

**STATE JOINT STOCK COMPANY  
RIGA INTERNATIONAL AIRPORT ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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**General Information**

<b>Name of the Company</b>	Riga International Airport
<b>Legal status</b>	State Joint Stock Company
<b>Common registration number</b>	40003028055
<b>place and date</b>	Riga, 30 September 1991
<b>Place and date of re-registration with the Commercial Registry</b>	Riga, 10 September 2004
<b>Legal address</b>	Mārupes novads, Lidostra „Rīga” 10/1 Latvija, LV-1053
<b>Core business</b>	Airship, passenger and cargo servicing; maintenance of airfields and other services
<b>Shareholder</b>	Ministry of Transport of Latvia (100%) Gogoļa iela 3, Rīga Latvija, LV -1743
<b>Management of the Company</b>	Shareholder's meeting, the Supervisory and the Management Board
<b>The Council</b>	Juris Kanels (Chairman of the Council) from 17 May 2016 Laila Odiņa (Member of the Council) from 26 April 2018 Tālis Linkalns (Member of the Council) from 17 May 2016 until 5 December 2018 Raitis Nešpors (Member of the Council) from 17 May 2016 until 25 April 2018
<b>The Board</b>	Iļona 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 2018 Normunds Feierbergs (Member of the Board) from 10 November 2018
<b>Financial year</b>	1 January – 31 December 2018
<b>Name and address of the certified audit company and certified auditor in charge</b>	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-Čelcāne Certified auditor Certificate No. 184

## **Management report**

In 2018, the State Joint Stock Company Riga International Airport (hereinafter "the Company") provided services to 83,5 thousand aircrafts, 7,06 million passengers, and handled 28 thousand tonnes of cargoes. Compared to 2017, the number of passengers has increased by 15,7 %, the number of aircrafts serviced has increased by 11,5 %, whereas the volume of handled cargoes has increased by 10,7 %.

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 51 % of the cargoes, to which services were provided by the airports of the capitals of the Baltic States. The national airline to 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 54 %. During the reporting year, airlines have launched 16 new flight destinations from the Riga airport, whereof the national carrier to AS Air Baltic Corporation launched 8 flights. In 2018, during the summer flight season, 100 direct destinations were available, whereas in winter, 77 destinations were operated from the Riga airport.

In 2018, the Company carried on its work at the streamlining of the general operational processes with a view to reducing environmental impacts and steadily improving of the quality of the services provided, promoting the achievement of the objectives set by the Company. In June 2018, the Company carried on recertification of the integrated management system (quality management and environmental management system), and in September 2018 the Company obtained the ISO standard certifications to support compliance of the Airport's quality management system with the requirements of the ISO 9001:2015 standard as well as compliance of its environmental management system with the requirements of the ISO 14001:2015 standard.

In order to provide sustainable growth of the Company, to reduce CO<sub>2</sub> emissions and to effectively use energy resources, in 2018 the Company introduced and certified energy management system in accordance with ISO 50001:2011.

On 12 December 2017, the Company's airfield was certified according to the requirements of EC Regulation No. 216/2008 and the EC Regulation No. 139/2014, pursuant to the Republic of Latvia Cabinet Regulation No. 635 Development, Certification and Exploitation of Civil Aviation Airfields Regulations. The certificate means that the airfield of the Riga airport meets the highest ground operation, technical maintenance, management and security system standards. Not only the received certificate does guarantee additional security, but it also contributes to increasing the airport's competitiveness enabling the attracting of new air carriers.

In 2018, the Company continued to establish and operate the same aerodrome and provide technical maintenance in accordance with European Commission regulation, and following best examples from the industry. Preparations were made for the planned expansion and improvement of the infrastructure for cargo handling, as well as the runway capacity building projects.

## **The principal activity of the Company**

The reporting year was the 28th year of operation of SJSC Riga International Airport.

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 2018, the Company's net turnover was 60 787 226 euro, up by 11 % (by 6 148 011 euro) from 2017. During the reporting year, revenue from aviation services amounted to 38 132 931 euro, up by 21 % (by 6 690 602 euro) from the previous year. The major source of aviation revenue is revenue from the services, for which the rates are laid down in the Republic of Latvia Cabinet Regulation No. 823 Regulations Regarding the Charges for Security and Rescue Measures Provided at the Aerodrome, 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 22 654 295 euro during the reporting year, down by 2 % (by 542 5919 euro) from the previous year.

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 2018, under the law "On the State Budget for 2018" and April 18, 2018 the Republic of Latvia Cabinet order No. 166 "On Spending of the Financing of the State Budget Programme 44.00.00 "Financing for Providing Aviation Security, Rescue and Civil-military cooperation Measures" funds" and December 19, 2018 the Republic of Latvia Cabinet order No. 682 "Amendments to the April 18, 2018 the Republic of Latvia Cabinet order No. 166" "On Spending of the Financing of the State Budget Programme 44.00.00 "Financing for Providing Aviation Security, Rescue and Civil-military cooperation Measures" funds", the Company received a grant of 44 102 euro (in 2017: 42 834 euro) for purchasing the explosive detector for safety measures.

In 2018, the Company provided jobs to more than 1,200 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 – 42 %, passenger services – 18 %, infrastructure maintenance services – 14 %, other areas of the Company's business activities – 26% 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.

### **Management report (continued)**

The Company's remuneration policy provides for a stable, competitive and always timely paid employee remuneration package supplemented with social guarantees and benefits.

### **Financial performance**

The Company's profit for the reporting year from operating activities before financial items was 10 796 869 euro. The overall result for 2018 was a profit of 10 022 216 euro. The profit for the financial year was materially affected by the increase of aviation income and reversal of provisions for compensations arising from litigation with "Staur Building" Ltd in total amount of 3 329 123,24 euro.

### **The Company's development**

The priorities set for 2018 were as follows:

- The certification of SJSC Riga International Airport under the requirements of Cabinet Regulation No. 635 Development, Certification and Exploitation of Civil Aviation Airfields Regulations of 1 August 2006 and the European Commission Regulation No. 139/2014 of 12 February 2014;
- Improvement and modernization of passenger service and cargo infrastructure and establishment of safe and accessible infrastructure;
- Launching of the implementation of the Operational Programme 6.1.2. "Promoting compliance with security and environmental requirements at the Riga International Airport" of the European Union Cohesion Fund 2014 – 2020 programming period Operational Programme "Growth and Employment" of SJSC Riga International Airport;
- Promotion and coordination of the issue on application of a different dividend policy for the medium term period from 2017 to 2023 and its compliance with the state aid regulation, with the Cabinet of Ministers of the Republic of Latvia and the European Commission.

Total investments in 2018 amounted to 16 116 855 euro, of which the majority of investments were in the development of aerodrome infrastructure (7 217 079 euro), emergency, security and IT infrastructure (3 798 216 euro), as well as passenger and aircraft service infrastructure (1 778 680 euro). In 2018, the airport invested 90% of the planned investments.

In order to be able to serve the rapidly growing number of transit and transfer passengers as well as cargo volumes and provide appropriate infrastructure as stipulated in the Company's medium-term strategy, the Company has set three principal investment priorities for 2018:

- 1) Expansion of the passenger terminal: the 6th round;
- 2) Carrying out of the EU fund 2014-2020 projects;
- 3) Development of cargo platform (5th airport ramp) infrastructure.

### **Risk assessment and risk management**

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. In 2018, 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.

The Company has established and continuously improves the general-level controls (policies, instructions, process descriptions, etc.) aimed at pursuing the Company's strategy and achieving the objectives thereof. 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 the 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; a number of risk management processes have been already put in place, such as safety, aviation security and information systems, i.e., the processes aimed at identifying and minimising operational risks.

The Company's financial risks are the risks associated with the need to attract additional financing to minimise liquidity risks. Tax, financial reporting, and reporting risks are also being assessed and monitored. For more details, refer to note 26.

**Management report (continued)**

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 its counterparties. The Company exercises ongoing and careful control over the carrying out of transactions and seeks solutions to any issues early on, by being open for a dialogue with its counterparties.

**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 Saveljevs	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
Laila Odiņa	Member of the Council

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

1 April 2019

**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 51 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 2017 and at 31 December 2018, and of its operating performance, changes in capital and reserves and cash flows for the years ended 31 December 2017 and 31 December 2018. 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 bases. 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.



**Chairwoman of the  
Board**



**Member of the  
Board**



**Member of the  
Board**



**Member of the Board**

1 April 2019



Translation from Latvian original\*

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholder of JSC Riga International Airport**

### **Our Opinion**

In our opinion, the accompanying financial statements set out on pages 11 to 51 of the accompanying annual report give a true and fair view of the financial position of JSC Riga International Airport (Company) as at December 31, 2018, 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:

- the statement of financial position as at December 31, 2018,
- 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 these requirements and 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's 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, including the Management report.





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.

With respect to the Management report, we also performed the procedures required by 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 Management report and 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.

**Juris Lapše**  
Persona per procura

**PricewaterhouseCoopers SIA**  
Certified audit company  
Licence No. 5

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

**Rīga, Latvia**  
**1 April 2019**

\* 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.

**SJSC RIGA INTERNATIONAL AIRPORT**  
**ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018** *(translation from Latvian original)*

<b>Statement of profit or loss and statement of comprehensive income</b>			
	<b>Note</b>	<b>2018 EUR</b>	<b>2017 EUR</b>
Revenue	3	60 787 226	54 639 215
Government and EU grants	4	5 957 972	6 548 884
Personnel costs	5	(27 098 984)	(24 341 567)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(15 553 153)	(15 810 093)
Other external costs	7	(16 986 026)	(12 112 358)
Other operating income	8	4 272 385	497 146
Other operating expenses	9	(602 551)	(6 342 796)
<b>Operating profit before financial items</b>		<b>10 796 869</b>	<b>3 078 431</b>
Finance income	10	-	7
Finance costs	11	(774 653)	(840 338)
<b>Profit before income tax</b>		<b>10 022 216</b>	<b>2 238 100</b>
Corporate income tax	12 (b)	-	1 248 588
<b>PROFIT FOR THE YEAR</b>		<b>10 022 216</b>	<b>3 486 688</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>10 022 216</b>	<b>3 486 688</b>

The accompanying notes on pages 16 to 51 form an integral part of these financial statements.

Statement of financial position

**ASSETS**

	Note	31.12.2018. EUR	31.12.2017. EUR
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	134 629 110	140 452 987
Intangible assets	13	425 916	332 295
Investment property	15	1 085 985	1 406 867
<b>TOTAL NON-CURRENT ASSETS</b>		<b>136 141 011</b>	<b>142 192 149</b>
<b>CURRENT ASSETS</b>			
Inventories	16	803 458	630 349
Trade receivables	17	6 785 415	6 704 503
Other receivables and prepaid expenses	18	7 315 495	1 531 172
Cash and cash equivalents	19	29 184 602	31 256 966
<b>TOTAL CURRENT ASSETS</b>		<b>44 088 970</b>	<b>40 122 990</b>
<b>TOTAL ASSETS</b>		<b>180 209 981</b>	<b>182 315 139</b>

The accompanying notes on pages 16 to 51 form an integral part of these financial statements.

Statement of financial position (continued)

**LIABILITIES AND SHAREHOLDERS' EQUITY**

	Note	31.12.2018. EUR	31.12.2017. EUR
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	28 608 932	28 608 932
Reserves:			
other reserves	21	12 298 629	12 298 629
Retained earnings		13 508 904	3 486 688
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>54 416 465</b>	<b>44 394 249</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings from credit institutions and other borrowings	22	31 066 643	43 425 622
Deferred income	23	54 868 694	60 426 734
<b>TOTAL</b>		<b>85 935 337</b>	<b>103 852 356</b>
<b>Current liabilities</b>			
Borrowings from credit institutions and other borrowings	22	12 503 479	3 809 917
Trade payables		2 379 249	2 114 919
Corporate income tax payable	12a	-	855 723
Other liabilities	24	15 838 411	17 959 661
Deferred income	23	6 081 781	6 653 937
Accrued liabilities	25	3 055 259	2 674 377
<b>TOTAL</b>		<b>39 858 179</b>	<b>34 068 534</b>
<b>TOTAL LIABILITIES</b>		<b>125 793 516</b>	<b>137 920 890</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>180 209 981</b>	<b>182 315 139</b>

The accompanying notes on pages 16 to 51 form an integral part of these financial statements.

## Statement of cash flows

	Note	2018 EUR	2017 EUR
<b>Cash flow from operating activities</b>			
Profit of the reporting year before tax		10 022 216	2 238 100
Adjustments for:			
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	13,14,15	15 553 153	15 813 180
Received Government grant for the infrastructure development		(279 760)	(779 703)
EU Cohesion Fund resources recognised in the profit for the current year	4	(5 595 887)	(5 675 581)
European Regional Development Fund resources recognised in the profit for the current year	4	-	(13 706)
Obtained from KPFI financing	4	(52 861)	(52 861)
Property, plant and equipment obtained without payment, (recognised in the profit for the current year)	8	(51 726)	(50 567)
(Decrease) / Increase in accruals		(2 410 606)	3 439 062
Write-off of loss on fixed asset development and construction in progress		-	3 310
Gain from sale of fixed assets		11 156	42 335
Net interest expenses	10, 11	774 653	840 331
Increase of inventories		(173 109)	(10 285)
(Increase) / decrease in trade receivables		(80 911)	(1 456 396)
Decrease / (increase) in prepaid expenses		(5 177 578)	287 808
Decrease in trade payables		486 703	1 095 325
Increase / (decrease) in deferred income		(341 599)	5 668
<b>Cash generated from operating activities</b>		<b>12 683 834</b>	<b>15 726 020</b>
Interest paid		(781 803)	(847 071)
Corporate income tax paid		(1 043 637)	(375 832)
<b>Net cash generated from operating activities</b>		<b>10 858 394</b>	<b>14 503 117</b>
<b>Cash flows from investing activities</b>			
EU Project for development of safe and environment friendly infrastructure		7 610	-
Employment related grants		29 455	25 909
Government funding for aviation security		44 102	42 834
ERDF financing From LIKTA government aid		-	1 125
Acquisition of intangible assets	13	(205 644)	(42 031)
Acquisition of fixed assets		(9 169 862)	(5 381 021)
Income from sale of fixed assets		-	216
Interest received	10	-	7
<b>Net cash used in investing activities</b>		<b>(9 294 339)</b>	<b>(5 352 961)</b>
<b>Cash flows from financing activities</b>			
Loans received		-	6 294 000
Repayment of loans and borrowings		(3 270 973)	(3 390 115)
Payment of obligations under finance lease		(385 446)	(473 975)
Payments made for use of state capital		-	(304 683)
<b>Net cash generated from / (used in) financing activities</b>		<b>(3 656 419)</b>	<b>2 125 227</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2 092 364)</b>	<b>11 275 383</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>31 256 966</b>	<b>19 981 583</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>29 164 602</b>	<b>31 256 966</b>

The accompanying notes on pages 16 to 51 form an integral part of these financial statements.

**SJSC RIGA INTERNATIONAL AIRPORT**  
**ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018** *(translation from Latvian original)*

**Statement of changes in shareholders' equity**

	Note	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
<b>31 December 2016</b>		<b>28 608 932</b>	<b>12 374 520</b>	<b>358 450</b>	<b>41 341 902</b>
Transfer from retained earnings to reserves	21	-	53 768	(53 768)	-
Payment for the use of state capital		-	-	(304 683)	(304 683)
Property, plant and equipment written off		-	(129 659)	-	(129 659)
Comprehensive income for the year		-	-	3 486 688	3 486 688
<b>31 December 2017</b>		<b>28 608 932</b>	<b>12 298 629</b>	<b>3 486 688</b>	<b>44 394 249</b>
Transfer from retained earnings to reserves	21	-	-	-	-
Payment for the use of state capital		-	-	-	-
Property, plant and equipment written off		-	-	-	-
Comprehensive income for the year		-	-	10 022 216	10 022 216
<b>31 December 2018</b>		<b>28 608 932</b>	<b>12 298 629</b>	<b>13 508 904</b>	<b>54 416 465</b>

The accompanying notes on pages 16 to 51 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 Marupes novads, Lidosta „Rīga” 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 1st April 2019. Company's members of the Board as at the financial statement signing date are Ilona Līce (Chairman of the Board from 20th January 2017), Artūrs Saveljevs (from 13th September 2017), Lauma Jenča (from 31st October 2016), Normunds Felerbergs (from 10th November 2016). Members of the Council on the financial statements reporting date are Juris Kanēls (Chairman of the Council from 17th May 2016) and Laila Odliņa (Member of the Council from 28th April 2018). In 2018, Raitis Nešpors (Member of the Council until 25th April 2018) and Tālis Linkalns (Member of the Council until 5th December 2018) were released from the Council.

PricewaterhouseCoopers SIA with Terēze Labzova-Celcāne 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 2017, the accounting methods used in 2018 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 2018:**

**IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018).

- The Company has opted to apply the practical expedients provided for in the standard, without changing the comparatives and presenting the impact of the implementation of the whole standard as an adjustment to retained earnings at 1 January 2018.
- Classification and measurement:
- The Company's Management has reviewed the classification applicable to financial assets as at 1 January 2018.
- All of the Company's debt instruments that were previously reported as Loans and receivables, were classified as financial assets at amortised cost, because the Company's business model does not provide for the trading thereof, in addition, the contractual flows consist solely of payments of the principal and interest.
- As of 2018, such equity instruments, which were previously classified by the Company as Available for sale, will be measured at fair value through profit or loss (FVTPL), without applying an option to measure equity instruments at fair value through other comprehensive income (OCI).
- All of the Company's financial liabilities, which were previously classified as Other financial liabilities should be classified as financial liabilities at amortised cost.
- The change of the classification has not led to significant changes in classification of financial assets or financial liabilities.
- Impairment of financial assets
- IFRS 9 introduces a new model for impairment recognition – the expected credit loss (ECL) model. The model has three-stage approach, based on changes in the credit quality of financial assets, compared with the initial recognition. The Company's financial assets that are subject to impairment are all financial assets at amortised cost. Estimating the ECL, the Company's Management concluded that the provisions, which would be additionally required on 1 January 2018, are not material in the context of the Company's financial statements; therefore, the effect of IFRS 9 on the opening balances is zero.

**IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2018).

- The new standard introduces the main principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. If individual goods or services that are offered as a bundle, any sale of an individual service or goods must be recognised as an individual transaction, and any discounts on the contract price must generally be allocated to each element of the transaction. For transactions with a variable consideration for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the validity term of the contract.
- Pursuant to the transition rules of IFRS 15, the Company has opted to use a simplified transition method, disclosing the impact of the transition as an adjustment to retained earnings at 1 January 2018.
- The Company's Management has analysed the implementation of IFRS 15 and concluded that in 2018, the implementation of the standard had no significant impact on the Company's financial statements, because the Company does not provide complex services, nor does it offer any significant discounts or compensations of other kind, furthermore, it does not incur any costs related to the attraction of customers, and the contracts do not contain any financing elements.

**Amendments to IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2018). The amendments do not introduce changes to the standard basic principles, but rather explain the application of these principles. The Company's Management has assessed the implications of the implementation of IFRS 15 concluding as a result that in 2018, it will not have a material effect on the Company's financial statements.

**Amendments to IFRS 2 "Share-based payment – classification and measurement"** (effective for accounting periods beginning 1 January 2018 or later).

**Amendments to IFRS 4 – IFRS 9 "Financial Instruments"**, applied together with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018 or later for the companies that have opted to apply the temporary relief, or as of the moment when IFRS is applied, using the overlapping approach).

**Annual IFRS Improvements 2014 – 2016** (effective for annual periods beginning on or after 1 January 2018 or later (amendments to IFRS 1 and IAS 28). These amendments include changes to the following standards:

- IFRS 1 "First-Time Application of IFRS";
- IAS 28 "Investments in associates and joint ventures".

Notes (continued)

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

(a) Statement of compliance and accounting principles (continued)

**Amendment to IAS 40 "Investment property"** – Reclassification of investment properties (effective for annual periods beginning 1 January 2018 or later).

**IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018 or later).

***Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2019 or later periods or are not yet endorsed by the EU and are relevant to the operations of the Company:***

**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 will be 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 intends to apply the standard starting from 1 January 2019, applying the simplified approach provided for in transition provisions of IFRS 16. Consequently, comparatives will not be adjusted, whereas the value of the right to use the asset will correspond to the lease liability value (adjusting by the amount of prepayments or other accrued costs, where necessary). The Company's Management has estimated the impact of the implementation of the new standard is an increase in total assets and liabilities by EUR 50 thousand. The results of the impact assessment may still be corrected because the work on the assessment of the lease agreements is continued.

**IFRIC 23 "Uncertainty over income tax treatments"** (effective for annual periods beginning on or after 1 January 2019).

**Amendments to IFRS 9 "Financial instruments"** – prepayment instruments with negative compensation (effective for annual periods beginning 1 January 2019 or later).

**Amendments to IAS 28 "Long-term investments in associates and joint ventures"** (effective for annual periods beginning 1 January 2019 or later have not yet been approved for use in the EU).

**Annual IFRS Improvements for 2015-2017** (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU). These amendments include changes to the four standards:

- IFRS 3 - "Business combinations";
- IFRS 11 - "Joint arrangements";
- IAS 12 - "Income taxes";
- IAS 23 - "Borrowing costs". Amendments to IAS 23 were made to provide for that specific borrowings, the purpose of which was financing the creation of a particular asset, may be excluded from total liabilities for the purpose of capitalising borrowing costs only until the relevant asset is completed.

**Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"** (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

**Changes to the Conceptual Framework for Financial Reporting (Conceptual Framework)**, (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

**Amendments to IFRS 3 "Definition of a business"** (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

**Amendments to IAS 1 and IAS 8 "Definition of material"** (effective for annual periods beginning on or after 1 January 2020, not yet endorsed in the EU).

**IFRS 17 "Insurance contracts"** (effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU).

Notes (continued)

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

(a) Statement of compliance and accounting principles (continued)

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (date of entry into force is not specified yet, not yet endorsed by the EU).

The Company is currently assessing the impact of changes in standards mentioned above on financial position and performance, unless mentioned otherwise. The company intends to implement the aforementioned standards and interpretations at the effective date if they are endorsed in the EU.

**(b) Financial Instruments**

**Accounting policy effective as of 1 January 2018 (IFRS 9)**

*Classification of financial instruments*

As of 1 January 2018, 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 FVOCI. Financial assets, the cash flows from which do not meet the SPPI requirements, must be measured at FVTPL (e.g., derivative financial instruments). Embedded derivatives are not separated from financial assets but they are included under 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 instrument 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 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.

**Notes (continued)**

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

**(b) Financial Instruments (continued)**

*Impairment of financial assets at amortised cost*

IFRS 9 introduces a new model for recognition of impairment – 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. In practice, the new requirements will mean that at the initial recognition of a financial asset the Company will be 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 it will be measured as lifetime ECL). 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 to take into account 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.

**Accounting policies that were in force at 31 December 2017**

The Company's financial instruments consist of trade receivables and other receivables, cash and cash equivalents, borrowings, accounts payable to suppliers and contractors and other payables.

Financial instruments are initially recognised at fair value plus directly attributable transaction costs. All financial assets are classified as loans and receivables and liabilities as liabilities at amortised cost.

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

Regular way purchases and sales of financial assets are recognized on the trade date at which the Company commits to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

**Notes (continued)**

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

**(b) Financial Instruments (continued)**

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading. Loans and receivables include trade and other receivables. Accounts receivable are stated at their amortized cost after deducting allowance for estimated irrecoverable amounts. A provision for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, or financial reorganisation, and default or delinquency in payments are considered indicators that the loan or trade receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. When a loan or receivable is uncollectible, it is written off through profit or loss account.

**Liabilities**

Liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Interest bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

**(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.

	31.12.2018.		31.12.2017.
	1 EUR		1 EUR
<u>1GBP</u>	0.89453	<u>1GBP</u>	0.88723
<u>1RUB</u>	79.71530	<u>1RUB</u>	69.3920
<u>1SEK</u>	10.25480	<u>1SEK</u>	9.84380
<u>1USD</u>	1.14500	<u>1USD</u>	1.19930

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.

**Notes (continued)**

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

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

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 made a decision not to implement a technical project under construction in progress, the cost of such projects is written off in expenses of the reporting year.

**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 unit) 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 disposed 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.

**Notes (continued)**

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

**(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.

**(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**

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

Finance lease payments are 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 are recognized directly in profit or loss.

When there is 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 is set as the expected period of use. In all other cases, depreciation of capitalized leased assets is 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 are assumed by the lesser is classified as operating lease. Payments under operating lease are treated as expenses over the entire period of lease on a straight-line basis. The Company's liabilities arising from the operating lease transactions are disclosed as off-balance sheet liability.

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

**(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.

From taxation year 2018, corporate income tax will be calculated on the basis of 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 makes a decision 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 17a).

**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

	2018 EUR	2017 EUR
<b>Total aviation revenue</b>	<b>38 132 931</b>	<b>31 442 329</b>
Security and rescue measure fees*	13 665 208	11 294 996
Departure / landing fees	4 312 879	3 703 806
Ground handling	7 163 873	4 835 707
Passenger service fees	8 758 331	7 281 834
Other aviation services	1 645 907	2 730 312
<i>Including charge for services provided to disabled persons and persons with reduced mobility**</i>	<i>981 955</i>	<i>850 293</i>
Centralized infrastructure services	2 586 733	1 595 674
<b>Total non-aviation revenue</b>	<b>22 654 295</b>	<b>23 196 886</b>
Rent of premises within terminal	11 409 411	10 695 787
Car parking services	3 072 889	2 454 943
Other lease in the airport territory***	2 318 340	4 308 717
Public utilities	2 433 450	2 237 158
Servicing business passengers	1 398 552	1 395 412
Advertising services	484 945	468 401
Income from concessions	319 708	326 887
Other non-aviation services	1 216 999	1 309 581
<b>TOTAL:</b>	<b>60 787 226</b>	<b>54 639 215</b>
	<b>2018 EUR</b>	<b>2017 EUR</b>
<b>EU Economic Activities Statistical Classification according to NACE codes:</b>		
Aviation Income (52.23)	38 132 931	31 442 329
Non-aviation Income (68.20)	20 632 643	21 092 017
Non-aviation Income (73.12)	484 945	468 401
Non-aviation Income (79.90)	1 536 707	1 636 468
<b>TOTAL:</b>	<b>60 787 226</b>	<b>54 639 215</b>

\* Introduced on 1st January 2012, in accordance with 19th 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 30.

\*\*\* Includes rental income from investment property in amount of 1 547 065 euro (2017: 3 475 693 euro).

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

**Notes (continued)**

**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 2018 amounting to 44 102 euro (2017: 42 834 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 31.12.2018., government grant for acquisition and creation of long-term investments to improve aviation safety carried forward to the following year is 221 289 euro (31.12.2017.: 243 859 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.

According to the agreement the Company has the right to receive financing from the Cohesion Fund if the project is implemented in line with the specified procedures and within the set timeframe and expenses are incurred according to the project and are eligible.

In order to recover the share of co-funding from the CF, the Company should prepare a payment request in line with the acts of legislation and submit it to the Ministry of Transport. The Ministry of Transport shall then review the payment requests, and the risk of potential errors or inconsistencies in the payment requests should be eliminated during the review period.

The project is exposed to the risk of financial adjustments that may be required should the project review result in identifying some of the inconsistencies or violations that require financial adjustments to be applied in accordance with Regulation (EC) No 448/2001 of 2 March 2011 and Cabinet Regulation No 740 of 10 August 2010. In order to avoid the risk of financial adjustments, the Company has developed a management and control procedure for the EU funds project Development of the infrastructure of Riga International Airport that regulates the procedure for project implementation and the responsibilities of the units involved.

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

	2018 EUR	2017 EUR
<b>Government grant for the safety of aviation:</b>	<b>66 672</b>	<b>466 289</b>
Depreciation of property, plant and equipment purchased using the grant	66 672	466 289
<b>Grants received from the Cohesion Fund</b>	<b>5 595 896</b>	<b>5 675 581</b>
Depreciation of property, plant and equipment purchased using the Cohesion Fund resources	5 595 162	5 675 581
Depreciation of property, plant and equipment purchased using the EU project for development of safe and environmental friendly infrastructure	735	-
<b>Subsidies received from European Regional Development Fund:</b>	<b>-</b>	<b>13 706</b>
Depreciation of assets bought using resources obtained from ERDF	-	13 706
<b>Other grants:</b>	<b>295 404</b>	<b>393 309</b>
Depreciation of property, plant and equipment purchased using the grant	213 088	313 414
Project Nr.KPFI-15.3/147, obtained from Climate Change Control Instrument financing	52 861	52 861
Employment related grants	29 455	25 909
ERDF financing from LIKTA government aid	-	1 125
<b>TOTAL:</b>	<b>5 957 972</b>	<b>6 548 884</b>

Notes (continued)

**5. Personnel costs**

	2018 EUR	2017 EUR
<b>Total salaries:</b>	<b>21 857 375</b>	<b>19 604 923</b>
Staff	21 391 039	19 226 209
Board and Council members	466 336	378 714
<b>Total compulsory state social security contributions:</b>	<b>5 241 609</b>	<b>4 736 844</b>
Staff	5 129 482	4 646 954
Board and Council members	112 127	89 690
<b>TOTAL:</b>	<b>27 098 984</b>	<b>24 341 567</b>

Average number of employees during the reporting year was 1 273, including 4 members of the Board (2017: 1 211 including 4 members of the Board).

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

	2018 EUR	2017 EUR
Depreciation of constructions and buildings	9 069 585	9 117 761
Depreciation of investment property	41 330	41 394
Depreciation of equipment and machinery	3 772 701	4 355 174
Depreciation of other items of property, plant and equipment	2 557 514	2 210 815
Amortization of intangible assets	112 023	84 949
<b>TOTAL:</b>	<b>15 553 153</b>	<b>15 810 093</b>

\* Refer to Notes 13, 14 and 15.

**7. Other external costs**

	2018 EUR	2017 EUR
Materials	1 788 354	1 362 628
Insurance of employees and movable and immovable property	673 913	573 831
Territory cleaning costs	106 260	113 144
Infrastructure maintenance costs*	4 779 586	1 231 264
Public utilities	3 300 301	3 344 502
Business trips	265 269	220 422
Communication expenses	781 845	809 582
Transport costs	886 066	694 239
Operating lease	554 081	526 225
Increase of personnel qualification	421 624	457 593
Marketing and advertising	788 639	579 005
Safety measures	374 885	323 881
Management expenses*	498 408	401 654
Other external costs	1 746 815	1 474 389
<b>TOTAL:</b>	<b>16 966 026</b>	<b>12 112 358</b>

\*Including audit expenses for the reporting year – 15 000 euro (2017: 7 950 euro). During the reporting year, the Company also received other services related to tax consultations from the certified audit company – 2 625 euro (2017: 2 500 euro).

**Notes (continued)**

**8. Other operating income**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Penalty fees	114 747	115 806
Income from allowances for doubtful receivables and accruals for litigations, net*	4 064 595	-
Current assets sales result, net*	-	97 168
Other operating income**	93 043	284 172
<b>TOTAL:</b>	<b>4 272 385</b>	<b>497 146</b>

\* Including reversal of accruals for litigations in amount of 3 329 23 euro, reducing of allowances for doubtful receivables in amount of 2 775 324 euro, written credit notes in amount of 1 995 204 euro.

\*\* Depreciation of fixed assets obtained free of charge, in 2018: 51 726 euro (2017: 50 567 euro).

**9. Other operating expenses**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Non-business expenses, primarily trade union events*	187 009	161 674
Real estate tax**	361 693	364 063
State tax for lottery organisation of goods and services	1 212	832
Losses from doubtful debts and provisions for legal cases, net	5 850	5 812 701
Current assets sales result, net***	2 468	-
Penalties paid	6 717	419
Other	37 602	3 107
<b>TOTAL:</b>	<b>602 551</b>	<b>6 342 796</b>

\*Including depreciation of property, plant and equipment related to social infrastructure - 1 181 euro (2017: 3 087 euro), social events expenses 115 229 euro (2017: 121 842 euro).

\*\*Including real estate tax expenses attributable to investment properties in 2018 amounting to 33 540 euro (2017: 53 981 euro).

\*\*\* Including disposals of property, plant and equipment for the total amount of 11 163 euro and sale of inventories in amount of 8 695 euro (2017: income 97 168 euro).

**10. Finance income**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
Interest income from deposits and current bank balances	-	7
Net profit on currency exchange fluctuations	-	-
<b>TOTAL:</b>	<b>-</b>	<b>7</b>

Notes (continued)

**11. Finance costs**

	2018 EUR	2017 EUR
Interest expense on long-term borrowings	762 843	815 319
Net expense from exchange rate changes	1 849	10 503
Interest expenses on finance lease	9 961	14 516
<b>TOTAL:</b>	<b>774 653</b>	<b>840 338</b>

**12. Corporate income tax**

**(a) Current corporate income tax overpayment/ (liability)**

	2018 EUR	2017 EUR
Overpayment/(liability) as at 1 January	(855 723)	404 942
Overpayment transferred to bank account	-	(404 942)
Calculated for the reporting year	-	(1 231 555)
Paid during reporting year	855 723	375 832
<b>(Liability) as at 31 December:</b>	<b>-</b>	<b>(855 723)</b>

**(b) Corporate tax expense/ (income)**

	2018 EUR	2017 EUR
Corporate income tax for the reporting year	-	1 231 555
(Decrease) of deferred tax liability during the year	-	(2 480 143)
<b>TOTAL:</b>	<b>-</b>	<b>(1 248 588)</b>

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the rate stipulated by the law to profit before taxation:

	2018 EUR	2017 EUR
Profit before corporate income tax	-	2 238 100
Theoretical corporate income tax expense, 15%	-	335 715
Permanent differences, 15%*	-	958 610
Settled temporary differences	-	(82 770)
De-recognition of deferred tax liability	-	(2 480 143)
Change in deferred tax asset not recognised, 15%	-	-
<b>Total (income) / expense for the reporting year:</b>	<b>-</b>	<b>(1 248 588)</b>

\* Tax effect of permanent differences arises mainly due to increase of the taxable income for costs that are non-deductible for tax purposes.

Notes (continued)

(c) *Deferred tax*

Movements in deferred tax:

	Difference related to the carrying value of the property , plant and equipment EUR	Accrued expenses on unused vacations EUR	Other accrued expenses EUR	Impairment allowance for intangible assets and property, plant and equipment EUR	Doubtful debt allowance EUR	Unrecognized deferred tax asset EUR	Total EUR
<b>31.12.2016.</b>	<b>(4 377 920)</b>	<b>-</b>	<b>1 861 630</b>	<b>36 147</b>	<b>3 023 338</b>	<b>(3 023 338)</b>	<b>(2 480 143)</b>
(Expenses) / income in statement of comprehensive income	4 377 920	-	(1 861 630)	(36 147)	(3 023 338)	3 023 338	2 480 143
<b>31.12.2017.</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(Expenses) / income in statement of comprehensive income	-	-	-	-	-	-	-
<b>31.12.2018.</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Notes (continued)

13. Intangible assets

	Software licences EUR
<b>Cost at 31.12.2016.</b>	<b>864 761</b>
Purchase	42 031
Transfers	-
Disposals	(51 972)
<b>Cost at 31.12.2017.</b>	<b>854 820</b>
<b>Accumulated amortization at 31.12.2016.</b>	<b>489 548</b>
Amortization in 2017	84 949
Amortization of liquidated assets	(51 972)
<b>Accumulated amortization at 31.12.2017.</b>	<b>522 525</b>
<b>Balance at 31.12.2016.</b>	<b>375 213</b>
<b>Balance at 31.12.2017.</b>	<b>332 295</b>
	Software licences EUR
<b>Cost at 31.12.2017.</b>	<b>854 820</b>
Purchase	205 644
Transfers	-
Disposals	(7 220)
<b>Cost at 31.12.2018.</b>	<b>1 053 244</b>
<b>Accumulated amortization at 31.12.2017.</b>	<b>522 525</b>
Amortization in 2018	112 023
Amortization of liquidated assets	(7 220)
<b>Accumulated amortization at 31.12.2018.</b>	<b>627 328</b>
<b>Balance at 31.12.2017.</b>	<b>332 295</b>
<b>Balance at 31.12.2018.</b>	<b>425 916</b>



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
<b>Cost at 31.12.2016.**</b>	<b>194 839 036</b>	<b>59 145 957</b>	<b>17 079 948</b>	<b>893 634</b>	<b>262 068 575</b>
Additions	697 324	1 013 085	2 588 912	1 310 282	5 609 603
Reclassified	1 245 080	-	-	(1 245 080)	-
Reclassification to/from investment property*	43	-	-	-	43
Disposals**	(129 658)	(487 757)	(113 687)	(3 310)	(734 392)
Provisions for impairment	-	-	-	(240 970)	(240 970)
Substitute part of fixed assets	(87 331)	(35 484)	-	-	(122 815)
<b>Cost at 31.12.2017.**</b>	<b>196 584 494</b>	<b>59 635 801</b>	<b>19 555 193</b>	<b>624 556</b>	<b>267 380 044</b>
<b>Accumulated depreciation at 31.12.2016.</b>	<b>70 754 511</b>	<b>33 288 881</b>	<b>8 008 175</b>	<b>240 970</b>	<b>112 292 537</b>
Depreciation***	9 117 761	4 355 174	2 213 902	-	15 686 837
Disposals depreciation	(129 658)	(487 613)	(113 384)	-	(730 655)
Substitute part of fixed assets	(45 208)	(35 484)	-	-	(80 692)
Provisions for impairment	-	-	-	(240 970)	(240 970)
<b>Accumulated depreciation at 31.12.2017.</b>	<b>79 697 406</b>	<b>37 120 958</b>	<b>10 108 693</b>	<b>-</b>	<b>126 927 057</b>
<b>Balance at 31.12.2016.</b>	<b>124 084 525</b>	<b>16 857 076</b>	<b>9 071 773</b>	<b>562 664</b>	<b>150 576 036</b>
<b>Balance at 31.12.2017.</b>	<b>116 887 088</b>	<b>13 514 843</b>	<b>9 446 500</b>	<b>624 556</b>	<b>140 452 987</b>

	Land and buildings	Equipment and machinery	Other property, plant and equipment	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR
<b>Cost at 31.12.2017.**</b>	<b>196 584 494</b>	<b>59 635 801</b>	<b>19 555 193</b>	<b>624 556</b>	<b>267 380 044</b>
Additions	647 822	3 079 089	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)
<b>Cost at 31.12.2018.**</b>	<b>197 490 508</b>	<b>62 525 989</b>	<b>22 404 227</b>	<b>2 921 577</b>	<b>275 342 301</b>
<b>Accumulated depreciation at 31.12.2017.</b>	<b>79 697 406</b>	<b>37 120 958</b>	<b>10 108 693</b>	<b>-</b>	<b>126 927 057</b>
Depreciation***	9 089 585	3 772 701	2 558 686	-	15 400 982
Disposals depreciation	(85 580)	(1 164 804)	(335 629)	-	(1 585 913)
Substitute part of fixed assets	(6 509)	(22 426)	-	-	(28 935)
<b>Accumulated depreciation at 31.12.2018.</b>	<b>88 674 902</b>	<b>39 706 429</b>	<b>12 331 860</b>	<b>-</b>	<b>140 713 191</b>
<b>Balance at 31.12.2017.</b>	<b>116 887 088</b>	<b>13 514 843</b>	<b>9 446 500</b>	<b>624 556</b>	<b>140 452 987</b>
<b>Balance at 31.12.2018.</b>	<b>108 815 606</b>	<b>12 819 560</b>	<b>10 072 367</b>	<b>2 921 577</b>	<b>134 629 110</b>

Notes (continued)

**14. Property, plant and equipment (continued)**

\* Reclassified from / to investment property – Land and buildings with the cost of 279 552 euro reclassified from investment property (2017: 43 euro) (refer to Note 15).

\*\* Historical cost – As at 31 December 2018, the Company's statement of financial position includes fully depreciated property, plant and equipment the cost of which is 60 625 814 euro (31.12.2017.: 51 882 332 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 2018 the land with total area of 73.8508 hectares (31.12.2017: 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 as the usage conditions did not comply with the classification of finance lease.

In 2018, the Company have not acquired any property, plant and equipment on finance lease terms (2017: 163 380 euro). The net book value of property, plant and equipment acquired on finance lease terms as at 31 December 2018 was 1 073 652.09 euro (2017: 1 434 986 euro). See Note 22.

Pledged assets and possible liens – Information on pledged assets and possible liens see in Note 22 and 29.

**15. Investment property**

	Land EUR	Buildings EUR	TOTAL EUR
<b>Cost at 31.12.2016.</b>	<b>1 140 795</b>	<b>1 008 457</b>	<b>2 149 252</b>
Reclassified to property, plant and equipment	(43)	-	(43)
<b>Cost at 31.12.2017.</b>	<b>1 140 752</b>	<b>1 008 457</b>	<b>2 149 209</b>
<b>Accumulated depreciation at 31.12.2016.</b>	-	<b>700 948</b>	<b>700 948</b>
Depreciation (calculated)	-	41 394	41 394
Depreciation reclassified to fixed assets	-	-	-
<b>Accumulated depreciation at 31.12.2017.</b>	-	<b>742 342</b>	<b>742 342</b>
<b>Balance at 31.12.2016.</b>	<b>1 140 795</b>	<b>307 509</b>	<b>1 448 304</b>
<b>Balance at 31.12.2017.</b>	<b>1 140 752</b>	<b>266 115</b>	<b>1 406 867</b>

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

In the course of its business, as at 31 December 2018 the Company rents a part of the Company's land amounting to 60.6479 (31.12.2017: 80.3347) hectares.

Notes (continued)

**16. Inventories**

	2018 EUR	2017 EUR
Materials and consumables	803 458	628 299
Advances for goods	-	2 050
<b>TOTAL:</b>	<b>803 458</b>	<b>630 349</b>

**17. Trade receivables**

	2018 EUR	2017 EUR
Trade receivables	26 651 212	29 338 384
Impairment allowance	(19 865 797)	(22 633 881)
<b>TOTAL:</b>	<b>6 785 415</b>	<b>6 704 503</b>

**17. a Impairment allowance**

	EUR
<b>Impairment allowance at 31 December 2016</b>	<b>20 155 585</b>
Reversal of allowance through debt recovery	(354)
Written-off bad debts	(2 280)
Created impairment allowance	2 480 910
<b>Impairment allowance at 31 December 2017</b>	<b>22 633 881</b>
Reversal of allowance through debt recovery	(7 410)
Allowance correction, due to court's decision	(2 775 324)
Written-off bad debts	-
Created impairment allowance in 2018	14 650
<b>Impairment allowance at 31 December 2018</b>	<b>19 865 797</b>

**18. Other receivables and prepaid expenses**

	2018 EUR	2017 EUR
<b>Financial assets</b>		
Other receivables	1 356 552	448 638
Impairment allowance for other receivables	(1 989)	(1 989)
<b>TOTAL FINANCIAL ASSETS:</b>	<b>1 354 563</b>	<b>446 649</b>
<b>Non-financial assets</b>		
Insurance	138 178	81 637
Advances for services	481	6 062
Advances for fixed assets	5 611 253	756 798
Other prepaid expenses	211 021	240 027
<b>TOTAL NON-FINANCIAL ASSETS:</b>	<b>5 960 932</b>	<b>1 084 523</b>
<b>TOTAL:</b>	<b>7 315 495</b>	<b>1 531 172</b>

Notes (continued)

**19. Cash and cash equivalents**

	2018 EUR	2017 EUR
Cash in bank	29 128 979	31 214 737
Cash in exchange machine and cash in transit	30 012	34 993
Cash on hand	7 611	7 236
<b>TOTAL:</b>	<b>29 164 602</b>	<b>31 256 966</b>

**20. Share capital**

The registered and paid-up share capital is 28 608 932 euro (31 December 2017: 28 608 932 euro) and it is comprised of 28 608 932 shares with nominal value one euro each (31 December 2017: 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.

**21. 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
<b>Reserve capital at 31 December 2016</b>	<b>122 35 468</b>
Increase in 2017, net	53 768
<b>Reserve capital at 31 December 2017</b>	<b>122 89 236</b>
Increase in 2018, net	-
<b>Reserve capital at 31 December 2018</b>	<b>122 89 236</b>

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 2018 the balance of this reserve is 9 394 euro (2017: 9 394 euro).

**22. Borrowings from credit institutions and other borrowings**

	2018 EUR	2017 EUR
<b>Long-term loan from credit institutions</b>		
The Treasury (repayable not later than 5 years after balance sheet date)	25 351 722	27 014 130
Borrowing from "OP Corporate Bank plc" (repayable not later than 5 years after balance sheet date)	5 140 070	15 599 020
Finance lease liabilities (repayable not later than 5 years after balance sheet date)	574 851	812 472
<b>TOTAL NON-CURRENT PORTION:</b>	<b>31 066 643</b>	<b>43 425 622</b>

**Notes (continued)**

**22. Borrowings from credit institutions and other borrowings (continued)**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Short-term loans from credit institutions</b>		
The Treasury	1 804 984	1 813 725
Luminor bank loan	-	313 817
Loan from "OP Corporate Bank plc"	10 460 838	1 296 995
Finance lease liabilities	237 657	385 580
<b>TOTAL CURRENT PORTION:</b>	<b>12 503 479</b>	<b>3 809 917</b>
<b>TOTAL:</b>	<b>43 570 122</b>	<b>47 235 539</b>

**(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 11th October 2012, updated 20 February 2014 No. 100165077, updated 24th March 2015 No. 100169472). As at 31 December 2018 the repayable part of the loan is 27 014 130 euro and the accrued interest is 142 576 euro (2017: 28 676 538 euro and accrued interest 151 317 euro).

The Company from 6 August 2013 has been granted a loan from Luminor bank amounting to 2 490 026 euro. The purpose of the loan – to finance the construction work of the VIP Centre "Riga International Airport". Repayment of the loan must have been made by 31 July 2018, and it was fully repaid according to schedule.

"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. The loan shall be repaid until 14th August 2019. In 2015 a loan in amount of 11 267 500 euro was received. As at 31st December 2018 the repayable part of the loan is 10 039 350 euro and accrued interest is 1 419 euro (2017: 10 914 697 euro and accrued interest 1 543 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 2018 the repayable part of the loan is 5 559 670 euro and accrued interest is 469 euro (2017: 5 979 270 euro and accrued interest 505 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.

**(b) Finance lease**

In 2018, the Company have not acquired any property, plant and equipment on finance lease terms (2017: 163 380 euro). Refer also to Note 14.

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Net value of property, plant and equipment purchased under finance lease terms</b>		
Equipment and machinery	1 073 652	1 434 986

Notes (continued)

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

Future payments for the finance lease are as follows:

	2018 EUR	2017 EUR
Within 1 year, including lease interest	244 037	395 891
Later than one year but less than five years, including lease interest	583 472	828 014
<b>Total finance lease liabilities - minimum lease payments and lease interest</b>	<b>827 509</b>	<b>1 223 905</b>
Future finance charges on finance lease - interest on the lease	(15 001)	(25 853)
<b>PRESENT VALUE OF FINANCE LEASE LIABILITIES:</b>	<b>812 508</b>	<b>1 198 052</b>

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

	2018 EUR	2017 EUR
Within 1 year	237 657	385 580
Later than one year but less than five years	574 851	812 472
<b>PRESENT VALUE OF FINANCE LEASE LIABILITIES:</b>	<b>812 508</b>	<b>1 198 052</b>

Part of equipment and machinery has been acquired under finance lease. Duration of lease contracts varies from 5 to 7 years. Interest rates are mainly not fixed; therefore, the Company undertakes risks associated with the variable interest rates. All leases have fixed repayment schedule and no arrangements are stipulated for contingent rental payments. All finance lease liabilities are denominated in EUR. Fair value of lease liabilities does not materially differ from the carrying value.

Movement of borrowings:

	2018 EUR	2017 EUR
<b>Balance at the beginning of the reporting year</b>	<b>47 235 539</b>	<b>44 625 174</b>
Loans received	-	6 294 000
Undertaken finance lease	-	187 690
Loans repaid	(3 270 973)	(3 390 115)
Repayment of finance lease	(385 446)	(473 975)
Calculated interest	772 804	829 835
Interest received	-	-
Interest paid	(781 803)	(847 071)
<b>Balance at the end of the reporting year</b>	<b>43 570 122</b>	<b>47 235 539</b>

Notes (continued)

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

As at 31 December 2018, there are 19 finance lease contracts effective for plant and equipment received until 31.12.2018 with the following key terms:

Company	Agreement currency	Repayment year	Liabilities 31.12.2018. EUR	Liabilities 31.12.2017. EUR
Luminor leasing	EUR	2018	-	145 647
Luminor leasing	EUR	2019	8 053	18 587
Luminor leasing	EUR	2020	3 400	6 538
Luminor leasing	EUR	2020	8 850	17 019
SEB leasing	EUR	2020	6 135	10 225
SEB leasing	EUR	2020	3 914	6 523
SEB leasing	EUR	2020	8 308	13 847
SEB leasing	EUR	2020	7 636	12 726
SEB leasing	EUR	2020	7 372	12 286
SEB leasing	EUR	2020	7 504	12 507
SEB leasing	EUR	2020	7 504	12 507
SEB leasing	EUR	2020	7 504	12 507
SEB leasing	EUR	2022	232 014	292 539
SEB leasing	EUR	2022	232 014	292 539
SEB leasing	EUR	2021	9 944	13 794
SEB leasing	EUR	2021	9 744	13 516
SEB leasing	EUR	2021	10 332	14 332
SEB leasing	EUR	2023	125 498	151 023
SEB leasing	EUR	2024	116 783	139 390
<b>TOTAL:</b>			<b>812 508</b>	<b>1 198 052</b>

Interest rates for finance lease agreements are set including variable interest rate component. During 2018, actual interest rates fluctuated from 1% to 2.8% per annum.

Notes (continued)

23. Deferred income

	2018 EUR	2017 EUR
<b>Long term:</b>		
Government grant related to the Cohesion Fund financing of property, plant and equipment acquired as part of the runway extension project	5 179 019	5 765 359
Payment for development of Infrastructure stipulated in the long-term lease agreements	3 230 341	3 355 702
Government grants for development of the airport Infrastructure	607 377	791 702
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	163 307	182 898
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	45 387 466	49 921 667
Fixed assets (heating system and other) obtained free of charge	266 397	353 303
Funding from State budget subprogram 99.00.00. "Expenditure for unforeseen events"	249	3 242
Fixed assets acquired as part of ERDF project No.15.3 /147	-	52 861
From EU project for safe and environmental friendly Infrastructure	34 539	-
<b>TOTAL LONG TERM PART:</b>	<b>54 868 695</b>	<b>60 426 734</b>
<b>Short term:</b>		
Government grant related to the Cohesion Fund as part of the runway extension project	586 340	988 436
Advertising and lease services	625 553	683 557
Government grants for development of the airport infrastructure	184 325	210 095
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	57 982	60 961
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 534 201	4 606 725
Fixed assets (heating system and other) obtained free of charge	28 707	48 309
Funding from State budget subprogram 99.00.00. "Expenditure for unforeseen events"	2 993	2 993
Fixed assets acquired as part of ERDF project No.15.3 /147	52 861	52 861
From EU project for safe and environmentally friendly Infrastructure	8 818	-
<b>TOTAL SHORT TERM PART:</b>	<b>6 081 780</b>	<b>6 653 937</b>
<b>TOTAL:</b>	<b>60 950 475</b>	<b>67 080 671</b>

See also Note 4.

24. Other liabilities

	2018 EUR	2017 EUR
<b>Financial liabilities</b>		
Other liabilities	1 928 296	1 431 193
Other accrued expenses	11 841 872	14 633 361
<b>TOTAL FINANCIAL LIABILITIES:</b>	<b>13 770 168</b>	<b>16 064 554</b>
<b>Non-financial liabilities</b>		
Taxes and compulsory state social security contributions liabilities	967 626	955 057
Salaries	1 098 270	937 704
Advances from clients	2 347	2 347
<b>TOTAL NON-FINANCIAL LIABILITIES:</b>	<b>2 068 243</b>	<b>1 895 108</b>
<b>TOTAL:</b>	<b>15 838 411</b>	<b>17 959 661</b>



Notes (continued)

**25. Accrued liabilities**

	2018 EUR	2017 EUR
Accrued vacation liabilities	1 062 222	953 267
Accrued bonus expenses	1 993 037	1 721 110
<b>TOTAL ACCRUED LIABILITIES:</b>	<b>3 055 259</b>	<b>2 674 377</b>

**26. 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:

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

**Financial instruments by categories:**

	Notes	2018 EUR	2017 EUR
<b>Non-derivative financial assets, loans and receivables</b>			
Trade receivables, net	17	6 785 415	6 704 503
Other financial assets	18	1 354 563	446 649
Cash and cash equivalents	19	29 164 602	31 256 966
<b>TOTAL:</b>		<b>37 304 580</b>	<b>38 408 118</b>

	Notes	2018 EUR	2017 EUR
<b>Non derivative financial liabilities</b>			
Loans from credit institutions	22	(42 757 614)	(46 037 487)
Finance lease liabilities	22	(812 508)	(1 198 052)
Trade payables		(2 379 249)	(2 114 919)
Other liabilities	24	(13 770 168)	(16 064 554)
<b>TOTAL:</b>		<b>(59 719 539)</b>	<b>(65 415 012)</b>

**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.

**Notes (continued)**

**26. Financial risk management (continued)**

**(a) Financial risk factors (continued)**

*Sources of credit risk*

Credit risk mainly relates to the largest customers of the Company. Three largest customers of the Company contribute 85% (2017: 84%) of the total debtors. One of those customers represented 40% (2017: 35%), of the total trade receivables, the second one represented 30% (2017: 36%) and the third largest customer represented 15% (2017: 13%) of the total trade receivables.

*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 2018, 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:

	Not due	Less than 30 days	30-90 days	90-180 days	More than 180 days	Total
<b>Trade receivables, gross</b>	6 741 787	43 207	15 045	46	19 851 127	26 651 212
<b>Allowance</b>	-	-	(14 650)	(20)	(19 851 127)	(19 865 797)
<b>Trade receivables, net</b>	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 taking into account 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)

26. Financial risk management (continued)

(a) Financial risk factors (continued)

Credit risk management	Total, gross	Allowance	Total, net	Not yet due		Due		Due, but debts are recoverable Gross amounts  EUR
				Gross amounts	Allowance	Gross amounts	Allowance	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
31.12.2017.								
Trade receivables, including	29 338 384	(22 633 881)	6 704 503	6 626 926	-	22 686 116	(22 633 881)	25 342
Three largest clients	24 571 715	(22 051 720)	2 519 995	2 493 102	-	22 078 613	(22 051 720)	-
Other customers	4 766 669	(582 161)	4 184 508	4 133 824	-	607 503	(582 161)	25 342
Other receivables, net	448 838	(1 989)	446 849	446 849	-	1 989	(1 989)	-
TOTAL:	29 787 022	(22 635 870)	7 151 152	7 073 575	-	22 688 105	(22 635 870)	25 342

\* Allowance was recognized for debts the recoverability of which is doubtful (see Note 17 and 18).

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).

Aging analysis of trade receivables past due, but not impaired is following:

	2018 EUR	2017 EUR
Within 3 months	18 133	25 342
<b>TOTAL:</b>	<b>18 133</b>	<b>25 342</b>

Term deposits and cash at bank

Credit ratings of banks mainly used by the Company:

Bank	Rating agency	Long term rating	Short term rating	Rating of financial security	Rating forecast
AS Swedbank	Moody's Investors Service	Aa2	P-1	Stable	Stable
AS Citadele Bank	Moody's Investors Service	Ba1	NP	Positive	Positive
Luminor bank	Moody's Investors Service	Baa1	P-2	Stable	Stable
"OP Corporate Bank plc"	Moody's Investors Service	Aa3	P-1	Stable	Stable

**Notes (continued)**

**26. Financial risk management (continued)**

**(a) Financial risk factors (continued)**

**Cash in banks:**

	<b>2018</b>	<b>2017</b>
	<b>EUR</b>	<b>EUR</b>
<b>Banks</b>		
AS Swedbank	5 449 367	6 550 593
AS Citadele Bank	1 665 173	1 244 163
"OP Corporate Bank plc"	12 052 930	12 175 565
Luminor banka (formerly: DnB banka)	881 223	1 713 828
Luminor banka (formerly: Nordea bank AB)	2 528 138	1 060 197
The Treasury	6 550 149	8 470 391
<b>TOTAL:</b>	<b>29 126 979</b>	<b>31 214 737</b>

The cash was not recognized as expected credit losses as its amount is not material in the context of the financial statements.

**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".

The Company has received a loan from Nordea bank AB in amount of 2 490 026 euro on 6 August 2013. The purpose of the loan - to provide funding for construction in VIP centre in "Riga International Airport" (see Note 22a).

The Company has a loan agreement with OP Corporate Bank plc dated 14th August 2014 for total amount of 13 000 000 euro. In 2015 a loan in amount of 11 267 500 euro was received. Purpose of the loan - funding of the project "Expansion of a passenger terminal of SJSC "Riga International Airport" 5th level – Northern terminal, 1st level of building". The loan shall be repaid until 14 August 2019.

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 2020.

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 2018 the Company's short-term assets exceeded its short-term liabilities by 2 479 615 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 5 427 521 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.

**Notes (continued)**

**26. Financial risk management (continued)**

**(a) Financial risk factors (continued)**

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
<b>31.12.2018.</b>						
Loans from credit institutions	(42 757 614)	(46 279 023)	(896 864)	(11 770 763)	(15 174 659)	(18 436 737)
Finance 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)	-
<b>TOTAL:</b>	<b>(59 719 539)</b>	<b>(63 255 949)</b>	<b>(4 340 970)</b>	<b>(13 196 258)</b>	<b>(27 281 984)</b>	<b>(18 436 737)</b>

Term analysis of financial liabilities at 31.12.2017. 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
<b>31.12.2017.</b>						
Loans from credit institutions	(46 037 487)	(51 511 503)	(1 067 005)	(2 968 185)	(26 549 845)	(20 926 468)
Finance lease liabilities	(1 198 052)	(1 223 421)	(106 351)	(289 046)	(824 253)	(3 770)
Accounts payable to suppliers and contractors	(2 114 919)	(2 114 919)	(2 114 919)	-	-	-
Other liabilities	(16 064 554)	(16 064 554)	(421 753)	(1 191 584)	(14 451 217)	-
<b>TOTAL:</b>	<b>(65 415 012)</b>	<b>(70 914 397)</b>	<b>(3 710 028)</b>	<b>(4 448 815)</b>	<b>(41 825 315)</b>	<b>(20 930 238)</b>

**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.

The interest rate sensitivity analysis shows the impact of the Company's pre-tax profit on reasonably possible changes in interest rates at the end of each reported period, provided that all other variables remain unchanged. The Company's equity, excluding the result of the reporting year, is not affected.

	2018		2017	
	Base Rate Increase / Decrease (base points)	Impact on pre-tax profit (EUR)	Base Rate Increase / Decrease (base points)	Impact on pre-tax profit (EUR)
EURIBOR	(+100)	(676 788)	(+100)	(772 804)
	(-100)	676 788	(-100)	772 804

Notes (continued)

26. Financial risk management (continued)

(a) Financial risk factors (continued)

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. Exposure to foreign currency exchange risk as at 31 December 2018 and 2017 is as follows:

	2018	2017
Financial assets, USD thousand	109	150
Financial liabilities, USD thousand	(1)	(6)
<b>Statement of financial position, USD thousand, net</b>	<b>108</b>	<b>144</b>
<b>Statement of financial position, EUR thousand, net</b>	<b>95</b>	<b>120</b>

Currency sensitivity analysis

In determination of future fluctuations of exchange rates for both years, assumption is made based on prior year USD currency exchange rate fluctuations, which were in the range of 1%.

31 December 2018

	Currency	Book value EUR	Impact on current profit before Income tax / net assets	
			+1% (USD) EUR	-1% (USD) EUR
<b>Financial assets</b>				
Cash and cash equivalents	USD	8 088	81	(81)
Trade receivables, gross	USD	87 249	872	(872)
<b>TOTAL:</b>		<b>95 335</b>	<b>953</b>	<b>(953)</b>
<b>Financial liabilities</b>				
Trade payables	USD	716	71	(71)
<b>TOTAL:</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net effect</b>		<b>94 619</b>	<b>882</b>	<b>(882)</b>

31 December 2017

	Currency	Book value EUR	Impact on current profit before Income tax / net assets	
			+1% (USD) EUR	-1% (USD) EUR
<b>Financial assets</b>				
Cash and cash equivalents	USD	39 093	391	(391)
Trade receivables, gross	USD	86 503	865	(865)
<b>TOTAL:</b>		<b>125 596</b>	<b>1 256</b>	<b>(1 256)</b>
<b>Financial liabilities</b>				
Trade payables	USD	5 204	52	(52)
<b>TOTAL:</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net effect</b>		<b>120 392</b>	<b>1 204</b>	<b>(1 204)</b>

Notes (continued)

26. Financial risk management (continued)

(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 2018 and 2017 the proportion of borrowed capital to total capital was as follows:

	2018 EUR	2017 EUR
Total liabilities	125 793 516	132 231 140
(Cash and cash equivalents)	(29 164 602)	(31 256 966)
(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)	(57 094 581)	(63 041 412)
Net total liabilities	39 534 333	37 932 762
Total equity and liabilities	180 209 981	184 796 050
Borrowed capital proportion to total capital:	21.94%	20.53%

(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 on the basis of the lowest level input that is significant to the fair value in its entirety.

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 entirety.

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.

Notes (continued)

26. Financial risk management (continued)

(c) Fair value (continued)

The following financial assets and liabilities are included in Level 3:

Assets: Cash and cash equivalents 29 184 802 euro; net trade accounts receivable 6 785 415 euro; other net receivables 1 354 563 euro.

Liabilities: Borrowings from credit institutions 42 757 614 euro; financial lease liabilities 812 508 euro; trade accounts payable 2 379 249 euro; other liabilities 13 770 168 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.

27. Capital commitments

The Company has planned to spend 24 577 thousand euro (2017: 17 810 thousand euro) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:

- Contracted for, but not yet delivered: 15 775 thousand euro (2017: 3 638 thousand euro)
- Approved, but not yet contracted for: 8 802 thousand euro (2017: 14 172 thousand euro)

28. Related party transactions

The Company has transactions with a number of companies whose shares belong to 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

	2018 EUR	2017 EUR
Payables to VA "Civilās valsts aģentūra", safety and rescue pay part	465 852	300 319

(b) Balances due from related parties

	2018 EUR	2017 EUR
VAS „Latvijas gaisa satiksme”, for lease and public utility services	45 007	44 028
VAS „Latvijas pasts”, for lease and public utility services	36 664	36 808
AS „Air Baltic Corporation”, for aviation and lease services	10 681 344	10 129 478
<i>incl. doubtful debt allowance</i>	<i>(8 586 618)</i>	<i>(8 586 618)</i>

(c) Income from sales of services to related parties

	2018 EUR	2017 EUR
VAS Latvijas gaisa satiksme for lease and public utility services	546 710	643 108
VAS Latvijas pasts for lease and public utility services	335 120	327 837
AS Air Baltic Corporation for aviation and lease services	14 439 558	11 266 197



Notes (continued)

**28. Related party transactions (continued)**

**(d) Purchases of goods and services from related parties**

	<b>2018 EUR</b>	<b>2017 EUR</b>
VAS Latvijas gaisa satiksmes for lease and public utility services	12 392	21 077
VAS Latvijas pasta for lease and public utility services	7 892	7 228
For aviation and public utility services provided to AS Air Baltic Corporation	265 239	206 160

**(e) Grants received from related parties**

	<b>2018 EUR</b>	<b>2017 EUR</b>
Aviation safety grants from the State (see Note 4)	44 102	42 834

Transactions with key management personnel are disclosed in Note 5.

**29. Contingent liabilities and assets**

**Accruals:**

According to the JSC "Riga International Airport" Board decision dated 11 February 2019 (Protocol No. 7), the following provisions have been created:

- Leave unchanged the provision created in previous years for compensation to "Rixport" Ltd in amount of 6 694 864 euro;
- Leave unchanged the provision created for fulfilment of the potential liabilities regarding the case by air carrier "Ryanair" in amount of 4 254 591 euro;
- Leave unchanged the provision created for potential compensations for real estate located at Maza Gramzdas Street 1A, Cadastre No. 8076 002 0061 and "Mokupurvi", Cadastre No. 8076 002 0063, to the owners Dzintra Lemeševska, Maris Kiršbaums and Dzintre Eglīte in amount of 295 120 euro;

**Details of the proceedings:**

**Ltd. "Rixport" claim and the JSC "Riga International Airport" counterclaim**

Ltd. "Rixport" has initiated a claim against the JSC "Riga International Airport" for the debt and the legal and contractual interest payments, in turn, JSC "Riga International Airport" has initiated a counterclaim against the LLC "Rixport" on the principal contractual and legal recovery. According to the Kurzeme District Court of 13 April 2016 judgment, Ltd. "Rixport" claims have been rejected, but the JSC "Riga International Airport" claim was satisfied. Ltd. "Rixport" has filed a cassation complaint. The trial date is not appointed. On 12 September 2018, a decision was taken on further proceedings in the written procedure. The case is scheduled for 31 May 2019.

**AB "flyLAL - Lithuanian Airlines" claim against the JSC "Air Baltic Corporation" and JSC "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 JSC "Riga International Airport" was dismissed, while court proceeding expenses for postal expenses, state duty in favour of flyLAL-Lithuania Airlines and 1/3 of case proceeding expenses in favour of flyLAL Lithuania Airlines are to be recovered from JSC "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.

**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.

**Notes (continued)**

**29. Contingent liabilities and assets (continued)**

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

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 JSC "Riga International Airport" against Jānis Vilders**

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. J. Vilders appealed in cassation on 17 May 2017. On 21 July 2017 the Senate of the Supreme Court decided to refer this matter to the cassation proceeding. The date of the hearing is not set.

**Claim of JSC "Riga International Airport" against Dzintra Lemeševska, Māris Kiršbaums and Dzintra Eglīte**

On 24 February 2017 JCS "Riga International Airport" has raised a claim in Riga city Pārdaugava court for conclusion of an agreement for mandatory rent of land and recognition of contractual land rent relationship with Dzintra Lemeševska, Māris Kiršbaums and Dzintra Eglīte. 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.

**Claim of SIA "Merks" against JSC "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 November 2018 Kurzeme district court decided to stop the litigation until 20 May 2019.

**Future operating lease payments**

During 2018, the Company has signed a number of operating lease agreements. In 2018 the Company has paid 554 081 euro (2017: 526 225 euro) in lease payments.

Future operating lease payments according to the agreements effective as at 31 December 2018 can be disclosed as follows:

	2018 EUR	2017 EUR
Within one year	422 415	382 912
Later than one year but less than five years	226 807	334 777
<b>TOTAL:</b>	<b>649 222</b>	<b>717 689</b>

The Company has no contingent guarantees, pledges and liabilities other than disclosed in Notes 22., 23., 24., 25., 26., and 27.

**Future income from lease payments**

During 2018, the Company signed several operating lease agreements as a lessor of land and premises. In 2018, the Company generated revenues of 14 925 572 euro (2017: 15 004 504 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 2020. 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 2018 amounted to 76% (2017: 69%). The respective agreement stipulates that lease payments depend upon turnover of the commercial premises in each month separately. Taking into account the significant share of income generated by this agreement, future income from lease in accordance with the effective agreements as at 31 December 2018 have not been disclosed, as it cannot be estimated reliably.

**Notes (continued)**

**30. 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:

	2018 EUR	2017 EUR
Income	981 955	850 293
Direct costs	(848 465)	(730 180)
Indirect costs	(219 418)	(162 054)
<b>Loss from operating activities</b>	<b>(85 928)</b>	<b>(41 941)</b>
Other operating expenses	(1 869)	(65)
<b>LOSS BEFORE TAX:</b>	<b>(87 797)</b>	<b>(42 006)</b>

**31. Profit distribution proposed by the Board**

Undistributed profit for 2017 is 3 486 688 euro.

Order of the Cabinet of Ministers No. 565 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 2017", states that the Company pays dividends at a different dividend rate of 23% (801 938 euro) to the Ministry of Transport as a shareholder of the Company to ensure that 77% of the profit (2 684 750 euro) earned in the 2017 financial year is allocated to the Company's development in accordance with the Company's medium-term strategy for 2017-2023. The Company's profit for 2017 will be distributed after receiving the opinion of the European Commission that the determination of the dividend paid to the State from the profit of the Company for 2017 is not qualifying as a business support under Article 107 (1) of the Treaty on the Functioning of the European Union within the meaning of paragraph 1.

The profit for the reporting year to be distributed is 10 022 216 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% (2 004 443 euro) to the Ministry of Transport as a shareholder of the Company to ensure that 80% of the profit (8 017 773 euro) earned in the 2018 financial year is allocated to the Company's development in accordance with the Company's medium-term strategy for 2017-2023. The Company's profit for the year 2018 will be distributed after receiving the opinion of the European Commission that the determination of the dividend paid to the State from the profit of the Company for 2018 is not qualifying as a business support under Article 107 (1) of the Treaty on the Functioning of the European Union within the meaning of paragraph 1.

**32. Subsequent events**


No significant subsequent events have occurred since the last day of the reporting period that would materially influence the Company's financial statements as at 31 December 2018.

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


The 2018 Financial statements of the Company set out on pages 11 to 51 were signed on 1 April 2019 by:

  
**Ilona Līce**  
 Chairwoman of the  
 Board

  
**Artūrs Ševčuks**  
 Member of the  
 board

  
**Lauma Jenciņa**  
 Member of the  
 Board

  
**Normunds Feierbergs**  
 Member of the board

  
**Inga Simšone**  
 Chief accountant