STATE JOINT STOCK COMPANY RIGA INTERNATIONAL AIRPORT
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

CONTENTS

General information

Name of the Company	Riga International Airport
Legal status	State Joint Stock Company
Common registration number, place and date	40003028055 Riga, 30 September 1991
Place and date of re-registration with the Commercial Registry	Riga, 10 September 2004
Legal address	Mārupes novads, Lidosta „Rīga" 10/1 Latvija, LV-1053
Core business	Airship, passenger and cargo servicing; maintenance of airfields and other services
Shareholder	Ministry of Transport of Latvia (100%) Gogoļa iela 3, Rīga, Latvia, LV -1743
Management of the Company	Shareholder's meeting,the Supervisory and the Management Board
The Supervisory Board	Juris Kanels (Chairman of the Board) from 17 May 2016 Raitis Nešpors (Member of the Board) from 17 May 2016 Tālis Linkaitis (Member of the Board) from 17 May 2016
The Management Board	Armands Jurjevs (Chairman of the Board) from 31 October 2016 Ilona Līce (Member of the Board) from 14 January 2011 until 20 June 2016 and from 31 October 2016 Irina Feļdmane (Member of the Board) from 31 October 2016 Lauma Jenča (Member of the Board) from 31 October 2016 Normunds Feierbergs (Member of the Board) from 10 November 2016 Ilona Līce (Chairman of the Board) from 21 June 2016 until 30 October 2016 Verners Stūrmanis (Member of the Board) from 5 January 2015 till 30 October 2016 Artūrs Saveļjevs (Member of the Board) from 21 June 2016 till 30 October 2016 Andris Liepiņš (Chairman of the Board) from 14 November 2014 till 20 June 2016 Ilmārs Upenieks (Member of the Board) from 14 November 2014 till 20 June 2016
Financial year	1 January – 31 December 2016
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA VNR 40003142793 Certified Audit Company License No. 5 Krišjāņa Valdemāra iela 21-21 Rīga, Latvia, LV-1010 Certified auditor-in-charge: Lolita Čappkeviča Certified auditor Certificate No. 120

Management report

In 2016, the tate joint stock company Riga International Airport (hereinafter referred to as "the Company") provided services to 68 thousand aircrafts, 5.4 million passengers and handled 20 thousand tons of cargoes. Compared to 2015, during the reporting year, the number of passengers increased by 4.6%, the number of aircrafts handled remained at the previous level, whereas the volume of handled cargoes increased by 4.8%.

The Company continues to be the largest air passenger and cargo handling services hub in the Baltic countries: it provided services to 47.2% of the total passengers served in the capital cities of the Baltic countries. The national airline *Air Baltic* is the leading carrier in terms of the number of passengers carried from/to the Riga airport, accounting for 50.2% of all passengers served at the Riga airport. During the reporting year, three new flight directions were opened from the Riga airport, two of which were opened by the national carrier *Air Baltic*. In the summer and winter season of 2016, 79 and 60 direct flight destinations were operated from the Riga airport, respectively.

In 2016, the Company carried on work aimed at improving general work processes, reducing environmental impacts and continuous improvement of the quality of the services provided by it, seeking to achieve its objectives. In September 2015, the Company obtained ISO standard certificates supporting the conformance of the airport's quality management system to the requirements of the standard ISO 9001:2008 as well as conformance of the environmental management system to the requirements of the standard ISO 14001:2004.

The principal activity of the Company

The reporting year was the 26th 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 providing of parking and other services. In 2016, the Company's net turnover was EUR 50,447,067, up by 2.8% (EUR 1,356,819) compared to 2015. During the reporting year, revenue from aviation services amounted to EUR 28,745,446, up by 4.2% (EUR 1,154,364) compared to the previous year. The major source of aviation revenue is revenue from the services, for which 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. 210 and No. 953 "Regulations Regarding the Charges for the Services at the Aerodrome Provided by State Joint Stock Company Riga International Airport". During the reporting year, revenue from non-aviation services amounted to EUR 21,701,621, up by 0.9% or EUR 202,455 compared to 2015.

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 2016, under the law "On the State Budget for 2016" and the Republic of Latvia Cabinet order No. 427 "On Spending of the Financing of the State Budget Programme 44.00.00 "Financing for Providing Aviation Security Measures", the Company received a grant of EUR 42,828 (in 2015: EUR 73,441) for purchasing of an x-ray equipment for luggage security checking. On a regular basis, the Company has been reporting to the Ministry of Transport of the Republic of Latvia on the progress of the implementation of the projects for which financing had been granted as well as on the spending thereof. By 31 December 2016, the project was completed and the grant financing had been used up in full.

During 2016, the Company provided jobs to more than its 1,000 responsive and professional employees who help the Company achieve its business goals. The breakdown of the Company's staff by employment area is as follows: security – 40%, passenger services – 26%, infrastructure maintenance services – 17%, other areas of the Company's business activities – 16% 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 fulfils international aviation requirements. The Company's remuneration policy provides for a stable, always timely disbursed and competitive employee remuneration supplemented with social guarantees and benefits.

Financial performance

The Company's profit from operating activities before financial items was EUR 1,733,254 for the reporting year. The net profit for 2016 was EUR 358,450. The profit for the reporting year was significantly impacted by the provisions made for doubtful receivables, contingent compensations and the costs of legal proceedings in accordance with the Company's accounting policies.

Management report (continued)

The Company's development

In 2016, the Company's priorities were:

1) carrying out of the 2nd round of the 5th round of reconstruction of the passenger terminal;
2) obtaining the certification for SJSC Riga International Airport pursuant to the Cabinet Regulation No. 635 "Regulations on Building, Obtaining Certifications and Operation of Civil Aviation Aerodromes" and the requirements of the European Commission Regulation No. 139/2014 of 12 February 2014; and
3) launching the SJSC Riga International Airport project for implementing 6.1.2. specific aid objective "To promote security and adherence to environmental requirements at the Riga International Airport" of the Cohesion Fund EU fund of the 2014 – 2020 programming period Operational Programme "Growth and employment".

In 2016, with a view to providing an infrastructure corresponding to passenger flow forecasts, the construction of the 5th round of the passenger terminal extension (the construction of the North berth) was completed, which was a critical factor enabling the Company to handle the rapidly growing volumes of transit and transfer passengers. As a result of carrying out the project, new berths and bridges for aircrafts had been built conforming to the requirements of the Schengen and non-Schengen area countries for organising passenger flows and security control, as well as providing a connection with the existing terminal. The sterile area of the passenger terminal has been extended by 17,352 m^2.

Since 2013, in cooperation with the Ministry of Transport of the Republic of Latvia, the Company has been working on attracting the European fund financing of the European Union fund 2014 – 2020 programming period Operational Programme "Growth and employment". To ensure obtaining of the Cohesion Fund co-financing, such activities had been identified, which would achieve the priority objectives of the Cohesion Fund, i.e., alignment of existing economic and social disparities through financing of large scale infrastructure development measures (projects) in the fields of environmental protection and transport. Consequently, as part of the project, carrying out of the activities which would ensure obtaining the approval of the Operational Programme 6.1.2. "Promoting compliance with security and environmental requirements at the Riga International Airport" from the European Commission is contemplated. The following activities of the project will help improve the Company's conformance to environmental requirements as well as its service quality level:

1) Construction of the second quick exit;
2) Fitting of the manoeuvring ways of platforms 2 and 3 with axis lights;
3) Reconstruction of the technical services building;
4) Reconstruction of the rainwater collection system in the public part as well as reconstruction of Muzeja Street;
5) Construction of the helicopter landing area;
6) Reduction of carbon dioxide emissions in the territory of the airport lighting infrastructure;
7) Acquisition of EDS equipment complying with Standard 3.

The total eligible costs of the project are budgeted at EUR 23,049,010.
In 2016, the Company started active work with a view to obtaining its certification pursuant to the Cabinet Regulation No. 635 "Regulations on Building, Obtaining Certifications and Operation of Civil Aviation Aerodromes" and the European Commission Regulation No. 139/2014 of 12 February 2014, which will be continued through 2017.

In the period since the last day of the reporting year to the date of signing of this report, there have no such significant events that have not been reported in the annual report of SJSC Riga International Airport for 2016 and would have a significant impact on the financial statements.

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 based on the good faith principle, comply with ethical norms; it also carries out the necessary steps to prevent risks of a corruptive and fraudulent nature. The Company promotes the awareness of its staff of internal controls, as well as continuously improves them. The Company has been consistently improving the competencies of its staff in order to achieve the Company's objectives more efficiently.

The Company has introduced and has been consistently improving the general-level controls (policies, instructions, process descriptions, etc.) aimed at pursuing the Company's strategy and achieving of its objectives. Also, to ensure achieving of the objectives pursuant to 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, reducing potential losses or damage to reputation. The Company has started work on the development of the 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 reduction of operational risks.

Management report (continued)
The Company's management bodies (continued)

The Company's financial risks are the risks associated with the need to attract additional financing to minimise financial risks. The Company uses financial instruments as well as diversifies borrowing sources to the extent possible. Tax, financial reporting, and reporting risks are also being assessed and monitored.

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 favourable terms prior to entering into contracts with its counterparties. The Company exercises regular 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, 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 representative of the shareholder. 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 Shareholder's meeting for approval. The decision on the approval of the Company's annual report and distribution of profit is made by the Shareholders' meeting.

The members of the Board of SJSC Riga International Airport at the beginning of the year:

Members of the Board:	Ilona Līce	Chairwoman of the Board
	Irina Feļdmane	Member of the Board
	Lauma Jenča	Member of the Board
	Normunds Feierbergs	Member of the Board

On 17 May 2016, the Company's Council was approved, at the time of preparing the annual report its members were:

Juris Kanels	Chairman of the Council
Raitis Nešpors	Member of the Council
Tālis Linkaits	Member of the Council

Ilona Līce	Irina Feļdmane	Lauma Jenča	Normunds Feierbergs
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board

20 March 2017

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 - 46 have been prepared on the basis of supporting documents and give a true and fair view of the Company's financial position at 31 December 2015 and at 31 December 2016 , and of its operating performance, changes in capital and reserves and cash flows for the years ended 31 December 2015 and 31 December 2016. The Management's report on pages 4 - 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 approved by the European Union on the basis of the going concern principle. During the reporting period, there has been a consistent use of appropriate accounting methods. The management's decisions and estimated 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 detecting and prevention of fraud and other violations occurring in the Company. The management is responsible for compliance with the requirements of the laws and regulations of the Republic of Latvia.

Ilona Līce	Irina Feļdmane	Lauma Jenča	Normunds Feierbergs
Chairwoman of the Board	Member of the Board	Member of the Board	Member of the Board

20 March 2017

pwc

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of SJSC "International airport "Riga""

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements set out on pages 11 to 46 of the accompanying annual report give a true and fair view of the financial position of SJSC "International airport "Riga"" (Company) as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The financial statements comprise:

- statement of financial position as at December 31, 2016,
- the statement of comprehensive income for the year then ended,
- the statement of changes in 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 a summary of significant accounting policies.

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) together with the ethical requirements and auditor's independence rules 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.

Reporting on Other Information

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 on Management Responsibility, as set out on page 7 of the accompanying Annual Report,

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

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the

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Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports.

Based solely on the work required to be 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 the requirements of the Law on Annual Reports and Consolidated Annual Reports.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Lolita Čapkeviča
Certified auditor in charge
Certificate No.120

Member of the Board

Riga, Latvia
20 March 2017

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

Statement of profit or loss and statement of comprehensive income

	Note	2016 EUR	2015 EUR
Revenue	3	50 447 067	49 090 248
Government grants	4	6 814 700	6 619 277
Personnel costs	5	(20 981 931)	(19 684 369)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(14 973 921)	(13 594 895)
Other external costs	7	(12 991 029)	(10 041 907)
Other operating income	8	836 909	14 355 183
Other operating costs	9	(7 418 541)	(23 260 476)
Operating profit before financial items		**1 733 254**	**3 483 061**
Finance income	10	2 993	43 688
Finance costs	11	(852 193)	(1 006 719)
Profit before income tax		**884 054**	**2 520 030**
Corporate income tax	12 b	(525 604)	(1 369 154)
PROFIT FOR THE YEAR		**358 450**	**1 150 876**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**358 450**	**1 150 876**

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

Statement of financial position

ASSETS

NON-CURRENT ASSETS	Note	31.12.2016. EUR	31.12.2015. EUR
Property, plant and equipment	14	150 576 038	151 729 524
Intangible assets	13	375 213	57 113
Investment property	15	1 448 304	1 943 491
TOTAL NON-CURRENT ASSETS		**152 399 555**	**153 730 128**
CURRENT ASSETS			
Inventories	16	620 064	581 870
Overpaid corporate income tax	12 a	404 942	210 916
Trade receivables	17	5 248 107	5 711 823
Other receivables and prepaid expenses	18	1 741 380	7 212 890
Cash and cash equivalents	19	19 981 583	18 580 132
TOTAL CURRENT ASSETS		**27 996 076**	**32 297 631**
TOTAL ASSETS		**180 395 631**	**186 027 759**

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

Statement of financial position (continued)

LIABILITIES AND SHAREHOLDER'S EQUITY

	Note	31.12.2016. EUR	31.12.2015. EUR
SHAREHOLDERS' EQUITY			
Share capital	20	28 608 932	28 608 932
Reserves:			
Other reserves	21	12 259 432	12 259 432
Retained earnings:			
Comprehensive income for the year		358 450	1 150 876
TOTAL SHAREHOLDERS' EQUITY		**41 341 902**	**42 019 240**
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions and other borrowings	22	40 963 278	42 971 854
Deferred income	23	66 270 631	72 806 356
Deferred income tax liabilities	12 c	2 480 143	2 330 369
TOTAL		**109 714 052**	**118 108 579**
Current liabilities			
Borrowings from credit institutions and other borrowings	22	3 661 896	3 602 466
Trade payables		1 165 532	1 541 769
Other payables	24	15 184 134	10 940 732
Deferred income	23	7 302 457	7 626 060
Accrued liabilities	25	2 025 658	2 188 913
TOTAL		**29 339 677**	**25 899 940**
TOTAL LIABILITIES		**139 053 729**	**144 008 519**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**180 395 631**	**186 027 759**

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

Statement of cash flows

	Note	2016 EUR	2015 EUR
Cash flow from operating activities			
Profit of the reporting year before tax		884 054	2 520 030
Adjustments for:			
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	13,14,15	14 977 934	13 599 902
Received Government grant for the infrastructure development		(986 315)	(1 254 331)
EU Cohesion Fund resources recognised in the profit for the current year	4	(5 675 581)	(5 238 668)
European Regional Development Fund resources recognised in the profit for the current year	4	(29 429)	(29 429)
Obtained from KPFI financing	4	(52 861)	(52 861)
Obtained without payment, recognised in the profit for the current year)	8	(50 567)	(45 151)
Increase/(decrease) in accruals		4 644 847	(1 059 429)
Write-off of loss on fixed asset development and construction in progress		-	690 090
Impairment of intangible and fixed assets		240 970	118 691
Gain from sale of fixed assets		(10 953)	-
Net interest expenses	10, 11	852 085	1 006 650
Increase of inventories		(38 194)	(47 291)
Decrease / (increase) in trade receivables		463 716	(1 512 623)
(Increase) / decrease in prepaid expenses		(611 988)	12 070 067
Decrease in trade payables		(946 618)	(13 051 123)
(Decrease)/increase in deferred income		(107 403)	1 394 147
Cash generated from operating activities		**13 553 697**	**9 108 671**
Interest paid		(859 445)	(1 419 464)
Corporate Income tax paid		(569 856)	(779 779)
Net cash generated from operating activities		***12 124 396***	***6 909 428***
Cash flows from investing activities			
Funding from Cohesion Fund "For airport infrastructure development"		5 037 535	6 611 782
Government funding "For airport infrastructure development"		1 045 963	1 332 164
Employment related grants		17 296	15 849
Climate Change Financial instrument funds		-	264 305
Government grant for infrastructure development		42 828	73 441
Latvian Investment and development agency project		-	2 607
Purchase of intangible assets	13	(141 874)	(1 892)
Purchase of fixed assets		(13 462 382)	(27 018 568)
Proceeds from disposal of property, plant and equipment		11 106	17 328
Interest received	10	108	69
Net cash used in investing activities		***(7 449 420)***	***(18 702 915)***
Cash flows from financing activities			
Loans received		1 252 000	13 289 259
Repayment of loans and borrowings		(2 929 494)	(2 200 035)
Payment of obligations under finance lease		(560 244)	(630 828)
Dividends paid		(1 035 788)	-
Net cash (used in) / generated from financing activities		***(3 273 526)***	***10 458 396***
Net decrease in cash and cash equivalents		**(1 401 451)**	**(1 335 091)**
Cash and cash equivalents at the beginning of the year		**18 580 132**	**19 915 223**
Cash and cash equivalents at the end of the year	19	**19 981 583**	**18 580 132**

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

Statement of changes in shareholder's equity

	Notes	Share capital EUR	Other reserves EUR	Retained earnings EUR	**Total EUR**
31 December 2014		**28 608 932**	**12 124 754**	**134 678**	**40 868 364**
Transfer from retained earnings to reserves	21	-	134 678	(134 678)	-
Comprehensive income of the year		-	-	1 150 876	**1 150 876**
31 December 2015		**28 608 932**	**12 259 432**	**1 150 876**	**42 019 240**
Transfer from retained earnings to reserves	21	-	115 088	(115 088)	-
Payment for the use of state shares		-	-	(1 035 788)	**(1 035 788)**
Comprehensive income of the year		-	-	358 450	**358 450**
31 December 2016		**28 608 932**	**12 374 520**	**358 450**	**41 341 902**

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

Notes

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 „Riga" 10/1, Latvia. The Company is wholly owned by the Government of the Republic of Latvia.

The key lines of business are:

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

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

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

These Company's financial statements were authorised for issue by the board of directors on 20 March 2017. Company's members of the Board as at the financial statement signing date are Ilona Līce (Chairman of the Board from 20th January 2017), Irina Feļdmane (from 31st October 2016), Lauma Jenča (from 31st October 2016), Normunds Feierbergs (from 10st November 2016). Members of the Board on the financial statements reporting date are Juris Kanels (Chairman of the Board from 17th May 2016), Raitis Nešpors (Member of the Board from 17th May 2016), Tālis Linkaitis (Member of the Board from 17th May 2016). In 2016 released from the Board are Verners Stūrmanis (Member of the Board till 30th October 2016), Artūrs Saveļjevs (Member of the Board until 30th October 2016), Andris Liepiņš (Chairman of the Board until 20th June 2016), Ilmārs Upenieks (Member of the Board until 20th June 2016).

PricewaterhouseCoopers SIA with Lolita Čapkeviča as the Certified auditor-in-charge is the appointed auditor of the Company.

2. Basis of the preparation

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).

Financial statements are prepared based on a going concern.

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 2015, the accounting methods used in 2016 for the preparation the annual financial statements are not changed.

Notes (continued)

2.Basis of the preparation (continued)

a) Statement of compliance and accounting principles (continued)

The following new and amended IFRS and interpretations became effective in 2016, but have no significant impact on these financial statements:

IFRS 14 "Regulatory Deferral Accounts" (effective for periods beginning on 1 January 2016 or later, not yet endorsed by the EU);

Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – regarding bearer plants (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016).

Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in associates and joint ventures" – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016).

Amendments to IAS 1 "Presentation of financial statements" regarding disclosure initiative (effective for annual periods beginning on or after 1 January 2016).

Annual Improvements 2014 (effective for annual periods beginning on 1 January 2016 or later, not approved for use in the EU). These amendments include changes to the 4 standards:
• IFRS 5 "non-current assets held for sale and discontinued operations";
• IFRS 7 "Financial Instruments: Disclosures" with consequential amendments to IFRS 1;
• IAS 19 "Employee benefits";
• IAS 34 "Interim Financial Reporting".

Amendments to IAS 19 "Employee benefits" for defined benefit plans (approved by the EU for annual periods beginning on 1 February 2015 or later).

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on 1 July 2014 or later, by the EU for annual periods beginning on 1 February 2015 or later). These amendments include changes to 6 standards:
• IFRS 2 "Share-based Payment"
• IFRS 3 "Business Combinations"
• IFRS 8 "Operating Segments"
• IAS 16 "Fixed Assets" and IAS 38 "Intangible assets" and
• IAS 24 'Related Party Disclosures ".

Certain new standards and interpretations have been published and became effective for the financial periods beginning on 1 January 2017 or later, or not approved in the European Union:

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on 1 January 2018 or later, not yet endorsed by the EU);

IFRS 9 "Financial Instruments" (effective for annual periods beginning on 1 January 2018 or later, not yet endorsed by the EU). The main features of the new standard are as follows:

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The Company regularly evaluates debtors and performs aging structure analysis to identify the potential value of the losses, and also the credit risk is managed.

Notes (continued)

Basis of the preparation (continued)

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

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU);

Amendments to IAS 12 "Income taxes" - recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);

Amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU);

Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial statements" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU);

Annual Improvements to IFRSs 2016. These amendments include changes to the 3 standards:

- IFRS 12 "Disclosure of interests in other companies" (effective for annual periods beginning 1 January 2017 or later, not yet adopted by the EU).
- IFRS 1 "First-time application of IFRS" (effective for annual periods beginning on 1 January 2018 or later, not yet adopted by the EU) and
- IAS 28 "Associates and Joint Ventures" (effective for annual periods beginning on 1 January 2018 or later, not yet adopted by the EU).
- IFRIC 22 "Prepayments transactions in foreign currencies" (effective for annual periods beginning on 1 January 2018 or later, not yet endorsed in the EU);

Amendments to IAS 40 "Investment Property" - Transfers (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

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

b) Financial instruments

The Company's financial instruments consist of trade receivables, 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 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.

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. Subsequent recoveries of amounts previously written off are credited against profit or loss.

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.

Notes (continued)

Basis of the preparation (continued)

c) Currency unit and 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.

	31.12.2016. EUR	31.12.2015. EUR
1GBP	0.856180	0.73395
1RUB	64.30000	80.67360
1SEK	9.552500	9.189500
1USD	1.054100	1.088700

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 and 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 with impairment associated 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, 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 functionally of the related equipment is capitalised as part of that equipment.

Investments in rented property, plant and equipment are capitalized and reflected 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 are 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.

Notes (continued)

2.Basis of the preparation (continued)

(e)Property, plant and equipment (continued)

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%. No depreciation is calculated for land.

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

Reclassification to investment property should be performed only in case the mode of use is changed which is proved by the fact that the owner has discontinued using the property, property, it is leased on operating lease terms to a third party, or construction or development is completed. Reclassification from investment property should be performed only in case the mode of use is changed which is proved by the fact that the owner has commenced using the property or developments are commenced in order to sell the property.

g) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Cost of inventories is based on the first-in first-out (FIFO) principle.

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

h) Cash and cash equivalents

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

Notes (continued)

2.Basis of the preparation (continued)

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

In accordance with the regulation No 806 by the Cabinet of Ministers "the 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 85% 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 recognized based on the likelihood of gaining economic benefit and to the extent, it is reasonably measurable. 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.

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.

Notes (continued)

2.Basis of the preparation (continued)

n) Current and deferred income tax

Income tax expense consists of the year and deferred tax.

Corporate income tax is calculated in accordance with tax legislation in force in the reporting period. Effective laws provide for 15 per cent tax rate.

Deferred tax is provided in full, using the liability method, on temporary differences between the values of assets and liabilities in the financial statements and their values for tax calculation purposes. Deferred income tax is determined using tax rates (and laws) that are expected to apply when the temporary differences reverse, based on the balance sheet at the date of the tax rates.

The principal temporary differences arise from different intangible asset amortization and fixed asset depreciation rates, as well as provisions. In cases where the total deferred tax result is shown in the balance sheet, it is included in the financial statements only when it is probable that future.

The company offsets the deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority or to a taxable business, or other taxable companies, if there is an intention to settle the balances on a net basis.

o) 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.

p) 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.

q) 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).

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 (continued)

s) 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 9.

Impairment of receivables

Impairment of receivables The Company recognizes doubtful debt allowance. In order to set unrecoverable amount of receivables, management estimates are based on which is the historical experience. Provisions for doubtful debts are recognized based on an individual management assessment of recoverability of each receivable (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 property, plant and equipment is calculated over the shortest period – lease term or over the useful life. No depreciation is calculated for land.

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 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.

Deferred tax asset

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised (Note 12c).

Notes (continued)

3. Revenue

	2016 EUR	2015 EUR
Total aviation revenue	**28 745 466**	**27 591 082**
Security and rescue measure fees*	10 342 037	10 373 191
Departure / landing fees	3 305 636	3 300 543
Ground servicing	4 700 800	4 530 602
Passenger service fees	6 342 485	6 147 274
Other aviation services	2 314 932	1 499 418
*Including charge for services provided to disabled persons and persons with reduced mobility***	*754 887*	*720 195*
Centralized infrastructure services	1 739 556	1 740 054
Total non-aviation revenue	**21 701 621**	**21 499 166**
Rent of premises within terminal	9 624 003	9 806 637
Car parking services	2 104 375	2 085 145
Other lease in the territory***	4 301 473	3 795 862
Public utilities	2 146 524	2 054 454
Servicing business passengers	1 314 583	2 067 476
Advertising services	466 681	459 257
Income from concessions	323 335	248 433
Other non-aviation services	1 420 647	981 902
TOTAL:	**50 447 067**	**49 090 248**

	2016 EUR
EU Economic Activities Statistical Classification according to NACE codes:	
Aviation income (52.23)	28 745 446
Non-aviation income (68.20)	19 490 958
Non-aviation income (73.12)	19 490 958
Non-aviation income (79.90)	1 743 982
KOPĀ:	**50 447 067**

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

** In accordance with the Regulation (EC) No 1107/2006 of the European Parliament and of the Council, concerning the rights of disabled persons and persons with reduced mobility when travelling by air (5th July 2006), Company is charging aircraft carriers for providing this service. Refer to Note 30.

*** Includes rental income from investment property in amount of 2 965 162 EUR (2015: 2 967 566 EUR).

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

Notes (continued)

4. Government grants

In accordance with the law On Aviation, Clause 27, 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 2016 amounting to 42 828 EUR (2015: 73 441 EUR); (2014: 82 418 EUR); (2013: 82 418 EUR); (2012: 82 418 EUR); (2011: 887 548 EUR); (2010: 5 029 439 EUR); (2009: 5 179 988 EUR); (2008: 8 116 150 EUR). In year 2016 the company did not receive "Funds for unforeseen events" (2015: 0 EUR); (2014: 14 965 EUR); (2013: 1 398 878 EUR). Resources were used for the purposes of investment projects, that would give the ability to fully provide support for armed forces as the hosting state in the case of the hosting state support system. Resources were used to purchase technical equipment and reconstruct the platforms of the airfield. Part of the government grant for the aviation safety used to cover maintenance expenses is recognized under income of the reporting year. As at 31.12.2016., a goverment grant for acqusition and creation of long-term investments to improve aviation safety left for the following year is 667 313 EUR (31.12.2015.: 1 243 073 EUR).

On 4 August 2010, the Company signed an agreement with the Ministry of Transport on the implementation of the EU funds project Development of the infrastructure of Riga International Airport (Agreement No. SM 2010/-32; J-10/16). On 18 September 2013, the Company signed the agreement with the Ministry of Transport on the amendments in the agreement of EU fund`s project implementation, according to amendments, the due date of the implementation is 31 July 2015. On 24 January 2015, the Company signed the agreement with the Ministry of Transport on the amendments in the agreement of EU fund`s project implementation, according to amendments, the due date of the implementation is 31 December 2015.

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 indentifying 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:

	2016 EUR	2015 EUR
Government grant for the safety of aviation:	**618 589**	**834 903**
Other external costs	53 218	25 533
Depreciation of property, plant and equipment purchased using the grant	565 371	809 370
Grants received from the Cohesion Fund:	**5 675 581**	**5 238 668**
Depreciation of property, plant and equipment purchased using the Cohesian Fund resources	5 675 581	5 238 668
Subsidies received from European Regional Development Fund:	**29 429**	**32 035**
Depreciation of assets bought using resources obtained from ERDF	29 429	29 429
Project "World Routes 2015" from financing by ERF	-	2 606
Other grants:	**491 101**	**513 671**
Depreciation of property, plant and equipment purchased using the grant	420 944	444 961
Project Nr.KPFI-15.3/147, obained from Climate Change Control Instrument financing	52 861	52 861
Employment related grants	17 296	15 849
TOTAL	**6 814 700**	**6 619 277**

Notes (continued)

5. Personnel costs

	2016 EUR	2015 EUR
Total salaries:	**16 997 865**	**15 964 697**
Staff	16 734 685	15 758 185
Board members	263 180	206 512
Total compulsory state social security contributions:	**3 984 066**	**3 719 672**
Staff	3 921 982	3 673 940
Board members	62 084	45 732
TOTAL	**20 981 931**	**19 684 369**

Average number of employees during the reporting year was 1 171, including 4 members of the Board (2014: 1 186).

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

	2016 EUR	2015 EUR
Depreciation of constructions and buildings	9 000 185	8 409 507
Depreciation of investment property	41 401	50 161
Depreciation of equipment and machinery	3 825 237	3 653 064
Depreciation of other items of property, plant and equipment	2 067 372	1 439 675
Amortization of intangible assets	39 726	42 488
TOTAL:	**14 973 921**	**13 594 895**

* Refer to Notes 13, 14 and 15.

7. Other external costs

	2016 EUR	2015 EUR
Materials	1 434 482	1 209 209
Insurance of employees and movable and immovable property	505 135	488 520
Territory cleaning costs	105 302	105 553
Infrastructure maintenance costs*	2 621 567	792 472
Public utilities	3 213 783	3 278 926
Business trips	182 684	118 206
Communication expenses	717 248	388 100
Transport costs	708 055	625 989
Operating lease	511 172	460 553
Increase of personnel qualification	410 887	206 788
Marketing and advertising	418 230	383 127
Safety measures	288 426	222 158
Management expenses**	498 945	780 210
Other	1 375 113	982 096
TOTAL:	**12 991 029**	**10 469 841**

Notes (continued)
* Including government grants for aviation safety – 53 218 EUR (2015: 25 533 EUR).
** Including audit expenses for the reporting year – 7 950 EUR (2015: 7 950 EUR). During the reporting year, the Company also received other services related to tax consultations from the certified audit company – 3 000 EUR

8. Other operating income

	2016 EUR	2015 EUR
Penalty fees	104 090	163 364
Current assets sales result, net *	664 758	-
Income from doubtful debts and litigation accruals, net	-	13 960 438
Other operating income**	68 061	231 381
TOTAL:	**836 909**	**14 355 183**

* Including revenue of 11 106 EUR from sale of fixed assets with residual value of 0 EUR, expenses on writing off fixed assets with a residual value of 154 EUR, net income - 10 952 EUR; expenses from the sale of inventory 9 577 EUR; revenue from sale of felling rights 663 383 EUR.
** Depreciation of fixed assets obtained free of charge in 2016: 50 567 EUR (2015: 45 151 EUR).

9. Other operating expenses

	2015 EUR	2014 EUR
Non-business expenses, primarily trade union events*	138 423	105 424
Real estate tax**	365 033	334 456
Net result of sale of current assets***	-	103 429
State tax for lottery organisation of goods and services	1 045	1 000
Losses from doubtful debts and provisions for legal cases, net***	6 903 331	-
Penalties paid	1 669	1 613 678
Including interest according to settlement with Air Baltic	-	*1 613 566*
Other	9 040	21 102 489
TOTAL:	**7 418 541**	**23 260 476**

*Including depreciation of property, plant and equipment related to social infrastructure 4 014 EUR (2014: 5 007 EUR), social events expenses 94 710 EUR (2014: 80 974 EUR).
**Including real estate tax expenses attributable to investment properties in 2016 amounting to 39 915 EUR (2015: 53 787 EUR).
***Including 2016 provisions for unrealized construction projects 240 970 EUR.

10. Finance income

	2016 EUR	2015 EUR
Interest income from deposits and current bank balances	108	69
Net profit on currency exchange fluctuations	2 885	43 619
TOTAL:	**2 993**	**43 688**

Notes (continued)

11. Finance costs

	2016 EUR	2015 EUR
Interest expenses on long term borrowings	834 565	988 324
Interest expenses on finance lease	17 628	18 395
TOTAL:	**852 193**	**1 006 719**

12. Corporate income tax

(a) Overpayment of the current corporate income tax

	2016 EUR	2015 EUR
Overpayment as at 1 January	210 916	1 869 848
Overpayment transferred to other taxes	-	(674 438)
Ovarpayment transferred to bank account	-	(1 195 410)
Calculated for the reporting period	(375 830)	(568 149)
Paid during reporting year	569 856	779 065
Overpayment as at 31 December	**404 942**	**1 869 848**

(b) Corporate tax expense

	2016 EUR	2015 EUR
Current reporting year tax charge	375 830	568 149
Increase of deferred tax liability during the year	149 774	801 005
TOTAL:	**525 604**	**1 369 154**

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the 15% rate stipulated by the law to profit before taxation:

	2016 EUR	2015 EUR
Profit before corporate income tax	**884 054**	**2 520 030**
Theoretical corporate income tax expense, 15%	132 608	378 005
Permanent differences, 15%*	747 878	3 368 929
Change in deferred tax asset not recognised, 15%	(354 882)	(2 377 780)
Total income tax expense for the reporting year	**525 604**	**1 369 154**

* 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)
12.Corporate income tax

(c) Deferred tax

Movements in deferred tax:

	Difference related to the carrying value of the property, plant and equipment	Accrued expenses on unused vacations	Other accrued expenses	Impairment allowance for intangible assets and property, plant and equipment	Doubtful debt allowance	Unrecognized deferred tax asset	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2014.	**(2 715 446)**	**154 760**	**1 031 321**	-	**5 046 235**	**(5 046 235)**	**(1 529 365)**
(Expenses) / income in statement of comprehensive income	(998 498)	(30 814)	228 308	-	(2 377 780)	2 377 780	(801 004)
31.12.2015.	**(3 713 944)**	**123 946**	**1 259 629**	**-**	**2 668 455**	**(2 668 455)**	**(2 330 369)**
(Expenses) / income in statement of comprehensive income	(663 976)	(123 946)	602 001	36 147	354 882	(354 882)	(149 774)
31.12.2016.	**(4 377 920)**	**-**	**1 861 630**	**36 147**	**3 023 338**	**(3 023 338)**	**(2 480 143)**

13. Intangible assets

	Software licences EUR
Cost at 31.12.2014.	**493 264**
Additions	1 892
Disposals	13 036
Cost at 31.12.2015.	**508 192**
Accumulated amortization at 31.12.2014.	**408 591**
Amortization in 2015	42 488
Accumulated amortization at 31.12.2015.	**451 079**
Balance at 31.12.2014.	**84 673**
Balance at 31.12.2015.	**57 113**

	Software licences EUR
Cost at 31.12.2015.	**508 192**
Additions	141 874
Transfers	215 952
Cost at 31.12.2016.	**864 761**
Accumulated amortization at 31.12.2015.	**451 079**
Amortization in 2015	39 726
Liquidated assets depreciation	(1 257)
Accumulated amortization at 31.12.2016.	**489 548**
Balance at 31.12.2015.	**57 113**
Balance at 31.12.2016.	**375 213**

Notes (continued)

14. Property, plant and equipment

	Land and buildings EUR	Equipment and machinery EUR	Other property, plant and equipment EUR	Construction in progress EUR	TOTAL EUR
Cost at 31.12.2014.**	**166 880 659**	**42 645 094**	**11 315 430**	**5 496 285**	**226 337 468**
Additions	286 405	685 092	2 783 183	22 996 871	26 751 551
Reclassified	23 591 226	2 660 143	1 755 075	(26 830 966)	1 175 478
Reclassification to/from investment property*	(26 343)	-	-	-	(26 343)
Disposals**	(2 726 704)	(286 627)	(98 348)	-	(3 111 679)
Written-off to expenses	-	-	-	(690 090)	(690 090)
Written-off due to replacement	(32 808)	(52 627)	-	-	(85 435)
Reclassified to short-term assets	-	(65 124)	(42 420)	-	(107 544)
Cost at 31.12.2015**	**187 972 435**	**45 585 951**	**15 712 920**	**972 100**	**250 243 406**
Accumulated depreciation at 31.12.2014.	**56 044 928**	**27 422 422**	**4 725 249**	-	**88 192 599**
Depreciation***	8 409 507	3 653 064	1 444 682	-	13 507 253
Disposals	(2 612 673)	(286 630)	(98 346)	-	(2 997 649)
Written-off due to replacement (accumulated depreciation)	(30 348)	(51 831)	-	-	(82 179)
Reclassified to short-term assets	-	(65 124)	(41 020)	-	(106 144)
Accumulated depreciation at 31.12.2015.	**61 811 416**	**30 671 901**	**6 030 565**	-	**98 513 882**
Balance at 31.12.2014.	**110 835 731**	**15 222 672**	**6 590 181**	**5 496 283**	**138 144 867**
Balance at 31.12.2015.	**126 161 019**	**14 914 050**	**9 682 355**	**972 100**	**151 729 524**

	Land and buildings EUR	Equipment and machinery EUR	Other property, plant and equipment EUR	Construction in progress EUR	TOTAL EUR
Cost at 31.12.2015**	**187 972 435**	**45 585 951**	**15 712 920**	**972 100**	**250 243 406**
Additions	94 634	2 295 393	904 291	10 452 292	13 746 610
Reclassified	23 591 226	2 660 143	1 755 075	(26 830 966)	1 175 478
Reclassification to/ from investment property*	479 022	-	-	-	479 022
Disposals**	(82 326)	(1 197 981)	(93 929)	-	(1 374 236)
Wirtten-off due to replacement	-	(10 275)	-	-	(10 275)
Cost at 31.12.2016	**194 839 036**	**50 145 957**	**17 079 948**	**803 634**	**262 868 575**
Accumulated depreciation at 31.12.2015.	**61 811 416**	**30 671 901**	**6 030 565**	-	**98 513 882**
Depreciation***	9 000 185	3 825 236	2 071 386	-	14 896 807
Depreciation reclassified from / to investment properties *	25 236	-	-	-	25 236
Disposals	(82 326)	(1 197 981)	(93 776)	-	(1 374 083)
Written-off due to replacement (accumulated depreciation)	-	(10 275)	-	-	(10 275)
A provision for impairment				249 970	240 970
Accumulated depreciation at 31.12.2016.	**70 754 511**	**33 288 881**	**8 008 175**	**240 970**	**112 292 537**
Balance at 31.12.2015.	**126 161 019**	**14 914 050**	**9 682 355**	**972 100**	**151 729 524**
Balance at 31.12.2016.	**124 084 525**	**16 857 076**	**9 071 773**	**562 664**	**150 576 038**

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

* Reclassified to investment property – Land and buildings with the cost of 479 022 EUR reclassified to investment property (2015: 26 343 EUR – from investment property, refer to note 15).

** Historical cost - As at 31 December 2016, the Company's statement of financial position includes fully depreciated property, plant and equipment the cost of which is 45 249 123 EUR (31.12.2015.: 35 580 229 EUR).

*** Depreciation – calculated depreciation including Property, Plant and Equipment purchased for government grants, purchased for means of European Community financial institutions and purchased on finance lease.

On 31 December 2016 the land with total area of 74.8806 hectares (31.12.2015: 74.8806) 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 2016, the Company acquired property, plant and equipment of 244 500 EUR on finance lease terms (2015: 1 125 732 EUR). The net book value of property, plant and equipment acquired on finance lease terms as at 31 December 2016 was 1 725 062 EUR (2015: 1 887 791 EUR). 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
Cost at 31.12.2014.	**1 473 333**	**1 128 598**	**2 601 931**
Reclassified to/from property, plant and equipment	26 343	-	26 343
Cost at 31.12.2015.	**1 499 676**	**1 128 598**	**2 628 274**
Accumulated depreciation as at 31.12.2014.	-	**634 622**	**634 622**
Depreciation (calculated)	-	50 161	50 161
Accumulated depreciation at 31.12.2015.	-	**684 783**	**684 783**
Balance at 31.12.2013.	**1 473 333**	**493 976**	**1 967 309**
Balance at 31.12.2014.	**1 499 676**	**443 815**	**1 943 491**

	Land EUR	Buildings EUR	TOTAL EUR
Cost at 31.12.2015.	**1 499 676**	**1 128 598**	**2 628 274**
Reclassified to/from property, plant and equipment	(358 881)	(120 141)	(479 022)
Cost at 31.12.2016.	**1 140 795**	**1 008 457**	**2 149 252**
Accumulated depreciation as at 31.12.2015.	-	**684 783**	**684 783**
Depreciation (calculated)	-	41 401	41 401
Depreciation on assets reclassified	-	(25 236)	(25 236)
Accumulated depreciation at 31.12.2016.	-	**700 948**	**700 948**
Balance at 31.12.2015.	**1 499 676**	**443 815**	**1 943 491**
Balance at 31.12.2016.	**1 140 795**	**307 509**	**1 448 304**

In the course of its business, as at 31 December 2016 the Company rents a part of the Company's land amounting to 80.3377 (31.12.2014: 105.6110) hectares.

Notes (continued)

16. Inventories

	31.12.2016. EUR	31.12.2015. EUR
Materials and consumables	618 916	575 151
Advances for goods	1 148	6 719
TOTAL:	**620 064**	**581 870**

17. Trade receivables

	31.12.2016. EUR	31.12.2015. EUR
Trade receivables	25 403 692	23 501 526
Impairment allowance	(20 155 585)	(17 789 703)
TOTAL:	**5 248 107**	**5 711 823**

17. a Impairment allowance

	EUR
Impairment allowance at 31 December 2014	**33 641 570**
Reversal of allowance through debt recovery	(17 903 856)
Written off bad debts	(119 042)
Impairment allowance	2 171 031
Impairment allowance at 31 December 2015	**17 789 703**
Reversal of allowance through debt recovery	(54 843)
Written off bad debts	(35 563)
Impairment allowance	2 456 288
Impairment allowance at 31 December 2016	**20 155 585**

18. Other receivables and prepaid expenses

	31.12.2016. EUR	31.12.2015. EUR
Financial assets		
Other receivables*	6 391 216	6 391 216
Impairment allowance for other receivables	(1 989)	(1 989)
TOTAL FINANCIAL ASSETS	**526 844**	**6 389 227**
Non-financial assets		
Insurance	112 720	147 213
Advances for services	5 953	23 921
Advances for fixed assets	679 198	479 666
Other prepaid expenses	416 665	172 863
TOTAL NON-FINANCIAL ASSETS	**1 214 536**	**823 663**
TOTAL:	**1 741 380**	**7 212 890**

*Including VAT overpayment in amount of 127 460 EUR (31.12.2015: 0.00 EUR)

Notes (continued)

19. Cash and cash equivalents

	31.12.2016. EUR	31.12.2015. EUR
Cash in bank	19 955 138	18 558 893
Cash in exchange machine and cash in transit	25 080	16 228
Cash on hand	1 365	5 011
TOTAL:	**19 981 583**	**18 580 132**

20. Share capital

The registered and paid-up share capital is 28 608 932 EUR (31 December 2015: 28 608 932 EUR) and it is divided into 28 608 932 shares with nominal value one euro each (31 December 2015: 28 608 932 shares with nominal value 1.00 EUR each). All share owner is Latvian Republic. The holder of the state shares is the Company 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 2 (i) and (j) notes.

Reserve capital at 31 December 2014	**11 985 702**
Increase in 2015	134 678
Reserve capital at 31 December 2016	**12 120 380**
Increase in 2016	115 088
Reserve capital at 31 December 2016	**12 235 468**

A "Long-term investment revaluation reserve" has been created in 2001 for the assets that previously belonged to the Russian Federation Army, received free of charge, in amount of 178 566 EUR. As at 31st December 2016 the balance of the reserve is 139 052 EUR (2015: 139 052 EUR). See also Note 13.

22. Borrowings from credit institutions and other borrowings

	31.12.2016. EUR	31.12.2015. EUR
Long term loans from credit institutions		
The Treasury (repayable not later than 5 years after balance sheet date)	28 676 538	30 338 946
Borrowing from Nordea bank (repayable not later than 5 years after balance sheet date)	313 617	851 247
Borrowing from "OP Corporate Bank plc" (former: "Pohjola Bank" PLC), (repayable not later than 5 years after balance sheet date)	10 914 697	10 538 044
Finance lease liabilities (repayable not later than 5 years after balance sheet date)	1 058 426	1 243 617
TOTAL NON-CURRENT PORTION:	**40 963 278**	**42 971 854**

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

Short term loans from credit institutions

	31.12.2016 EUR	31.12.2015 EUR
The Treasury	1 822 373	1 830 996
Nordea bank loan	537 629	537 629
Citadele bank loan	-	1
Loan from "OP Corporate Bank plc" (former: "Pohjola Bank" PLC)	885 956	738 705
Finance lease liabilities	415 938	495 135
TOTAL CURRENT PORTION:	**3 661 896**	**3 602 466**
TOTAL:	**44 625 174**	**46 574 320**

(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 EUR. From 2 April 2015 loan amount has been reduced to 33 663 759.46 EUR. 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 2035. The loan shall be used until 20 March 2015. The Company places a mortgage on behalf of the State Treasury of the Republic of Latvia with real estate belonging to the Company and mortgaged movable property (Pledge deed No. 100155354 dated 9th February 2012 and pledge deed No. 100158809 dated 11t October 2012, updated 20 February 2014 Nr. 100165077). As at 31 December 2016 the repayable part of the loan is 30 338 946 EUR and the accrued interest is 159 965 EUR (2015: 32 001 354 EUR and accrued interest 168 588 EUR).

Nordea Bank AB Latvian branch of the Company from 2013 on 6 August has been granted a loan 2 490 026 EUR. The purpose of the loan - the construction work of the VIP Center "Riga International Airport" to finance the project. Repayment of the loan must be made by 31 July 2018. On 31 December 2016 the loan outstanding is 851 246 EUR (2015: 1 388 876 EUR).

"OP Corporate Bank plc" (former: "Pohjola Bank" PLC) The Company has a loan facility of 13 000 000 EUR signed on 14th August 2014. Purpose of the loan - funding of 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 14th August 2019. In 2015 a loan in amount of 11 267 500 EUR was received. As at 31st December 2016 the repayable part of the loan is 11 790 044 EUR and accrued interest is 10 609 EUR (2015: 11 267 500 EUR and accrued interest 9 249 EUR).

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 2016, the Company acquired property, plant and equipment in amount of 244 500 EUR on finance lease terms (2015: 1 125 732 EUR). Refer also to Note 14.

Net value of property, plant and equipment purchased under finance lease terms

	31.12.2016. EUR	31.12.2015. EUR
Equipment and machinery	1 725 062	1 887 791

Future payments for the finance lease are as follows:

	31.12.2015. EUR	31.12.2014. EUR
Within 1 year, including lease interest	430 932	514 965
Later than one year but less than five years, including lease interest	1 081 084	1 331 952
Total finance lease liabilities – minimum lease payments and lease interest	**1 512 016**	**1 846 917**
Future finance charges on finance lease - interest	(37 652)	(108 165)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**1 474 364**	**1 738 752**

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

The present value of finance lease liabilities is as follows:

	31.12.2016. EUR	31.12.2015. EUR
Within one year	415 938	495 135
Later than one year but less than five years	1 058 426	1 243 617
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**1 474 364**	**1 738 752**

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.

As at 31 December 2016, there are 31 finance lease contracts effective for plant and equipment received until 31.12.2016 with the following key terms:

Company	Agreement currency	Repayment year	Liabilities 31.12.2016. EUR	Liabilities 31.12.2015. EUR
OP Finance (previously: Pohjola Finance Oy)	EUR	2016	-	92 201
Nordea Finance	EUR	2017	1 986	7 848
Nordea Finance	EUR	2017	1 738	6 868
Nordea Finance	EUR	2017	1 738	6 868
Nordea Finance	EUR	2017	1 738	6 868
Nordea Finance	EUR	2017	1 738	6 868
Nordea Finance	EUR	2017	2 673	8 975
SEB līzings	EUR	2017	1 309	2 881
SEB līzings	EUR	2017	1 741	3 831
SEB līzings	EUR	2017	1 741	3 831
SEB līzings	EUR	2017	1 949	4 287
SEB līzings	EUR	2017	1 949	4 287
SEB līzings	EUR	2017	1 949	4 287
SEB līzings	EUR	2017	2 371	5 217
Nordea Finance	EUR	2018	319 663	493 680
Nordea Finance	EUR	2019	28 896	38 965
Nordea Finance	EUR	2020	9 677	12 815
Nordea Finance	EUR	2020	25 189	33 358
SEB līzings	EUR	2020	14 315	18 405
SEB līzings	EUR	2020	9 132	11 742
SEB līzings	EUR	2020	19 385	24 924
SEB līzings	EUR	2020	17 816	22 907
SEB līzings	EUR	2020	17 200	22 114
SEB līzings	EUR	2020	17 510	22 514

Notes (continued)
2.Borrowings from credit institutions and other orrowings (continued)

SEB līzings	EUR	2020	17 510	22 514
SEB līzings	EUR	2020	17 510	22 514
SEB līzings	EUR	2022	353 065	413 592
SEB līzings	EUR	2022	353 065	413 591
SEB līzings	EUR	2021	17 643	-
SEB līzings	EUR	2021	17 288	-
SEB līzings	EUR	2021	18 331	-
SEB līzings	EUR	2023	176 549	-
			1 474 364	**1 738 752**

Finance lease agreement interest rates have been set with the floating interest rate and in 2016 the actual interest rates fluctuated from 1% to 2.8% per annum.

23. Deferred income

	31.12.2016. EUR	31.12.2015. EUR
Long term, including:	**66 270 631**	**72 806 356**
Government grant related to the Cohesion Fund finance on property, plant and equipment acquired as part of the runway extension project	6 753 795	7 822 650
Payment for development of infrastructure stipulated in the long-term lease agreements	3 335 764	3 468 970
Government grants for development of the airport infrastructure	1 001 797	1 312 218
Portion of Government grants on aviation safety available for depreciation of property, plant and equipment acquired and to be acquired using the grants	137 313	433 704
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	54 528 392	59 135 118
Fixed assets bought as part of ERDF project Nr.L-JPR-11-0103	-	13 706
Fixed assets (heating system) obtained free of charge	401 612	452 179
Funding from State budget subprogram 99.00.00. "Expenditure of resources for unforeseen events"	6 236	9 228
Additions related to project Nr.KPFI-15.3/147	105 722	158 583
Short term, including:	**7 302 457**	**7 626 060**
Runway extension (share of the Cohesion fund project financing)	1 068 855	1 068 855
Advertising and lease services	666 329	587 309
Government grants for development of the airport infrastructure	310 420	417 951
Portion of Government grants on aviation safety available for acquisition and development of property plant and equipment	530 000	809 369
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 606 725	4 606 725
Fixed assets bought as part of ERDF project Nr.L-JPR-11-0103	13 706	29 429
Fixec assets (heating system) obtained free of charge	50 568	50 568
Funding from State budget subprogram 99.00.00. "Expenditure of resources for unforeseen events"	2 993	2 993
Additions to property plant and equipment related to project Nr.KPFI-15.3/147	52 861	52 861
TOTAL:	**73 573 088**	**80 432 416**

See also Note 4.

Notes (continued)

24. Other liabilities

	31.12.2016 EUR	31.12.2015. EUR
Financial liabilities		
Remuneration	782 730	794 684
Other liabilities	1 489 784	2 045 062
Other accrued expenses	11 843 018	7 034 915
TOTAL FINANCIAL LIABILITIES:	**14 115 532**	**9 874 661**
Non-financial liabilities		
Taxes and compulsory state social security contributions liabilities	1 066 255	946 673
Advances from clients	2 347	119 398
TOTAL NON-FINANCIAL LIABILITIES:	**1 068 602**	**1 066 071**
TOTAL:	**15 184 134**	**10 940 732**

25. Accrued liabilities

	31.12.2016. EUR	31.12.2015. EUR
Accrued vacation liabilities	861 354	826 305
Accrued bonus expenses	1 164 304	1 362 607
TOTAL ACCRUED LIABILITIES:	**2 025 658**	**2 188 912**

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:

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

Financial instruments by categories:

Non-derivative financial assets, loans and receivables	Notes	31.12.2016. EUR	31.12.2015. EUR
Trade receivables, net	17	5 248 107	5 711 823
Other receivables, excluding prepaid taxes, net	18	399 384	6 389 227
Cash and cash equivalents	19	19 981 583	18 580 132
	TOTAL:	**25 629 074**	**30 681 182**

Notes (continued)

26.Financial risk management (continued)
(a)Financial risk factors (continued)

Non-derivative financial liabilities	Notes	31.12.2016. EUR	31.12.2015. EUR
Loans from credit institutions	22	(43 150 810)	(44 835 568)
Finance lease liabilities	22	(1 474 364)	(1 738 752)
Trade payables		(1 165 532)	(1 541 769)
Other liabilities, other than taxes and the state compulsory social insurance contributions	24	(14 115 532)	(9 874 661)
	TOTAL:	**(59 906 238)**	**(57 990 750)**

The Company has exposure to the following risks:

- credit risk
- liquidity risk
- market risk, including:
- Interest rate risk
- foreign currencies fluctuations risk

Credit risk

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

Sources of credit risk

Credit risk mainly relates to the largest customers of the Company. Three largest customers of the Company contribute 84% (2015: 86%) of the total revenue. One of those customers represented 37% (2015: 44%), of the total trade receivables. The other two represented 33% (2015: 26%) and 15% (2015: 16%) 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.

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:

Credit risk management	Total, gross	Allowance	Total, net	Not yet due		Due		Due, but debts are recoverable
				Gross amounts	Allowance	Gross amounts	Allowance*	Gross amounts
31.12.2016., EUR								
Trade receivables, including	25 403 692	(20 155 585)	5 248 107	5 028 938	(5 000)	20 374 754	(20 150 585)	224 169
Three largest clients	*21 333 711*	*(19 733 716)*	*1 599 995*	*1 586 428*	-	*19 747 283*	*(19 733 716)*	*13 567*
Other customers	*4 069 981*	*(421 869)*	*3 648 112*	*3 442 510*	*(5 000)*	*627 471*	*(416 869)*	*210 602*
Other receivables	528 833	(1 989)	526 844	526 844	-	1 989	(1 989)	-
TOTAL	**25 932 525**	**(20 157 574)**	**5 774 951**	**5 555 782**	**(5 000)**	**20 376 743**	**(20 152 574)**	**224 169**

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	Allowance	Gross amounts	Allowance*	Gross amounts
31.12.2015., EUR								
Trade receivables, including	23 501 526	(17 789 703)	5 711 823	4 658 414	-	17 218 881	(17 218 881)	1 624 231
Three largest clients	*20 131 108*	*(17 470 923)*	*2 660 185*	*1 617 380*	-	*17 019 585*	*(17 019 585)*	*1 494 143*
Other customers	*3 370 418*	*(318 780)*	*3 051 638*	*3 041 034*	-	*199 296*	*(199 296)*	*130 088*
Other receivables	6 391 216	(1 989)	6 389 227	6 389 227	-	1 989	(1 989)	-
TOTAL	**29 892 742**	**(17 791 692)**	**12 101 050**	**11 047 641**	**-**	**17 220 870**	**(17 220 870)**	**1 624 231**

* 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.

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:

	31.12.2016. EUR	31.12.2015. EUR
Within 3 months	224 169	1 624 231
TOTAL:	**224 169**	**1 624 231**

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
Swedbanka	Moody's Investors Service	Aa3	P-1	Stable	Stable
Citadele Banka	Moody's Investors Service	B1	Not Prime/E+	Positive	Positive
Nordea banka	Moody's Investors Service	Aa3	P-1	Stable	Stable
DNB Banka	Moody's Investors Service	Aa2	P-1	Negative	Negative
"OP Corporate Bank plc" (former: "Pohjola 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:

Banks	**31.12.2016. EUR**	**31.12.2015. EUR**
Swedbank	1 385 373	2 297 757
Citadele Banka	714 753	276 234
"OP Corporate Bank plc" (formerly: "Pohjola Bank" PLC)	8 327 349	11 254 792
DNB Bank	293 206	280 912
Nordea Bank AB	806 901	2 019 816
State Treasury	8 427 557	2 429 382
TOTAL:	**19 955 139**	**18 558 893**

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 & cash equivalents. There is a loan from the State Treasury, received on 12 April 2012, in amount of 43 483 793 EUR. The purpose of the loan – implementation of the Cohesian fund project Nr. 2010LV161PR001 "Infrastructure development of Riga International Airport". By the decision of the Ministry of Finance dated 2 April 2015, the loan has been reduced to 33 663 759 EUR.
The Company has concluded agreement on possibility to use credit line in amount of 3 000 000 EUR with Nordea bank AB and received a loan from Nordea bank in amount of 2 490 026 EUR on 6 August 2013. The purpose of the loan - to provide funding for construction in VIP centre in "Riga International Airport" (see Note 22a).
OP Corporate Bank plc (Former Pohjola Bank PLC): The Company has a loan agreement signed on 14th August 2014 for total amount of 13 000 000 EUR. In 2015 a loan in amount of 11 267 500 EUR 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 14th August 2019.
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 2016 the Company's short-term assets exceeded its short-term liabilities by 1 343 601 EUR. Short-term liabilities include deffered income, which relates to the State subsidies and support from EU funds, which is not related to direct cash flows in total amount of 6 636 128 EUR. Other liabilities included retained payments as per agreements with contractors in amount of 980 463 EUR. The Company's management forecasts, that liquidity will not be an issue and the Company will be able to settle accounts with creditors in defined terms. Therefore the Company considers that the going concern principle is applicable to the preparation of these financial statements.
In comparison to the previous reporting year, the Company's accounting and valuation methods have not been changed.

Term analysis of financial liabilities at 31.12.2016. based on their contractual cash flows:

	Carrying amounts EUR	**Contractual cash flows EUR**	**1 – 3 months EUR**	**3 months – 1 year EUR**	**1- 5 years EUR**	**More than 5 years EUR**
Loans from credit institutions	(43 150 810)	(48 501 364)	6 396 800	(3 254 572)	(28 681 348)	(22 962 244)
Finance lease liabilities	(1 474 364)	(1 535 763)	(114 196)	(316 737)	(1 081 084)	(23 746)
Accounts payable to suppliers and contractors	(1 165 532)	(1 165 532)	(1 165 532)	-	-	-
Other liabilities	(14 115 532)	(14 115 532)	(1 381 645)	(1 364 125)	(11 369 762)	-
TOTAL:	**(59 906 238)**	**(65 318 191)**	**3 735 427**	**(4 935 434)**	**(41 132 194)**	**(22 985 990)**

Notes (continued)

26.Financial risk management (continued)
(a)Financial risk factors (continued)

Term analysis of financial liabilities at 31.12.2015. based on their contractual cash flows:

	Carrying amounts EUR	Contractual cash flows EUR	1 – 3 months EUR	3 months – 1 year EUR	1- 5 years EUR	More than 5 years EUR
Loans from credit institutions	(44 835 568)	(52 920 550)	495 698	(2 940 121)	(17 123 487)	(33 352 640)
Finance lease liabilities	(1 738 752)	(1 791 117)	(128 502)	(386 989)	(1 174 372)	(101 254)
Accounts payable to suppliers and contractors	(1 541 769)	(1 541 738)	(1 541 738)	-	-	-
Other liabilities	(9 874 661)	(9 874 661)	(2 724 697)	(367 396)	(6 782 568)	-
TOTAL:	**(57 990 750)**	**(66 128 066)**	**(3 899 239)**	**(3 694 506)**	**(25 080 427)**	**(33 453 894)**

Market risk

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. Companies policy stipulates that main part of it's debts will be variable.

Other financial assets and liabilities have no fixed rate.

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

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 2016 and 2015 is as follows:

	31.12.2016.	31.12.2015.
Financial assets, USD thousand	189	195
Financial liabilities, USD thousand	(10)	(3)
Statement of financial position, USD thousand, net	**179**	**192**
Statement of financial position, EUR thousand, net	**170**	**176**

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 2016

	Currency	Book value	Impact on current profit before income tax / net assets	
			+1% (USD)	**-1% (USD)**
		EUR	**EUR**	**EUR**
Financial assets				
Cash and cash equivalents	USD	94 300	943	(943)
Trade receivables, gross	USD	85 346	853	(853)
	TOTAL:	**179 646**	**1 796**	**(1 796)**
Financial liabilities				
Trade payables	USD	9 201	92	(92)
	TOTAL:	-	-	-
Net effect		**170 445**	**1 704**	**(1 704)**

Notes (continued)

26.Financial risk management (continued)
(a)Financial risk factors (continued)

31 December 2015

	Currency	Book value	Impact on current profit before income tax / net assets	
			+1% (USD)	**-1% (USD)**
		EUR	**EUR**	**EUR**
Financial assets				
Cash and cash equivalents	USD	109 371	1 094	(1 094)
Trade receivables, gross	USD	69 976	700	(700)
	TOTAL:	**179 347**	**1 794**	**(1 794)**
Financial liabilities				
Trade payables	USD	3 021	30	(30)
	TOTAL:	-	-	-
Net effect		**176 326**	**1 764**	**(1 764)**

(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 2016 and 2015 the proportion of borrowed capital to total capital was as follows:

	31.12.2016. EUR	31.12.2015. EUR
Total liabilities	139 053 729	144 008 519
(Cash and cash equivalents)	(19 981 583)	(18 580 132)
(Finances received included in the deferred income through EU Cohesion Fund and the Government grants for purchase of the property, plant and equipment)	(69 570 995)	(76 376 137)
Net total liabilities	49 501 151	49 052 250
Total equity and liabilities	180 395 631	186 027 759
Borrowed capital proportion to total capital	**27.44%**	**26.37%**

(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.

Notes (continued)

26.Financial risk management (continued)
(c)Fair value (continued)

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.

The following financial assets and liabilities are included in Level 3:
Assets: Cash and cash equivalents 19 981 583 EUR; net trade account receivable 5 248 107 EUR; other net receivables 526 844 EUR.
Liabilities: Borrowings form credit institutions 43 150 810 EUR; financial lease liabilities 1 474 364 EUR; trade accounts payable 1 165 532 EUR; other liabilities 9 328 115 EUR.

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 its 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 21 518 thousand EUR (2015: 24 307 thousand EUR) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:
- Contracted for, but not yet delivered: 3 572 thousand EUR (2015: 10 516 thousand EUR)
- Authorised, but not yet contracted for: 17 946 thousand EUR (2015: 13 791 thousand EUR)

28. Related party transactions

The Company has performed a number of companies that have the Latvian government as a shareholder. The largest transactions have been performed with AS Air Baltic Corporation, VAS Latvenergo and VAS Latvijas gaisa satiksme, VAS Civilās aviācijas aģentūra, VAS Latvijas Pasts. Transactions are related to the core activities of the respective counterparty.

(a) Balances due to related parties

	31.12.2016. EUR	31.12.2015. EUR
Liabilities against VA "Civilās Valsts Aģentūra" safety and rescue pay part	176 806	489 385

(b) Balances due from related parties

	31.12.2016. EUR	31.12.2015. EUR
VAS Latvijas gaisa satiksme for lease and public utility services	*56 079*	*35 193*
VAS Latvijas pasts for lease and public utility services	18 144	28 988
AS Air Baltic Corporation for aviation and lease services	9 278 186	10 268 339
incl. doubtful debt allowance	*(8 586 618)*	*(8 586 618)*

Notes (continued)

28.Related party transactions (continued)

(c) Income from sales of services to related parties

	2016 EUR	**2015 EUR**
VAS Latvijas gaisa satiksme for lease and public utility services	612 890	537 644
VAS Latvijas pasts for lease and public utility services	325 619	450 276
AS Air Baltic Corporation for aviation and lease services	9 941 194	9 778 761

(d) Purchases of goods and services from related parties

	2016 EUR	**2015 EUR**
VAS Latvijas gaisa satiksme for lease and public utility services	10 888	18 103
VAS Latvijas pasts for lease and public utility services	10 054	28 868
For aviation and public utility services provided to AS Air Baltic Corporation	183 297	22 789 663
Including intercompany claims cancelled based on mutual settlement	-	*22 716 055*

(e) Grants received from related parties

	2016 EUR	**2015 EUR**
Aviation safety grants from the State (see note 4)	42 828	73 441

Transactions with key management personnel are disclosed in Note 5.

29. Contingent liabilities and assets

Accruals:
According to the JSC "Riga International Airport" the Board decision on 13 February 2017 (Protocol No. 8), have been created following provisions:

- Given that the provision recognised in previous years for compensation to "Rixport" Ltd constitutes 2 407 650 EUR, an additional accrual for potential compensations was created in the 2016 profit and loss account in amount of EUR 4 287 214.
- Leave unchanged the provision created for fulfilment of the potential liabilities in relation to the decision made by the London arbitration court on 24 March 2016 regarding the case by air carrier "Ryanair" and the TNC fee payment in amount of 4 254 591 EUR; disclose the accrual as a contingent liability in the annual report 2016.
- Recognize an accrual for potential compensations for real estate located at Maza Gramzdas Street 1A, Cadastre No. 8076 002 0061 and "Mūkupurvi", Cadastre No. 8076 002 0063, to the owners Dzintra Lemeševska, Maris Kiršbaums and Dzintra Eglīte in amount of 295 120 EUR and disclose the accrual as a contingent liability in the annual report 2016.

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.

SIA "Fima" action for rescission of the contract and part of the thing sold restitution

A claim against SIA "ANS" for cancellation of the contract concluded between SIA "ANS" and SIA "FIMA" on 30 March 2012, obliging the Company to return the equipment that was delivered and installed by SIA "FIMA" on the basis of the contract between SIA "ANS" and the

Company. With the ruling of Supreme Court Civil Chamber dated 9 November 2016, a claim by SIA "Fima" against the JSC " Riga International Airport" was dismissed, whereas regarding the part of the claim made against SIA "ANS" the proceedings were terminated.

Notes (continued)

29.Contingent liabilities and assets (continued)

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 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 ½ of case proceeding expenses in favour of flyLal Lithuania Airlinses 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. CJEU trial date is not set.

Ryanair Ltd claim for execution of contractual obligations

Air carrier "Ryanair" has made a claim against JSC "Riga International Airport" in Court of the Republic of Latvia regarding recgontion and fulfilment of the ruling made by the London arbitration court. According to the ruling dated 15 March 2016, the court has suspended the case until the European Commission reviews the claim by the Airport, in shich the Company asks the European Commission to verify, whether the air carrier "Ryanair" is receiving an illegal support from the State based on the contract Nr. GH-04/10 dated 23 July 2004, which would be retrievable from "Ryanair". The case review date had been set on 28 February 2017, however the case was removed form consideration and a new trial date is not set.

Claim of JSC "Riga International Airport" brought against Jānis Vilders

The claim was brought to recognise the issued invoices for the amount of 18,755 EUR as being null and void, as well as to apply the claim security means – delaying of enforcement activities. Under the judgment of the Riga City Zemgale Suburbs Court, the claim of the Airport has been dismissed. On 4 December 2015, the Airport filed an appeal. The review of the case has started on 8 March 2017, however at the moment a court break has been announced until 21 March 2017.

Claim of JSC "Riga International Airport" brought against the LLC "Rixport"

JSC "Riga International Airport" has brought a claim against "Rixport" Ltd for cancellation of the lease, principal legal and contractual interest recovery. By ruling of Riga district Jurmala court on 20 December 2016 a civil case was initiated.
2017.

JSC "Riga International Airport" action against the LLC "Staur Building"

JSC "Riga International Airport" has brought a claim before the Court against "Staur Building" Ltd for lease cancellation, principal legal and contractual interest recovery. Case review is scheduled for 3 April 2017.

Currently proceedings take place in relation to 2 claims regarding labour disputes.

Future operating lease payments

During 2016, the Company has signed a number of operating lease agreements. In 2016 the Company has paid 511 172 EUR (2015: 460 553 EUR) in lease payments.
Future operating lease payments according to the agreements effective on 31 December 2016 can be disclosed as follows:

	31.12.2016. EUR	31.12.2015. EUR
Within one year	405 553	274 466
Later than one year but less than five years	539 871	220 786
TOTAL:	**945 424**	**495 252**

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

Notes (continued)

29.Contingent liabilities and assets (continued)

Future income from lease payments

During 2016, the Company signed several operating lease agreements as a lessor of land and premises. In 2016, from these lease agreements, the Company generated revenues of EUR 13 925 476 (2015: EUR 13 602 498).

The lease agreements are concluded for a term of between 1 (rent of office premises in the terminal) and 58 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 2016 amounted to 65% (2015: 67%). 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 2016 have not been disclosed and it cannot be estimated reliably.

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 disclosed as follows:

	2016 EUR	**2015 EUR**
Income	754 887	720 194
Direct costs	(730 339)	(639 633)
Indirect costs	(147 171)	(151 510)
Profit from operating activities	**(122 623)**	**(70 949)**
Other operating expenses	(8 130)	(335)
	(130 753)	**(71 284)**

31. Proposed distribution of profit

The profit for the reporting year to be distributed is 358 450 EUR.
According to the Law on State Budget for 2017, Article 43, which states that Companies whose shares directly or indirectly belong to the State, 85% of net profit for 2016 reporting year shall be paid in dividends tin 2017.
The distribution of profit proposed by the Board in accordance with the regulations:
- Plan the payment for the use of state shares in amount of 85% or 304 682.50 EUR from the distributable profit of the reporting year;
- to transfer 15%, or 53 767.50 EUR of the distributable profit to the Company's reserve capital.

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 2016.

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

The 2016 Financial statements of the Company set out on pages 11 to 46 were signed on 20 March 2017 by:

Ilona Līce Chairman of the Board	Irina Feļdmane Member of the Board	Lauma Jenča Member of the Board	Normunds Feierbergs Member of the Board

Inga Jenausa
Chief accountant