paid by a state enterprise shall be established by the Government of the Republic. Pursuant to the Regulation No. 740 of the Government of the Republic from 22 January 2004, no dividends need to be paid by Tallinn Airport Ltd in 2007.

A public procurement was conducted in 2006 for a new loan. Nordic Investment Bank won the procurement. The loan amount is 501 million kroons (32 million euros). The loan will be used for financing reconstruction of the passenger terminal and rehabilitation of the airside area.

NOTES TO THE FINANCIAL STATEMENTS

Note 24 Related party transactions

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

Management Board and Supervisory Board

The remuneration of the six-member Supervisory Board amounted to 441 thousand kroons in 2006 (432 thousand kroons in 2005).

The members of the management Board received 2,299 thousand kroons in remuneration in 2006 (2005: 2,455 thousand kroons).

Tallinn Airport Ltd has incurred its Management Board members, and granted company cars into their use. The employment contracts do not stipulate any severance compensation.

Tallinn Airport Ltd has purchased/sold goods and services from/to the following related party/parties:

The balance of receivables and liabilities of units and companies under the controlling influence of the public sector also include balances with the Tax and Customs Board.

Sales	**01.01.-31.12.06**	**01.01.-31.12.05**
Units and companies under the controlling influence of the public sector	4 007 408	3 593 079
Structural units under the controlling influence of the public sector	108 594 361	101 123 176

Purchases	**01.01.-31.12.06**	**01.01.-31.12.05**
Units and companies under the controlling influence of the public sector	12 524 909	10 943 445
Structural units under the controlling influence of the public sector	2 413 447	2 516 013

The balance of receivables and liabilities from/to related parties as of December 31.12.2006 (recorded under “Accounts receivable” and “Accounts payable”):

Receivables	**31.12.2006**	**31.12.2005**
Units and companies under the controlling influence of the public sector	35 181 052	3 363 421
Structural units under the controlling influence of the public sector	4 868 047	2 688 490

Liabilities	**31.12.2006**	**31.12.2005**
Units and companies under the controlling influence of the public sector	4 736 915	4 013 375
Structural units under the controlling influence of the public sector	200 041	262 850

NOTES TO THE FINANCIAL STATEMENTS

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

In Estonian kroons	31.12.2006	31.12.2005
ASSETS		
Current assets		
Cash and cash equivalents	39 365 052	82 745 990
Receivables	60 112 159	22 985 499
Prepayments	791 792	1 091 865
Inventories	668 444	647 043
Total current assets	**100 937 447**	**107 470 397**
Investment property	**491 466**	**0**
Non-current assets		
Long-term financial investments	10 000 000	10 000 000
Property, plant and equipment	848 201 373	629 583 433
Intangible assets	5 286 763	3 766 929
Total non-current assets	**863 488 136**	**643 350 362**
TOTAL ASSETS	**964 917 050**	**750 820 759**
LIABILITIES		
Current liabilities		
Borrowings	36 480 423	36 480 423
Derivative instruments	0	602 378
Payables	36 820 147	22 914 572
Total current liabilities	**73 300 571**	**59 997 374**
Non-current liabilities		
Long-term borrowings	168 784 844	205 265 267
Long-term provisions	3 153 532	3 474 532
Government grants allocated for property, plant and equipment	242 361 598	99 204 459
Total non-current liabilities	**414 299 974**	**307 944 258**
TOTAL LIABILITIES	**487 600 544**	**367 941 632**
OWNER'S EQUITY		
Share capital	144 871 700	144 871 700
Mandatory reserve	22 855 471	22 855 471
Retained earnings	215 151 955	126 689 559
Profit for the financial year	94 437 379	88 462 396
TOTAL OWNER'S EQUITY	**477 316 505**	**382 879 126**
TOTAL LIABILITIES AND OWNER'S EQUITY	**964 917 050**	**750 820 759**

NOTES TO THE FINANCIAL STATEMENTS

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

In Estonian kroons	01.01.-31.12.06	01.01.-31.12.05
REVENUE		
Revenue	313 471 946	297 357 610
Government grants allocated for property, plant and equipment	9 079 152	9 175 296
Government grants allocated for operating expenses	10 000 000	9 000 000
Other income	1 356 587	656 239
TOTAL REVENUE	**333 907 685**	**316 189 146**
EXPENSES		
Goods, raw materials and services	78 814 041	68 902 958
Other operating expenses	10 168 058	9 181 525
Personnel expenses	71 071 953	70 947 185
Depreciation of non-current assets	76 626 562	70 562 894
Other expenses	653 690	1 491 556
TOTAL EXPENSES	**237 334 304**	**221 086 118**
OPERATING PROFIT	**96 573 381**	**95 103 029**
Total net financial items	-2 136 003	-6 640 633
PROFIT FOR THE FINANCIAL YEAR	**94 437 379**	**88 462 396**

NOTES TO THE FINANCIAL STATEMENTS

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

In Estonian kroons	01.01.-31.12.06	01.01.-31.12.05
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	329 967 076	309 080 384
Amounts paid to suppliers and personnel	-207 263 540	-162 186 612
Fund yield and interest received	2 302 783	1 416 782
Interest paid	-7 501 138	-7 592 740
Total cash flow from operating activities	**117 505 180**	**140 717 814**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-154 771 584	-67 673 127
Proceeds from disposals of property, plant and equipment	1 614 053	402 712
Shares of subsidiaries	0	-6 873 588
Regional airports: cash at the beginning of the period	0	1 419 665
Total cash flow from investing activities	**-153 157 530**	**-72 724 337**
CASH FLOW FROM FINANCING ACTIVITIES		
Loan repayment	-36 480 423	-180 851 755
Loans received	0	140 042 531
Government grants received	28 751 835	11 500 230
Total cash flow from financing activities	**-7 728 589**	**-29 308 994**
NET CASH FLOW	-43 380 939	38 684 483
Cash and cash equivalents at the beginning of the period	82 745 990	44 061 508
Cash and cash equivalents at the end of the period	39 365 052	82 745 990
Change in cash and cash equivalents	**-43 380 939**	**38 684 483**

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

NOTES TO THE FINANCIAL STATEMENTS

Note 28 Statement of changes in equity of Tallinn Airport Ltd (parent company)

In Estonian kroons	Share capital	Mandatory reserve	Retained earnings	Total owner's equity
Owner's equity as at 31.12.2004	**128 714 300**	**22 855 471**	**131 323 460**	**282 893 231**
Bonus issue	16 157 400	0	-16 157 400	0
Merger with regional airports	0	0	11 523 500	11 523 500
Profit for 2005	0	0	88 462 395	88 462 395
Owner's equity as at 31.12.2005	**144 871 700**	**22 855 471**	**215 151 955**	**382 879 126**
Profit for 2006	0	0	94 437 379	94 437 379
Owner's equity as at 31.12.2006	**144 871 700**	**22 855 471**	**309 589 333**	**477 316 504**

Note 29 Restated statement of changes in equity of Tallinn Airport Ltd (parent company)

	31.12.2006	31.12.2005
Parent company's unconsolidated owner's equity	477 316 505	382 879 126
Net book value of subsidiary in the parent company's unconsolidated balance sheet	-10 000 000	-10 000 000
Value of subsidiaries, calculated based on the equity method	10 497 720	9 835 351
Total	**477 814 225**	**382 714 477**

SIGNATURES TO THE ANNUAL REPORT

The Management Board has prepared the management report and financial statements for 2006. The Management Board confirms the correctness of the data presented in the Annual Report.

Management Board:

Rein Loik
Chairman of the Management Board

Einari Bambus
Member of the Management Board

Aarne Orav
Member of the Management Board

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

Supervisory Board:

Tõnu Ader
Chairman of the Supervisory Board

Andres Taimla
Member of the Supervisory Board

Mati Erik
Member of the Supervisory Board

Toomas Annus
Member of the Supervisory Board

Helle Kalda
Member of the Supervisory Board

Kaie Karniol
Member of the Supervisory Board

PROFIT ALLOCATION PROPOSAL

Retained earnings as at 31.12.2005:	214 987 306
Net profit for 2006	95 099 748
Total distributable profit as of 31.12.2006:	**310 087 054**

The Management Board proposes to transfer the net profit for 2006 in the amount of **95 099 748 kroons** to retained earnings and to perform capitalization issue, by issuing **2 149 873 share with nominal value EEK 100 each.**

Retained earnings after profit allocation:	**95 099 756**

Rein Loik
Chairman of the Management Board:

Einari Bambus
Member of the Management Board

Aarne Orav
Member of the Management Board