STATE JOINT STOCK COMPANY RIGA INTERNATIONAL AIRPORT
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN UNION

CONTENTS

General information

Name of the Company	Riga International Airport
Legal status	State Joint Stock Company
Common registration number place and date	40003028055 Riga, 30 September 1991
Place and date of re-registration with the Commercial Registry	Riga, 10 September 2004
Legal address	Mārupes novads, Lidosta „Rīga" 10/1 Latvija, LV-1053
Core business	Airship, passenger and cargo servicing; maintenance of airfields and other services
Shareholder	Ministry of Transport of Latvia (100%) Gogoļa iela 3, Rīga Latvia, LV -1743
Management of the Company	Shareholder's meeting, the Supervisory and the Management Board
The Council	Juris Kanels (Chairman of the Council) from 17 May 2016 Laila Odiņa (Member of the Council) from 26 April 2018 Eduards Toms (Member of the Council) from 24 May 2019
The Board	Ilona Līce (Chairwoman of the Board) from 20 January 2017 Artūrs Saveļjevs (Member of the Board) from 13 September 2017 Lauma Jenča (Member of the Board) from 31 October 2016 Normunds Feierbergs (Member of the Board) from 10 November 2016
Financial year	1 January – 31 December 2019
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA VNR 40003142793 Certified Audit Company License No. 5 Krišjāņa Valdemāra iela 21-21 Rīga Latvia LV-1010 Certified auditor-in-charge: Terēze Labzova-Ceicāne Certified auditor Certificate No. 184

Management report

In 2019, the State Joint Stock Company Riga International Airport (hereinafter "the Company") provided services to 87 thousand aircrafts, 7,8 million passengers, and handled 27,3 thousand tonnes of cargoes. Compared to 2018, the number of passengers has increased by 11 %, the number of aircrafts serviced has increased by 4%.

The Company continues to be the largest air carrier of passengers as well as cargo handling centre in the Baltic States, accounting for 44 % of the passengers and 49 % of the cargoes, to which services were provided by the airports of the capitals of the Baltic States. The national airline AS Air Baltic Corporation is the leader in terms of the number of passengers carried from/to the Riga airport, and the share of its passengers in the total number of passengers handled at the Riga airport accounts for 58.5 %.

In 2019 summer flight season airport had the biggest number of direct destinations – 106, in winter season – 76 destinations. During 2019, airlines launched new flight destinations from Riga airport, airBaltic to Lvov, Stuttgart, Dublin, Kos and Menorca, Ryanair to Prague, Wizz Air to Kiev. As well, airline companies Pobeda Airlines and Laudamotion started providing its services in Riga airport providing flights to Moscow (Vnukovo) and Vienna respectivly.

To ensure the general organization of work processes, the reduction of environmental impact and the continuous improvement of the quality of the services provided, promoting the achievement of the goals set by the Company, the Company has implemented and maintains integrated management systems (quality management system and environmental management system), which are certified in accordance with the standards of ISO 9001:2015 and ISO 14001:2015.

In order to provide sustainable growth of the Company, to reduce CO2 emissions and to effectively use energy resources, since 2018 the Company introduced and certified energy management system in accordance with ISO 50001:2011.

In 2019, the Company received the highest rating – "Platinum" in the "Sustainability Index" created by the Institute of Corporate Sustainability and Responsibility, thus confirming that it has fully integrated corporate responsibility in its operations, ensuring systematic data collection and impact assessment.

The principal activity of the Company

The reporting year was the 29th year of operation of SJSC Riga International Airport.

<u>The principal activity</u>

The principal activity of the Company is the provision of aircraft, passenger and cargo handling services as well as other (non-aviation) services in the territory of the Riga International Airport. The key non-aviation service lines comprise leasing of premises and land, as well as provision of parking and other services. In 2019, the Company's net turnover was 64 986 666 EUR, up by 7 % (by 4 199 440 EUR) from 2018. During the reporting year, revenue from aviation services amounted to 40 865 167 EUR, up by 7 % (2 732 236 EUR) from the previous year. The major source of aviation revenue is revenue from the services, for which the rates are set in the Republic of Latvia Cabinet regulations No. 823 "Regulations Regarding the Charges for Security and Rescue Measures Provided at the Aerodrome" and No. 111 "Regulations Regarding the Charges for the Services at the Aerodrome Provided by State Joint Stock Company Riga International Airport". Income from services other than aviation services amounted to 24 121 499 EUR during the reporting year, up by 6 % (1 467 204 EUR) from the previous year.

<u>Grants</u>

Aviation security

From 2007 to 2010 (inclusive), the Company received a government grant under the State budget programme 44.00.00 "Ensuring aviation security, rescue and medical assistance functions at the Riga International Airport" for carrying out security-related investment projects and for covering maintenance costs. In 2011, under the law "On the State Budget for 2011", as part of the same programme, the Company received a grant for covering security- related maintenance costs. Starting from 2012, the Company has been receiving government grants under the national budget programme 44.00.00 "Financing for Providing of Aviation Security Measures" for carrying out security provision-related investment projects. In 2019, under the law "On the State Budget for 2019" and May 28, 2019 the Republic of Latvia Cabinet order No. 258 "On Spending of the Financing of the State Budget Programme 44.00.00 "Financing for Providing Aviation Security, Rescue and Civil-military cooperation Measures", the Company received a grant of 42 724 euro (in 2018: 44 102 euro) for purchasing the X-ray equipment necessary for the security screening of large checked baggage.

The airport regularly reports to the Ministry of Transport of the Republic of Latvia on the use of funds.

Employment measures

In 2019, a grant in the amount of 34 397 euro was received from the State Employment Agency within the framework of the agreement on the implementation of the measure "Employment measures during summer holidays for persons studying at general, special or vocational education institutions". The funds granted for this purpose have been used in full amount.

Employment and remuneration policy

In 2019, the Company provided jobs to 1308 employees – responsive professionals helping the Company to achieve its business goals. The breakdown of the Company's staff by employment area was as follows: security – 37 %, passenger services – 22 %, infrastructure maintenance services – 23 %, other areas of the Company's business activities – 18% of total staff. Being a responsible employer, the Company aims at designing such an employee remuneration system, which ensures top quality, safe and affordable air carriage services to the Company's customers through maintaining and developing an infrastructure that meets international aviation requirements. The Company's remuneration policy provides for a stable, competitive and always timely paid employee remuneration package supplemented with social guarantees and benefits. In 2019, the airport was recognized as the fairest payer in Latvia in a study by the personnel management consulting and research company Fontes.

Financial performance

The Company's profit for the reporting year from operating activities before financial items was 23 073 878 euro. The overall result for 2019 was a profit of 22 140 607 EUR. The profit for the reporting year was materially affected by the received payment from the airline airBaltic for the settlement concluded on July 6, 2011 in the amount of 8 586 618 EUR and the reversal of the provisions for litigation expenses with SIA "Rixport" in the amount of 6 694 864 EUR.

The Company's development

The priorities set for 2019 were as follows:

- Improvement and modernization of passenger services infrastructure:
  - Improvements in passenger services with increasing passenger numbers and capacity utilization;
  - Project "Terminal expansion 6th stage" realization;
- Cohesion Fund project, EU funds 2014.-2020. year planning period operational programs „Growth and employment" 6.1.2. specific support aim „To promote safety and compliance with environmental requirements at Riga International Airport"" realization;
- Cargo infrastructure development – realization of the 5th platform construction project.

Total investments in 2019 amounted to 24 577 302 EUR, of which the majority of investments were in the development of passenger and aircraft service infrastructure (14 712 882 EUR). Among the largest projects in 2019 are the construction of the 5th platform, the helicopter landing area and the 2nd platform extension project, as well as works on the 6th stage of the Airport expansion project (construction project development). In 2019, the airport invested 89% (21 847 517 EUR) of the planned investments.

The Company's development plans for 2020 were adjusted due to global coronavirus epidemic COVID-19, which was declared a pandemic on 11 March 2020 in accordance with the decision of the World Health Organization (*WHO Director- General's opening remarks at the media briefing on COVID – 19 March 2020*, available: https://who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020) and according to which the Cabinet of Ministers issued and order on 12 March 2020 No.103 "On the declaration of a state of emergency", to limit the spread of the new coronavirus disease Covid-19, which led to the abolition of international passenger services through airports, ports, buses and rail from 17 March 2020, with exception of passenger transport by national aircraft and military transport.

Along with the above mentioned order, the Airport has significantly reduced it's operating costs, including decreasing amount of investments planned in the Airport budget in 2020 by 85%, directing financing only for the implementation of individual projects, largest is the completion of the construction of 5th platform.

The Company will resume work on implementation of projects included in the Company's medium-term strategy with the resumption of passenger aviation.

Risk assessment and risk management

The Company has established and continuously improves the general-level controls (policies, instructions, process descriptions, etc.) aimed at contributing to the Company's strategy and achieving its objectives. In addition, to ensure achieving of the objectives set in the Company's strategy, the Company develops its annual objectives and monitors the progress towards achieving them. The Company's risk management is aimed at timely identification and management of the factors that may adversely impact the Company's operating activities, thereby ensuring the achieving of the Company's strategic objectives, minimising the potential losses or damage to reputation. The Company has started work on the development of its risk management policy; several of risk management processes have been already put in place, such as safety, aviation security and information systems, environment, energy management system, working environment.

The Company's control environment stems from the Company's values. The Company's management supports such commercial activities, which are good faith-based, comply with ethical norms; it also takes the necessary measures to prevent risks of a corruptive and fraudulent nature. The Company has implemented and is continuously improving its internal control system for the prevention of corruption risks in accordance with

Regulation No. 630 of 17 October 2017 "Regulations on the Internal Control System Requirements for Prevention of Corruption and Conflict of Interest in Public Institution". The Company has designed its internal controls accordingly and raises employee awareness regards internal controls by continuously improving employee competencies in order to achieve goals more effectively.

As of June 17, 2019, Riga International Airport is included in the Gold Level of the State revenue service (VID) Advanced cooperation program (PSP), which confirms the assessment of the Airport's tax risk management policy.

The Company's legal risks arise primarily from legal proceedings. To minimise these risks, the Company carries out a thorough examination of transactions and seeks negotiating the terms that are favourable to it, prior to entering into contracts with counterparties. The Company exercises ongoing and careful control over the fulfilment of transactions and seeks solutions to any issues early on, by being open for a dialogue with its counterparties.

In accordance with the amendments of the Law on Governance of Capital Shares of a Public Person and Capital companies, additional requirements for the establishment of an appropriate internal control system were set for capital companies from 1 January 2020, including the operation of the risk management system, which includes approved policies in defining the operating principles of the capital company with regard to risk management. In order to ensure the establishment of an appropriate and effective internal control system in the field of risk management in the Company, in 2019 a new staff position was created - "Risk manager" and a new function has been introduced - "Risk management function". In 2019, the Company started work on the development and implementation of the Company's risk management policy with the aim to determine goals of the Company's risk management process, risk management areas, keystone elements, process stages, keystone principles and guidelines, as well as duties and responsibilities of participants involved in risk management process.

The Company's management bodies

The Company is managed by the Board, the Council and the Shareholders' Meeting. The Ministry of Transport of the Republic of Latvia is the sole shareholder of the Company. Any decisions on the matters lying within the competence of the Shareholders' Meeting are made by the shareholder's representative. The Board is responsible for carrying out of business activities and keeping accounting records of SJSC Riga International Airport in compliance with the statutory requirements. The Company's Council reviews the Company's annual report, the management report and profit distribution proposals of the Board, as well as prepares the Council's report about them and submits them to the Shareholders' Meeting for approval. The decision on the approval of the Company's annual report and distribution of profits is made by the Shareholders' Meeting.

The members of the Board of SJSC Riga International Airport at the time of preparation of the annual report:

Ilona Līce	Chairwoman of the Board
Artūrs Saveļjevs	Member of the Board
Lauma Jenča	Member of the Board
Normunds Feierbergs	Member of the Board

The members of the Council of SJSC Riga International Airport at the time of preparation of the annual report:

Juris Kanels	Chairman of the Council
Eduards Toms	Member of the Council
Laila Odiņa	Member of the Council

Ilona Līce	Artūrs Saveļjevs	Lauma Jenča	Normunds Feierbergs
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board

6 April 2020

Statement of the management's responsibility

The Company's management is responsible for the preparation of the Company's financial statements.

The financial statements on pages 11 to 46 have been prepared on the basis of supporting documents and give a true and fair view of the Company's financial position at 31 December 2018 and at 31 December 2019, and of its operating performance, changes in capital and reserves and cash flows for the years ended 31 December 2018 and 31 December 2019. The Management's report on pages 4 to 6 gives a true and fair view of the Company's financial performance and future prospects.

The above financial statements have been prepared in accordance with the International financial reporting standards as adopted by the European Union on a going concern basis. During the reporting period, there has been a consistent use of appropriate accounting methods. The management's decisions and estimates made during the preparation of the financial statement have been prudent and justified.

The Company's management is responsible for maintaining appropriate accounting system, safeguarding of assets as well as for detection and prevention of fraud and other violations occurring in the Company. The management is responsible for compliance with the requirements of the laws and regulations of the Republic of Latvia.

Ilona Līce	Artūrs Saveļjevs	Lauma Jenča	Normunds Feierbergs
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board

6 April 2020

Independent Auditor's Report

To the Shareholder JSC Riga International Airport

Our opinion

In our opinion, the accompanying financial statements set out on pages 11 to 46 of the accompanying annual report give a true and fair view of the financial position of JSC Riga International Airport (Company) as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The financial statements comprise:

- statement of financial position as at 31 December 2019,
- the statement of profit or loss and statement of comprehensive income for the year then ended,
- the statement of changes in shareholders' equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Reporting on Other Information Including the Management Report

Management is responsible for the other information. The other information comprises:

- the Management report, as set out on pages 4 to 6 of the accompanying annual report,
- the Statement of the management responsibility, as set out on page 7 of the accompanying annual report,

but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

PricewaterhouseCoopers SIA
Kr. Valdemāra iela 21-21, Rīga, LV-1010, Latvia, LV40003142793
T: +371 6709 4400, F:+371 6783 0055, www.pwc.lv

With respect to the Management report, we also performed the procedures required by the Law on Audit Services. Those procedures include considering whether the Management report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports.

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management report has been prepared in accordance with requirements of the Law on Annual Reports and Consolidated Annual Reports.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this respect.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Terēze Labzova-Ceicāne
Certified auditor in charge
Certificate No.184

Member of the Board

Riga, Latvia
6 April 2020

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

Statement of profit or loss and statement of comprehensive income

	Note	2019 EUR	2018 EUR
Revenue	3	64 986 666	60 787 226
Government and EU grants	4	5 466 858	5 957 972
Personnel costs	5	(31 803 309)	(27 098 984)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(15 595 266)	(15 553 153)
Other external costs	7	(16 195 149)	(16 966 026)
Other operating income	8	17 028 093	4 272 385
Other operating expenses	9	(814 015)	(602 551)
Operating profit before financial items		**23 073 878**	**10 796 869**
Finance income	10	24 020	-
Finance costs	11	(556 402)	(774 653)
Profit before income tax		**22 541 496**	**10 022 216**
Corporate income tax		(400 889)	-
PROFIT FOR THE YEAR		**22 140 607**	**10 022 216**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22 140 607**	**10 022 216**

The accompanying notes on pages 16 to 46 form an integral part of these financial statements.

Statement of financial position

ASSETS

	Note	31.12.2019. EUR	31.12.2018. EUR
NON- CURRENT ASSETS			
Property, plant and equipment	14	143 023 217	134 629 110
Intangible assets	13	1 008 627	425 916
Investment property	16	1 157 478	1 085 985
Right of use assets	15	779 694	-
TOTAL NON-CURRENT ASSETS		**145 969 016**	**136 141 011**
CURRENT ASSETS			
Inventories	17	919 710	803 458
Trade receivables	18	7 756 507	6 785 415
Other receivables and prepaid expenses	19	3 206 829	7 315 495
Cash and cash equivalents	20	20 434 361	29 164 602
TOTAL CURRENT ASSETS		**32 317 407**	**44 068 970**
TOTAL ASSETS		**178 286 423**	**180 209 981**

The accompanying notes on pages 16 to 46 form an integral part of these financial statements.

Statement of financial position (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2019. EUR	31.12.2018. EUR
SHAREHOLDERS' EQUITY			
Share capital	21	28 608 932	28 608 932
Reserves	22	23 001 152	12 298 629
Retained earnings		22 541 496	13 508 904
TOTAL SHAREHOLDERS' EQUITY		**74 151 580**	**54 416 465**
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions and other borrowings	23	28 978 512	31 066 643
Deferred income	24	47 737 208	54 868 694
TOTAL		**76 715 720**	**85 935 337**
Current liabilities			
Borrowings from credit institutions and other borrowings	23	2 415 195	12 503 479
Trade payables		3 577 954	2 379 249
Other liabilities	25	11 213 053	15 838 411
Deferred income	24	6 179 991	6 081 781
Accrued liabilities	26	4 032 930	3 055 259
TOTAL		**27 419 123**	**39 858 179**
TOTAL LIABILITIES		**104 134 843**	**125 793 516**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**178 286 423**	**180 209 981**

The accompanying notes on pages 16 to 46 form an integral part of these financial statements.

Statement of cash flows

Cash flow from operating activities	Note	**2019 EUR**	**2018 EUR**
Profit of the reporting year before tax		**22 541 496**	**10 022 216**
Adjustments for:			
Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	13,14,15,16	15 598 219	15 553 153
Received Government grant for the infrastructure development		(247 724)	(279 760)
EU Cohesion Fund resources recognised in the profit for the current year	4	(5 129 359)	(5 595 897)
Obtained from KPFI financing	4	(52 861)	(52 861)
Property, plant and equipment obtained without payment (recognized in the profit for the current year)	8	(47 271)	(51 726)
Decrease in accruals		(6 273 248)	(2 410 606)
Gain from sale of fixed assets	8	247 394	11 156
Net interest expenses	10, 11	532 382	774 653
Increase of inventories		(116 252)	(173 109)
Increase in trade receivables		(971 092)	(80 911)
Decrease / (increase) in prepaid expenses		(1 898 359)	(5 177 578)
Decrease in trade payables		3 012 167	486 703
Decrease in deferred income		(1 617 348)	(341 599)
Cash generated from operating activities		**25 578 144**	**12 683 834**
Interest paid		(595 568)	(781 803)
Tax paid on dividends		(400 889)	-
Corporate Income tax returned / (paid)		187 914	(1 043 637)
Net cash generated from operating activities		**24 769 601**	**10 858 394**
Cash flows from investing activities			
EU Project for development of safe and environment friendly infrastructure		1 018 932	7 610
Employment related grants		34 397	29 455
European Social Fund grants		2 517	-
Government funding for aviation security		42 724	44 102
A-CDM Riga project		145 669	-
Acquisition of intangible assets	13	(716 719)	(205 644)
Acquisiton of fixed assets		(19 399 710)	(9 169 862)
Interest received		17 988	-
Net cash used in investing activities		**(18 854 202)**	**(9 294 339)**
Cash flows from financing activities			
Loans received		139 864	-
Repayment of loans and borrowings		(12 121 358)	(3 270 973)
Payment of obligations under finance lease		(258 654)	(385 446)
Payments made for use of state capital		(2 405 492)	-
Net cash used in financing activities		**(14 645 640)**	**(3 656 419)**
Net increase in cash and cash equivalents		**(8 730 241)**	**(2 092 364)**
Cash and cash equivalents at the beginning of the year		**29 164 602**	**31 256 966**
Cash and cash equivalents at the end of the year	20	**20 434 361**	**29 164 602**

The accompanying notes on pages 16 to 46 form an integral part of these financial statements.

Statement of changes in shareholders' equity

	Note	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
31 December 2017		**28 608 932**	**12 298 629**	**3 486 688**	**44 394 249**
Comprehensive income for the year		-	-	10 022 216	**10 022 216**
31 December 2018		**28 608 932**	**12 298 629**	**13 508 904**	**54 416 465**
Transfer from retained earnings to reserves	22	-	10 702 523	(10 702 523)	-
Payment for the use of state capital		-	-	(2 405 492)	**(2 405 492)**
Comprehensive income for the year		-	-	22 140 607	**22 140 607**
31 December 2019		**28 608 932**	**23 001 152**	**22 541 496**	**74 151 580**

The accompanying notes on pages 16 to 46 form an integral part of these financial statements.

Notes to the financial statement

1. General information

State Joint Stock Company Riga International Airport was established in 1997 on the transformation of the state airport Riga, registered in the Latvian Enterprise Register in 1991. The Company is registered in the Latvian Enterprise Register as a State Joint Stock Company. The address of its registered office is Mārupes novads, Lidosta „Riga" 10/1, Latvia. The Company is wholly owned by the Government of the Republic of Latvia.

The key lines of business are:

Aviation operations, including:
- servicing aircraft, passengers and cargo;
- airport terminal services;
- aircraft maintenance, airfield technical maintenance;

Non-aviation operations, including:
- rent of real estate;
- providing public utility facilities;
- car park services;
- concession services;
- servicing business passengers;
- advertising services.

Ensuring civil aviation safety, rescue and medical assistance function at the Riga International Airport.

These Company's financial statements were authorised for issue by the Board of directors on 6th April 2019. Company's members of the Board as at the financial statement signing date are Ilona Līce (Chairwoman of the Board from 20th January 2017), Artūrs Saveļjevs (from 13th September 2017), Lauma Jenča (from 31st October 2016), Normunds Feierbergs (from 10th November 2016). Members of the Council on the financial statements reporting date are Juris Kanels (Chairman of the Council from 17th May 2016), Laila Odiņa (Member of the Council from 26th April 2018) and Eduards Toms (Member of the Council from 24th May 2019).

PricewaterhouseCoopers SIA with Terēze Labzova-Ceicāne as the Certified auditor-in-charge is the appointed auditor of the Company.

2. Basis of the preparation and application of IFRS

These financial statements are prepared using the accounting policies and valuation principles set out below.

(a) Statement of compliance and accounting principles

The financial statements of the SJSC Riga International Airport (the Company) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), enforced on the balance sheet date.

Financial statements are prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention. Financial assets and liabilities are reported at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instruments.

The amounts disclosed in the financial statements are provided in the official monetary unit of the Republic of Latvia – euro, which represent the functional currency of the Company.

In order to prepare these financial statements according to IFRS, management has relied on certain estimates and assumptions that impact certain statement of financial position and statement of comprehensive income items, and the amount of potential liabilities. Future events may affect assumptions that were used as the basis for estimates. Any impact of changes in estimates is represented in the financial statements in the period when the changes have occurred. Although estimates are based on comprehensive management information on current events and activities, actual results may differ from these estimates. Significant assumptions and judgements are described in (s) paragraph of this note.

Compared with the accounting methods that were used in the preparation of the annual financial statements of 2018, the accounting methods used in 2019 for the preparation the annual financial statements are not changed, excluding those, which arise from application of new IFRS.

Notes (continued)
2. Basis of the preparation and application of IFRS (continued)
(a) Statement of compliance and accounting principles (continued)

The following new and amended IFRS and interpretations became effective in 2019:

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

- The new standard lays down the principles for recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made within a particular term, they also include the financing component. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as was required under IAS 17. Instead, IFRS 16 introduces a uniform lessee accounting model. Lessees are required to recognise: (a) assets and liabilities from all leases with a term of more than 12 months, other than where the underlying asset is of low value; and (b) the depreciation charge of the lease assets separately from interest on lease liabilities. Accounting by lessors under IFRS 16 is largely similar to the requirements laid down in IAS 17. Consequently, lessors continue to classify lease agreements as operating or finance leases, and different accounting is maintained depending on the classification.
- The Company applies the standard starting from 1 January 2019, applying the simplified approach provided for in transition provisions of IFRS 16. Consequently, comparatives are not adjusted, whereas the value of the right to use the asset correspond to the lease liability value (adjusting by the amount of prepayments or other accrued costs, where necessary). As a result of implementation of IFRS 16 on 1 January 2019 the Company recognized the right to use asset of 1 073 652 EUR (Note 15) and lease liabilities 835 710 EUR.

Other standards and interpretations that became effective in 2019 did not have a material impact on the Company's operations and these financial statements.
Several standards and interpretations have been published that are effective for annual periods beginning on or after 1 January 2020. The Company's management is still assessing the impact of these standards; however, preliminary analysis indicates that these standards and interpretations will not have a material impact on the Company's financial statements.

(b) Financial instruments

Classification of financial instruments

The Company's financial instruments consist of financial assets (financial assets at amortised cost) and financial liabilities (financial liabilities at amortised cost).

The classification of debt instruments depends on the Company's financial asset management business model that has been put in place, as well as whether the contractual cash flows consist solely of Payments of Principal and Interest (SPPI). If a debt instrument is being held to collect cash flows, it can be carried at amortised cost subject to meeting the SPPI requirements. Such debt instruments, which meet the SPPI requirements held in the portfolio with a view to collecting cash flows from assets as well as selling them, may be classified as fair value through other comprehensice income (FVOCI). Financial assets, the cash flows from which do not meet the SPPI requirements, must be measured at fair value through profit or loss (FVTPL) (e.g., derivative financial instruments). Embedded derivatives are not separated from financial assets, but they are included as part of financial assets, subject to the SPPI requirements.

Equity instruments are always measured at fair value. However, the Management may make an irrevocable choice to charge off the change in fair value in comprehensive income, unless the instrument is held for trading. If an equity instruments is held for trading, changes in fair value must be reported in the income statement.

Recognition and derecognition

Financial assets are recognised when the Company has become a contracting party and has met the terms of the transaction, i.e. at the date of the trade.

Financial assets are derecognised when the contractual rights of the Company to receive cash flows from the financial assets expire or where the Company transfers the financial asset to another party or transfers substantially all risks and rewards incidental to ownership. As part of the operating activity, acquisition and selling of financial assets are accounted for at the transaction date, i.e., at the date when the Company decides to buy or sell the asset.

Financial liabilities are derecognised when the obligation underlying the liability is revoked, cancelled or expires.

Measurement

At initial recognition, financial instruments are measured at their fair value. For the financial assets and financial liabilities carried at amortised cost, at initial recognition, the fair value is adjusted for transaction costs that are directly attributable to the relevant financial instrument.

Financial assets at amortised cost

Financial assets at amortised cost are debt instruments with fixed or determinable payments, which are not held for trading and the future cash flows from which consist solely of principal and interest payments. Financial assets at amortised cost include Trade and other receivables and

Notes (continued)

2. Basis of the preparation and application of IFRS (continued)

b) Financial instruments (continued)

Cash and cash equivalents. Financial assets at amortised cost are classified as short-term assets, if the term to maturity is one year or less. If the maturity term is longer than one year, then they are shown as long-term assets. Short-term receivables are not discounted.

Financial assets at amortised cost are initially recognised at fair value and subsequently are measured at amortised cost, using the effective interest rate method, less provisions for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances on current accounts and short-term deposits with original maturities of up to 90 days, and short-term highly liquid investments that can be easily converted into cash and are not subject to a substantial risk of changes in value.

Impairment of financial assets at amortised cost

Recognition of impairment is based on the expected credit loss (ECL) model. The model is a three-step approach, based on changes in the credit quality of financial assets, compared with that at the initial recognition. At the initial recognition of a financial asset the Company is required to recognise immediate losses, which will be equal to 12-month ECL, even if the financial assets do not have any impairment signs (for trade receivables measured as lifetime ECL). In the event of a significant increase in credit risk, the impairment is measured using the lifetime ECL of the asset, rather than the 12-month ECL. The model provides for operational simplifications for trade receivables.

The Company has applied operational simplifications permitted by IFRS 9 in relation to the measurement of trade receivables – trade receivables are grouped by reference to the credit quality thereof and days outstanding, applying the ECL rates to each relevant group. The ECL rates are estimated based on the last three years of payment history, adjusting the indicator to consider the present information as well as future prospects.

A provision for impairment is accounted for in a separate provision account and losses are recognised in the income statement. If in the period following the recognition of the impairment, the loss amount decreases and the amount of such reduction can be objectively related to an event after the recognition of the impairment (for example, improving of the debtor's credit rating), the reversal of the previously recognised impairment losses is recognised in the income statement.

Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise Borrowings from credit institutions, Other borrowings, Trade payables and Other payables, as well as Accrued liabilities.

Financial liabilities at amortised cost are initially recognised at their fair value. In subsequent periods, financial liabilities at amortised cost are measured at amortised cost, using the effective interest rate. Financial liabilities at amortised cost are classified as current liabilities if the term to maturity is one year or less. If the maturity term is longer than one year, then they are identified as non-current liabilities.

Borrowings

Borrowings are initially recognised at fair value, net of the costs related to the receiving of borrowings. Subsequently borrowings are measured at amortised cost using the effective interest rate method. The difference between the amount of funds received, less borrowing related costs and the loan value to be amortised is gradually charged off to income statement, using the effective interest rate on the loan. This difference is recognised under financial costs.

Borrowings are classified as current liabilities, except when the *Company* has irrevocable rights to defer settlement of the liability for at least 12 months after the balance sheet date.

Offsetting financial assets and liabilities

Financial assets and liabilities are mutually offset and reported in the balance sheet at net value if there are legal rights to carry out such offsetting, and the settlement shall occur at net values or transferring the asset and paying for the liability simultaneously.

(c) Revaluation of foreign currency

Foreign currency transactions have been translated into euro applying the exchange rate determined by the conversion procedure between central banks of the European System of Central Banks and other central banks and which is published on the European Central Bank's website.

On the last day of the reporting period all monetary assets and liabilities were translated into euros in accordance with the rates published on the European Central Bank's website.

Notes (continued)

2. Basis of the preparation and application of IFRS (continued)

(c) Revaluation of foreign currency *(continued)*

	31.12.2019. 1 EUR		31.12.2018. 1 EUR
1GBP	0.85080	1GBP	0.89453
1RUB	69.95630	1RUB	79.71530
1SEK	10.44680	1SEK	10.25480
1USD	1.12340	1USD	1.14500
1CAD	1.45980		

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss account.

(d) Intangible assets

Software licences

Intangible assets (software licences) that are purchased by the Company and that have a finite useful life are carried at cost less accumulated amortisation and impairment.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is written off in profit or loss as incurred.

Amortisation

Amortisation is charged to the profit or loss and calculated using the straight-line method to allocate the cost of intangible assets over their estimated useful life of 5 years starting from the date when the asset is available for use.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, as well as any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site in which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Investments in rented property, plant and equipment are capitalized and presented as property, plant and equipment. Depreciation of these assets is calculated over the shorter of the leasehold period or the estimated useful life on a straight-line basis.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Construction in progress

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction, including loan expenses. Depreciation of these assets on the same basis as for other property, plant and equipment, commences when the assets are available for use. Construction in progress is reviewed regularly to determine whether it is impaired and whether an appropriate impairment is recognised. If during the reporting year the Company has decided not to implement a technical project under construction in progress, the cost of such projects is written off in expenses of the reporting year.

Notes (continued)

2. Basis of the preparation and application of IFRS (continued)

***(e) Property, plant and equipment** (continued)*

Impairment of property, plant and equipment

The carrying amounts of the Company's fixed and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future 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 in relation to which the future cash flows have not been adjusted.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Investment property

Investment property represents investments in land and buildings held for generating rent income or increasing the value of investment, rather than for use in the production, supply of goods or services, administrative purposes or sales in the course of business.

Investment properties are measured at cost, including relevant transaction costs less accumulated depreciation and with impairment associated losses.

Amortisation is recognized in profit or loss and is calculated using the straight-line method to allocate the cost of buildings, applying the annual rate of 5% to 20%. Land is not depreciated.

Investment property is derecognized when dispossessed or discontinued for use and no future benefit is expected from the disposal. The write-off or disposal of investment property is recognized in profit or loss in the period of dispossession or liquidation.

Reclassification to investment property should be performed only in case the mode of use is changed which is provided by fact that the owner is not exploiting the property, property is leased according to operative lease terms to another person or completion of reconstruction or construction. Reclassification from investment property should be performed only in case the mode of use is changed which is proved by the fact that the owner has commenced using the property or developments are commenced in order to sell the property.

(g) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Cost of inventories is based on the first-in first-out (FIFO) principle.

If necessary, impairment allowances for obsolete, slow-moving or damaged inventories are made up to the net realizable value. The amount of allowances is recognised in profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current accounts with banks, and deposits held at call with banks with original term less than 90 days and other short-term highly liquid investments, which can be easily converted to cash and are not subject to significant change in value.

(i) Share capital and dividends/ payment for utilisation of the state capital

In accordance with the regulation No 806 by the Cabinet of Ministers dated 22 December 2015 "Order as to how the state companies and public limited companies, in which the State is a shareholder, estimate and determine the share of the profit to be distributed in dividends and make payments into the State treasury for the usage of State capital", law " On medium term budget framework" and law "On State budget", the Company is required to calculate the share of net profit to be distributed in dividends for the reporting year in the amount of at least 80% unless stipulated differently in the state budget law for the current year.

Notes (continued)
2. **Basis of the preparation and application of IFRS** (continued)

(j) Other reserves

After approval of the financial statements, the shareholder's meeting decides on the annual profit distribution. Based on the shareholder's meeting decision, a share of profit after tax may be transferred to reserves. Reserves are presented in the statement of financial position under caption "Other reserves".

(k) Leases

Policy effective till 31 December 2018

Finance lease transactions under which the Company assumes substantially all the risks and rewards of ownership of the lease object were recognized in the statement of financial position as property, plant and equipment and short- or long-term liabilities. On initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Finance lease payments were allocated between financial expenses and reduction of liabilities in order to ensure consistent interest rate on the balance of liabilities in each period. Finance charges were recognized directly in profit or loss.

When there was a reason to believe that at the end of the lease term the object will become the property of the lessee the useful life of the asset was set as the expected period of use. In all other cases, depreciation of capitalized leased assets were calculated on a straight-line basis over the shortest of the estimated period of use or period of lease.

Lease of assets under which substantially all the risks and rewards of ownership of the lease object were assumed by the lesser were classified as operating lease. Payments under operating lease were treated as expenses over the entire period of lease on a straight-line basis. The Company's liabilities arising from the operating lease transactions were disclosed as off-balance sheet liability.

When tenant made a one-time non-refundable payment for infrastructure development and maintenance at the beginning of the lease term, income was deferred and recognised proportionally over the term of the lease contract. The deferred portion was presented in the statement of financial position under deferred income as prepayments related to long-term operating leases.

Policy effective from 1 January 2019

Leases are recognized and accounted for in accordande with IFRS 16 Leases. A lease exists when an asset is identifiable and the buyer has the right to obtain virtually all the economic benefits from the use of the asset during its useful life. The Company does not apply the IFRS 16 requirements for short-term leases, leases of intangible assets, and leases of low value assets. In these cases, the lease cost is recognized as an expense in the profit or loss on a straight-line basis over the lease term. The Company determines the lease term as irrevocable together with the periods to which the lease is subject to renewal, if there is reasonable assurance that the Company will exercise the option and the periods to which the lease can be terminated. At the inception of the lease, the Company recognizes right to use asset under property, plant and equipment (see Right to use asset) and lease liability. Initialy lease obligations are measured at the present value of the lease payments outstanding at the inception of the lease. Lease payments are devided between the present value of the lease obligations and the finance charge. Lease payments are discounted using the interest rate that is included in the lease, if it can be readily determined. If this rate cannot be readily determined, the Company uses the Company's comparable borrowing rate. Finance costs are charged to the profit or loss as interest expense. Changes in the lease or changes in the assumptions made when the lease was initially determined or when the right to use asset is calculated are recalculated, adjusting the lease and the right to use the asset accordingly. Any gain or loss arising on the total or partial termination of the lease is included in profit or loss.

(l) Revenue recognition

Revenue is recognised at the fair value of consideration received or receivable. Revenue is recognized based on the likelihood of gaining economic benefit and to the extent, it is reasonably measurable, including specific criteria, which are stated below.

The Company does not have any agreements with the clients, for whom repayment terms are more than one year, therefore no corrections are made by the Company, to present the change of value during the reporting period. Revenue is recognized based on the following conditions:

Provision of services
Revenue from services is recognized in the period when the services are provided net of discounts.
Interest
Revenue is recognized based on the period for which interest is calculated.
Rental income
Rental income is recognized for all effective rent agreements over the entire period of rent on a straight-line basis.

Notes (continued)

2. Basis of the preparation and application of IFRS (continued)

(l) Revenue recognition *(continued)*

Commission fees

The Company has signed a number of long-term contracts on the assigning rights to supply fuel to aircraft and the rights to provide aircraft de-icing services. Commission fees are charged for all effective contracts over the entire term of services on a straight-line basis.

(m) Government and European Union grants

Government and European Union grants are recognized as follows:

Subsidies received from the state budget and used for covering the costs of maintenance are recognised in income of the reporting year. The unused share of the grant is disclosed as deferred income.

The amounts of the government and European Union grants related to assets (property, plant and equipment) are reported in the statement of financial position under Deferred income and recognized in the profit and loss proportionately to the depreciation of the respective assets (property, plant and equipment) during their useful lives.

Government assistance with no reliable fair value measurement such as state guarantees are disclosed in the financial statements.

(n) Financial income and expenses

Financial income and expenses comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and foreign exchange gains and losses. Interest income and expense are recognized in profit or loss as they accrue, taking into account the effective interest rate of the asset/liability. The interest expenses of finance lease payments are recognized in profit or loss using the effective interest rate method.

(o) Related parties

Company accounts following parties as related parties:

a) Entity that is in direct or indirect control, is controlled separately or is jointly controlled by Company;
b) Entity is Company's associate;
c) Company is a party in a public-private partnership;
d) Company's management;
e) A person identified in (a) and (d) has significant influence over the entity or is a member of the key management personnel of the entity;
f) Party is a Company that is controlled, jointly controlled or that is under significant influence by persons mentioned in (d) and (e) or who has direct or indirect voting rights through persons mentioned in (d) and (e).

(p) Subsequent events

Financial statements reflect events that occurred subsequent to the year-end and that provide additional information on the Company's financial position at the end of the reporting period (adjusting events). If subsequent events do not have an adjusting nature, they are disclosed in the notes to the financial statements only if they are significant.

(r) Employee benefits

Bonuses

The Company recognises a liability and expense for bonuses, based on formula that takes into consideration the profit attributable to the Company's shareholder after certain adjustments. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Social security and pension contribution

The Company pays social security contributions to the State Social Security Fund on behalf of its employees based on the defined contribution plan in accordance with the local legal requirements. The State Social Security Fund is a defined contribution plan under which the Company pays fixed contributions into the state Social Security Fund. The Company will have no legal or constructive obligations to pay further contributions if the state Social Security Fund does not hold sufficient assets to pay all employees benefits. The social security contributions are recognised as an expense on an accrual basis and are included within personnel costs.

Notes (continued)
2. Basis of the preparation and application of IFRS (continued)

(s) Corporate income tax

Corporate income tax for the reporting period is calculated based on tax legislation enforced at the year end.

Corporate income tax will be calculated based on distributed profit (20/80 of the net amount payable to shareholder). Corporate tax on distributed profit will be recognized when the shareholder of the Company decides about profit distribution. Corporate income tax, calculated on the distribution of profit in dividends, is recognized in the income statement; in other cases, under other operating expenses.

(t) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverable amount and impairment
When the events and circumstances indicate a potential impairment, the Company performs impairment tests for items of property, plant and equipment, intangible assets and investment property. According to these tests, assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. The estimates are based on forecasts of the general economic environment. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. Impairment charges recognised by the Company are disclosed in Note 14.

Impairment of receivables
The Company recognizes allowances for doubtful debts. In order to determine amount of unrecoverable receivables, management estimates based on historical experience are used, as well as corrected afterwards taking into account future perspective of macroeconomic forecasts (Note 18).

Useful lives of property, plant and equipment

Management estimates the expected useful lives of property, plant and equipment in proportion to the expected duration of use of the asset based on historical experience with similar property, plant and equipment and based on future plans. Depreciation of property, plant and equipment is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of leased property, plant and equipment is calculated over the shortest of lease term or useful life of an asset. Land is not depreciated.

Depreciation is calculated over the useful life applying the following depreciation rates:

Buildings and constructions	5% – 20% per annum
Machinery and equipment	14.3% – 33.3% per annum
Other property, plant and equipment items	10% – 50% per annum

Provisions and accruals
Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required from the Company to settle the obligation, and the amount of obligation can be measured reliably. If the Company foresees that the expenses required for recognizing a provision will be partly or fully repaid, for example, within an insurance contract, the recovery of such expenses is recognized as a separate asset only when its recoverability is certain. Expenses connected with provisions are recognized in the profit or loss net of amounts recovered.

Notes (continued)

3. Revenue

	2019 EUR	2018 EUR
Total aviation revenue	**40 865 167**	**38 132 931**
Security and rescue measure fees*	14 522 063	13 665 208
Departure / landing fees	4 742 107	4 312 879
Ground handling	7 671 397	7 163 873
Passenger service fees	9 509 494	8 758 331
Other aviation services	1 668 578	1 645 907
*Including charge for services provided to disabled persons and persons with reduced mobility***	*1 083 614*	*981 955*
Centralized infrastructure services	2 751 528	2 586 733
Total non-aviation revenue	**24 121 499**	**22 654 295**
Rent of premises within terminal	12 107 498	11 409 411
Car parking services	3 385 818	3 072 889
Other lease in the airport territory***	2 463 126	2 318 340
Public utilities	2 466 232	2 433 450
Servicing business passengers	1 413 182	1 398 552
Advertising services	513 486	484 945
Income from concessions	348 855	319 709
Other non-aviation services	1 423 302	1 216 999
TOTAL:	**64 986 666**	**60 787 226**

	2019 EUR	2018 EUR
Revenue from contracts with customers that is recognized over time (in accordance with IFRS 15):		
Security and rescue measure fees	14 522 063	13 665 208
Departure / landing fees	4 742 107	4 312 879
Ground handling	7 671 397	7 163 873
Passenger service fees	9 509 494	8 758 331
Revenue from other aviation services	1 668 578	1 645 907
Revenue from centralized infrastructure services	2 751 528	2 586 733
Revenue from utilities	2 466 232	2 433 450
Revenue from servicing business passengers	1 413 182	1 398 552
Revenue from other non-aviation services	1 423 302	1 216 999
TOTAL:	**46 167 883**	**43 181 932**
Other revenue (IFRS 16 and other standards):		
Rent of premises within terminal	12 107 498	11 409 411
Car parking services	3 385 818	3 072 889
Other lease in the airport territory	2 463 126	2 318 340
Revenue from advertising services	513 486	484 945
Income from concessions	348 855	319 709
TOTAL:	**18 818 783**	**17 605 294**
TOTAL:	**64 986 666**	**60 787 226**

Notes (continued)

3. Revenue (continued)

	2019 EUR	2018 EUR
EU Economic Activities Statistical Classification according to NACE codes:		
Aviation income (52.23)	40 865 167	38 132 931
Non-aviation income (68.20)	21 835 856	20 632 643
Non-aviation income (73.12)	513 486	484 945
Non-aviation income (79.90)	1 772 157	1 536 707
TOTAL:	**64 986 666**	**60 787 226**

* Introduced on 1st January 2012, in accordance with19th October 2011 regulations of Cabinet of Ministers No. 823 „On the charges for security and rescue measures carried out on the airfield".

** In accordance with the Regulation (EC) No 1107/2006 of the European Parliament and of the Council, concerning the rights of disabled persons and persons with reduced mobility when travelling by air (5th July 2006), Company is charging aircraft carriers for providing this service. Refer to Note 31.

*** Includes rental income from investment property in amount of 1 694 752 euro (2018: 1 547 065 euro).

The revenue does not differ by geographic segments. All revenue is generated in Latvia.

4. Government and EU grants

In accordance with the Clause 27 of law On Aviation, the Company provides equipment, systems and trained personnel to prevent unlawful intervention in the safety of civil aviation, and performs all such measures that ensure safety control of aircraft, its personnel, passengers and cargo in accordance with the national and international normative acts. In order to perform these functions, starting from 1 January 2007 the Company has received direct payments from the state budget, in 2019 amounting to 42 724 euro (2018: 44 102 euro). Part of the government grant for the aviation safety used to cover maintenance expenses is recognized under income of the reporting year. As at 31.12.2019., government grant for acquisition and creation of long-term investments to improve aviation safety carried forward to the following year is 203 607 euro (31.12.2018.: 221 289 euro).

On 27 December 2016 Riga Airport signed the contract No. J-16/37 with the Central Finance and Contract Agency as a Cooperation Authority regards the EU Cohesion Fund project "Development of Safe and Environmentally Friendly Infrastructure at Riga International Airport" Nr.6.1.2.0/16/I/001, the granting and monitoring of funding. The objective of the Cohesion Fund project "Development of safe and environmentally friendly infrastructure at Riga International Airport" is to improve environmental and safety measures at Riga Airport by implementing investment projects related to the reduction of environmental impact and increase of safety requirements in order to simultaneously promote climate change and achieving energy efficiency policy goals in line with increasing turnover. The project also plans to implement activities related to the implementation of airport security and aviation rescue functions, which qualify as activities related to the exercise of public authority, ensuring the improvement of civil aviation security measures.

Government grants recognised in the statement of comprehensive income can be reflected as follows:

	2019 EUR	2018 EUR
Government grant for the safety of aviation:	**60 406**	**66 672**
Depreciation of property, plant and equipment purchased using the grant	60 406	66 672
Grants received from the Cohesion Fund:	**5 129 359**	**5 595 896**
Depreciation of property, plant and equipment purchased using the Cohesion Fund resources	5 120 541	5 595 161
Depreciation of property, plant and equipment purchased using the EU project for development of safe and environmentally friendly infrastructure	8 818	735
Other grants:	**277 093**	**295 404**
Depreciation of property, plant and equipment purchased using the grant	187 318	213 088
Project No.KPFI-15.3/147, obtained from Climate Change Control Instrument financing	52 861	52 861
Employment related grants	34 397	29 455
European Social Fund project	2 517	-
TOTAL:	**5 466 858**	**5 957 972**

Notes (continued)

5. Personnel costs

		2019 EUR	2018 EUR
Total salaries:		**25 653 535**	**21 857 375**
Staff		25 101 013	21 391 039
Board and Council members		552 522	466 336
Total compulsory state social security contributions:		**6 149 774**	**5 241 609**
Staff		6 018 028	5 129 482
Board and Council members		131 746	112 127
	TOTAL:	**31 803 309**	**27 098 984**

Average number of employees during the reporting year was 1 315, including 4 members of the Board (2018: 1 273 including 4 members of the Board).

6. Depreciation of property, plant and equipment and investment property and amortisation of intangible assets*

		2019 EUR	2018 EUR
Depreciation of constructions and buildings		8 513 539	9 069 585
Depreciation of investment property		31 947	41 330
Depreciation of equipment and machinery		3 836 438	3 772 701
Depreciation of other items of property, plant and equipment		2 698 773	2 557 514
Amortization of intangible assets		134 008	112 023
Depreciation of right of use assets		380 561	-
	TOTAL:	**15 595 266**	**15 553 153**

* Refer to Notes 13, 14,15 and 16.

7. Other external costs

		2019 EUR	2018 EUR
Materials		1 804 638	1 788 354
Insurance of employees and movable and immovable property		700 897	673 913
Territory cleaning costs		104 500	106 260
Infrastructure maintenance costs		2 463 772	4 779 566
Public utilities		3 261 291	3 300 301
Business trips		276 952	265 269
Communication expenses		1 443 193	781 845
Transport costs		838 916	886 066
Management expenses*		428 283	498 408
Operating leases**		575 206	554 081
Increase of personnel qualification		469 587	421 624
Marketing and advertising		910 969	788 639
Safety measures		462 697	374 885
Other external costs		2 454 248	1 746 815
	TOTAL:	**16 195 149**	**16 966 026**

*Including audit expenses for the reporting year – 15 000 euro (2018: 15 000 euro). During the reporting year, the Company also received other services related to tax consultations – 23 600 euro (2018: 2 625 euro).

Notes (continued)

7. Other external costs (continued)

**In 2019, lease expenses are as follows:
- rent capacity 7 156 euro,
- lease of low value assets 259 458 euro,
- lease of intangible assets 194 847 euro,
- short term leases 113 744 euro.

8. Other operating income

	2019 EUR	2018 EUR
Penalty fees	274 695	114 747
Income from allowances for doubtful receivables and accruals for litigations, net*	15 281 402	4 064 595
Current assets sales result, net**	247 394	-
Other operating income***	1 224 602	93 043
TOTAL:	**17 028 093**	**4 272 385**

* Including reversal of accruals for litigations in amount of 6 694 864 euro (2018: 3 329 123), received principal amount of settlement 8 586 618 euro.
** Including income from selling felling rights 242 627 euro; income 6 812 euro from selling fixed assets with residual value 0, expenses from writing off fixed assets with value of 2 045 euro, net income – 4 767 euro (2018: expenses 2 468).
*** Including calculated depreciation of fixed assets that were acquired without a payment – 47 271 euro (2018: 51 726 euro), within one year recognized as deferred revenue for the development and maintenance of infrastructure 1 446 562 euro, issued credit notes 274 826 euro.

9. Other operating expenses

	2019 EUR	2018 EUR
Non-business expenses, primarily trade union events*	283 825	187 009
Real estate tax**	361 579	361 693
State tax for lottery organisation of goods and services	-	1 212
Losses from doubtful debts and provisions for legal cases, net	-	5 850
Current assets sales result, net	-	2 468
Penalties paid	5	6 717
Other operating expenses	168 606	37 602
TOTAL:	**814 015**	**602 551**

*Including depreciation of property, plant and equipment related to social infrastructure – 2 953 euro (2018: 1 181 euro), social events expenses 170 333 (2018: 115 229 euro).
**Including real estate tax expenses attributable to investment properties in 2019 amounting to 39 316 euro (2018: 33 540 euro).

10. Finance income

	2019 EUR	2018 EUR
Interest income from deposits and current bank balances	16 370	-
Net profit on currency exchange fluctuations	7 650	-
TOTAL:	**24 020**	**-**

Notes (continued)

11. Finance costs

	2019 EUR	2018 EUR
Interest expenses on long-term borrowings	543 987	762 843
Net expenses from exchange rate changes	5 795	1 849
Interest expenses on finance lease	6 620	9 961
TOTAL:	**556 402**	**774 653**

12. Corporate income tax

	2019 EUR	2018 EUR
Liability as at January 1, 2019	-	(855 723)
Tax on dividends for year 2018*	(400 889)	-
Paid during reporting year	400 889	855 723
Overpayment/ (liability) as at 31 December:	-	-

*Effective from 1 January 2018
Order No. 566 of the Cabinet of Ministers of 31 October 2018 "For state joint stock company's "Riga International Airport" to be paid in dividends share of profit for 2018-2023 year" determines that the Company pays a different share of profit to be paid in dividends in the amount of 20% of the profit for 2018-2022 year. Law on "The medium-term budgetary framework for 2018, 2019 and 2020 year" determines that minimum share of profit to be paid in dividends for State capital companies for 2018 and 2019 reporting year includes payment for the use of state capital and corporate income tax.

13. Intangible assets

	Software licences EUR
Cost at 31.12.2017.	**854 820**
Purchase	205 644
Disposals	(7 220)
Cost at 31.12.2018.	**1 053 244**
Accumulated amortization at 31.12.2017.	**522 525**
Amortization	112 023
Amortization of liquidated assets	(7 220)
Accumulated amortization at 31.12.2018.	**627 328**
Balance at 31.12.2017.	**332 295**
Balance at 31.12.2018.	**425 916**

	Software licences EUR
Cost at 31.12.2018.	**1 053 244**
Purchase	716 719
Disposals	(1 857)
Cost at 31.12.2019.	**1 768 106**
Accumulated amortization at 31.12.2018.	**627 328**
Amortization	134 008
Amortization of liquidated assets	(1 857)
Accumulated amortization at 31.12.2019.	**759 479**
Balance at 31.12.2018.	**425 916**
Balance at 31.12.2019.	**1 008 627**

Notes (continued)

14. Property, plant and equipment

	Land and buildings	Equipment and machinery	Other property, plant and equipment	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR
Cost at 31.12.2017.**	**196 564 494**	**50 635 801**	**19 555 193**	**624 556**	**267 380 044**
Additions	647 822	3 079 069	3 188 445	2 393 372	**9 308 708**
Reclassified	92 501	3 850	-	(96 351)	**-**
Reclassification to/from investment property*	279 552	-	-	-	**279 552**
Disposals**	(87 352)	(1 168 748)	(339 411)	-	**(1 595 511)**
Substitute part of fixed assets	(6 509)	(23 983)	-	-	**(30 492)**
Cost at 31.12.2018.**	**197 490 508**	**52 525 989**	**22 404 227**	**2 921 577**	**275 342 301**
Accumulated depreciation at 31.12.2017.	**79 697 406**	**37 120 958**	**10 108 693**	**-**	**126 927 057**
Depreciation***	9 069 585	3 772 701	2 558 696	-	**15 400 982**
Disposals depreciation	(85 580)	(1 164 804)	(335 529)	-	**(1 585 913)**
Substitute part of fixed assets	(6 509)	(22 426)	-	-	**(28 935)**
Accumulated depreciation at 31.12.2018.	**88 674 902**	**39 706 429**	**12 331 860**	**-**	**140 713 191**
Balance at 31.12.2017.	**116 867 088**	**13 514 843**	**9 446 500**	**624 556**	**140 452 987**
Balance at 31.12.2018.	**108 815 606**	**12 819 560**	**10 072 367**	**2 921 577**	**134 629 110**

	Land and buildings	Equipment and machinery	Other property, plant and equipment	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR
Cost at 31.12.2018.**	**197 490 508**	**52 525 989**	**22 404 227**	**2 921 577**	**275 342 301**
Additions	1 894 509	3 312 215	1 504 335	17 951 837	**24 662 896**
Reclassified	315 351	-	-	(315 351)	**-**
IFRS 16 implementation	-	(184 500)	(2 301 460)	-	**(2 485 960)**
Reclassification from right of use assets	-	-	52 848	-	**52 848**
Reclassification to/from investment property*	(98 860)	-	-	-	**(98 860)**
Disposals**	(199 176)	(1 117 037)	(367 777)	(38 829)	**(1 722 819)**
Substitute part of fixed assets		(118 474)	-	-	**(118 474)**
Cost at 31.12.2019.**	**199 402 332**	**54 418 193**	**21 292 173**	**20 519 234**	**295 631 932**
Accumulated depreciation at 31.12.2018.	**88 674 902**	**39 706 429**	**12 331 860**	**-**	**140 713 191**
Depreciation***	8 513 539	3 836 438	2 701 727	-	**15 051 704**
Disposals depreciation	(197 704)	(1 116 805)	(367 436)	-	**(1 681 945)**
IFRS 16 implementation	-	(54 911)	(1 357 397)	-	**(1 412 308)**
Reclassification from right of use assets	-	-	51 967	-	**51 967**
Reclassification to/from investment property*	4 580	-	-	-	**4 580**
Substitute part of fixed assets	-	(118 474)	-	-	**(118 474)**
Accumulated depreciation at 31.12.2019.	**96 995 317**	**42 252 677**	**13 360 721**	**-**	**152 608 715**
Balance at 31.12.2018.	**108 815 606**	**12 819 560**	**10 072 367**	**2 921 577**	**134 629 110**
Balance at 31.12.2019.	**102 407 015**	**12 165 516**	**7 931 452**	**20 519 234**	**143 023 217**

Notes (continued)

14. Property, plant and equipment (continued)

* Reclassified from / to investment property – Land and buildings with the cost of 98 860 euro reclassified to/from investment property (2018: 279 552 euro) (refer to Note 16).
** Historical cost - As at 31 December 2019, the Company's statement of financial position includes fully depreciated property, plant and equipment the cost of which is 67 769 475 euro (31.12.2018.: 60 625 814 euro).
*** Depreciation – calculated depreciation includes Property, Plant and Equipment purchased for government grants, purchased for means of European Community financial institutions and purchased on finance lease.

On 31 December 2019 the land with total area of 73.8506 hectares (31.12.2018: 73.8506) owned by the Ministry of Transport of the Republic of Latvia was transferred for usage to the Company and was not disclosed in the statement of financial position of the Company.

15. Right of use assets

	Right of use land and buildings	Right of use equipment and machinery	Right of use other property, plant and equipment	TOTAL
	EUR	EUR	EUR	EUR
Cost at 31.12.2018.	-	-	-	-
IFRS 16 implementation	-	184 500	2 301 460	**2 485 960**
Additions	53 113	-	87 484	**140 597**
Subleased	(53 113)	-	-	**(53 113)**
Reclassified to fixed assets	-	-	(52 848)	**(52 848)**
Cost at 31.12.2019.	-	**184 500**	**2 336 096**	**2 520 596**
Accumulated depreciation at 31.12.2018.	-	-	-	-
IFRS 16 implementation	-	54 911	1 357 397	**1 412 308**
Depreciation	-	26 357	354 204	**380 561**
Reclassified to fixed assets	-	-	(51 967)	**(51 967)**
Accumulated depreciation at 31.12.2019.	-	**81 268**	**1 659 634**	**1 740 902**
Balance at 31.12.2018.	-	-	-	-
Balance at 31.12.2019.	-	**103 232**	**676 462**	**779 694**

Right of use assets includes assets that were accounted in accordance with IAS 17 until 31 December 2018 as finance leases.

In 2019, two new lease agreements were signed. One contract was signed for the lease transferr to sublease. Please see note 23.

Notes (continued)

16. Investment property

	Land EUR	Buildings EUR	TOTAL EUR
Cost at 31.12.2017.	**1 140 752**	**1 008 457**	**2 149 209**
Reclassified to property, plant and equipment	(279 552)	-	**(279 552)**
Cost at 31.12.2018.	**861 200**	**1 008 457**	**1 869 657**
Accumulated depreciation at 31.12.2017.	-	**742 342**	**742 342**
Depreciation (calculated)	-	41 330	**41 330**
Accumulated depreciation at 31.12.2018.	-	**783 672**	**783 672**
Balance at 31.12.2017.	**1 140 752**	**266 115**	**1 406 867**
Balance at 31.12.2018.	**861 200**	**224 785**	**1 085 985**

	Land EUR	Buildings EUR	TOTAL EUR
Cost at 31.12.2018.	**861 200**	**1 008 457**	**1 869 657**
Reclassified to property, plant and equipment	-	(4 580)	**(4 580)**
Reclassified from property, plant and equipment	103 440	-	**103 440**
Cost at 31.12.2019.	**964 640**	**1 003 877**	**1 968 517**
Accumulated depreciation at 31.12.2018.	-	**783 672**	**783 672**
Depreciation (calculated))	-	31 947	**31 947**
Reclassified to property, plant and equipment	-	(4 580)	**(4 580)**
Accumulated depreciation at 31.12.2019.	-	**811 039**	**811 039**
Balance at 31.12.2018.	**861 200**	**224 785**	**1 085 985**
Balance at 31.12.2019.	**964 640**	**192 838**	**1 157 478**

In the course of its business, as at 31 December 2019 the Company rents out as part of the Company's land amounting to 67.9324 (31.12.2018: 60.6479) hectares.

17. Inventories

	2019 EUR	2018 EUR
Materials and consumables	918 125	803 458
Advances for goods	1 585	-
TOTAL:	**919 710**	**803 458**

18. Trade receivables

	2019 EUR	2018 EUR
Trade receivables	19 034 633	26 651 212
Impairment allowance	(11 278 126)	(19 865 797)
TOTAL:	**7 756 507**	**6 785 415**

Notes (continued)

18. a Impairment allowance

	EUR
Impairment allowance at 31 December 2017	**22 633 881**
Reversal of allowance through debt recovery	(7 410)
Written- off bad debts	(2 775 324)
Created impairment allowance	14 650
Impairment allowance at 31 December 2018	**19 865 797**
Reversal of allowance through debt recovery	(8 587 779)
Created impairment allowance	108
Impairment allowance at 31 December 2019	**11 278 126**

19. Other receivables and prepaid expenses

	2019 EUR	2018 EUR
Financial assets		
Other receivables*	580 584	1 356 552
Impairment allowance for other receivables	(1 989)	(1 989)
TOTAL FINANCIAL ASSETS:	**578 595**	**1 354 563**
Non-financial assets		
Insurance	94 141	138 177
Advances for services	13 458	481
Advances for fixed assets	1 807 851	5 611 253
Other prepaid expenses	712 784	211 021
TOTAL NON-FINANCIAL ASSETS:	**2 628 234**	**5 960 932**
TOTAL:	**3 206 829**	**7 315 495**

*Including sublease receivable of 46 558 euro in 2019.

20. Cash and cash equivalents

	2019 EUR	2018 EUR
Cash in bank	20 384 515	29 126 979
Cash in exchange machine and cash in transit	42 489	30 012
Cash on hand	7 357	7 611
TOTAL:	**20 434 361**	**29 164 602**

21. Share capital

The registered and paid-up share capital is 28 608 932 euro (31 December 2018: 28 608 932 euro) and it is comprised of 28 608 932 shares with nominal value one euro each (31 December 2018: 28 608 932 shares with nominal value 1.00 euro each). All shares are owned by the Republic of Latvia. The holder of the state shares is the Ministry of Transport of Latvia. All Company's shares rank equal with respect to dividends, liquidation quota and voting rights in the Shareholder Meeting.

Notes (continued)

22. Reserves

Other reserves represent reserve capital that is made of retained earnings at the Company's disposition for development purposes according with the decisions made during the shareholder's meetings.

The procedure of using and supplementing reserve capital is determined by the Shareholder's Meeting. After approval of the financial statements, the Shareholder's Meeting decides on deductions from profit to reserve capital. See Notes 2 (i) and (j).

	EUR
Reserve capital at 31 December 2017	**12 289 235**
Increase in 2018, net	-
Reserve capital at 31 December 2018	**12 289 235**
Increase in 2019, net	10 702 523
Reserve capital at 31 December 2019	**22 991 758**

Apart from reserve capital, other reserves include a "Long-term investment revaluation reserve" that has been created in 2001 for the assets that previously belonged to the Russian Federation Army, received free of charge. As at 31 December 2019 the balance of this reserve is 9 394 euro (2018: 9 394 euro).

23. Borrowings from credit institutions and other borrowings

	2019 EUR	2018 EUR
Long-term loans from credit institutions		
The Treasury (repayable not later than 5 years after balance sheet date)	23 829 178	25 351 722
Borrowing from "OP Corporate Bank plc" (repayable not later than 5 years after balance sheet date)	4 720 470	5 140 070
Long-term lease liabilities (repayable not later than 5 years after balance sheet date)	428 864	574 851
TOTAL NON-CURRENT PORTION:	**28 978 512**	**31 066 643**

	2019 EUR	2018 EUR
Short-term loans from credit institutions		
The Treasury	1 763 776	1 804 984
Loan from "OP Corporate Bank plc"	420 034	10 460 838
Lease liabilities	231 385	237 657
TOTAL CURRENT PORTION:	**2 415 195**	**12 503 479**
TOTAL:	**31 393 707**	**43 570 122**

(a) Loans from credit institutions

On 12 April 2012 **The Treasury of the Republic of Latvia** issued a loan to the Company for 43 483 793 euro. From 2 April 2015 loan amount has been reduced in line with the Decision No. 12-33/9 by the Ministry of Finance to 33 663 759.46 euro. The aim of the loan is implementation of Cohesion Fund project No. 2010LV161PR001 "Riga International Airport Infrastructure Development". The loan shall be repaid until 20th February 2015. The loan shall be used until 20 March 2015. The Company has placed a mortgage for the benefit of the State Treasury of the Republic of Latvia with real estate belonging to the Company and mortgaged movable property (Pledge deed No. 100155354 dated 9th February 2012 and pledge deed No. 100158809 dated 11t October 2012, updated 20 February 2014 No. 100165077, updated 24th March 2015 No. 100169472). As at 31 December 2019 the repayable part of the loan is 25 351 722 euro and the accrued interest is 101 119 euro (2018: 27 014 130 euro and accrued interest 142 576 euro). Based on the Minister of Finance Decision No. 12-6 / 12 of 9 August 2018, the Company and The Treasury of the Republic of Latvia signed a loan agreement in the amount of 208 978 euro. Purpose of loan the realization of KF project No.6.1.2.0/16/I/001 "Development of safe and environmentally friendly infrastructure at Riga International Airport". Loan must be repaid by 20 July 2026. Loan must be used by 30 July 2021. As at 31 December 2019, used portion of loan is 139 864 euro.

Notes (continued)

23. Borrowings from credit institutions and other borrowings (continued)

"OP Corporate Bank plc" The Company has a loan facility of 13 000 000 euro signed on 14th August 2014. Purpose of the loan - funding of projects "Expansion of a passenger terminal of SJSC "Riga International Airport" - 5th level and 1st level of building Northern terminal. In 2015 a loan in amount of 11 267 500 euro was received. As at 31st December 2018 the repayable part of the loan was 10 039 350 euro and accrued interest 1 419 euro. In 2019, loan was repaid in the amount of 10 039 350 euro.

"OP Corporate Bank plc" The Company has a loan of 6 400 000 euro signed on 21st April 2016. Purpose of the loan – funding of project "Expansion of a passenger terminal of SJSC "Riga International Airport" 5.2nd level. The loan shall be repaid until 20th April 2021. In 2017 a loan in amount of 6 294 000 euro was received. As at 31st December 2019 the repayable part of the loan is 5 140 070 euro and accrued interest is 434 euro (2018: 5 559 670 euro and accrued interest 469 euro).

Loan interest rates for all borrowings have been set with the floating interest rate and the actual interest rates during the reporting period fluctuated from 1-3% per annum.

Future payments under finance lease in 2018 and under lease liabilities in 2019 are as follows:

	2019 EUR	2018 EUR
Within 1 year, including lease interest	237 792	244 037
Later than one year but less than five years, including lease interest	434 523	583 472
Total lease liabilities – minimum lease payments and lease interest	**672 315**	**827 509**
Future finance charges on lease – interest on the lease	(12 066)	(15 001)
PRESENT VALUE OF LEASE LIABILITIES:	**660 249**	**812 508**

The present value split of lease liabilities based on short-term and long-term parts is as follows:

	2019 EUR	2018 EUR
Within 1 year	231 385	237 657
Later than one year but less than five years	428 864	574 851
PRESENT VALUE OF LEASE LIABILITIES:	**660 249**	**812 508**

Movement of borrowings:

	2019 EUR	2018 EUR
Balance at the beginning of the reporting year	**43 570 122**	**47 235 539**
Loans received	139 864	-
Undertaken lease	106 490	-
Loans repaid	(12 121 358)	(3 270 973)
Repayment of lease liabilities	(258 654)	(385 446)
Calculated interest	551 193	772 804
Interest received	1 618	-
Interest paid	(595 568)	(781 802)
Balance at the end of the reporting year	**31 393 707**	**43 570 122**

As at 31 December 2019, the Company has signed 17 lease contracts for plant and equipment received with the following repayment term till 31 December 2020 -19 569 euro; till 31 December 2021 – 18 400 euro; till 31 December 2022 – 342 976 euro; till 31 December 2023 – 99 970 euro; till 31 December 2024 – 94 182 euro. In 2019, two new lease agreements were signed with repayment term till 31 December 2022 – 85 152 euro. During 2019, actual interest rates fluctuated from 1% to 2.8% per annum.

Notes (continued)

24. Deferred income

	2019 EUR	2018 EUR
Long term:		
Government grant related to the Cohesion Fund financing of property, plant and equipment acquired as part of the runway extension project	4 592 680	5 179 019
Payment for development of infrastructure stipulated in the long-term lease agreements	1 302 958	3 230 341
Government grants for development of the airport infrastructure	423 050	607 377
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	145 981	163 307
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	41 009 129	45 387 465
Fixed assets (heating system and other) obtained free of charge	237 690	266 397
Funding from State budget subprogram 99.00.00. "Expenditure for unforeseen events"	-	249
From EU project for safe and environmentally friendly infrastructure	25 720	34 539
TOTAL LONG TERM PART:	**47 737 208**	**54 868 694**
Short term:		
Government grant related to the Cohesion Fund as part of the runway extension project	586 340	586 340
Advertising and lease services	935 588	625 554
Government grants for development of the airport infrastructure	184 325	184 325
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	57 628	57 982
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 378 336	4 534 201
Fixed assets (heating system and other) obtained free of charge	28 707	28 707
Funding from State budget subprogram 99.00.00. "Expenditure for unforeseen events"	249	2 993
Fixed assets acquired as part of ERDF project No.15.3 /147	-	52 861
From EU project for safe and environmentally friendly infrastructure	8 818	8 818
TOTAL SHORT TERM PART:	**6 179 991**	**6 081 781**
TOTAL:	**53 917 199**	**60 950 475**

See also Note 4.

25. Other liabilities

	2019 EUR	2018 EUR
Financial liabilities		
Other liabilities	4 149 138	1 928 296
Other accrued expenses	4 590 955	11 841 872
TOTAL FINANCIAL LIABILITIES:	**8 740 093**	**13 770 168**
Non-financial liabilities		
Taxes and compulsory state social security contributions liabilities	1 182 445	967 626
Salaries	1 289 235	1 098 270
Advances from clients	1 280	2 347
TOTAL NON-FINANCIAL LIABILITIES:	**2 472 960**	**2 068 243**
TOTAL:	**11 213 053**	**15 838 411**

Notes (continued)

26. Accrued liabilities

	2019 EUR	2018 EUR
Accrued vacation liabilities	1 086 458	1 062 222
Accrued bonus expenses	2 946 472	1 993 037
TOTAL ACCRUED LIABILITIES:	**4 032 930**	**3 055 259**

27. Financial risk management

(a) Financial risk factors

The Company's overall risk management conception is based on the entrepreneurship strategy and internal controls procedures approved by the Board of the Company. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company has the following financial instruments:

a. financial assets: current and non-current receivables, and cash in banks, cash in bank deposits;
b. financial liabilities: short-term and long-term loans, lease liabilities, payables to creditors.

Financial instruments by categories:

	Notes	2019 EUR	2018 EUR
Non derivative financial assets, loans and receivables			
Trade receivables, net	18	7 756 507	6 785 415
Other financial assets	19	578 595	1 354 563
Cash and cash equivalents	20	20 434 361	29 164 602
	TOTAL:	**28 769 463**	**37 304 580**

	Notes	2019 EUR	2018 EUR
Non derivative financial liabilities			
Loans from credit institutions	23	(30 733 458)	(42 757 614)
Lease liabilities	23	(660 249)	(812 508)
Trade payables		(3 577 954)	(2 379 249)
Other liabilities	25	(8 740 093)	(13 770 168)
	TOTAL:	**(43 711 754)**	**(59 719 539)**

The Company has exposure to the following risks:

- credit risk;
- liquidity risk;
- interest rate risk;
- foreign currencies fluctuations risk.

Credit risk

The Company is exposed to credit risk, which is a risk of arising of material losses, when the counterparty is not able to fulfil its contractual obligations to the Company. Credit risk is critical to the operations of the Company, so it is important to manage this risk effectively.

Sources of credit risk

Credit risk mainly relates to the largest customers of the Company. Three largest customers of the Company contribute 73% (2018: 85%) of the total debtors. One of those customers represented 12% (2018: 40%), of the total trade receivables, the second one represented 43% (2018: 30%) and the third largest customer represented 18% (2018: 15%) of the total trade receivables.

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Credit risk (continued)

Credit risk management

The Board of the Company has approved invoice settlement controls and debt recovery policy setting competence and responsibility in the debt recoverability process for each structural unit.

Credit risk is monitored by the Company through constant evaluation of client credit history and assigning terms of credit for each client separately. The Company has introduced such credit policy that allows providing services on credit to customers with good credit history.

In 2019, there were no significant changes in expected credit losses regards trade receivables.

Receivables are only written-off if the Company treats them as irrecoverable. Indicators, which can lead to the irrecoverability of debts, are not agreeing about repayment schedule, including debtor's insolvency, bankruptcy or liquidation.

On monthly basis, the Company evaluates balances due from specific debtors and performs aging analysis.

Accounts receivable are analysed based on the following aging groups as at 31 December 2019:

	Not due	Less than 30 days	30-90 days	90-180 days	More than 190 days	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables, gross	7 457 170	223 771	30 632	(330)	11 323 390	**19 034 633**
Allowance	-	-	(62)	(43)	(11 278 021)	**(11 278 126)**
Trade receivables, net	7 457 170	223 771	30 570	(373)	45 369	**7 756 507**

Accounts receivable are analysed based on the following aging groups as at 31 December 2018:

	Not due	Less than 30 days	30-90 days	90-180 days	More than 190 days	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables, gross	6 741 787	43 207	15 045	46	19 851 127	**26 651 212**
Allowance	-	-	(14 650)	(20)	(19 851 127)	**(19 865 797)**
Trade receivables, net	6 741 787	43 207	395	26	-	**6 785 415**

Accounts receivable are recorded in the balance sheet at their amortised cost less provisions for impairment. Provisions for impairment are established in line with the conservative strategy by establishing in amount of 100% when there is an objective evidence to the management that these receivables will be irrecoverable.

In the event of a significant increase in credit risk, the impairment will be measured using the lifetime ECL of the asset, rather than the 12-month ECL. The model provides for operational simplifications for trade receivables. The Company has applied operational simplifications permitted by IFRS 9 in relation to the measurement of trade receivables – trade receivables are grouped by reference to the credit quality thereof and days outstanding, applying the ECL rates to each relevant group. The ECL rates are estimated based on the last three years of payment history, adjusting the indicator by considering the present information as well as future prospects. Estimated rate for trade receivables, which are not due, is low, therefore estimated ECL is not material and is equal to zero.

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Credit risk (continued)

Credit risk management		Total, gross	Allowance	Total, net	Not yet due		Due	
					Gross amounts	Allowance	Gross amounts	Allowance
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2019.								
Trade receivables, including		19 034 633	(11 278 126)	7 756 507	7 457 169	-	11 577 464	(11 278 126)
Three largest clients		13 827 536	(10 927 611)	2 899 925	2 895 034	-	10 932 502	(10 927 611)
Other customers		5 207 097	(350 515)	4 856 582	4 562 135	-	644 962	(350 515)
Other receivables, net		580 584	(1 989)	578 595	578 595	-	1 989	(1 989)
	TOTAL:	**19 615 217**	**(11 280 115)**	**8 335 102**	**8 035 764**	**-**	**11 579 453**	**(11 280 115)**

Credit risk management		Total, gross	Allowance	Total, net	Not yet due		Due	
					Gross amounts	Allowance	Gross amounts	Allowance
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2018.								
Trade receivables, including		26 651 212	(19 865 797)	6 785 415	6 814 514	-	19 836 699	(19 865 797)
Three largest clients		22 715 431	(19 514 228)	3 201 203	3 183 069	-	19 532 362	(19 514 228)
Other customers		3 935 782	(351 569)	3 584 213	3 631 445	-	304 337	(351 569)
Other receivables, net		1 356 552	(1 989)	1 354 563	1 354 563	-	1 989	(1 989)
	TOTAL:	**28 007 765**	**(19 867 786)**	**8 139 978**	**8 169 077**	**-**	**19 838 687**	**(19 867 786)**

* Allowance was recognized for debts the recoverability of which is doubtful (see Note 18 and 19).

Quality of the debtors

Fully performing debtors are mainly comprised of airline company debts for services provided to airline companies in December, which expected credit losses are not material if compared total performance indicators, therefore they are not recognized.

Past due not impaired and impaired debtors are not secured (with mortgage or commercial pledge).

Term deposits and cash at bank

Bank	Long term rating from Moody's Investors Service	2019 EUR	2018 EUR
AS Swedbank	Aa2	1 215 067	5 449 366
AS Citadele Bank	Ba1	1 184 773	1 665 173
"OP Corporate Bank plc"	Aa3	9 868	12 052 930
Luminor bank (previously: DnB bank)	Baa1	984 214	881 223
Luminor bank (previously: Nordea bank AB)	Baa1	10 646 619	2 528 138
The Treasury of the Republic of Latvia		6 343 974	6 550 149
	TOTAL:	**20 384 515**	**29 126 979**

Expected credit losses were not recognised for cash as amounts are not material in the context of the financial statements.

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Liquidity risk

Liquidity risk is associated with Company's ability to settle its liabilities within agreed due dates.

Main guidelines applied by the Company – do not permit delay of payments to creditors. The Company controls its liquidity risk by ensuring sufficient amount of cash and cash equivalents. There is a loan from the State Treasury, received on 12 April 2012, in amount of 43 483 793 euro. By the decision of the Ministry of Finance dated 2 April 2015, the loan has been reduced to 33 663 759,46 euro. The purpose of the loan – implementation of the Cohesion fund project No. 2010LV161PR001 "Infrastructure development of Riga International Airport".

On 20 December 2018, the Company and the Treasury signed a loan agreement in the amount of 208 978 euro. Purpose of loan – KF project No.6.1.2.0/16/I/001 "Development of safe and environmentally friendly infrastructure at Riga International Airport" realizing.

The Company has a loan agreement with OP Corporate Bank plc dated 21 April 2016 for a loan in amount of 6 400 000 euro. Purpose of the loan is financing of construction works in relation to passenger terminal expansion 5th stage 2. part. The loan repayment date is 20 April 2021.

Operating cash flow forecast is prepared to manage liquidity risk on a monthly basis. In case the situation with working capital deteriorates, operating cash flow forecast is prepared on weekly basis or more frequently.

Tables below analyse the Company's financial liabilities by relevant maturity groupings. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019 the Company's short-term assets exceeded its short-term liabilities by 4 898 284 euro. Short-term liabilities include deferred income, which relates to the State subsidies and support from EU funds, which is not related to direct cash flows, in total amount of 5 215 696 euro. The Company's management forecasts that liquidity will not be an issue and the Company will be able to settle its payables when due.

Therefore, the Company considers that the going concern principle is applicable to the preparation of these financial statements.

In comparison to the previous reporting year, the Company's accounting and valuation methods have not been changed.

Term analysis of financial liabilities at 31.12.2019. based on their contractual cash flows:

	Carrying amount EUR	Contractual cash flows EUR	1 – 3 months EUR	3 months – 1 year EUR	1 – 5 years EUR	More than 5 years EUR
31.12.2019.						
Loans from credit institutions	(30 733 458)	(33 759 966)	(628 417)	(1 880 524)	(14 593 128)	(16 657 897)
Lease liabilities	(660 249)	(672 262)	(64 986)	(172 805)	(434 471)	-
Accounts payable to suppliers and contractors	(3 577 954)	(3 577 954)	(3 577 954)	-	-	-
Other liabilities	(8 740 093)	(8 740 093)	(414 859)	(2 752 698)	(5 572 536)	-
TOTAL:	**(43 711 754)**	**(46 750 275)**	**(4 686 216)**	**(4 806 027)**	**(20 600 135)**	**(16 657 897)**

Term analysis of financial liabilities at 31.12.2018. based on their contractual cash flows:

	Carrying amount EUR	Contractual cash flows EUR	1 – 3 months EUR	3 months – 1 year EUR	1 – 5 years EUR	More than 5 years EUR
31.12.2018.						
Loans from credit institutions	(42 757 614)	(46 279 023)	(896 864)	(11 770 763)	(15 174 659)	(18 436 737)
Lease liabilities	(812 508)	(827 509)	(61 882)	(182 155)	(583 472)	-
Accounts payable to suppliers and contractors	(2 379 249)	(2 379 249)	(2 379 249)	-	-	-
Other liabilities	(13 770 168)	(13 770 168)	(1 002 975)	(1 243 340)	(11 523 853)	-
TOTAL:	**(59 719 539)**	**(63 255 949)**	**(4 340 970)**	**(13 196 258)**	**(27 281 984)**	**(18 436 737)**

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Interest rate risk

The Company is exposed to cash flow interest rate risk, as majority of its short-term and long-term borrowings and finance lease liabilities are at variable interest rate. Company's policy stipulates that main part of its debts have variable interest rates.

Other financial assets and liabilities have no interest rates attached to them.

As all financial assets and liabilities are accounted for at amortised cost, the Company is not exposed to the fair value interest rate risk.

If all other variables remain unchanged, The Company's pre-tax profit effect against reasonably possible interest rate fluctuation is following: if euro borrowing rates would have been 100 basis points higher at floating base rates then the Company profit after tax for reporting year would be 122 828 euro less.

Foreign currencies fluctuations risk

Foreign currency exchange risk is probability, that foreign currency exchange fluctuations will affect financial position and cash flows of the Company. Assets and liabilities exposed to the foreign currency exchange risk are cash and cash equivalents, trade and other receivables, short and long-term borrowings, accounts payable to suppliers and contractors and other liabilities. The Company is mainly exposed to foreign currency exchange risk associated with USD and CAD. Exposure to foreign currency exchange risk as at 31 December 2019 and 2018 is as follows:

	2019	2018
Financial assets, USD thousand	134	109
Financial liabilities, USD thousand	(2)	(1)
Statement of financial position, USD thousand, net	**132**	**108**
Statement of financial position, EUR thousand, net	**118**	**95**

	2019	2018
Financial assets, CAD thousand	-	-
Financial liabilities, CAD thousand	(13)	-
Statement of financial position, CAD thousand, net	**(13)**	**-**
Statement of financial position, EUR thousand, net	**(9)**	**-**

Currency sensitivity analysis

The effect of USD exchange rate fluctuations has been calculated for both years, assumption is made based on prior year USD and CAD currency exchange rate fluctuations, which were in the range of 1%.

31 December 2019

			Impact on current profit before income tax / net assets	
	Currency	**Book value EUR**	**+1% (USD) +1%(CAD) EUR**	**-1% (USD) -1%(CAD) EUR**
Financial assets				
Cash and cash equivalents	USD	36 237	362	(362)
Trade receivables, gross	USD	83 385	834	(834)
	TOTAL:	**119 622**	**1 196**	**(1196)**
Financial liabilities				
Trade payables	USD	1 476	15	(15)
Trade payables	CAD	9 059	91	(91)
	TOTAL:	**10 535**	**106**	**(106)**
Net effect		**109 087**	**1 090**	**(1 090)**

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Foreign currencies fluctuations risk (continued)

31 December 2018

	Currency	Book value	Impact on current profit before income tax / net assets	
			+1% (USD)	**-1% (USD)**
		EUR	**EUR**	**EUR**
Financial assets				
Cash and cash equivalents	USD	8 086	81	(81)
Trade receivables, gross	USD	87 249	872	(872)
	TOTAL:	**95 335**	**953**	**(953)**
Financial liabilities				
Trade payables	USD	716	71	(71)
	TOTAL:	**-**	**-**	**-**
Net effect		**94 619**	**882**	**(882)**

(b) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

The Company performs management of the capital, based on proportion of borrowed capital against total capital. This indicator is calculated as proportion of total liabilities, less cash and cash equivalents, to the total capital of the Company. Liabilities include all long term and short-term liabilities, but total capital includes all liabilities of the Company and equity. This indicator is used to evaluate structure of the capital of the Company, as well as its solvency. Strategy of the company is to ensure that mentioned proportion is not higher than 50%.

In 2019 and 2018 the proportion of borrowed capital to total capital was as follows:

	2019	**2018**
	EUR	**EUR**
Total liabilities	104 134 843	125 793 516
(Cash and cash equivalents)	(20 434 361)	(29 164 602)
(Financing received from EU Cohesion Fund, ERAF and government grants with the purpose of funding purchase of property, plant and equipment as included into deferred income)	(51 678 653)	(57 094 581)
Net total liabilities	32 021 829	39 534 333
Total equity and liabilities	178 286 423	180 209 981
Borrowed capital proportion to total capital:	**17.96%**	**21.94%**

(c) Fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

The objective of the fair value measurement, even in inactive markets, is to arrive at the price at which an orderly transaction would take place between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In order to arrive at the fair value of a financial instrument different methods are used: quoted prices, valuation techniques incorporating observable data and valuation techniques based on internal models. These valuation methods are divided according with the fair value hierarchy in Level 1, Level 2 and Level 3. The level in the fair value hierarchy within which the fair value of a financial instrument is categorized shall be determined based on the lowest level input that is significant to the fair value in its entirety.

Notes (continued)

27. Financial risk management (continued)

(c) Fair value (continued)

The classification of financial instruments in the fair value hierarchy is a two-step process:

1. Classifying each input used to determine the fair value into one of the three levels;
2. Classifying the entire financial instrument based on the lowest level input that is significant to the fair value in its entirely.

Quoted market prices - Level 1

Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques using observable inputs - Level 2

Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).

Valuation technique using significant unobservable inputs - Level 3

A valuation technique that incorporates significant inputs that are not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

The Company considers that there is no significant difference between the cost and fair value of its financial assets and liabilities.

The following financial assets and liabilities are included in Level 3:
Assets: Cash and cash equivalents 20 434 361 euro; net trade accounts receivable 7 803 065 euro; other net receivables 532 036 euro.
Liabilities: Borrowings form credit institutions 30 733 457 euro; financial lease liabilities 660 003 euro; trade accounts payable 3 577 954 euro; other liabilities 8 740 093 euro.

Assets and liabilities for which fair value is disclosed

The carrying amount of liquid and short-term financial instruments (with maturity below 3 months), for example, cash and cash equivalents, short-term deposits, short-term trade payables and trade receivable, corresponds to their fair value.

The carrying amount of bank loans, finance lease liabilities and other long-term liabilities is evaluated by discounting future cash flows and applying market interest rate. As interest rates applied on loans from credit institutions, finance lease liabilities and other long-term liabilities are mainly floating and do not significantly differ from market rates, and the risk margin applicable to the Company has not changed significantly, the fair value of long-term liabilities approximates their net book value.

Assets measured at fair value
The Company has no assets or liabilities, measured at fair value.

28. Capital commitments

The Company has planned to spend 4 305 thousand euro (2018: 24 577 thousand euro) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:
- Contracted for, but not yet delivered: 4 075 thousand euro (2018: 15 775 thousand euro)
- Approved, but not yet contracted for: 230 thousand euro (2018: 8 802 thousand euro)

29. Related party transactions

The Company has transactions with several companies whose shares belong the State. The largest transactions have been with AS Air Baltic Corporation, VAS Latvijas gaisa satiksme, VA Civilās aviācijas aģentūra, VAS Latvijas Pasts. Transactions are related to the core activities of the respective counterparty.

(a) Balances due to related parties

	2019 EUR	**2018 EUR**
Payables to VA "Civilās valsts aģentūru", safety and rescue pay part	400 375	465 852

Notes (continued)

29. Related party transactions (continued)

(b) Balances due from related parties

	2019 EUR	2018 EUR
VAS „Latvijas gaisa satiksme", for lease and public utility services	53 677	45 007
VAS „Latvijas pasts", for lease and public utility services	32 421	36 664
AS „Air Baltic Corporation", for aviation and lease services	2 237 466	10 681 344
incl. doubtful debt allowance	-	*(8 586 618)*

(c) Income from sales of services to related parties

	2019 EUR	2018 EUR
VAS Latvijas gaisa satiksme for lease and public utility services	585 700	546 710
VAS Latvijas pasts for lease and public utility services	326 223	335 120
AS Air Baltic Corporation for aviation and lease services	16 731 936	14 439 558

(d) Expenses for the purchase of goods and services from related parties

	2019 EUR	2018 EUR
VAS „Latvijas gaisa satiksme" for the services provided	8 661	12 392
VAS „Latvijas pasts" for the services provided	6 360	7 892
Services received from AS „Air Baltic Corporation"	288 836	265 239

(e) Grants received from related parties

	2019 EUR	2018 EUR
Aviation safety grants from the State (see Note 4)	42 724	44 102

Transactions with key management personnel are disclosed in Note 5.

30. Contingent liabilities and assets

Accruals:
According to the SJSC "Riga International Airport" Board decision dated 10 February 2020, the following provisions have been created:

- Leave unchanged the provision created for fulfilment of the potential liabilities regarding the case by air carrier "Ryanair Ltd" in amount of 4 254 591 euro;
- Leave unchanged the provision created for potential compensations for real estate located at Mazā Gramzdas Street 1A, cadastre No. 8076 002 0061 and "Mūkupurvi", cadastre No. 8076 002 0063 in amount of 295 120 euro.

Details of the proceedings:

AB "flyLAL - Lithuanian Airlines' claim against the SJSC "Air Baltic Corporation" and SJSC "Riga International Airport", to stop unlawful operations and recover material loss, and a claim by third parties JSC" Zia Valda ", JSC" VA REALS " to stop unlawful operations and recover material loss.

By decision of 27 January 2016 of the Vilnius Regional Court the claim against SJSC "Riga International Airport" was dismissed, while court proceeding expenses for postal expenses, state duty in favour of flyLAL-Lithuania Airlines and ½ of case proceeding expenses in favour of flyLal Lithuania Airlines are to be recovered from SJSC "Riga International Airport". On 26 February 2016 the Airport filed an appeal. On 12 January 2016, the Lithuanian Appeal Court decided to refer to CJEU regarding jurisdiction. On 12 February 2019, the CJEU decided that the dispute was subject to the jurisdiction of the Republic of Lithuania. The case is pending on appeal.

Notes (continued)

30.Contingent liabilities and assets (continued)

Details of the proceedings (continued)

Claim by "Ryanair Ltd" for recognition of arbitration court decision and request for enforcement against JCS "Riga International Airport"

Air carrier Ryanair Ltd has appealed to the Riga district court Jurmala court house for recognition of a London ad-hoc arbitration decision and request for reinforcement against JCS "Riga International Airport". According to Riga district court Jurmala court house decision dated 21 September 2017, the claim by Ryanair ltd has been satisfied. On 19 October 2017 JCS "Riga International Airport" filed a complaint in Riga regional court. On 2 May 2018, the Riga Regional Court decided to stop the proceedings for which a complaint was lodged on 15 May 2018. On 11 February 2019, the Senate of the Republic of Latvia decided to refuse to admit a complaint by the merchant Ryanair Ltd about the decision of the Riga Regional Court Civil Court on 2 May 2018. The decision can not be appealed.

Claim of SJSC "Riga International Airport" against natural persons for conclusion of an agreement for mandatory rent of land and recognition of contractual land rent relationship

On 24 February 2017 SJSC "Riga International Airport" has raised a claim in Riga city Pardaugava court for conclusion of an agreement for mandatory rent of land and recognition of contractual land rent relationship. With the decision of Riga regional court dated on 8 February 2019 regional court of Riga decided to fulfil the Airport's claim against the Defendant regards the components of the land lease agreement, and to recover the expense related to the examination of the case from the Defendant. On 11 March 2019, the Airport sent a cassation complaint to the Department of Civil Cases of the Senate of the Republic of Latvia. On 6 September 2019, the Senate of the Supreme Court decided to transfer the case for review in cassation.

Claim of SJSC "Riga International Airport" for invalidation of issued invoices and for enforcement of the claim security measure – postponement of activities

Claim was initiated for invalidation of issued invoices and for enforcement of the claim security measure – postponement of activities. With the decision of Zemgale regional court of Riga, the Company's claim was declined. With the decision of Riga regional court dated 4 April 2017, the Company's claim was satisfied. On 15 March 2019, the Senate of the Republic of Latvia, reviewing the case in a written procedure, decided to annul the judgement of the Chamber of Civil Cases of the Riga Regional Court of 4 April 2017 and transfer the case for a new hearing in the court of first instance. The court hearing of 15 October 2019 was postponed to 4 February 2020 in order to give both parties time to reach a possible settlement and for the Defendant to get introduced with the additional documents submitted by the plaintiff.

Proceedings between SIA "Merks" and SJSC "Riga International Airport"

On 21 September 2017 SIA "Merks" initiated a claim against JCS "Riga International Airport" for recovery of debt and contractual penalty, on 18 May 2018 SJSC "Riga International Airport" filed a counterclaim in court for the recovery of the contractual penalty, as well as legal costs and expenses for legal assistance provided by lawyers. Settlement negotiations are currently taking place between the parties, as a result of, which considering the requests submitted by both parties, the next court hearing is scheduled for 7 May 2020.

SJSC "Riga International Airport" claim against SIA "Staur Building" for recognition of property rights

On 23 December 2019, SJSC "Riga International Airport" submitted a claim application to the Riga regional court, requesting recognition of property rights to real estate located at Ziemeļu Street 1, Airport "Riga", Mārupe county, cadastre No. 80765020027, consisting of a building with a cadastral designation 80760020007060.

Future income from lease payments

During 2019, the Company signed several operating lease agreements as a lessor of land and premises. In 2019, the Company generated revenues of 14 570 624 euro (2018: 14 925 572 euro) from these lease agreements.

The lease agreements are concluded for a term of between 1 (rent of office premises in the terminal) and 49 years. Short-term agreements can be extended.

On 30 September 2010, the Company signed the long-term lease agreement no. NN-10/100 (renewed by NN-10/116) with SIA TAV Latvia on renting commercial premises of the Company's terminals until 31 December 2022. The share of income from the above lease agreement with SIA TAV Latvia in the Company's total income from the rent of premises and land in 2019 amounted to 82% (2018: 76%). The respective agreement stipulates that lease payments depend upon turnover of the commercial premises in each month separately. Considering the significant share of income generated by this agreement, future income from lease in accordance with the effective agreements as at 31 December 2019 have not been disclosed, as it cannot be estimated reliably.

Notes (continued)

31. Charge for services provided to disabled persons and persons with reduced mobility

In accordance with the Regulation (EC) No 1107/2006 of the European Parliament and of the Council, concerning the rights of disabled persons and persons with reduced mobility when travelling by air (5th July 2006), Company is charging aircraft carriers for providing this service. Income and expenses for this service provided are disclosed as follows:

	2019 EUR	2018 EUR
Income	1 083 614	981 955
Direct costs	(938 610)	(848 465)
Indirect costs	(293 692)	(219 418)
Loss from operating activities	**(148 688)**	**(85 928)**
Other operating income*	309 533	-
Other operating expenses	(4 378)	(1 869)
PROFIT/ (LOSS) BEFORE TAX:	**156 467**	**(87 797)**

*In 2019, reversed provisions are reflected in other operating income for PRM fees in accordance with the payment received by AS "Air Baltic Corporation" in 2019 for the settlement signed on 6 July 2011.

32. Profit distribution proposed by the Board

The profit for the reporting year to be distributed is 22 541 496 euro.

Order of the Cabinet of Ministers No. 566 of 31 October 2018 "On the profit share of the state joint stock company" Riga International Airport "to be paid out to the State in period 2018 - 2023", states that the Company pays different dividends at a different dividend rate of 20% (4 508 299 euro) to the Ministry of Transport as a shareholder of the Company to ensure that 80% of the profit (18 033 197 euro) earned in the 2019 financial year is allocated to the Company's development in accordance with the Company's medium-term strategy for 2017-2023. Law on "Medium-term budgetary framework for year 2018, 2019 and 2020" stipulates that the part of the profit to be paid in dividends includes the payment for the use of state capital and corporate income tax.

Taking into account the events after the end of the reporting year, the Airport Board, in the light of the above conditions and circumstances, proposes that the Airport Council reviews and approves a decision for further transferring and reviewing to the Shareholders' Meeting different from the Cabinet of Ministers in order No.566 of 30 October 2018 (protocol No. 50 21.§) On the profit share of the SJSC" Riga International Airport " to be paid out to the State in period 2018 – 2023 and conclusion of the European Commission of 16 may 2019 in case SA.52865 (2019/PN) dividend payment of SJSC" Riga International Airport " for 2019, setting it at 0% of the profit of the 2019 reporting year.

Profit distribution recommended by the Board:
- Anticipate the payment for the use of state capital shares in the amount of 0% of the distributable profit of the reporting year 2019;
- Transfer 100% or 22 541 496 EUR of the distributable reporting year profit to the Company's reserves capital.

33. Subsequent events

The Company's development plans for 2020 were adjusted together with the global coronavirus epidemic COVID-19, which was declared a pandemic on 11 March 2020 in accordance with the decision of the World Health Organization (*WHO Director- General's opening remarks at the media briefing on COVID – 19 March 2020*, available: https://who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020) and according to which the Cabinet of Ministers issued and order on 12 March 2020 No.103 "On the declaration of a state of emergency", to limit the spread of the new coronavirus disease Covid-19, which led to the abolition of international passenger services through airports, ports, buses and rail by 17 March 2020, with exception of passenger transport by national aircraft and military transport.

Along with the above-mentioned, the economic activity of the Airport in 2020 has been significantly affected, as a result the Airport forecasts a significant decrease in the amount of provided services and revenues, thus not reaching the approved operational and financial indicators for 2020. However, it is too early to judge the exact estimated financial impact, as there is uncertainty about the length of the pandemic and state of emergency. According to the forecasts of the *Airports Council International* (ACI) and the Airport, slow recovery of passenger air transport at the Airport would resume in the 3rd quarter of 2020.

Notes (continued)

33.Subsequent events (continued)

In response to sharp decline in the number of passengers served and revenue, as well as to ensure the continuity of the Airport's operations, the Airport has launched a comprehensive cost reduction program with the aim of reducing potential losses due to COVID-19. Within the framework of the cost reduction program, a decision has been made to reduce personnel costs, operating costs and investments.

Although at the time of approval of financial statements the liquidity of the Airport is sufficient to cover liabilities, the ability of the Airport to cover future liabilities depends on various scenarios of the duration of state of emergency. Nevertheless, the Airport has asked the Shareholder to provide state aid to cover possible losses due to the COVID-19 crisis.

The financial indicators for 2019 were not adjusted, as the management's assessment indicates that this is a non-adjusting event after the balance sheet date.

Except for the above, in period since last day of the reporting period there have been no events that would significantly affect the Company's 2019 financial statements.

The Annual Report was prepared by the Chief accountant Inga Simsone.

The 2019 Financial statements of the Company set out on pages 11 to 46 were signed on 6 April 2020 by:

Ilona Līce Chairwoman of the Board	Artūrs Saveljevs Member of the board	Lauma Jenča Member of the Board	Normunds Feierbergs Member of the board

Inga Simsone
Chief accountant