

**STATE JOINT STOCK COMPANY RIGA INTERNATIONAL AIRPORT
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

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

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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	"Lidosta Rīga 10/1", Lidosta Rīga, Mārupes pag., Mārupes novads, LV-1053
Core business	Airship, passenger and cargo servicing; maintenance of airfields, air transport support activities and other services
Shareholder	Ministry of Transport of Latvia (100%) Gogoļa iela 3, Rīga Latvia, LV -1743
Management of the Company	Shareholder's meeting, the Supervisory and the Management Board
The Council	Juris Kanels (Chairman of the Council) from 17 May 2021 Eduards Toms (Member of the Council) from 24 May 2019 Elīna Salava (Member of the Council) from 7 July 2021
The Board	Laila Odiņa (Chairwoman of the Board) from 16 April 2021 Normunds Feierbergs (Member of the Board) from 10 November 2021 Artūrs Savelļevs (Member of the Board) from 13 September 2022
Financial year	1 January – 31 December 2022
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: Jegors Podosiņņikovs Certified auditor Certificate No. 238

Management report

1. Description of airport operations

SJSC Riga International Airport, as one of the main elements of the structure of the national aviation industry, is the largest international aviation company in the Baltics and is the main air traffic centre in the region, providing regular passenger, cargo and mail transportation by civil aircraft to Europe, and other cities of the world, thus ensuring the international accessibility of Latvia.

The airport is a state owned joint stock company, the sole shareholder of which is the Ministry of Transport, which, as a ministry responsible for the industry, ensures efficient management of the air transport system and regulates air transport policy, as well as the development of the aviation sector "As a competitive, dynamically growing air traffic center in the Baltic region and Northern Europe, expanding the flight network to the west and east, promoting the growth of transit passenger traffic and cargo flow capacity.

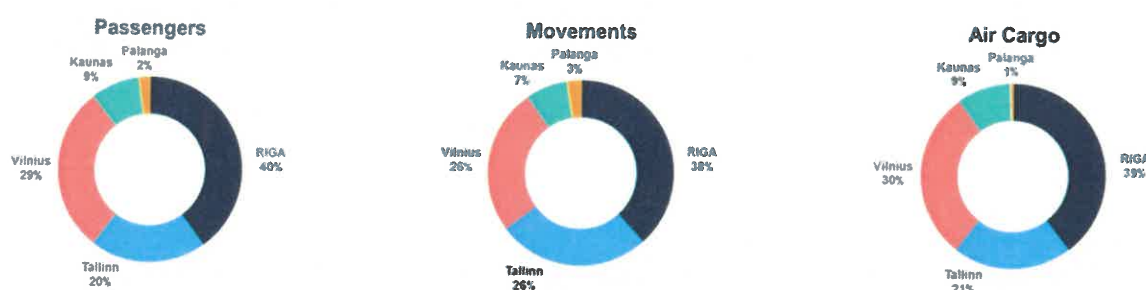
The main activity of the company is the servicing of aircraft, passengers and cargo and the provision of other (non-aviation) services in the airport area. The main directions of non-aviation services are renting of premises and land, parking and other services.

The airport provides high-quality, safe and affordable air traffic services in the aviation industry and promotes the development of commercial activities. The number of airport employees on December 31, 2022 was 1 388, of which the largest number of employees is in the following areas of activity - passenger and aircraft service 37%, security 33%, infrastructure maintenance 16% and other areas 13%.

Although compared to the average indicator in European airports, the recovery after the global coronavirus Covid-19 pandemic (hereinafter - Covid) has been slower, which is basically explained by the fact that the recovery of air traffic in other European countries was facilitated by the domestic flight market, which does not exist in Latvia, in general, 2022 year has marked the aviation services stabilization trend for the airport, with the volume of flights and passengers significantly increasing after the easing of Covid related restrictions. However, the most significant impact on the volume of services provided by the Airport, rapid rise in energy prices and 2022 operating results had a war started by Russia in Ukraine and the related closure of airspace and several restrictive measures adopted by the European Union.

2. Volumes of services provided

In 2022, despite the impact of the above-mentioned events on Airport's operating activities, the Airport has maintained its leading position among the airports of the capital cities of the Baltic States, serving 40% of passengers (Tallinn 20%, Vilnius 29%), 38% of flights (Tallinn 26%, Vilnius 26%) and 40% of the total volume of cargo between the airports of the capitals of the Baltic States (Vilnius 30%, Tallinn 21%).



Graph No. 1 " Market shares and indicators of Baltic airports in 2022"

In the first months of 2022, the Airport gradually continued to recover the business volumes lost during Covid and a significant increase in the volumes of passengers and number of flights served was observed compared to 2021. However, the hostilities started by Russia in Ukraine at the end of February 2022 had a negative impact on the Airport's operations, reducing passenger and cargo traffic due to the closed markets of Russia, Ukraine and Belarus. Transit passenger traffic flows were particularly negatively affected, due to the fact that significant portion of transit passengers was related to the closed markets. Cargo transportation also decreased significantly, where large volumes were provided from Asia to Latvia before the start of hostilities, passing through Russian airspace. Geopolitical negative impact is the main reason for two indicators not reaching planned budget in 2022 – cargo volume and transit passengers share.

Management report (continued)

In 2022, the Airport provided services to:

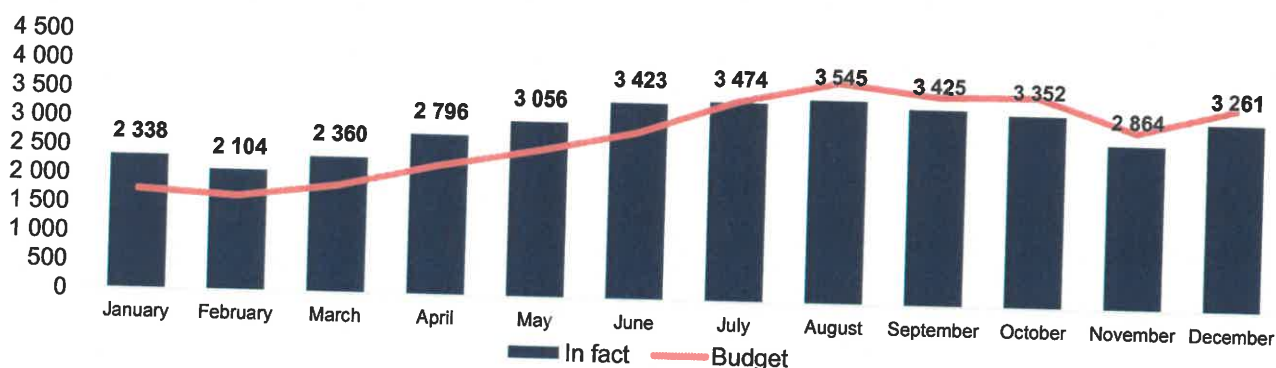
- **5 381 thousand passengers**, which is by 351 thousand. passengers, or 7% more than was planned in the 2022 approved budget, 129% more than in 2021, but 31% less than in 2019. The decrease in the number of transfer passengers should be highlighted, where the decrease compared to the planned budget is 30%, but compared to 2019 it is 57%;
- **54 818 flights**, which is 11,404 flights or 17% less than was planned in the approved budget for 2022, 40% more than in 2021, and 37% less than in 2019;
- **21.1 thousand tons of air freight**, which is 28% less than planned in the approved budget for 2022, 24% less than in 2021 and 23% less than in 2019.

3. Revenue

The net turnover of the airport in 2022 was 57 924 thousand. EUR, which is 5 633 thousand EUR or 11% more than was planned in the approved budget of 2022 and by 26 156 thousand EUR, or 82% more than in 2021.

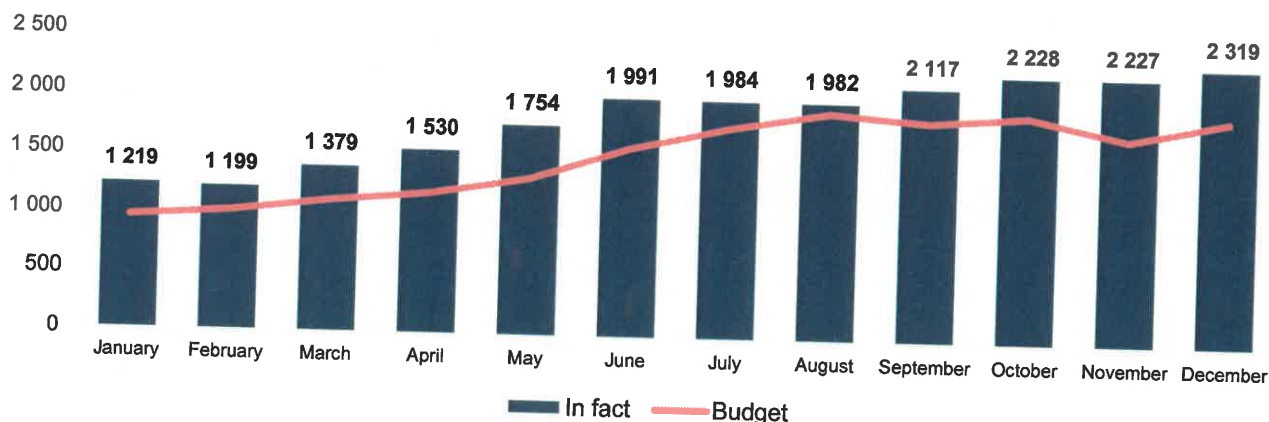
Net turnover consisted of revenues from:

- aviation services in the amount of 35 997 EUR, which is by 1 778 thousand. EUR or 5% more than was planned in the 2022 approved budget and 17 121 or 91% more than in 2021;



Graph No.2, Aviation revenue in 2022, source: Riga Airport.

- non-aviation services in the amount of 21 928 EUR, which is 3 855 thousand. EUR or 21% more than was planned in the approved budget of 2022 and by 9 034 thousand. EUR, or 70% more than in 2021.



Graph No.3, Non-aviation revenue in 2022, source: Riga Airport.

Management report (continued)

In terms of revenue, in the 1-2 quarters of 2022, revenues significantly exceeded those planned in the budget, while in the 2nd half of the year, the amount of revenues was within the budget or with an insignificant deviation. Taking into account that the 2022 budget was planned under conditions of high uncertainty, passenger forecasts were relatively cautious at the beginning of the year, with the largest volume of passengers and flights planned starting from the 2nd half of the year.

In the annual assessment, several factors contributed to the increase in net turnover compared to the budget:

- a total increase in the number of passengers served in the amount of 7%, including an increase in the number of direct passengers in the amount of 22%, which ensures significantly higher revenues for the Airport;
- an increase in the average volume of passenger purchases in shopping areas, which increases the payment of the commercial space operator to the Airport;
- significant increase in parking lot income.

4. Expenses

2022 operating expenses are 5% or 3 231 thousand higher compared to the planned budget, while compared to 2021, the increase is 24%. The increase is explained by the 2 most important factors:

- Services revenue increase (129% the number of passengers, 40% for the number of flights), which was estimated in the budget;
- the increase in the prices of energy resources in the 2nd half of 2022, which was not previously planned in the budget.

Personnel costs in 2022 amounted to 33 772 thousand. EUR, which is 10% more than planned in the budget, while compared to 2019, the increase is in the amount of 6%, which can be justified by the increase in the number of employees, concluding a contract and ensuring the provision of ground handling services to AS "Air Baltic Corporation".

Depreciation of fixed assets and investment properties and amortization of intangible assets in 2022 was 10 688 thousand. in the amount of EUR, which is 6% less than planned.

5. Results of operating activities

Taking into account the above, the Airport has finished the year 2022 with a profit of 286 thousand EUR.

6. Increase of airport share capital

On March 8, 2021, the decision of the European Commission in the state aid case SA.57756 (2021/N) – Latvia COVID-19: Recapitalization of Riga International Airport provided for an increase of the Airport's share capital in the amount of EUR 35.2 million and an exemption from the payment of dividends for the 2019 financial year 4.5 million EUR.

On 1 July 2021, in accordance with the provisions of the European Commission's "Temporary Framework for State Aid Measures to Support the Economy in the Current Covid-19 Outbreak" (as amended), the Airport concluded a State Aid Agreement with the Ministry of Transport on the handling of State aid, setting restrictions for the handling of funding received within the framework of state aid, obligations, as well as the procedure by which the participation of the state investment may be terminated.

On July 14, 2022, the Cabinet of Ministers took note of the Informative Report prepared by the Ministry of Transport "Covid-19 strategy for the termination of the participation of the state investment in the public joint-stock company "Riga International Airport", supporting the strategy of the termination of the participation of the state investment in the Airport mentioned in the informative report. The strategy for the termination of the participation of the public investment in the airport was developed in accordance with the European Commission's "Temporary regulatory state aid measures to support the economy in the current situation of the Covid outbreak" (as amended)" paragraph 64 a, which stipulates that the termination of the participation of the state investment must be carried out re-evaluation of the market value of the beneficiary of the state aid, which must be carried out by an independent audit firm, using the same methodology according to which the market value of the Airport was determined at the time of the aid request. Paragraph 64a b of the temporary regulation. subsection states that the state investment is recognized as terminated if the independent evaluation concludes that the market value of the recipient of state aid has increased compared to the average market valuation of the shares of the recipient of the investment at the time of the request for aid.

7. Investment projects

In 2022, the Airport's main focus remained on priority projects: the development and expertise of the construction project for the 6th phase of the expansion of the passenger terminal, as well as projects to be carried out with the co-financing of the European Cohesion Fund. According to the above, although the 2022 budget predicted that the Airport will implement investments of 22 million in the amount of EUR, however, taking into account the high level of uncertainty of the aviation market, the disruption of energy resources, logistics and supply chains and the increase in the price of construction materials and the related caution in the implementation of projects, the Airport actually implemented investment projects and made advance payments of 14.7 million. in the amount of EUR.

Management report (continued)

Table no. 1 "Investment acquisition as of 31.12.2022", thous. EUR

Investment project groups	2022 actual
Passenger and aircraft service infrastructure	3 362
Airport territory infrastructure	986
Emergency, security, and IT infrastructure	1 169
Development of electricity supply infrastructure	2 026
Airport infrastructure	211
Replacement of motor transport, machinery, and platform equipment	1 380
Other projects	43
Advance payments	5 539
Total	14 716

8. Financial and operational indicators

By the decision of the Shareholder Meeting of December 21, 2021, the following financial and operational indicators and forecasted results for 2022 were approved.

Table no. 2 "Financial and operational indicators of the airport, forecasted and actual results for 2022"

Target	2022 actual	2022 planned	Deviation
Number of passengers	5 380 779	5 030 432	7%
Loaded cargo (t)	21 115	29 230	-28%
Departure punctuality (Airport infrastructure)	99,21%	>98%	1%
CO ₂ emissions (tCO ₂ /1000 pax)	0,619	0,549	13%
Net turnover, EUR	57 924 484	52 291 845	11%
Total liquidity ratio (adjusted with deferred revenue)	2,0	1,1	85%

9. Grants and subsidies

According to the order of the Cabinet of Ministers of April 7, 2020 No. 167 "On the use of the funds provided for in the state budget program 44.00.00 "Funds for ensuring aviation safety, rescue and civil-military cooperation" and the order of the Ministry of Transport of April 16, 2020 No. 01-03/99, the Airport was granted funding in the amount of EUR 42 418 for the purchase of two explosive detectors. On November 20, 2019, based on the results of an open tender "Purchase of four explosive residue detectors", a contract was concluded for the total transaction amount of EUR 134 877,16, and on April 29, 2020, an additional Agreement was signed, on the basis of which the purchased and installed one explosive residue detector unit. EUR 34 243,08 was used from the granted grant funds, while the unused part of the funding was EUR 8 174,92. Taking into account the impact of the global coronavirus Covid epidemic on the operation of the Airport and the limited availability of financial resources for co-financing the project, the Airport postponed the implementation of the project until additional funding for the purchase of the second explosives detector is available.

On December 14, 2021, the Ministry of Transport of the Republic of Lithuania with Order No. 01-03/231, based on the order of the Cabinet of Ministers of December 7, 2021 no. 916 "On the financing of measures to maintain civil aviation security in 2021, from the state budget program 44.00.00 "Funds for ensuring aviation security, rescue and civil-military cooperation" a grant was awarded in the amount of EUR 52 418 to partially cover expenses related to the purchase of two explosive residue detectors of national importance for the civil aviation airport "Riga". Accordingly, as at 1 January 2022 grant funding available for the realisation of program 44.00.00 "Funding to ensure aviation safety, rescue and civil-military cooperation" was 60 592,92 EUR.

As the decision on awarding the 2021 grant was considered in the Cabinet of Ministers only at the end of the year, the Airport, in order to ensure the purchase of explosive residue detectors, started the procurement "Supply of two SPDs" in July 2021 with the expected contract price of EUR 58 000,00 (without VAT). On February 14, 2022, a contract was concluded for the total transaction amount of EUR 76 951,44 (without VAT) for the supply of two SPD devices SH IONSCAN 600 with external printers, according to the results of the open tender "Supply of two SPDs".

Management report (continued)

On June 7, 2022, payment was made from the allocated funds in the amount of EUR 60 592,92. Thus, the project was concluded and the allocated funding - the balance from 2020 in the amount of EUR 8 174,92 and the allocated funding of 2021 in the amount of EUR 52 418, as determined, was directed to the purchase of SPD.

According to the order of the Cabinet of Ministers of May 3, 2022 no. 303 "On the financing of measures to maintain civil aviation safety in 2022 from the state budget program 44.00.00 "Funds for ensuring aviation safety, rescue and civil-military cooperation" and the order of the Ministry of Transport of June 1, 2022 No. 01-03/77, the Airport was granted funding in the amount of EUR 52 418 to partially cover expenses related to the purchase of two explosive detectors.

Based on the results of the open tender "Purchase of two SPDs", a contract was concluded on July 5, 2022 for the total amount of EUR 76 751,44 (excluding VAT).

According to the contract, the equipment was delivered on December 21, 2022. According to the terms of the contract, on December 27, 2022, a payment of EUR 52 418 was made from the allocated grant funds for the delivery of equipment. The project has ended and the funds allocated to the project have been used in full.

The Airport regularly informs the Ministry of Transport about the use of the grant.

10. Risk assessment and risk management

In 2020, the "Risk Management Policy of the State Joint Stock Company" Riga International Airport "" (hereinafter - the Risk Management Policy) was developed and approved by the Supervisory Board, which sets out common objectives, stages, key elements of the risk management system, principles, risk the roles and responsibilities of the actors involved in the risk management process. The airport security risk management process is ensured within the framework of the security management system, in accordance with the European Commission Regulation (EU) No 1095/2010 of 12 February 2014. Amending Regulation (EU) No 139/2014 laying down requirements and administrative procedures in relation to aerodromes in accordance with Regulation (EC) No 216/2008 of the European Parliament and of the Council 216/2008.

The risk management policy defines management of such risks as strategic risk, operational risk (legal, compliance, personnel, fraud, corruption and conflict of interest risks, business continuity risks, etc.), financial risk, operational scope risk (aviation security, information systems, environmental, energy management systems and work environment risks). The Risk Management Policy follows such principles of risk management: integration in management, dynamism, practicality and efficiency, traceability and validity of information, continuous improvement, involvement and cooperation, the concept of "three lines of defence". Detailed information on the principles of risk management is published in the section "About RIX / Corporate Information / Policies" on the Airport's website. The implementation of the risk management policy, in accordance with its competence, is supervised by the Risk Management Committee, the Management Board and the Supervisory Board.

In order to reduce the Airport's losses and protect the reputation, resources and assets, the Airport identifies, analyzes and evaluates risks, responds to them in a timely manner, as well as monitors and re-evaluates risks. Airport risk management contributes to the implementation of the Airport's strategy, the achievement of goals and indicators corresponding to them, and it is also adapted to the Airport's needs, functionality and organizational culture. During 2022, within the framework of Airport risk management, the geopolitical influence was taken into account, as a result of which the risks affecting the strategy (strategic, operational (operational) and financial risks) were reassessed, as well as new strategic and operational continuity, sanctions and financial risks were identified, as well as prepared or updated plans for the aforementioned risk mitigation measures.

The Airport maintains a high level of integrity, including honesty, ethics and moral principles, as well as a culture of compliance, in order to ensure compliance of the Airport's operations with the requirements of external regulatory acts and internal regulatory documents and other documents, promoting timely, transparent and adequate prevention of corruption and conflict of interest. The airport has implemented and maintains an internal control system for the management of corruption and conflict of interest risks corresponding to the regulations No. 630 of October 17, 2017 "Regulations on the basic requirements of the internal control system for the prevention of the risk of corruption and conflict of interest in the institution of a public person" and ensures its constant improvement, as well as creating a common understanding of this system by providing regular training.

To ensure the monitoring of the Airport's risk management, in accordance with the Risk Management Policy, as well as taking into account the share of the Public Entity's capital and the Law on the Management of Capital Companies¹, prepared and submitted to the Airport Risk Management Committee, Board and Council Report on the Airport risk management, which included information on the Airport's risk management process, including priority risks, as well as the Airport's improvements to the risk management process. In addition to the above, it was prepared and reviewed by the Airport Risk Management Committee and the Board Semi-annual report on the progress of the implementation of priority risk control measures at the Airport.

¹ Clause 11 of the second part of Article 107.

Management report (continued)

Risk assessment and risk management (continued)

Airport management promotes business in good faith, complies with ethical standards, and takes the necessary steps to prevent the risks of corruption and fraud. The airport has implemented and maintains an internal control system for the management of corruption and conflict of interest risks in accordance with Regulation No. 630 of 17 October 2017 "Regulations on Basic Requirements for the Prevention of Corruption and Conflict of Interest in a Public Institution" and ensures its continuous improvement, as well as developing a common understanding of this system among employees by providing regular training.

11. Sustainability and environmental aspects

The airport underwent significant changes in the organization of its sustainability work in 2021, when the sustainability function was included in the Quality and Sustainability Department by the decision of the Board, creating a new structural unit - the Sustainability and Environmental Management Division. The aim of the unit is to jointly manage the sustainability process at the Airport, integrate it at all levels of the company, implement the European Commission's measures and requirements for sustainable development, analyse the requirements of potential sources of funding in the field of sustainability, and ensure environmental management and noise management system.

In order for the Airport to ensure sustainability in all applicable corporate responsibility aspects and ability to focus its activities towards successful environmental targets achievement in accordance with global and regional trends, in 2022 the Airport approved multiple significant sustainability and environmental management documents:

- Sustainability strategy 2022-2030. for the year, which has been developed in accordance with the guidelines of "ACI Europe" and the aspects of the materiality of the sector, the aspects of materiality and sustainability identified by the airport and the aspects of the materiality of the sector identified by "ACI Europe", ensuring their connection with the UN Sustainable Development Goals. The sustainability strategy defines the specific sustainability goals of the Airport, the deadlines for their achievement, as well as the annual performance indicators. The goals and objectives set in the strategy are linked to other planning documents of the company, thus not only integrating the trend towards sustainable management in all aspects and levels of the company's operation, but also foreseeing the development of Latvia as a sustainable travel destination and intermodality not only at the airport itself, but also in a wider area.
- A road map for achieving the goal of "Net Zero 2050", which outlines the most important stops in time and specific activities that the Airport plans to implement in order to fulfil the commitment to become a climate-neutral airport by 2050. Achieving zero CO₂ emissions at airports involves two main elements – firstly, reducing the airport's self-generated emissions of electricity, heat and fuel consumption to a level as close as possible to zero, and secondly, by implementing CO₂ sequestration, neutralizing the emissions that cannot be reduced. The Airport plans to achieve the biggest reduction in CO₂ emissions by transitioning to alternative energy resources, including creating a solar panel park, switching to transport with alternative fuel, producing thermal energy from renewable energy sources, modernizing electrical networks, replacing platform and runway lighting with efficient LED lighting and improving energy efficiency of existing buildings.
- CO₂ emissions management plan 2023-2025. for 2020, which envisages emission reduction measures for a three-year period with the aim of reducing emissions to 0.346 tCO₂ per passenger, which is 44% less than in 2022. The CO₂ emissions management plan includes an action plan that defines the measures to be implemented and the investments required to achieve the goal.
- Waste management plan 2022-2027. for 2027, which includes activities aimed at achieving the 2030 goal of the Sustainability Strategy, and primarily - achieving the goal set in the Airport's medium-term operational strategy for 2027 - achieving an increase in the proportion of unsorted waste to 66% - implementation. In 2022, the airport also carried out a number of important activities for the implementation of circular economy principles, for example, it introduced two mobile deposit packaging points in the airport terminal, where the deposit fee is donated to the Latvian Nature Fund for a biodiversity project - the restoration of Latvia's natural meadows.

Since 2015, in order to achieve its environmental targets, the Airport participated in Airport Carbon Accreditation programme. In 2022, the airport recertified for program level 2 and continues to actively reduce emissions in accordance with "Net Zero" roadmap. The Airport plans to achieve level 3 program level in 2025.

In order to promote the achievement of the Airport's sustainability goals, which in the environmental field are related to the research and implementation of innovation and new technologies, the Airport is actively involved in international research projects and participated in the development of hydrogen technologies, as well as promotes the development of alternative fuel infrastructure. in 2022:

- The Airport's participation in the international study INDIGO, financed by the European Union's Horizon Europe program, on the use of low-emission aircraft technologies and the possibilities of reducing air pollution and noise emissions near airports with the help of innovative technologies was approved. This research will be carried out by ten collaborating organizations in five countries, including the Carlos III University of Madrid in Spain, the Universities of Strathclyde and Bristol in the UK, the Technical University of Bochum in Germany, the German Aerospace Research Centre, the Italian Aerospace Research Centre.
- The airport signed a memorandum of understanding with the Ministry of Economy, LIAA and other organizations that cooperate in hydrogen initiatives. As part of the Hydrogen Alliance, the Airport participates in legislative and joint project focus groups.

Management report (continued)

Sustainability and environmental aspects (continued)

- The airport, in cooperation with the leading partner – Hamburg Airport and several airports in the Baltic Sea region, which are concerned with reducing emissions and preparing for the introduction of hydrogen technology in aviation, started work on project preparation for a project co-financed by "Interreg". The aim of the project is to conduct research on the necessary activities for the introduction of hydrogen aircraft service infrastructure at airports, as well as to test a hydrogen-powered snow removal machine in operation. The project is expected to be submitted for approval in March 2023.
- The airport, together with the implementation partner from Vilnius and Kaunas airports, submitted a project application to the European Union structural fund program "Alternative Fuels Infrastructure Facility - Works - Zero Emissions". As part of the project, it is planned to ensure the improvement of the electricity supply infrastructure at the Airport by reconstructing the existing electrical substation, to create an electric transport charging infrastructure in order to reduce the emissions created by the Airport and cooperation partners, as well as to install a solar panel park with a capacity of 250 kW. It is expected that the results of the evaluation of the project application will be known in the 2nd quarter of 2023.

For the fourth year already, the Airport discloses its performance in the field of sustainability using one of the world's leading non-financial reporting standards - the Global Reporting Initiative or GRI, where more information on environmental and sustainability aspects is available. Since 2020, the report has been given a limited assurance opinion by an external auditor.

In order to organize the work processes, create a reliable and safe infrastructure, reduce the impact on the environment, improve energy efficiency and service quality, thus contributing to the achievement of the goals set by the company, an integrated management system (quality management system, environmental management system and energy management system) has been implemented and maintained at the Airport. It is certified according to the requirements of ISO 9001:2015, ISO 14001:2015 and ISO 50001:2018 standards.

12. The Company's management bodies


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

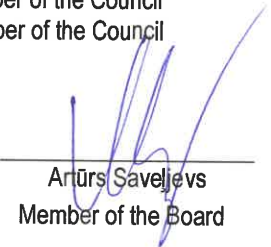
The members of the Board of SJSC Riga International Airport at the time of preparation of the annual report:


Laila Odiņa	Chairwoman of the Board
Artūrs Saveljevs	Member of the Board
Normunds Feierbergs	Member of the Board

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

Juris Kanels	Chairman of the Council
Eduards Toms	Member of the Council
Elīna Salava	Member of the Council


Laila Odiņa
Chairwoman of the Board


Artūrs Saveljevs
Member of the Board


Normunds Feierbergs
Member of the Board

11 April 2023

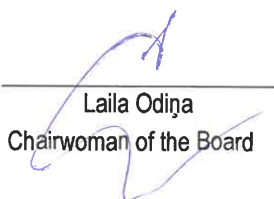
Statement of the management's responsibility

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

The financial statements reflected on pages 15 to 49 have been prepared on the basis of supporting documents and give a true and fair view of the Airport's financial position as at 31 December 2021 and 2022 and its operating results, changes in capital and reserves and cash flows for the year until December 31, 2021 and 2022. The Management Report, reflected on pages 4 to 10, provides a true picture of the Airport's financial results for the reporting period and future prospects.

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

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



Laila Odiņa
Chairwoman of the Board



Artūrs Saveljevs
Member of the Board



Normunds Feierbergs
Member of the Board

11 April 2023



Independent Auditor's Report

To the Shareholder of SJSC Riga International Airport

Our opinion

In our opinion, the accompanying financial statements set out on pages 15 to 49 of the accompanying annual report give a true and fair view of the financial position of SJSC Riga International Airport (the "Company") as at 31 December 2022, and the Company's financial performance and cash flows for the year ended 31 December 2022 in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and statement of comprehensive income for the year ended 31 December 2022,
- the statement of financial position as at 31 December 2022,
- the statement of cash flows for the year ended 31 December 2022
- the statement of changes in shareholders' equity for the year ended 31 December 2022, and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing as 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

Reporting on Other Information Including the Management Report

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

- the General information as set out on page 3 of the accompanying annual report,
- the Management Report, as set out on pages 4 to 10 of the accompanying annual report,
- the Statement on Management Responsibility, as set out on page 11 of the accompanying annual report,
- the Corporate governance statement, which has been prepared by the Company's management as separate report as set out on pages 50 to 66 of the accompanying annual report,

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

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

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

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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


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not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read 'Jegors Podoshnikovs', is written over the text.

Jegors Podoshnikovs
Persona per procura
Certified auditor in charge
Certificate No. 238

Riga, Latvia
11 April 2023

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Statement of profit or loss and statement of comprehensive income

	Note	2022 EUR	2021 EUR
Revenue	3	57 924 484	31 768 910
Government and EU grants	4	5 208 373	4 975 380
Personnel costs	5	(33 772 453)	(22 502 478)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(10 688 454)	(15 651 154)
Other external costs	7	(18 105 158)	(12 392 584)
Other operating income	8	933 037	5 262 922
Other operating expenses	9	(817 886)	(472 042)
Operating profit/(loss) before financial items		681 943	(9 011 046)
Finance income	10	68	727
Finance costs	11	(395 513)	(413 085)
Profit/(loss) before income tax		286 498	(9 423 404)
PROFIT/(LOSS) FOR THE YEAR		286 498	(9 423 404)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		286 498	(9 423 404)

The accompanying notes on pages 20 to 49 form an integral part of these financial statements.

Statement of financial position

ASSETS

	Note	31.12.2022. EUR	31.12.2021. EUR
NON- CURRENT ASSETS			
Property, plant and equipment	13	132 375 158	134 071 349
Intangible assets	12	1 491 203	1 117 126
Investment property	15	1 104 920	1 124 823
Right of use assets	14	140 346	250 455
TOTAL NON-CURRENT ASSETS		135 111 627	136 563 753
CURRENT ASSETS			
Inventories	16	1 046 399	812 448
Trade receivables	17	8 357 593	6 408 567
Other receivables and prepaid expenses	18	7 070 000	1 348 693
Cash and cash equivalents	19	21 021 576	28 461 567
TOTAL CURRENT ASSETS		37 495 568	37 031 275
TOTAL ASSETS		172 607 195	173 595 028

The accompanying notes on pages 20 to 49 form an integral part of these financial statements.

Statement of financial position (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	31.12.2022. EUR	31.12.2021. EUR
SHAREHOLDERS' EQUITY			
Share capital	20	68 347 231	68 347 231
Reserves	21	25 188 002	25 188 002
Accumulated loss		(9 136 906)	(9 423 404)
TOTAL SHAREHOLDERS' EQUITY		84 398 327	84 111 829
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions and other borrowings	22	28 269 967	31 102 740
Deferred income	23	35 658 191	39 765 040
TOTAL		63 928 158	70 867 780
Current liabilities			
Borrowings from credit institutions and other borrowings	22	3 327 986	3 353 881
Trade payables		3 342 669	912 022
Other liabilities	24	10 640 269	7 881 388
Deferred income	23	5 469 364	5 392 673
Accrued liabilities	25	1 500 422	1 075 455
TOTAL		24 280 710	18 615 419
TOTAL LIABILITIES		88 208 868	89 483 199
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		172 607 195	173 595 028

The accompanying notes on pages 20 to 49 form an integral part of these financial statements.

Statement of cash flows

	Note	2022 EUR	2021 EUR
Cash flow from operating activities			
Profit/(loss) of the reporting year before tax		286 498	(9 423 404)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	12,13,14,15	10 690 807	15 653 864
Received Government grant for the infrastructure development		(138 430)	(249 675)
EU Cohesion Fund resources recognised in the profit for the current year	4	(4 779 070)	(4 725 519)
ERDF financing	4	(259 243)	(144)
Property, plant and equipment obtained without payment (recognized in the profit for the current year)		(75 484)	(99 345)
Increase/ (decrease) in accruals		3 183 847	(2 231 026)
Gain from sale of fixed assets		70 940	209 566
Net interest expenses	10, 11	395 445	412 358
Decrease/ (increase) of inventories		(233 951)	54 045
(Increase) in trade receivables		(1 674 691)	(3 014 828)
(Increase)/ decrease in prepaid expenses and other receivables		1 080 298	564 878
Increase/ (decrease) in trade payables		2 429 412	(318 857)
Government compensation for electricity		500 171	-
Decrease in deferred income		(4 030 158)	(484 986)
Cash generated from operating activities		7 446 391	(3 653 073)
Interest paid		(388 990)	(418 973)
Net cash (used in) / generated from operating activities		7 057 402	(4 072 046)
Cash flows from investing activities			
EU Project for development of safe and environment friendly infrastructure		2 919 296	2 162 152
European Social fund grant		31 630	-
Government funding for aviation security		52 418	52 418
A-CDM Riga project		136 279	186 667
Acquisition of intangible assets	12	(674 356)	(61 393)
Acquisition of fixed assets		(14 041 943)	(6 588 079)
Interest received		62	727
Net cash used in investing activities		(11 576 614)	(4 247 508)
Cash flows from financing activities			
Loans received	22	-	4 600 000
Leaseback	22	392 896	-
Repayment of borrowings	22	(3 120 199)	(7 667 418)
State aid (increase of the share capital of the Cabinet of Ministers Order No. 366)		-	35 230 000
Repayment of lease obligations	22	(193 475)	(207 703)
Net cash generated from financing activities		(2 920 778)	31 954 879
Net (decrease)/ increase in cash and cash equivalents		(7 439 991)	23 635 325
Cash and cash equivalents at the beginning of the year		28 461 567	4 826 242
Cash and cash equivalents at the end of the year	19	21 021 576	28 461 567

The accompanying notes on pages 20 to 49 form an integral part of these financial statements.

Statement of changes in shareholders' equity

	Note	Share capital EUR	Other reserves EUR	Retained earnings / (accumulat ed loss) EUR	Total EUR
31 December 2020		28 608 932	23 001 152	6 695 149	58 305 233
Total comprehensive losses for the reporting year		-	-	(9 423 404)	(9 423 404)
Credited to reserves from retained earnings		-	2 186 850	(2 186 850)	-
Investment of retained earnings in share capital	20	4 508 299	-	(4 508 299)	-
Increase of share capital	20	35 230 000	-	-	35 230 000
31 December 2021		68 347 231	25 188 002	(9 423 404)	84 111 829
Total comprehensive income for the reporting year		-	-	286 498	286 498
31 December 2022		68 347 231	25 188 002	(9 136 906)	84 398 327

The accompanying notes on pages 20 to 49 form an integral part of these financial statements.

Notes to the financial statement

1. General information

State Joint Stock Company Riga International Airport (hereinafter – the Company) 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 "Lidosta Rīga 10/1", Lidosta Rīga, Mārupes pag., Mārupes nov., LV-1053, Latvija. 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 11 April 2023 and Supervisory Board. The Company's members of the Board as at the financial statement signing date are Laila Odiņa (Chairwoman of the Board from 16th April 2021), Artūrs Saveljevs (from 13th September 2022) and Normunds Feierbergs (from 10th November 2021). Members of the Council on the financial statements reporting date are Juris Kanels (Chairman of the Council from 17th May 2021), Eduards Toms (Member of the Council from 24th May 2019) un Elīna Salava (Member of the Council from 7th July 2021).

PricewaterhouseCoopers SIA with Jegors Podosiņņikovs as the Certified auditor-in-charge is the appointed auditor of the Company.

2. Basis of the preparation and application of IFRS

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

(a) Statement of compliance and accounting principles

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

Financial statements are prepared on a going concern basis.

According to industry forecasts, the impact of the COVID-19 crisis on international passenger air traffic will continue until 2024 or 2025. Along with the recovery of the industry after the negative impact of Covid-19, as an additional factor that will negatively affect the recovery of the industry, we can mention the geopolitical risks resulting from the war started by Russia in Ukraine.

The airport's 2023 budget predicts that 6 million passengers will be served and in 2024 the number of passengers will reach 2019 level. If passenger flow recovery will proceed slower than expected, the Airport will carry out activities aimed at maintaining liquidity – reassessment of operating expenses, as well as revise investment cash flow plan. If, as a result of the aforementioned activities, the Airport will not be able to provide sufficient liquidity to ensure economic activity, the Airport will also evaluate the restructuring of existing loans, attracting new loans to ensure liquidity and/or re-approaching the shareholder with a request to find solutions to ensure the Airport's liquidity.

The financial statements have been prepared under historical cost convention. The company's financial assets and liabilities are stated at amortized cost using the effective interest rate method. The effective interest rate is the rate that directly discounts the estimated future payments and receivables, over the expected useful life of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows, taking into account all terms of financial instrument contracts.

The amounts included in the financial statements are presented in the official currency of the Republic of Latvia - euro, which is the functional currency of the Company. In order to prepare financial statements in accordance with IFRS, management has to make estimates and assumptions that affect the balances of the statement of financial position and consolidated income statement items reflected in individual statements, as well as the amount of possible liabilities. Future events may affect the assumptions on which the relevant estimates are made. Any effect of a change in estimate is reflected in the financial statements in the period in which the change is made. Although these estimates are prepared based on management's comprehensive knowledge of current events and operations, actual results may differ from them.

Notes to the financial statement (continue)

Basis of the preparation and application of IFRS (continue)

Compared to the accounting methods used in the preparation of the 2021 financial statements, the accounting methods used in the preparation of the 2022 financial statements have not been changed.

In the reporting year, as of January 1, 2022, the following standard amendments have entered into force and have been approved for use in the EU, which did not have a significant impact on the Company's financial statements:

- Income before expected use of property, plant and equipment, Onerous contracts – contract performance costs, Reference to IFRS Conceptual Framework – IAS 16, IAS 37 and minor amendments to IFRS 3 and 2018-2020 Annual Improvements to IFRS – Amendments to IFRS 1, 9, IFRS, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).
- Amendments to IFRS 16 – Lease Concessions Related to Covid-19 (effective for reporting periods beginning on or after April 1, 2021). The amendments provide for lessees (but not lessors) the opportunity to use the exemption from the standard requirement to assess whether concessions related to Covid-19 constitute a modification of the lease agreement.

On or after January 1, 2023, the following standard amendments or interpretations will enter into force, which could affect the Company's financial statements and whose impact is currently being evaluated by the Company's Management, however, preliminary estimates indicate that it will not be significant:

- Amendments to IAS 1 – Classification of current and non-current liabilities (effective for reporting periods beginning on or after January 1, 2022, not approved for use in the EU);
- Amendments to IAS 1 and IFRS 2 Statement of Practice: Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose information about significant accounting policies rather than significant accounting policies. In addition, IFRS Practice Statement 2, Making Materiality Judgments, was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- Amendments to IAS 8: Definition of Accounting Estimates (effective for accounting periods beginning on or after 1 January 2023). Amendments to IAS 8 clarified how companies should distinguish between changes in accounting policies and changes in accounting estimates.
- Amendments to IFRS 16 – Leases: Lease liabilities in sale and leaseback transactions (effective for reporting periods beginning on or after 1 January 2024) have not been approved for use in the EU.

(b) Financial instruments

Classification of financial instruments

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

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

Recognition and derecognition

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

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

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

Measurement

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

Notes to the financial statement (continue)

Basis of the preparation and application of IFRS (continue)

(b) Financial instruments (continue)

Financial assets at amortised cost

Financial assets at amortised cost are debt instruments with fixed or determinable payments, which are not held for trading and the future cash flows from which consist solely of principal and interest payments. Financial assets at amortised cost include Trade and other receivables and Cash and cash equivalents. Financial assets at amortised cost are classified as short-term assets, if the term to maturity is one year or less. If the maturity term is longer than one year, then they are shown as long-term assets. Short-term receivables are not discounted.

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

Cash and cash equivalents

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

Impairment of financial assets at amortised cost

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

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

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

Financial liabilities at amortised cost

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

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

Borrowings

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

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

Offsetting financial assets and liabilities

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

c) Revaluation of foreign currency

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

Notes to the financial statement (continued)

Basis of the preparation and application of IFRS (continued)

(c) Revaluation of foreign currency (continued)

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.

	31.12.2022.		31.12.2021.
	1 EUR		1 EUR
1GBP	0.88693	1GBP	0.84028
1USD	1.06660	1RUB	85.30040
		1SEK	10.25030
		1USD	1.13260

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

(d) Intangible assets

Software licences

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

Subsequent expenditure

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

Amortisation

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

(d) Property, plant and equipment

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

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

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

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

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

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

Construction in progress

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

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.

Notes to the financial statement (continued)

Basis of the preparation and application of IFRS (continued)

Property, plant and equipment (continued)

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

The recoverable amount of an asset or cash-generating unit is the higher 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 during business.

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

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

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

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

(g) Inventories

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

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

(h) Cash and cash equivalents

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

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

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

(j) Other reserves

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

Notes (continued)

Basis of the preparation and application of IFRS (continued)

(k) Leases

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

(l) Revenue recognition

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

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

Provision of services

Revenue from services is recognized in the period when the services are provided net of discounts.

Interest

Revenue is recognized on accrual basis, using the effective interest rate method.

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

(m) Government and European Union grants

Government and European Union grants are recognized as follows:

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

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

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

(n) Financial income and expenses

Financial income and expenses comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, and foreign exchange gains and losses. Interest income and expense are recognized in profit or loss as they accrue, considering the effective interest rate of the asset/liability. The interest expenses of finance lease payments is charged to the profit and loss so that as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes (continued)

Basis of the preparation and application of IFRS (continued)

(o) Related parties

Company accounts following parties as related parties:

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

(p) Subsequent events

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

(r) Employee benefits

Bonuses

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

Social security and pension contribution

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

(s) Corporate income tax

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

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

(t) Critical accounting estimates and assumptions

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

Recoverable amount and impairment

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

Impairment of receivables

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

Notes (continued)

Basis of the preparation and application of IFRS (continued)

(t) Critical accounting estimates and assumptions (continued)

Useful lives of property, plant and equipment

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

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

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

Provisions and accruals

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

Notes (continued)

3. Revenue

	2022 EUR	2021 EUR
Total aviation revenue	35 996 873	18 875 508
Security and rescue measure fees*	11 701 152	4 882 675
Departure / landing fees	3 605 145	2 380 971
Ground handling	9 954 841	6 229 266
Passenger service fees	7 137 855	3 058 221
Other aviation services	2 351 077	825 284
<i>Including charge for services provided to disabled persons and persons with reduced mobility**</i>	<i>904 093</i>	<i>326 955</i>
Centralized infrastructure services	1 246 803	1 499 091
Total non-aviation revenue	21 927 611	12 893 402
Rent of premises within terminal	9 451 535	4 288 741
Car parking services	3 909 962	1 628 586
Other lease in the airport territory***	2 778 391	2 384 839
Public utilities	2 603 369	2 237 952
Servicing business passengers	1 308 023	1 098 313
Advertising services	431 644	270 217
Income from concessions	259 322	161 610
Other non-aviation services	1 185 365	823 144
TOTAL:	57 924 484	31 768 910

	2022 EUR	2021 EUR
Revenue from contracts with customers that is recognized over time (in accordance with IFRS 15):		
Security and rescue measure fees	11 701 152	4 882 675
Departure / landing fees	3 605 145	2 380 971
Ground handling	9 954 841	6 229 266
Passenger service fees	7 137 855	3 058 221
Revenue from other aviation services	2 351 077	825 284
Revenue from centralized infrastructure services	1 246 803	1 333 779
Revenue from utilities	2 603 369	2 237 952
Revenue from servicing business passengers	1 308 023	1 098 313
Revenue from other non-aviation services	1 185 365	823 144
TOTAL:	41 093 630	22 869 605

Other revenue (IFRS 16 and other standards):

Rent of premises within terminal	9 451 535	4 288 741
Car parking services	3 909 962	1 628 586
Other lease in the airport territory	2 778 391	2 384 839
Revenue from advertising services	431 644	270 217
Income from concessions	259 322	326 922
TOTAL:	16 830 854	8 899 305
TOTAL:	57 924 484	31 768 910

Notes (continued)

3. Revenue (continued)

	2022 EUR	2021 EUR
EU Economic Activities Statistical Classification according to NACE codes:		
Aviation income (52.23)	35 996 873	18 710 196
Non-aviation income (68.20)	20 051 280	11 638 431
Non-aviation income (73.12)	431 644	270 217
Non-aviation income (79.90)	1 444 687	1 150 066
TOTAL:	57 924 484	31 768 910

* Introduced on 1st January 2012, in accordance with 19th October 2011 regulations of Cabinet of Ministers No. 823 „On the charges for security and rescue measures carried out on the airfield”.

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

***incl. rental income from investment property 1,905,633 euros (2021: 1,834,499 euros).

The company's revenues do not differ by geographic segment. All the Company's revenues are earned in Latvia.

4. Government and EU grants

In accordance with the Clause 27 of law On Aviation, the Company provides equipment, systems and trained personnel to prevent unlawful intervention in the safety of civil aviation, and performs all such measures that ensure safety control of aircraft, its personnel, passengers and cargo in accordance with the national and international normative acts. In order to perform these functions, starting from 1 January 2007 the Company has received direct payments from the state budget, in 2022 amounting to 52 418 euro (2021: 45 418 euro). Part of the government grant for the aviation safety used to cover maintenance expenses is recognized under income of the reporting year. As at 31.12.2022, government grant for acquisition and creation of long-term investments to improve aviation safety carried forward to the following year is 208 313 euro; (31.12.2021: 177 898 euro).

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

On 28 December 2020, the Company received a direct cash payment of 530 000 euro from the National Defence Military Facilities and procurement centre of the Ministry of Defence of the Republic of Latvia to ensure the improvement of the Company's infrastructure by carrying out reconstruction works to support military aircraft, the depreciation amount of 150 134 euro is included in the 2022 income (2021: 23 621).

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

	2022 EUR	2021 EUR
Government grant for the safety of aviation:	22 002	57 787
Depreciation of property, plant and equipment purchased using the grant	22 002	57 787
Grants received from the Cohesion Fund:	4 779 070	4 725 519
Depreciation of property, plant and equipment purchased using the Cohesion Fund resources	4 697 242	4 697 242
Depreciation of property, plant and equipment purchased using the EU project for development of safe and environmentally friendly infrastructure	81 828	28 277
Other grants:	407 301	192 074
Depreciation of fixed assets purchased from grants	116 428	191 888
From ERDF funding, Project no. 4.4.1.0/16/I/001	862	144
A-CDM Riga project	258 381	-
From the European Social Fund project	-	42
NVA employment grant	31 630	-
TOTAL:	5 208 373	4 975 380

Notes (continued)

5. Personnel costs

	2022 EUR	2021 EUR
Total salaries:	27 352 043	18 226 103
Staff	26 913 470	17 804 313
Board and Council members	438 573	421 790
Total compulsory state social security contributions:	6 420 410	4 276 375
Staff	6 319 964	4 179 882
Board and Council members	100 446	96 493
TOTAL:	33 772 453	22 502 478

Average number of employees during the reporting year 2022 was 1 317, including 3 members of the Board (2021: 1 045, including 3 members of the Board).

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

	2022 EUR	2021 EUR
Depreciation of constructions and buildings	6 952 129	9 195 165
Depreciation of investment property	11 590	27 361
Depreciation of equipment and machinery	1 991 039	3 654 542
Depreciation of other property, plant and equipment	1 380 494	2 181 283
Amortization of intangible assets	300 279	393 609
Depreciation of right of use assets	52 923	199 194
TOTAL:	10 688 454	15 651 154

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

7. Other external costs

	2022 EUR	2021 EUR
Materials	2 088 921	1 381 027
Insurance of employees and movable and immovable property	679 274	636 100
Territory cleaning costs	176 146	142 238
Infrastructure maintenance costs	1 923 172	1 348 438
Public utilities	5 917 466	3 004 350
Business trips	179 891	28 895
Communication expenses	1 214 884	1 035 643
Transport costs	1 262 450	661 758
Management expenses*	602 436	473 165
Operating leases**	888 723	684 067
Increase of personnel qualification	423 001	243 702
Marketing and advertising	455 818	316 119
Safety measures	496 455	497 334
Other external costs	1 796 521	1 939 748
TOTAL:	18 105 158	12 392 584

* incl. Audit expenses for the 2022 annual report – 17,500 euros (2021: 17,500 euros).

Notes (continued)

7. Other external costs (continued)

**lease expenses are classified as followed:

	2022 EUR	2021 EUR
Rent capacity	6 567	7 038
Lease of low value assets	298 576	285 360
Lease of intangible assets	321 082	258 256
Short term leases	262 498	133 413
TOTAL:	888 723	684 067

8. Other operating income

	2022 EUR	2021 EUR
Penalty fees	99 021	296 551
Income from reversal of allowances for doubtful receivables and accruals for litigations, net	-	2 577 072
Current assets sales result, net*	70 940	2 235 449
Other operating income**	763 076	153 850
KOPĀ:	933 037	5 262 922

* incl. In 2022, revenues from fixed assets disposal in the amount of 97,915 (2021: 4 443 241 euros), expenses in the amount of 26 975 euros (2021: 2 207 792 euros), net income – 70 940 euros.

** incl. In 2022, calculated depreciation of fixed assets acquired without compensation is 78 483 euros (2021: 75 724 euros), in 2022 received state compensation for electricity 475 719 euros

9. Other operating expenses

	2022 EUR	2021 EUR
Non-business expenses, primarily trade union events*	114 858	64 034
Real estate tax**	346 643	358 802
Losses from doubtful debts and provisions for legal cases, net	250 595	-
Other operating expenses	105 790	49 206
TOTAL:	817 886	472 042

* incl. In the reporting year, depreciation of fixed assets of social infrastructure – 2 353 euros (2021: 2 710 euros), costs of social events – 97 676 euros (2021: 53 193 euros).

** incl. real estate tax costs attributable to investment properties in 2022 are 38 760 euros (2021: 35 166 euros).

10. Finance income

	2022 EUR	2021 EUR
Interest income from sublease	-	727
Interest received	68	-
TOTAL:	68	727

Notes (continued)

11. Finance costs

	2022 EUR	2021 EUR
Interest expenses on long-term borrowings	386 618	409 025
Net expenses from exchange rate changes	5 431	183
Interest expenses on finance lease	3 159	3 877
Interest expenses from sublease	305	-
TOTAL:	395 513	413 085

12. Intangible assets

	Software licences EUR
Cost at 31.12.2020.	2 372 366
Purchase	61 393
Transfers	32 477
Disposals	(23 477)
Cost at 31.12.2021.	2 442 759
Accumulated amortization at 31.12.2020.	955 501
Amortization	393 609
Amortization of liquidated assets	(23 477)
Accumulated amortization at 31.12.2021.	1 325 633
Balance at 31.12.2020.	1 416 865
Balance at 31.12.2021.	1 117 126
	EUR
Cost at 31.12.2021.	2 442 759
Purchase	674 356
Cost at 31.12.2022.	3 117 115
Accumulated amortization at 31.12.2021.	1 325 633
Amortization	300 279
Accumulated amortization at 31.12.2022.	1 625 912
Balance at 31.12.2021.	1 117 126
Balance at 31.12.2022.	1 491 203

Notes (continued)

13. Property, plant and equipment

	Land and buildings	Equipment and machinery	Other property, plant and equipment	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR
Cost at 31.12.2020.**	216 577 956	56 522 638	22 496 281	14 531 596	310 128 471
Additions	653 475	725 764	1 657 724	3 652 544	6 689 507
Reclassified	6 933 043	895 417	234 759	(8 095 696)	(32 477)
Reclassification from right of use assets	-	-	60 000	-	60 000
Reclassification to/from investment property*	3 204	-	-	-	3 204
Disposals**	(7 871 926)	(2 444 653)	(580 359)	(11 087)	(10 908 025)
Substitute part of fixed assets	(124 147)	(545 285)	(366 971)	-	(1 036 403)
Cost at 31.12.2021.**	(9 848)	(32 354)	-	-	(42 202)
Accumulated depreciation at 31.12.2020.	216 161 757	55 121 527	23 501 434	10 077 357	304 862 075
Cost at 31.12.2020.**	105 331 965	45 572 704	16 628 210	-	167 532 879
Depreciation***	9 195 165	3 654 542	2 183 993	-	15 033 700
Depreciation of liquidated assets	(7 867 125)	(2 444 653)	(579 838)	-	(10 891 616)
Depreciation of assets sold	-	(545 232)	(366 971)	-	(912 203)
Reclassified from right-to-use assets	-	-	60 000	-	60 000
Reclassified from/to investment properties*	10 076	-	-	-	10 076
Replaceable part of fixed assets	(9 848)	(32 262)	-	-	(42 110)
Accumulated depreciation on 31.12.2021.	106 660 233	46 205 099	17 925 394	-	170 790 726
Remaining value on 31.12.2020.	111 245 991	10 949 934	5 868 071	14 531 596	142 595 592
Remaining value on 31.12.2021.	109 501 524	8 916 428	5 576 040	10 077 357	134 071 349

	Land and buildings	Equipment and machinery	Other property, plant and equipment	Construction in progress	TOTAL
	EUR	EUR	EUR	EUR	EUR
Cost at 31.12.2021.**	216 161 757	55 121 527	23 501 434	10 077 357	304 862 075
Additions	177 658	3 061 148	1 366 662	3 901 641	8 507 109
Reclassified	-	-	2 708 850	(2 708 850)	-
Reclassification from right of use assets	-	-	962 484	-	962 484
Reclassification to/from investment property*	45 203	-	-	-	45 203
Disposals**	-	(276 885)	(229 560)	(3 800)	(510 245)
Substitute part of fixed assets	-	(14 222)	(35 395)	-	(49 617)
Cost at 31.12.2022.**	216 384 618	57 891 568	28 274 475	11 266 348	313 817 009
Accumulated depreciation at 31.12.2021.	106 660 233	46 205 099	17 925 394	-	170 790 726
Depreciation***	6 952 129	1 991 039	1 382 847	-	10 326 015
Disposals depreciation	-	(276 885)	(229 560)	-	(506 445)
Reclassification from right of use assets	-	-	844 282	-	844 282
Reclassification to/from investment property*	36 890	-	-	-	36 890
Substitute part of fixed assets	-	(14 222)	(35 395)	-	(49 617)
Accumulated depreciation at 31.12.2022.	113 649 252	47 905 031	19 887 568	-	181 441 851
Balance at 31.12.2021.	109 501 524	8 916 428	5 576 040	10 077 357	134 071 349
Balance at 31.12.2022.	102 735 366	9 986 537	8 386 907	11 266 348	132 375 158

Notes (continued)

Property, plant and equipment (continue)

* Reclassified from / to investment property – Land and buildings with the cost of 8 313 euro reclassified from investment property (2021: 6 872 euro to investment properties); land and buildings 36 890 euro the original value has been reclassified from investment property (2021: 10 076 from investment properties) (see Note 16).

** Cost value – As at 31 December 2022, the Company's statement of financial position includes fully depreciated property, plant and equipment items in the amount of 88 400 653 euro (31.12.2021: 86 609 185 euro).

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

On 31 December 2021 the land with total area of 72,5617 hectares (31.12.2021: 73.8506) owned by the Ministry of Transport of the Republic of Latvia was transferred for usage to the Company and was not disclosed in the statement of financial position of the Company as the terms of use do not comply with the classification of finance leases. The Company's fixed assets, except land, intangible assets and use of rights assets, are pledged to the State Treasury.

14. Right of use assets

	Right of use land and buildings	Right of use equipment and machinery	Right of use other property, plant and equipment	TOTAL
	EUR	EUR	EUR	EUR
Cost at 31.12.2020.	-	184 500	1 185 864	1 370 364
Reclassified to fixed assets	-	-	(60 000)	(60 000)
Cost at 31.12.2021.	-	184 500	1 125 864	1 310 364
Accumulated depreciation at 31.12.2020.	-	107 625	813 090	920 715
Depreciation	-	26 357	172 837	199 194
Reclassified to fixed assets	-	-	(60 000)	(60 000)
Accumulated depreciation at 31.12.2021.	-	133 982	925 927	1 059 909
Balance at 31.12.2020.	-	76 875	372 774	449 649
Balance at 31.12.2021.	-	50 518	199 937	250 455
	Right of use land and buildings	Right of use equipment and machinery	Right of use other property, plant and equipment	TOTAL
	EUR	EUR	EUR	EUR
Cost at 31.12.2021.	-	184 500	1 125 864	1 310 364
Additions	61 016	-	-	61 016
Reclassified to property, plant and equipment	-	-	(962 484)	(962 484)
Cost at 31.12.2022.	61 016	184 500	163 380	408 896
Accumulated depreciation at 31.12.2021.	-	133 982	925 927	1 059 909
Depreciation	1 695	10 275	40 953	52 923
Reclassified to property, plant and equipment	-	-	(844 282)	(844 282)
Accumulated depreciation at 31.12.2022.	1 695	144 257	122 598	268 550
Balance at 31.12.2021.	-	50 518	199 937	250 455
Balance at 31.12.2022.	59 321	40 243	40 782	140 346

In 2022, a new full-service lease agreement was concluded for three years for the lease of 3 vehicles.

Notes (continued)

15. Investment property

	Land EUR	Buildings EUR	TOTAL EUR
Cost value at 31.12.2020.	979 671	1 003 877	1 983 548
Reclassified to property, plant and equipment	6 872	(10 076)	(3 204)
Cost value at 31.12.2021.	986 543	993 801	1 980 344
Accumulated depreciation at 31.12.2020.	-	838 236	838 236
Depreciation (calculated)	-	27 361	27 361
Reclassified from/to property, plant and equipment	-	(10 076)	(10 076)
Accumulated depreciation at 31.12.2021.	-	855 521	855 521
Balance at 31.12.2020.	979 671	165 641	1 145 312
Balance at 31.12.2021.	986 543	138 280	1 124 823

	Land EUR	Buildings EUR	TOTAL EUR
Cost value at 31.12.2021.	986 543	993 801	1 980 344
Reclassified to property, plant and equipment	(8 313)	(36 890)	(45 203)
Cost value at 31.12.2022.	978 230	956 911	1 935 141
Accumulated depreciation at 31.12.2021.	-	855 521	855 521
Depreciation (calculated)	-	11 590	11 590
Reclassified from/to property, plant and equipment	-	(36 890)	(36 890)
Accumulated depreciation at 31.12.2022.	-	830 221	830 221
Balance at 31.12.2021.	986 543	138 280	1 124 823
Balance at 31.12.2022.	978 230	126 690	1 104 920

In the course of its business, on December 31, 2022, the Company rent out part of the land plots owned by the Company in the amount of 68.8894 (2021: 69.4748) hectares.

16. Inventories

	2022 EUR	2021 EUR
Materials and consumables	1 046 399	812 448
TOTAL:	1 046 399	812 448

17. Trade receivables

	2022 EUR	2021 EUR
Trade receivables	8 691 318	7 070 431
Impairment allowance	(333 725)	(661 864)
TOTAL:	8 357 593	6 408 567

Notes (continued)

18. a Impairment allowance

	EUR
Impairment allowance at 31 December 2020	3 488 933
Reduction of allowance, unrecovered debts	(2 827 069)
Impairment allowance at 31 December 2021	661 864
Reduction of allowance, unrecovered debts	(595 938)
Created impairment allowance	267 799
Impairment allowance at 31 December 2022	333 725

18. Other receivables and prepaid expenses

	2022 EUR	2021 EUR
Financial assets		
Other receivables*	16 917	26 646
TOTAL FINANCIAL ASSETS:	16 917	26 646
Non-financial assets		
Insurance	157 824	117 962
Advance payments for services	173 338	49 371
Advance payments for fixed assets	6 342 303	803 669
Other prepaid expenses	379 618	351 045
TOTAL NON-FINANCIAL ASSETS:	7 057 083	1 322 047
TOTAL:	7 070 000	1 348 693

* Including sublease receivable in the amount of 0 euros as at 31 December 2022 (2021: 15,371 euros).

19. Cash and cash equivalents

	2022 EUR	2021 EUR
Cash in bank	20 990 194	28 436 578
Cash in exchange machine and cash in transit	28 498	21 193
Cash on hand	2 884	3 796
TOTAL:	21 021 576	28 461 567

20. Share capital

The registered and paid-up share capital of the Company is 68,347,231 euros (2021: 68,347,231 euros), and it consists of 28,608,932 shares with a nominal value of one share of 1 euro each and 397,382,990 Covid-19 shares with a nominal value of 0.10 euros each. The owner of all shares is the Republic of Latvia. The holder of the state capital share in the joint stock company is the Ministry of Transport of the Republic of Latvia. All shares of the Company have the same right to receive dividends, liquidation quota and voting rights at the shareholders' meeting.

Notes (continued)

21. Reserves

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

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

	EUR
Reserve capital at 31 December 2020	22 991 758
Increase in 2021, net	2 186 850
Reserve capital at 31 December 2021	25 178 608
Reserve capital at 31 December 2022	25 178 608

Apart from reserve capital, other reserves include a "Long-term investment revaluation reserve" that has been created in 2002 for the assets that previously belonged to the Russian Federation Army, received free of charge. As at 31 December 2022 the balance of this reserve is 9 394 euro (2021: 9 394 euro).

22. Borrowings from credit institutions and other borrowings

	2022 EUR	2021 EUR
Long-term loans from credit institutions		
The Treasury (repayable later than 5 years after balance sheet date)	18 811 562	20 513 778
Swedbank AS (repayable later than 1 year after balance sheet date)	5 747 899	6 705 882
SEB bank (repayable later than 1 year after balance sheet date)	3 373 333	3 833 333
Long-term lease liabilities (repayable 1-5 years after balance sheet date)	337 173	49 747
TOTAL NON-CURRENT PORTION:	28 269 967	31 102 740
	2022 EUR	2021 EUR
Short-term loans from credit institutions		
The Treasury	1 755 890	1 759 936
Swedbank AS	962 717	960 477
SEB bank	464 639	461 967
Lease liabilities	144 740	171 501
TOTAL CURRENT PORTION:	3 327 986	3 353 881
TOTAL:	31 597 953	34 456 621

(a) Loans from credit institutions

The Treasury of the Republic of Latvia On 12 April 2012 issued a loan to the Company of 43 483 793 euro. From 2 April 2015 loan amount has been reduced in line with the Decision No. 12-33/9 by the Ministry of Finance to 33 663 759.46 euro. The aim of the loan is implementation of Cohesion Fund project No. 2010LV161PR001 "Riga International Airport Infrastructure Development". The loan shall be repaid until 20th February 2035. The loan was used until 20 March 2015. The Company has placed a mortgage for the benefit of the State Treasury of the Republic of Latvia with real estate belonging to the Company and mortgaged movable property (Pledge deed No. 100155354 dated 9th February 2012 and pledge deed No. 100158809 dated 11th October 2012, updated 20th February 2014 No. 100165077, updated 24th March 2015 No. 100169472). As at 31 December 2022 the repayable part of the loan is 20 364 498 euro and accrued interest is 52 966 euro (2021: 22 026 906 euro and accrued interest 57 720). Based on the Minister of Finance Decision No. 12-6 / 12 of 9 August 2018, the Company and The Treasury of the Republic of Latvia signed a loan agreement in the amount of 208 978 euro. Purpose of the loan was realization of KF project No.6.1.2.0/16/I/001 "Development

Notes (continued)

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

(a) Loans from credit institutions (continued)

of safe and environmentally friendly infrastructure at Riga International Airport". Loan shall be repaid by 20 July 2026. As at 31 December 2022, the outstanding portion of the loan is 149 280 euro and accrued interest is 708 euro (2021: 189 088 euro)

Swedbank AS On January 7, 2020, the Company concluded a loan agreement in the amount of 9,500,000 euros. The purpose of the loan is to refinance the borrower's obligations to OP Corporate Bank plc. On December 31, 2022, the outstanding part of the loan was 6,705,882 euros and the accrued interest was 4,733 euros (2021: 7,663,865 euros and the accrued interest was 2,495). In 2022, the loan was repaid in the amount of 957,983 euros. The loan must be repaid by December 23, 2024.

SEB bank On April 19, 2021, the Company concluded a loan agreement in the amount of 4,600,000 euros. Purpose of the loan - The loan is for repayment of the debt obligation to OP Corporate bank plc in full. On December 31, 2022, the outstanding part of the loan was 3,833,333 euros and the accrued interest was 4,639 euros, (2021: 4,293,333 euros and the accrued interest was 1,967 euros). In 2022, the loan was repaid in the amount of 460,000 euros. The loan must be repaid by April 18, 2024.

Loan interest rates for all loans are determined with a variable interest rate component, and in 2022 the actual interest rates ranged from 0.76% to 3.841% per year.

Future lease payments in 2021 as part of finance lease and in 2022 as part of lease can be reflected as follows:

	2022 EUR	2021 EUR
Within 1 year, including lease interest	161 205	172 852
Later than one year but less than five years, including lease interest	359 324	50 019
Total lease liabilities – minimum lease payments and lease interest	520 529	222 871
Future finance charges on lease – interest on the lease	(38 616)	(1 623)
PRESENT VALUE OF LEASE LIABILITIES:	481 913	221 248

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

	2022 EUR	2021 EUR
Within 1 year	144 739	171 501
Later than one year but less than five years	337 174	49 747
PRESENT VALUE OF LEASE LIABILITIES:	481 913	221 248

Movement of borrowings:

	2022 EUR	2021 EUR
Balance at the beginning of the reporting year	34 456 621	37 737 087
Loans received	453 912	4 600 000
Loans repaid	(3 120 199)	(7 667 418)
Lease repayments	(193 475)	(207 703)
Calculated interest	390 083	412 902
Interest received	402	727
Interest paid	(389 392)	(418 974)
Balance at the end of the reporting year	31 597 952	34 456 621

Notes (continued)

Borrowings from credit institutions and other borrowings (continued)

On May 31, 2022, the Company has concluded a cooperation agreement on financial leasing with Swedbank Lzings SIA with an available limit of 2,253,711 euros. Leasing contract term - 5 years. On December 31, 2022, financial leasing debt obligations to Swedbank Lzings SIA are 373,705 euros and accrued interest is 259 euros.

In 2022, a new full-service lease agreement was concluded for the lease of three light vehicles for 3 years. On December 31, 2022, accounting for lease liabilities according to IFRS16 was 58,200 euros.

Lease obligations for fixed assets purchased as part of the 2022 financial lease amount to 49,746 euros, accrued interest 55 euros (2021: 198,686 euros and accrued interest 86 euros).

Interest rates for lease agreements ranged from 1 to 2.8% per year.

23. Deferred income

	2022 EUR	2021 EUR
Long term:		
Government grant related to the Cohesion Fund financing of property, plant and equipment acquired as part of the runway extension project	2 833 660	3 420 000
Payment for development of infrastructure stipulated in the long-term lease agreements	1 715 153	1 790 503
Government grants for development of the airport infrastructure	143 577	188 491
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	178 544	137 485
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	28 674 075	32 747 423
Fixed assets (heating system and other) obtained free of charge	153 432	181 741
From EU project for safe and environmentally friendly infrastructure	1 388 120	837 100
Ministry of Defence budget program for airport infrastructure improvement	404 550	454 684
ERDF funding, Project no. 4.4.1.0/16/I/001	6 751	7 613
A-CDM Riga project No. 2015-LV-TM-0094-W	160 329	-
TOTAL LONG TERM PART:	35 658 191	39 765 040
Short term:		
Government grant related to the Cohesion Fund as part of the runway extension project	586 340	586 340
Advertising and lease services	430 355	431 354
Government grants for development of the airport infrastructure	44 914	66 294
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	29 769	40 412
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 073 348	4 110 903
Fixed assets (heating system and other) obtained free of charge	28 308	28 308
EU project "Development of safe and environmentally friendly infrastructure"	122 430	78 066
Ministry of Defence budget program for airport infrastructure improvement	50 134	50 134
ERDF funding, Project no. 4.4.1.0/16/I/001	862	862
A-CDM Riga project No. 2015-LV-TM-0094-W	102 904	-
TOTAL SHORT TERM PART:	5 469 364	5 392 673
TOTAL:	41 127 555	45 157 713

See also Note 4.

Notes (continued)

24. Other liabilities

	2022 EUR	2021 EUR
Financial liabilities		
Other liabilities	6 008 820	4 047 787
Other accrued expenses	1 913 937	1 196 412
TOTAL FINANCIAL LIABILITIES:	7 922 757	5 244 199
Non-financial liabilities		
Taxes and compulsory state social security contributions liabilities	1 235 823	1 431 066
Salaries	1 481 689	1 186 123
Advances from clients	-	20 000
TOTAL NON-FINANCIAL LIABILITIES:	2 717 512	2 637 189
TOTAL:	10 640 269	7 881 388

25. Accrued liabilities

	2022 EUR	2021 EUR
Accrued vacation liabilities	1 500 422	1 075 455
TOTAL ACCRUED LIABILITIES:	1 500 422	1 075 455

26. Financial risk management

(a) Financial risk factors

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

The Company has the following financial instruments:

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

Financial instruments by categories:

	Notes	2022 EUR	2021 EUR
Financial assets at amortized cost			
Trade receivables, net	18	8 357 593	6 408 567
Other financial assets	19	16 917	26 646
Cash and cash equivalents	20	21 021 576	28 461 567
TOTAL:		29 396 086	34 896 780
	Notes	2022 EUR	2021 EUR
Financial liabilities at amortized cost			
Loans from credit institutions	23	(31 116 039)	(34 456 621)
Lease liabilities	23	(481 914)	(221 248)
Trade payables		(3 342 669)	(912 022)
Other liabilities	25	(7 922 757)	(5 244 199)
TOTAL:		(42 863 379)	(40 834 090)

Notes (continued)

26. Financial risk management

(a) Financial risk factors

The Company is exposed to the following risks:

- credit risk;
- liquidity risk;
- interest rate risk;
- foreign exchange 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 69% (2021: 57%) of the total debtors. One of those customers represented 21% (2021: 21%) of the total trade receivables, the second one represented 36% (2021: 27%) and the third largest customer represented 13% (2021: 9%) 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.

The Company has not developed an internal credit rating system for evaluating trade receivables. Credit risk is monitored by the Company through constant evaluation of client credit history and assigning terms of credit for each client separately. The Company has introduced such credit policy that allows providing services on credit to customers with good credit history.

In 2021, there were no significant changes in expected credit losses regards trade receivables.

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

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

Accounts receivable are analysed based on the following aging groups as at 31 December 2022:

	Not due	Less than 30 days	30-90 days	90-180 days	More than 180 days	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables, gross	8 229 770	103 348	12 103	3 586	342 511	8 691 318
Allowance	-	-	-	-	(333 725)	(333 725)
Trade receivables, net	8 229 770	103 348	12 103	3 586	8 786	8 357 593

Accounts receivable are analysed based on the following aging groups as at 31 December 2021:

	Not due	Less than 30 days	30-90 days	90-180 days	More than 180 days	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables, gross	6 123 733	202 184	67 218	(15 732)	693 028	7 070 431
Allowance	-	-	-	-	(661 864)	(661 864)
Trade receivables, net	6 123 733	202 184	67 218	(15 732)	31 164	6 408 567

Notes (continued)

26. Financial risk management

(a) Financial risk factors

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

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

Credit risk management	Total, gross	Allowance	Total, net	Not yet due		Due	
				Gross amounts	Allowance	Gross amounts	Allowance
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2022.							
Trade receivables, including	8 691 318	(333 725)	8 357 593	8 229 770	-	461 548	(333 725)
<i>Three largest clients</i>	6 016 968	-	6 016 968	5 962 457	-	54 511	-
<i>Other customers</i>	2 674 350	(333 725)	2 340 625	2 267 313	-	407 037	(333 725)
Other receivables, net	16 917	-	16 917	16 917	-	-	-
TOTAL:	8 708 235	(333 725)	8 374 510	8 246 687	-	461 548	(333 725)

Credit risk management	Total, gross	Allowance	Total, net	Not yet due		Due	
				Gross amounts	Allowance	Gross amounts	Allowance
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2021.							
Trade receivables, including	7 070 431	(661 864)	6 408 567	6 123 734	-	946 697	(661 864)
<i>Three largest clients</i>	4 012 652	-	4 012 652	4 003 381	-	9 271	-
<i>Other customers</i>	3 057 779	(661 864)	2 395 915	2 120 353	-	937 426	(661 864)
Other receivables, net	26 646	-	26 646	26 646	-	-	-
TOTAL:	7 097 077	(661 864)	6 435 213	6 150 379	-	946 698	(661 864)

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

Quality of the debtors

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

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

Notes (continued)

Financial risk management (continued)

Financial risk factors (continued)

Term deposits and cash at bank

Bank	Long term rating from Moody's Investors Service	2022 EUR	2021 EUR
AS Swedbank	Aa3	2 811 589	6 478 194
AS Citadele Bank	Baa2	10 786 003	4 560 581
OP Corporate Bank plc	Aa3	998 251	998 311
Luminor Bank	A3	2 576 774	7 345 698
The Treasury of the Republic of Latvia		3 360 396	8 095 307
SEB bank	Aa3	457 181	958 487
TOTAL:		20 990 194	28 436 578

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

Liquidity risk

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

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

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

On 7 January 2020, the Company entered into a loan agreement with Swedbank AS. The total loan amount 9 500 000 euro. The purpose of the loan is to refinance the borrower's liabilities against OP Corporate Bank. The loan shall be repaid by 23 December 2024.

On 19 April 2021, the Company into a loan agreement with SEB Bank. The total loan amount 4 600 000 euro. The purpose of the loan is to repay the debt to OP Corporate bank plc in full. The loan must be repaid by April 18, 2024.

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.

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 31.12.2022. at their contractual undiscounted cash flows:

	Carrying amount EUR	Contractual cash flows EUR	1 – 3 months EUR	3 months – 1 year EUR	1 – 5 years EUR	More than 5 years EUR
31.12.2022.						
Loans from credit institutions	(31 116 039)	(33 015 473)	(914 478)	(2 814 619)	(18 554 216)	(10 732 160)
Lease liabilities	(481 913)	(520 215)	(40 384)	(152 366)	(327 465)	-
Accounts payable to suppliers and contractors	(3 342 669)	(3 342 669)	(3 342 669)	-	-	-
Other liabilities	(7 922 757)	(7 922 757)	(2 028 083)	(227 829)	(5 666 845)	-
TOTAL:	(42 863 378)	(44 801 114)	(6 325 614)	(3 194 814)	(24 548 526)	(10 732 160)

Notes (continued)

Financial risk management (continued)

Financial risk factors (continued)

Term analysis of financial liabilities at 31.12.2021. based on their contractual undiscounted cash flows:

	Carrying amount EUR	Contractual cash flows EUR	1 – 3 months EUR	3 months – 1 year EUR	1 – 5 years EUR	More than 5 years EUR
31.12.2021.						
Loans from credit institutions	(34 235 373)	(36 063 671)	(868 713)	(6 063 661)	(16 650 748)	(12 480 549)
Lease liabilities	(221 248)	(222 871)	(50 965)	(121 887)	(50 019)	-
Accounts payable to suppliers and contractors	(912 022)	(912 022)	(912 022)	-	-	-
Other liabilities	(5 244 199)	(5 244 199)	(1 505 006)	(124 071)	(3 615 122)	-
TOTAL:	(40 612 842)	(42 442 763)	(3 336 706)	(6 309 619)	(20 315 889)	(12 480 549)

Interest rate risk

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

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

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

Foreign currencies fluctuations risk

Foreign currency exchange risk is probability, that foreign currency exchange fluctuations will affect financial position and cash flows of the Company. Assets and liabilities exposed to the foreign currency exchange risk are cash and cash equivalents, trade and other receivables, short and long-term borrowings, accounts payable to suppliers and contractors and other liabilities. The Company is mainly exposed to foreign currency exchange risk associated with USD and CAD. Exposure to foreign currency exchange risk as at 31 December 2022 and 2021 is as follows:

	2022	2021
Financial assets, USD thousand	86	98
Financial liabilities, USD thousand	(1)	(1)
Statement of financial position, USD thousand, net	85	97
Statement of financial position, EUR thousand, net	82	85

Notes (continued)

Financial risk management (continued)

Financial risk factors (continued)

Currency sensitivity analysis

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

31 December 2022

	Currency	Book value EUR	Impact on current profit before income tax / net assets	
			+1% (USD) EUR	-1% (USD) EUR
Financial assets				
Cash and cash equivalents	USD	8 050	80	(80)
Trade receivables, gross	USD	72 932	730	(730)
TOTAL:		80 982	810	(810)
Financial liabilities				
Trade payables	USD	795	8	(8)
TOTAL:		795	8	(8)
Net effect		80 187	802	(802)

31 December 2021

	Currency	Book value EUR	Impact on current profit before income tax / net assets	
			+1% (USD) +1% (CAD) EUR	-1% (USD) -1% (CAD) EUR
Financial assets				
Cash and cash equivalents	USD	8 586	86	(86)
Trade receivables, gross	USD	89 375	890	(890)
TOTAL:		97 961	976	(976)
Financial liabilities				
Trade payable	USD	837	8	(8)
TOTAL:		837	8	(8)
Net effect		97 124	968	(968)

(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 to the total capital of the Company, less cash and cash equivalents and deferred revenue that comprises financing received from EU and government institutions for an acquisition of property, plant and equipment. 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%.

Notes (continued)

Financial risk management (continued)

Financial risk factors (continued)

In 2022 and 2021 the proportion of borrowed capital to total capital was as follows:

	2022 EUR	2021 EUR
Total liabilities	88 208 868	89 483 199
(Cash and cash equivalents)	(21 021 576)	(28 461 567)
(Financing received from EU Cohesion Fund, ERAF and government grants with the purpose of funding purchase of property, plant and equipment as included into deferred income)	(38 800 308)	(42 845 856)
Net total liabilities	28 386 984	18 175 776
Total equity and liabilities	172 607 195	173 595 028
Borrowed capital proportion to total capital:	16.44%	10.47%

(c) Fair value

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

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

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

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

Quoted market prices - Level 1

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

Valuation techniques using observable inputs - Level 2

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

The following financial assets and liabilities are included in Level 2:

Assets: Cash and cash equivalents 21,021,576 euros

Valuation technique using market data that is not based on observable market data - Level 3

In the valuation technique, when market data that are not based on observable market data (unobservable market data) are used, they are classified at level 3. Unobservable market data is data that is not readily available in an active market, an illiquid market or due to the complexity of the financial instrument. Level 3 data is mostly determined based on observable market data of a similar nature, historical observations or using analytical approaches.

The Company believes that there are no significant differences between the fair value of its financial assets and liabilities and their accounting value.

All financial instruments of the Company, except for cash and cash equivalents, comply with the level 3 valuation technique.

Notes (continued)

Financial risk management (continued)

Fair value (continued)

Assets and liabilities for which fair value is disclosed

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

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

Assets measured at fair value

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

27. Capital commitments

The Company has planned to spend 27 504 thousand euro (2021: 22 935 thousand euro) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:

- Contracted for, but not yet delivered: 18 621 thousand euro (2021: 7 047 thousand euro)
- Approved, but not yet contracted for: 10 682 thousand euro (2021: 15 888 thousand euro)

28. Related party transactions

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

(a) Balances due to related parties

	2022 EUR	2021 EUR
Payables to SA "Civilās valsts aģentūra", safety and rescue pay part	535 468	133 428

(b) Balances due from related parties

	2022 EUR	2021 EUR
SJSC „Latvijas gaisa satiksme”, for lease and public utility services	122 417	33 228
SJSC „Latvijas pasts”, for lease and public utility services	39 398	34 665
JSC „Air Baltic Corporation”, for aviation and lease services	3 124 656	1 891 795

(c) Income from sales of services to related parties

	2022 EUR	2021 EUR
SJSC Latvijas gaisa satiksme for lease and public utility services	574 772	487 290
SJSC Latvijas pasts for lease and public utility services	272 713	321 579
JSC "Air Baltic Corporation" for aviation and lease services	18 019 184	7 532 166

Notes (continued)

Related party transactions (continued)

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

	2022 EUR	2021 EUR
SJSC „Latvijas gaisa satiksme” for the services provided	27 730	13 321
SJSC „Latvijas pasts” for the services provided	3 151	2 757
Services received from JSC „Air Baltic Corporation”	207 111	72 728

(e) Grants received from related parties

	2022 EUR	2021 EUR
Aviation safety grants from the State (see Note 4)	52 418	52 418

Transactions with key management personnel are disclosed in Note 5.

29. Contingent liabilities and assets

Accruals:

According to the decisions made by the board of JSC "International Airport "Rīga" at the meeting of February 6, 2023, the following reserves have been created:

- reserves created in previous years for possible compensations for real estate in Mazā Gramzdas street 1A, cadastre No. 8076 002 0061 and "Mūkupurvi", cadastre no. 8076 002 0063 for the total amount of 295 120 euros.

Future income from lease payments

During 2022, the Company signed several operating lease agreements as a lessor of land and premises. In 2022, the Company generated revenue of 12 229 925 euro (2021: 4 079 056 euro) from these lease agreements.

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

On 30 September 2010, the Company signed the long-term lease agreement no. NN-10/100 (renewed by NN-10/116) with SIA TAV Latvia on renting commercial premises of the Company's terminals until 31 December 2026. 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 2022 amounted to 75% (2021: 46%). The respective agreement stipulates that lease payments depend upon turnover of the commercial premises in each month separately. Considering the significant share of income generated by this agreement, future income from lease in accordance with the effective agreements as at 31 December 2022 have not been disclosed, as 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 are disclosed as follows:

	2022 EUR	2021 EUR
Income	904 093	326 955
Direct costs	(678 973)	(402 161)
Indirect costs	(141 785)	(103 956)
Profit / (loss) from operating activities	83 335	(179 162)
Other operating income	-	-
Other operating expenses	(2 575)	(1 498)
PROFIT / (LOSS) BEFORE TAX:	80 760	(180 660)

Notes (continued)

31. Profit distribution proposed by the Board

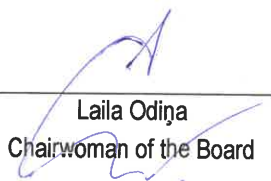
The management recommends that the profit of the Company's 2022 annual report be diverted to cover the losses of previous years.

32. Subsequent events

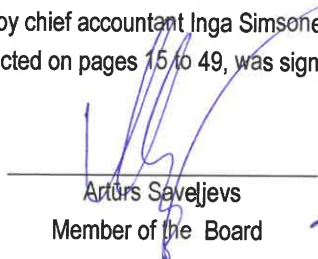
In the time period since the last day of the reporting year, there have been no events that would significantly affect the Company's 2022 financial report.

The company's annual report has been prepared by chief accountant Inga Simsone.


The financial report of the company for 2022, reflected on pages 15 to 49, was signed on April 11, 2023 by:




Laila Odiņa
Chairwoman of the Board



Artūrs Saveljevs
Member of the Board



Normunds Feierbergs
Member of the Board



Inga Simsone
Chief accountant

11 April 2023

Corporate Governance Statement

VAS "International Airport "Riga"" corporate governance announcement for 2022

VAS "International Airport "Riga"" (hereinafter - the Airport), unified registration No. 40003028055, the announcement on corporate governance in 2022 has been developed in accordance with the provisions of the Law on the Management of Shares of Public Persons and Capital Companies², as well as in accordance with the Cabinet of Ministers' recommendations on corporate governance applicable to public companies and public private capital companies³, which stipulate that the capital company applies Latvian management of the code "Recommendations of good corporate governance for companies in Latvia"⁴.

In accordance with the Law on the Management of Shares and Capital Companies of a Public Person, those public companies that qualify as large must prepare a corporate governance report. According to the regulations⁵, the airport qualifies as a large capital company and accordingly falls into the target audience and is subject to the obligation to prepare a corporate governance report stipulated in the Law on the Management of Capital Shares and Capital Companies of Public Persons.

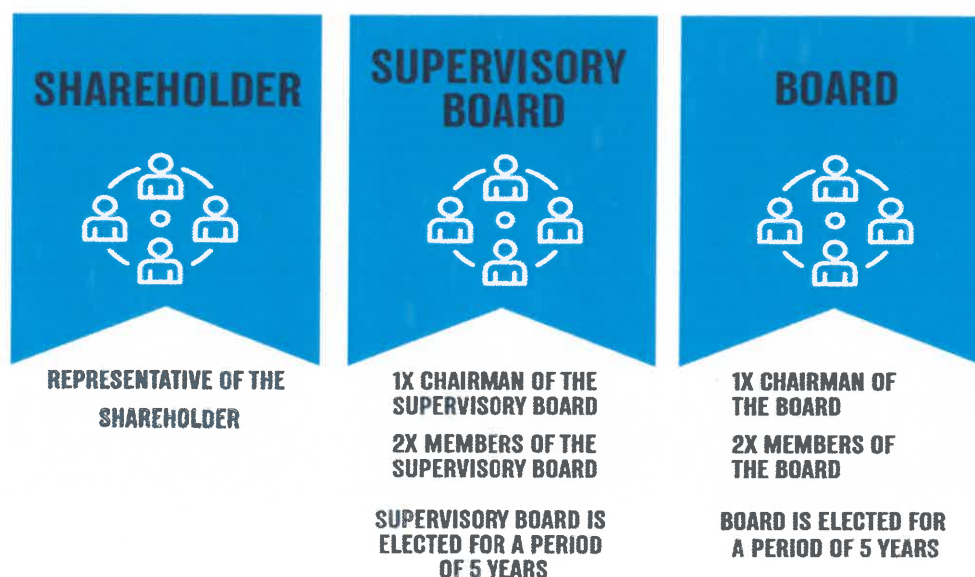
Adherence to the principles of corporate governance contributes to the growth of the company's long-term value, its effective management and operational transparency and is applicable at all levels of the Airport, creating a successful system of mutual relations between the Airport's shareholder, council, board, employees, customers and the rest of society. In its daily operations, the airport creates open and reliable communication with all parties of influence, as well as ensures compliance with Latvian and international legal norms and ethical standards.

Airport management and organizational structure

The capital shares (shares) of the airport are 100% owned by the state, and the holder of the state-owned capital shares is the Ministry of Transport. The State Secretary of the Ministry of Transport performs the duties of the holder of state capital shares.

The airport's management model is built following good corporate governance practices, separating strategic and operational management. The management of the airport is carried out by the meeting of shareholders, the council and the board. In the cases specified in the law on the management of capital shares of a public person and capital companies, decisions are also taken by the Cabinet of Ministers as the highest decision-making body.

More detailed information on the management structure is included in the Non-Financial Statement for 2022, prepared in accordance with the requirements of the Law on the Management of Capital Shares and Capital Companies of Public Persons and the "Global Reporting Initiative" standard. The non-financial statement has been prepared simultaneously with the Airport's 2022 annual report and will be published on the Airport's website.



² Law on Governance of Capital Shares of a Public Person and Capital Companies Section 58.1

³ Regulations of the Cabinet of Ministers of March 15, 2022 No. 175 "Rules on corporate governance recommendations applicable in a public company and a public private company".

⁴ Corporate governance code: https://www.tm.gov.lv/sites/tm/files/media_file/korporativas-parvaldibas-kodekss_0.pdf

⁵ Cabinet of Ministers 04.02.2020. regulations no. 63 "Regulations on the boards and councils of capital companies of a public person and public-private capital companies the number of members, as well as the maximum amount of the monthly remuneration of the board and council members" 6.3. point.

Company strategy

Principle No. 1 "The company has created an up-to-date strategy, which defines the company's goals and direction towards long-term value growth".

Criteria	The facts
The company has an actual strategy, the draft of which is being developed by the board.	<p>The criterion is met. The airport has developed a medium-term operational strategy for the period from 2021-2027.⁶ for the year (hereinafter - Strategy). The strategy is developed by the board. In accordance with the general strategic goal⁷, the main financial and non-financial goals are determined in the strategy, as well as five strategic goals are set, where the main activities and performance indicators are set for each.</p> <p>The strategy has been coordinated with the Ministry of Transport and the Interdepartmental Coordination Centre (hereinafter - PKC) and after receiving positive approvals, the Airport Board has coordinated the final draft of the strategy⁸.</p>
The council is involved in the strategy development process and approves the strategy at the council meeting.	The criterion is met. At the end of 2021, with the cooperation of the board and the council, a Strategy for the period from 2021-2027 has been developed, which has been approved at the council meeting ⁹ .
The Council monitors the implementation of the strategy.	<p>The criterion is met. The Council supervises the implementation of the Strategy in accordance with the PKC guidelines¹⁰ and the procedure for the administration of state capital shares of the Ministry of Transport¹¹.</p> <p>For the implementation of the tasks defined in the strategy, the council approves the annual action plan¹², the implementation of which is monitored every six months¹³, with the council approving the action plan execution reports, which are submitted to the holder of capital shares.</p>
The board of the company implements the strategy and regularly reports to the board on the progress of its implementation.	<p>The criterion is met. The implementation of the strategy is ensured by the board, and it reports to the board every six months on the implementation of the goals set in the strategy and the implementation of the action plan.</p> <p>The report includes information on the implementation status of the financial and non-financial goals and performance indicators set in the Strategy, information on the detected deviations and their reasons.</p>

⁶ Development of the strategy, the regulation No. 1.2-23/1/1 "Guidelines for development of medium-term operation strategy of state capital companies" developed by the Interdepartmental Coordination Center of August 28, 2018 and the internal regulations of the Ministry of Transport No. 01-02 of September 27, 2021 were observed. /31 "Procedures for the administration of state capital shares".

⁷ The Cabinet of Ministers of April 28, 2021 No. 283 "On the general strategic goal of the state joint-stock company "International Airport "Riga"" approved the general strategic goal of the Airport "to provide the regional traffic center with modern air transport infrastructure and services, offering convenient and safe connectivity for passengers and business, as well as promoting sustainable development and competitiveness".

⁸ 11.10.2021 Board decision No. 1 (protocol No. 41).

⁹ 20.10.2021. Council decision No.1 (protocol Nr.15).

¹⁰ Of the Interdepartmental Coordination Center 17.06.2022. "Guidelines for development of the medium-term operating strategy of state capital companies"

¹¹ Internal regulations of the Ministry of Transport of September 27, 2021 No. 01-02/31 "Procedures for the administration of state capital shares".

¹² 23.02.2022. The council has approved (decision No. 1, protocol No. 5) the strategy implementation action plan for 2022.

¹³ In 2022, the Airport Council approved reports on the implementation of the Strategy Implementation Action Plan on 10.02.2022 (protocol No. 4, decision 1) and 10.08.2022 (protocol No. 13, decision 1).

Internal culture and ethical behaviour

Principle No. 2 "The company develops a code of internal culture and ethical behaviour that serves as a standard of behaviour for the company's management and employees."

	Criteria	The facts
	The board defines the core values of the company.	The criterion is met. The Council has been involved in defining the core values of the company and they are included in the Strategy. The following basic values of the Airport are defined in the Strategy approved by the Airport Council: growth, responsibility, safety and security, openness, efficiency.
	The board prepares and the council approves the code of internal culture and ethical behaviour.	The criterion is met. At the airport, a Code of Ethics has been developed and approved ¹⁴ at the board meeting, which defines the basic principles of internal culture, professional ethics and behaviour: loyalty, professionalism, honesty and diligence, and responsibility and sustainability. The airport has developed a Corporate Governance Policy, which includes the basic principles of ethical behaviour and was approved at the board meeting ¹⁵ .
	The board ensures compliance with the internal culture and ethical code of conduct in the company's daily operations and reacts if a violation of the ethical code of conduct is detected.	The criterion is met. In order to develop a value-oriented company culture based on honesty, mutual respect and openness, e-training on the basic principles of ethics and behaviour is provided to all employees on a regular basis (at the time of hiring and once every three years thereafter). In 2022, 1232 employees completed Code of Ethics training. Employees have the opportunity to report a potential violation that falls under the Code of Ethics using the "Code of Ethics Violations" reporting tool. The airport has issued an order "On the procedures for reporting and examining employee complaints, possible violations" ¹⁶ . In 2022, no case of discrimination was registered. There have been no cases of alarm. In 2022, one submission was received regarding violations of the Code of Ethics. More detailed information on the reporting procedure and the Standing Committee for the Review of Possible Violations is available in the Non-Financial Statement for 2022 in the section "Ethics, anti-corruption policy and prevention of conflict of interest" and "Communication on critical issues".

Internal control system, risk management and internal audit

Principle No. 3 "The company has an internal control system, the effectiveness of which is monitored by the board".

	Criteria	The facts
	The company has a documented internal control system, the creation of which is the responsibility of the board.	The criterion is met. The airport has implemented and ensured an internal control system covering: <ul style="list-style-type: none"> • Airport Strategy determination, operational planning; • maintaining and improving the control environment; • identification, assessment and management of significant Airport risks; • operational organization, including implementation of regular control measures; • provision of information and communication; • protection of assets and information systems; • remuneration system; • bookkeeping;

¹⁴ 25.08.2022. Board meeting (decision No.3, protocol No.52)

¹⁵ Clause 5.3.1 of VAS "International Airport "Riga"" Corporate Governance Policy: The Airport has developed a Code of Ethics, with the aim of promoting Airport employees honest, responsible and legal activities in the interests of the company and society and to increase public trust in the Airport, incl. Develop value-oriented, integrity, a company culture based on mutual respect and openness, thus promoting employee loyalty, satisfaction and work productivity.

¹⁶ On April 25, 2022, Order No. 22/39B "On the procedure for reporting and examining employee complaints, possible violations" was issued.

		<ul style="list-style-type: none"> • ensuring operational compliance; • regular review, evaluation and improvement of the internal control system, taking into account changes in the Airport's operation and external conditions affecting the operation. <p>Internal controls are integrated into the Airport's processes and day-to-day operations. The airport's internal control system is documented in the airport's internal regulatory documents, providing for a clear division of duties and responsibilities, thereby simultaneously promoting the formation of a common understanding and succession of knowledge.</p>
	At least once a year, the internal audit assesses the effectiveness of the internal control system, taking into account predefined criteria, and reports the results of the assessment to the board.	The criterion is met. In accordance with the Internal Audit Instruction, the Internal Audit Unit annually prepares a report on the internal audits performed, the main problems discovered, assessing the adequacy and effectiveness of the internal control system and expressing an opinion on the measures to be taken to improve the operation of the internal control system.
	At least once a year, the Council evaluates the provided assessment of the effectiveness of the internal control system.	The criterion is met. Regarding the implementation of the internal audit function, a report on the internal audits performed, the main problems discovered, assessing the adequacy and effectiveness of the internal control system and expressing an opinion on the measures to be taken to improve the operation of the internal control system is presented to the board, council and shareholders for decision-making every year.

More detailed information is available in the Non-financial statement for 2022 in the sections "Internal audit function" and "Process quality and safety audits".

Principle No. 4 "The company identifies, assesses and monitors the risks related to its operation".

Criteria	The facts
The board develops and the board approves the company's risk management policy	The criterion is met. The Airport Board has approved the Risk Management Policy ¹⁷ .
Based on the assessment of the identified risks, the board implements risk management measures.	The criterion is met. Airport risks are identified, analyzed and evaluated at the airport, taking into account the internal regulatory documents that regulate the management of the relevant type of risk. In response to Airport risks, the level of which exceeds the permissible level, plans for risk control (mitigating) measures are developed (in which the employees responsible for the implementation of risk-mitigating measures and deadlines are determined), which are evaluated by the Airport Risk Management Committee and approved by the Board. Taking into account the decision of the board, the airport's risk mitigation measures plans are being implemented.
At least once a year, the board examines the management board's reports on risk management measures and the implementation of the risk management policy.	The criterion is met. In compliance with the Risk Management Policy, an annual report on Airport Risk Management is prepared at least once a year as part of the Airport Risk Management Supervision, including the implementation of the Airport Risk Management Policy and the progress of the implementation of risk control measures, which is evaluated by the Airport Risk Management Committee. The Airport Board examines and forwards the aforementioned report to the Airport Council.

More detailed information is available in the Non-financial statement for 2022 in the section "Risk assessment and risk management". Airport risk management does not refer to the security risk management process, which is ensured within the framework of the Security Management System in accordance with European Commission Regulation No. 139 and the Airport Security Management System Manual.

¹⁷ "Risk management policy of the state joint-stock company "International Airport "Riga" approved by the Airport Council on 08.07.2020. (decision No. 1, protocol No. 11).

Principle No. 5 "The company has established an internal audit structural unit, which independently and objectively evaluates the company's performance".

Criteria	The facts
The company has an internal auditor who is functionally independent from the board and reports to the board.	The criterion is met. An independent Internal Audit Unit (hereinafter - IAV) has been established at the airport, which is administratively subordinate to the board, but functionally - to the council.
Internal auditors are approved by the board.	The criterion is met. The internal auditor was appointed in 2018, without the approval of the board, in accordance with the binding regulations of that time, but from January 1, 2022, in accordance with the regulations of the Internal Audit Unit approved by the board ¹⁸ and agreed upon by the board and the regulations of the Council ¹⁹ , from now on the decision on the appointment and dismissal of the head of the IAV shall be made Council.
The internal auditor develops a risk-based internal audit plan, which is approved by the board.	The criterion is met. The board, the council and the shareholder once every three years ²⁰ make a decision on the approval of the Internal Audit strategic plan (the Internal Audit strategic plan for 2022-2024 is currently in force) and annually make a decision on the approval of the Internal Audit annual plan.
The internal auditor informs the board and the council about the execution of the internal audit plan, the audit results and the recommended actions to eliminate deficiencies, if any have been identified.	The criterion is met. The reports prepared by IAV on the results of internal audit inspections and the operation of the management and control system are submitted to the board, the council and the shareholder, as well as at least once a year a report is submitted on the audits performed, the main problems discovered, assessing the adequacy and effectiveness of the internal control system and expressing an opinion on the actions to be taken measures to improve the operation of the internal control system.

External auditor

Principle No. 6 "The company has an independent external auditor".

Criteria	The facts
The Board and the Audit Committee, if established, determine the criteria for the selection of the external auditor.	The criterion is met. The selection of the auditor and the compensation determination process is transparent when conducting public procurement based on the procedures set forth in the internal regulations of the Airport ²¹ , while observing the principles set forth in the Law on Procurement of Public Service Providers - conducting a tender, the results of which are approved by the board and council. The shareholders' meeting makes a decision on the election of the auditor and determining the amount of compensation ²² . The procurement "Annual report auditing service" was organized in 2021 and on 19.08.2021. concluded a contract with "PricewaterhouseCoopers" SIA for 3 years. A new procurement will be organized in the first half of 2024.
The company has an independent external auditor with appropriate qualifications	The criterion is met. The airport has an independent external auditor with appropriate qualifications. According to the Law on Annual Accounts and Consolidated Accounts of the Republic of Latvia, it is stipulated that the opinion on the Annual Accounts prepared by the merchant shall be given by a sworn auditor, who, in accordance with the first part of Section 176 of the Commercial Law, examines the company's annual report and issues an opinion or, the Airport's financial statements provide a true and a clear picture of the financial position, performance and cash flow, in accordance

¹⁸ 28.10.2021 Board decision No. 2 (protocol No. 43).

¹⁹ 08.11.2021 Council decision No. 3 (protocol No. 16).

²⁰ 13.12.2021 Board decision No. 2.3 (protocol No. 53), 10.01.2022 Council decision No. 4 (protocol No. 16), 16.02.2022. Shareholders meeting decision No. 3 (protocol No. 1).

²¹ VAS "International Airport "Riga" Procurement procedure IP 1233P.

²² According to Law on Governance of Capital Shares of a Public Person and Capital Companies Section 94, Clauses 5 and 84.

		with the International Financial Reporting Standards approved by the European Union.
	The term of office of one external auditor does not exceed 5 years	The criterion is met. The auditor has been selected in the public procurement procedure in 2021. In 2024, the procurement procedure for the next period is planned. The contract with the existing auditor - "PricewaterhouseCoopers" SIA - was concluded for the audit of 3 years' accounts.

Selection of Council members

Principle No. 7 "The company provides a transparent procedure for the election and recall of council members".

	Criteria	The facts
	The company has an approved procedure for selecting and recalling board members.	<p>The criterion is met. Procedures for nomination and appointment of members of the Airport Corporate Governance Policy Council²³.</p> <p>The Law on the Management of Capital Shares and Capital Companies of a Public Person stipulates conditions regarding the establishment of the council and the number of council members, as well as the tasks of the council, requirements for candidates for council members, election and recall of council members.</p> <p>The external regulations²⁴ determine the procedure by which candidates are nominated for the position of council member at the airport, including the procedure for establishing the nomination commission, its composition and the requirements for the members of the nomination commission, the procedure for the cooperation of the coordination body with the holder of state capital shares, as well as the minimum requirements for the council members' education, language skills and work experience, necessary competences and their assessment procedure. These regulations also determine the procedure for documenting and publicizing information on the progress and results of the nomination process, as well as the duties of the recruitment consultant and the procedure for covering expenses related to their performance, in order to ensure the compliance of the board member nomination process with the principles of good corporate governance practices and an open, fair and selection of professional board members.</p> <p>The Law on the Management of Capital Shares and Capital Companies of a Public Person determines the procedure for recalling the board²⁵.</p>
	The company provides timely and sufficient information to the company's shareholders about the board members who are nominated for election or re-election.	<p>The criterion is met. Candidates for the position of council members are nominated in accordance with the procedure established by the Law on the Management of Capital Shares of Public Persons and Capital Companies.</p> <p>The selection of members of the airport council is carried out by organizing a public application procedure for candidates, and in the process of nomination, an additional recruitment consultant is involved. An exception is permitted only in cases provided for in the Law on the Management of Capital Shares and Capital Companies of a Public Person, if a council member is re-elected for a new term of office or it is not possible to nominate a person within the term that would ensure the council's capacity to act.</p> <p>In 2022, no council members have been nominated for re-appointment as a council member.</p>

²³ VAS "International Airport "Riga" Corporate governance policy" Clause 5.6.1 "The procedure for nominating and appointing members of the board and council, as well as the requirements for candidates, are determined by the Law on Governance, the regulations of the Cabinet of Ministers issued on its basis, as well as recommendations that included in the guidelines issued by the Cross-Ministry Coordination Center."

²⁴ Cabinet of Ministers Regulation No. 20 of January 7, 2020 "Procedure for nomination of board and council members in capital companies in which capital shares belong to the state or a derived public entity".

²⁵ Clause 4 of Article 94 of the first part of the Law on the Management of Capital Shares and Capital Companies of a Public Person.

The size of the council is appropriate to the specifics of the company's operations.	The criterion is met. The regulations of the Cabinet of Ministers ²⁶ determine the number of members of the Airport Council in accordance with the indicators characterizing the size of the capital company, as well as the maximum amount of the monthly remuneration of the members of the council in accordance with the indicators characterizing the capital company.
Council members are elected for a term not exceeding 5 years.	The criterion is met. According to the Law on the Management of Shares of Public Persons and Capital Companies and the Statute of the Airport, a council member is elected for a five-year term.

More detailed information is available in the Non-financial statement for 2022 in the section "Nomination and selection of the highest governing body".

Principle No. 8 "Council members together have appropriate experience and competence".

Criteria	The facts
The Council as a whole possesses a set of skills, experience and knowledge, including of the relevant industry, to be able to fulfil its responsibilities fully.	The criterion is met. Council members generally possess a set of skills, experience and knowledge, including the relevant industry, to be able to fulfil their duties to the full. Information about the education and experience of the board members is available on the Airport's website and in the Non-Financial Statement for 2022.
When forming the composition of the council, the principles of diversity are followed.	The criterion is met. The selection process of Council members is regulated in regulatory acts ²⁷ . The selection process respects the principles of diversity, as evidenced by the diversity of the board members.
Both sexes are represented in the Council.	The criterion is met. In 2022, both genders are represented in the Airport Council.
The board develops an induction training program and provides induction training for new board members.	The criterion is met. Council members, upon starting work at the Airport, are provided with industry-specific training ("Aviation security training at Riga Airport", "Safety management system", "Airport safety"), as well as the opportunity to get acquainted with all the Airport's binding documents. No new council members have been elected at the airport in 2022.

More detailed information about the Council (and the Board) is available in the Non-Financial Statement for 2022 in the section "Council and Board Members' Life Course".

Principle No. 9 "The company council has independent council members".

Criteria	The facts
The company evaluates and the shareholders determine the proportion of independent board members.	The criterion is met. The proportion of independent members of the council is determined in the regulatory act ²⁸ .
At least half of the board members are independent.	The criterion is met. At the airport in 2022, at least half (2 out of 3) of the council members are independent and meet the criteria of an independent council member in accordance with external regulations ²⁹ .
Independent candidates for council members submit a certificate of their compliance with the independence criteria.	The criterion is met. All existing independent members of the council have submitted a certificate that they have no restrictions to occupy the position of a member of the council in accordance with the regulatory enactments ³⁰ , and have also undertaken to immediately inform the holder of the state's capital shares about obstacles that would arise in the performance of the duties of the office.

²⁶ Regulations No. 63 of February 4, 2020 of the Cabinet of Ministers "Regulations on the number of board and council members of public companies and public-private capital companies, as well as the maximum amount of monthly remuneration of board and council members".

²⁷ Cabinet of Ministers Regulation No. 20 of January 7, 2020 "Procedure for nomination of board and council members in capital companies in which capital shares belong to the state or a derived public entity".

²⁸ Law on Governance of Capital Shares of a Public Person and Capital Companies Section 37 Clause 6: in order to ensure professional and objective work of the board of the capital company, which contributes to the long-term increase of the value of the capital company and operational efficiency, the holder of capital shares ensures that at least half of the members of the board are independent.

²⁹ Article 31, part six of the Law on the Management of Capital Shares and Capital Companies of a Public Person.

³⁰ Article 37, part four of the Law on the Management of Capital Shares and Capital Companies of a Public Person.

Before the board elections, the company conducts an assessment of the board members' independence according to the available information.	The criterion is met. The compliance of the members of the council with the criteria of an independent member of the council is assessed by the nomination commission or the holder of capital shares, if the member of the council is appointed for a temporary period. The holder of capital shares ensures that at least half of the board members are independent and meet all the criteria set forth in the external regulations ³¹ .
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Principles for determining the remuneration of the Council and the Board

Principle No. 10 "The company has implemented a remuneration policy".

Criteria	The facts
The company has implemented a remuneration policy, which was developed by the board, reviewed by the council and approved by the shareholders' meeting.	The criterion is met. The Airport has developed and approved the "Work Pay Regulations" in 2019. In accordance with the statutes, the "Wage Regulations" were reviewed at the meeting of the board ³² , council ³³ and shareholders ³⁴ . Normative acts establish uniform regulations for the remuneration of members of the board and board of public companies, and the principles of the remuneration of the Board and the board of the Airport are determined by external regulations ³⁵ . Remuneration is determined in accordance with regulatory enactments ³⁶ and guided by PKC guidelines ³⁷ . The procedure for determining the remuneration of Council and Board members is described in the Corporate Governance Policy of the Airport ³⁸ .
Once a year, the Council determines the financial and non-financial goals to be achieved by the Board, their impact on the variable part of the remuneration and controls their implementation.	The criterion is met. The financial and non-financial goals to be achieved each year are defined in the annual performance indicators approved by the board, which are set in accordance with the indicators set in the Airport strategy for the medium term. . In 2022, the Council has set individually achievable work performance goals (KPI) for each member of the board, in accordance with the PKC guidelines ³⁹ , and controls their implementation. The methodology for determining the variable part of the remuneration, depending on the results of the implementation of financial and non-financial goals, is defined in the PKC guidelines ⁴⁰ , which are binding on state enterprises. In 2022, the board members were not paid bonuses, taking into account the significant impact of the Covid-19 pandemic on the aviation industry. More detailed information is available in the Non-financial statement for the year 2022 in the section "Evaluation of management performance".
The variable part of the remuneration is not determined for the members of the council, nor	The criterion is met. Council members are not paid variable shares and bonuses, nor are they paid any compensation in the event of removal from office or resignation. Normative acts ⁴¹ prohibit the payment of bonuses

³¹ Article 31, part six of the Law on the Management of Capital Shares and Capital Companies of a Public Person.

³² 01.12.2019 Board decision No. 7.1 (protocol No. 52).

³³ 11.12.2019 council decision No. 2 (protocol No. 17).

³⁴ 11.12.2019 council decision No. 2 (protocol No. 17).

³⁵ The Law on the Management of Capital Shares of a Public Person and Capital Companies and the Cabinet of Ministers Regulations No. 63 of February 4, 2020 issued on its basis "Regulations on the number of board and council members of public companies and public-private capital companies, as well as the maximum monthly remuneration of board and council members extent".

³⁶ Cabinet of Ministers 04.02.2020. regulations no. 63 "Rules on the number of board and council members of public companies and public-private capital companies, as well as the maximum amount of monthly remuneration of board and council members".

³⁷ Interdepartmental Coordination Center 22.01.2021. "Guidelines for determining the remuneration of board and council members of public companies and public private companies".

³⁸ "VAS "International Airport "Rīga" Corporate Governance Policy" Clause 5.7.1 "Board and Board members' remuneration is determined in accordance with the Governance Law and the Cabinet of Ministers' regulations, as well as in accordance with the guidelines issued by the Interdepartmental Coordination Center on the remuneration of Board and Board members of state-owned capital companies determination".

³⁹ 17.08.2020 of the Interdepartmental Coordination Center. guidelines No. 1.2-23/3/2 "Guidelines for evaluation of performance results of board and council members".

⁴⁰ Of the Interdepartmental Coordination Center 22.01.2021. "Guidelines for determining the remuneration of board and council members of public companies and public private companies".

⁴¹ The fourth part of Article 109 and Article 112 of the Law on the Management of Capital Shares and Capital Companies of a Public Person.

	is any compensation paid in the event of removal from office or leaving the office.	(variable part of remuneration) to members of the council, and they are not paid.
	Once a year, the board prepares a report on the remuneration granted to each current and former member of the board and council.	The criterion is met. According to external regulations ⁴² , members of the airport board and council are public officials, and information about the remuneration of board and council members is publicly available in the declarations of public officials of the board and council members, which are publicly available in the State Revenue Service database. Once a year, the airport prepares information on the remuneration of the board and council, which is reflected in the current annual report. The board and council members have not changed in 2022.

More detailed information is available in the Non-financial statement for 2022 in the section "Council and Board Remuneration Policy".

Organization of Council work and decision-making

Principle No. 11 "The company has a defined and understandable work organization of the council".

	Criteria	The facts
	The council organizes its work in accordance with the council's statutes and work calendar.	The criterion is met. The Council organizes its work in accordance with the document "VAS "International Airport "Rīga" Council Rules of Procedure" approved at the Council meeting and the calendar of Council meetings for the current year.
	The board holds at least one separate board meeting per year to discuss the company's strategy and its execution	The criterion is met. The Council, in accordance with the rules of procedure of the Council and the procedure established by the Ministry of Transport ⁴³ , examines the results of the execution of the Action Plan for the implementation of the Strategy once every six months. Once a year, in accordance with the regulations ⁴⁴ , the results of the company's operation are evaluated (including the fulfilment of the financial and non-financial goals set in the strategy) and it receives an assessment from PKC and the Ministry of Transport as the ministry of the sector.
	for discussion.	The criterion is met. The airport budget provides for the funding necessary to ensure the operation of the council in accordance with the authorization agreements of the members of the council.
	The budget of the company foresees the funding necessary to ensure the operation of the council.	The criterion is met. Every year, the Council carries out a self-assessment of work in accordance with the Law on the Management of Capital Shares and Capital Companies of Public Persons ⁴⁵ and the Rules of Procedure of the Council ⁴⁶ , guided by PKC guidelines ⁴⁷ , for the previous reporting year and reviews it at the Council meeting.
	The council carries out a self-assessment of the council's work once a year and examines its results at the council meeting.	The criterion is not applicable. The composition of the council in 2022 consisted of three council members. Taking into account the fact that according to the recommendations of the Corporate Governance Code, the minimum number of board members for a committee is three, the creation of committees is not possible. The Council has evaluated and initiated the creation of committees that are not within the meaning of Clause 12.1 of the Corporate Governance Code: In July 2020, the "VAS "International Airport "Rīga" passenger terminal expansion monitoring committee for the 6th round" was established. In September 2021, the Business Park Development Project Monitoring Committee of VAS "Rīga International Airport" was established.

⁴² Law "On prevention of conflict of interest in the activities of public officials".

⁴³ Internal regulations of the Ministry of Transport of September 27, 2021 No. 01-02/31 "Procedures for the administration of state capital shares".

⁴⁴ Cabinet of Ministers 09.02.2016. regulations no. 96 "The procedure for evaluating the performance results and financial indicators of a capital company in which the state has a decisive influence".

⁴⁵ Clause 13 of the second part of Article 107 of the Law on the Management of Capital Shares and Capital Companies of a Public Person.

⁴⁶ Clause 1.2.14 of the Rules of Procedure of the Board of JSC "Rīga International Airport"

⁴⁷ 17.08.2020 of the Interdepartmental Coordination Center. "Guidelines for the annual self-assessment of the work of the Council" No. 1.2-23/3/1.

Principle No. 12 "The Council makes informed and balanced decisions".

Criteria	The facts
Information prepared by the board for decision-making is available to the council in a timely and sufficient amount.	The criterion is met. In accordance with the rules of the council, the secretary of the airport council sends the notification together with the draft agenda, draft decisions, documents and other materials about the council meeting to the members of the council and to the board at least one week before the day of the meeting. The council can only discuss matters not mentioned in the notice of the council meeting with the consent of all its members participating in the meeting.
The council determines the procedure for the circulation of information, including the right of the council to request information from the board, which is necessary for the council to make decisions.	The criterion is met. The council is entitled to receive all necessary information from the board, which is necessary for decision-making. The Board's Rules of Procedure determine the amount of information that must be provided to the Board in order to make a decision.
The council member analyzes information and prepares proposals for decision-making in the council.	The criterion is met. Council members' proposals and opinions are considered in the form of discussions at the council meeting.
When making decisions, the Council evaluates risks, short-term and long-term effects on the company's value, sustainability and responsible development.	The criterion is met. The Council represents the interests of the shareholders during the intervals of the shareholders' meeting and supervises the operation of the board using thoughtful and effective management tools: it is involved in the strategic development of the Airport, as well as in the monitoring of the financial and risk management system, evaluates the effectiveness of the internal control system and performs other activities specified in the regulatory acts. When making informed and balanced decisions, the short-term and long-term impact on the Airport's value, sustainability and responsible development is evaluated. The principles of the Council's operation, as well as the main duties, are determined by the Airport Statutes, the Council's Rules of Procedure. The tasks and responsibilities of the Council are regulated by regulatory acts.

Prevention of conflict of interest

Principle No. 13 "Members of the board and council are clearly aware of the manifestations of the conflict of interest and are informed about the necessary actions in the event of a conflict of interest".

Criteria	The facts
The Council defines signs that indicate a conflict of interest and determines the procedure for preventing and managing the conflict of interest.	The criterion is met. In 2022, the Council approved the Airport's Corruption and Conflict of Interest Prevention Policy ⁴⁸ , which defines signs that indicate a conflict of interest. The purpose of this policy is to establish uniform guidelines and principles for the prevention of corruption and the timely and transparent identification, prevention and management of real, apparent and potential conflicts of interest, in order to prevent the exercise of the duties and powers of employees in a situation of conflict of interest at the Airport, as well as the duties of the participants involved in the prevention of corruption and conflict of interest and responsibility.

⁴⁸ 01.12.2022 the council approved the "Corruption and conflict of interest prevention policy of the state joint-stock company "International Airport "Riga"" (decision No. 3, protocol No. 18).

	Council or board members do not participate in decision-making in matters where the interests of the company conflict with the interests of the council, board members or persons related to them.	The criterion is met. The rules of procedure of the council ⁴⁹ and the rules of the board ⁵⁰ specify in which cases a member of the council or the board may not participate in decision-making. Therefore, the members of the council and the board must avoid a conflict of interest, and they must not make a decision or participate in the adoption of a decision that affects or may affect the personal or property interests of a member of the Council and/or the board, its related person or business partners.
	Persons who are subject to the obligation to prevent a conflict of interest regularly participate in training on how to act in conflict of interest situations.	The criterion is met. In compliance with external regulations ⁵¹ , airport employees were organized online trainings ⁵² of the experts of the Office for the Prevention and Combating of Corruption "Current issues of conflict of interest, prevention of corruption and ethics" (up to 60 middle and senior level employees of the Airport were trained), whose positions are exposed to more and the most corruption and conflict of interest risks. Training is also provided to those employees who were unable to participate in online training. This training video is placed in the LMS system.

More detailed information is available in the Non-Financial Statement for 2022 in the section "Management training to promote sustainability skills and awareness".

Shareholders meeting

Principle No. 14 "The company provides shareholders with information on the proceedings of the shareholders' meeting in a timely manner, providing all necessary information for decision-making".

	Criteria	The facts
	The company informs the shareholders in a timely manner about the agenda, progress and voting procedure of the shareholders' meeting, as well as about any related changes.	The criterion is met. The meeting of shareholders of the airport is convened in accordance with the procedure for convening and preparation of documents provided for in the Law on the Management of Capital Shares and Joint-Stock Companies of Public Persons and the Regulations of the Ministry of Transport ⁵³ , issued in accordance with the Law on State Administration Equipment, in compliance with the established deadlines, as well as the competence of the shareholders' meeting specified in the Commercial Law. The time and agenda of the shareholders' meeting are agreed with the shareholder.
	Simultaneously with the announcement of the meeting, the company provides an opportunity for shareholders to familiarize themselves with draft decisions, which are initially planned to be voted on at the meeting. The company immediately informs the shareholders about the additionally submitted draft decisions.	The criterion is met. The airport provides an opportunity for the shareholder to familiarize himself with the draft decisions, which are initially planned to be voted on at the meeting. The shareholder is informed of any changes.
	The company provides shareholders with the opportunity to submit questions about the issues included in the agenda and draft decisions before the shareholders' meeting.	The criterion is met. Additional information is provided to the shareholder upon request.

⁴⁹ Clause 6.1.4 of "VAS "International Airport "Rīga" Council Regulation" stipulates the duty of council members: to avoid conflict of interest, as well as to make a decision or participate in decision-making, or to perform other activities related to the performance of the duties of a member of the Council, which affect or may affect the personal or property interests of the Council member, his family members or relatives or business partners.

⁵⁰ "Regulations of the Board of VAS "International Airport "Rīga"" Clause 4.8: If the interests of the Company conflict with the interests of a member of the Board, his spouse, relative or his brother-in-law, counting kinship up to the 3rd degree and brother-in-law up to the 2nd degree, and such issues are decided in the board, the interested member of the board may not participate in voting and this should be noted in the minutes of the board meeting.

⁵¹ of the Cabinet of Ministers on 17.10.2017. regulations no. 630 "Rules on the basic requirements of the internal control system for the prevention of the risk of corruption and conflict of interest in the institution of a public person".

⁵² The training took place on May 10 and June 16, 2022.

⁵³ In the internal regulations of the Ministry of Transport of September 27, 2021 No. 01-02/31 "Procedures for the administration of state capital shares".

	Draft decisions and accompanying documents provide detailed, clear and complete information on the issue under consideration.	The criterion is met. The draft decisions and the documents attached to them provide detailed, clear and complete information about the issue under consideration, as well as how the shareholder can submit questions both before and during the shareholders' meeting.
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Principle No. 15 "The company promotes effective involvement of shareholders in decision-making and the largest possible participation of shareholders in shareholder meetings".

	Criteria	The facts
	The shareholders' meeting is convened and held at a place and time conveniently accessible to the shareholders.	The criterion is met. Shareholders' meetings were convened and held at a place and time conveniently accessible to shareholders, having previously agreed with the shareholder.
	The company provides opportunities for shareholders to participate in the shareholders' meeting remotely.	The criterion is met. In 2022, shareholders' meetings were convened and held at a place and time conveniently accessible to shareholders (including remotely). The mark on the form of the meeting of shareholders is a mark both in the announcement of convening the meeting of shareholders and also in the minutes.
	The company determines the appropriate duration of the shareholders' meeting and gives the shareholders the opportunity to express their opinion and obtain the necessary information for decision-making during the meeting.	In cases where the shareholders' meeting is organized via electronic means of communication (remotely), the airport takes the necessary measures to ensure the shareholders' meeting, giving the opportunity to speak, ask questions, and participate in discussions.
	The company announces a new meeting of shareholders if it is not possible to consider the issues included in the agenda of the meeting within the scheduled time.	The criterion is met. The duration of the shareholders' meeting is determined by the shareholder, according to the number of issues to be considered and the amount of information to be considered.
	The company invites members of the board and council, candidates for council members, the auditor and internal auditor, as well as other persons to participate in the shareholders' meeting in accordance with the issues to be discussed at the meeting.	The criterion is met. Shareholders' meetings are attended by members of the council and the board, as well as, if necessary, other employees of the Airport, whose competence includes the issues included in the agenda. The need for the auditor's participation is determined by regulatory acts ⁵⁴ .
	The shareholders' meeting makes decisions according to the previously announced draft decisions.	The criterion is met. The shareholders' meeting examines the submitted draft decisions, evaluates the information provided and makes appropriate decisions.

Principle No. 16 "The company develops and discusses the dividend policy with shareholders".

	Criteria	The facts
	The company has developed and published an up-to-date dividend policy.	The criterion is met. The airport has developed and included in the Strategy a dividend policy, which foresees a different amount of dividends from the nationally determined amount for the period from 2024-2027. The strategy has been approved with the caveat that approval of a different dividend policy must be approved by the Cabinet of Ministers. In 2023, it is planned to update the Strategy, also revising the dividend policy and promote the harmonization of different dividend policies in the Cabinet of Ministers.
	The dividend policy has been discussed with the shareholders during the shareholders' meeting.	The criterion is met. The dividend policy has been discussed with the shareholder in consideration the airport's medium-term strategy, as well as in accordance with the Cabinet of Ministers order, concluded a state

⁵⁴ Article 103 of the Law on Management of Capital Shares and Capital Companies of a Public Person.

	support contract for the consequences of the Covid-19 pandemic mitigation ⁵⁵ . The airport is prohibited from paying dividends payments while an exit strategy from state support is provided.
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Transparency of the company's operations

Principle No. 17 "The company regularly and timely informs shareholders and other interested parties about the company's economic activity, financial results, management and other relevant issues".

Criteria	The facts
The company discloses complete, accurate, objective, current and truthful information in a timely manner.	The criterion is met. In accordance with regulatory enactments ⁵⁶ , the Airport regularly discloses complete, accurate, objective, current and true information available on the Airport's website: https://www.riga-airport.com/lv . The airport publishes information on its website on the Internet in accordance with the regulations, ensuring that the published information is timely and provides a clear picture of the capital company's management, strategy, economic activity and financial results. The company's website publishes information about the company, its operations, strategy and goals, shareholders and beneficial owners, as well as members of the board and council. Also, the website contains information about financial reports, shareholders' meetings and the most important policies.
The company discloses information to all shareholders at the same time and to the same extent.	The criterion is met. The airport has only one shareholder. The airport is a company fully (100% of the capital) owned by the Republic of Latvia. The sole holder and shareholder of the capital shares is the Ministry of Transport.
The company discloses information on the company's management, strategy or operational directions on its website and publishes financial reports, as well as other information in accordance with Appendix no. 1	The criterion is met (see Appendix 1). Ensuring the openness of information is carried out in compliance with the Law on the Management of Capital Shares of Public Persons and Capital Companies, by publishing information on general strategic goals, information on the activities of the capital company and types of commercial activity.
The company provides information both in Latvian and at least one other language that is understandable to the majority of the company's foreign shareholders and other interested parties.	The criterion is met. The airport website: https://www.riga-airport.com/lv is available in English.

⁵⁵ Order of the Cabinet of Ministers of April 23, 2020 No. 219 "On increasing the share capital of the state joint-stock company "International Airport "Riga" and its amendments.

⁵⁶ Law on Governance of Capital Shares of a Public Person and Capital Companies Section 58.

Appendix 1 "Information to be published on the company's website"

Company				
Scope/criterion	Observed	Not applicable	Not observed	Explanation
Information about the company - its creation and history of operation, registration data, address, industry characteristics, main types of commercial activity, company's place in the group structure (if applicable)	X			
Information about the company's strategic goals	X			
Company statutes	X			
Information on the company's corporate governance structure	X			
Company's Internal Culture and Code of Ethical Conduct	X			
The most important company policies (Information Disclosure, Circulation and Confidentiality Policy, Conflict of Interest Prevention Policy, Risk Management Policy, etc.)	X			More detailed information is available in the Non-financial statement for 2022 in the section "The most important policies and settings, their implementation in practice".

Shareholders and beneficial owners				
Scope/criterion	Observed	Not applicable	Not observed	Explanation
Information about the company's shareholders who own at least 5% of the company's share capital (indicating the date when this information was prepared)		X		The airport has only one shareholder.
Information about the beneficial owners of the company (indicating the date when this information was prepared)		X		The State is a legal entity and cannot be considered as the beneficial owner.
The number of issued, paid-up and voting shares, bonds or other financial instruments of the company		X		The airport does not issue securities.

Council and board				
Scope/criterion	Observed	Not applicable	Not observed	Explanation
By-laws of the board and council or another comparable document.	X			
• Information about each member of the company council and board: • term of office;	X			The information available on the airport's website is published in compliance with Article 58 of the Law on the Management of Capital Shares of Public Persons

<ul style="list-style-type: none"> • position and area of responsibility (if defined); • professional work experience and education; • current information about positions in other companies; • up-to-date information on company shares owned; • statistics on visits to council meetings. 				and Capital Companies "Disclosure of Information on Capital Companies".
<p>Information on independent board members:</p> <ul style="list-style-type: none"> • which council members are considered independent; • what criteria are used to determine the independence of a council member; • annual evaluation of the independence of the board members. 	X			All existing independent members of the council have submitted a certificate that they have no restrictions to hold the position of a member of the council in accordance with the regulatory enactments, and have also undertaken to immediately inform the holder of the state's capital shares about any obstacles that may arise in the performance of the duties of the office.
<p>Management and Board Remuneration Policy and Remuneration Report.</p>	X			<p>Once a year, the airport prepares information on the remuneration of the board and council, which is reflected in the current annual report.</p> <p>The airport's website includes a section on board and council remuneration.</p> <p>Members of the board and council, as public officials, must submit public official declarations, they are publicly available on the website of the State Revenue Service.</p> <p>The Airport's Corporate Governance Policy stipulates that the remuneration of council and board members is determined in accordance with the Governance Law and the Cabinet of Ministers' regulations, PKC guidelines.</p>
<p>Information about the board and council selection (nomination) process.</p>	X			
<p>Information on Board Committees and Audit Committee:</p> <ul style="list-style-type: none"> • committee regulations; • information about committee members. 	X			<p>The airport does not have an audit committee.</p> <p>In July 2020, the "VAS "International Airport "Riga" passenger terminal expansion monitoring committee for the 6th round" was established.</p>

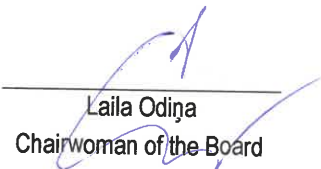
				<p>In September 2021, the Supervisory Committee of the Business Park Development Project of VAS "International Airport "Riga" was established.</p> <p>Information about the composition of the committees is available on the Airport's website.</p>
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Financial and non-financial reports and information				
Scope/criterion	Observed	Not applicable	Not observed	Explanation
<p>Company financial statements and reports for the last 3 financial years:</p> <ul style="list-style-type: none"> • Annual reports • Interim reports and quarterly reports 	X			
Non-financial reports of the company for at least the last 3 financial years	X			The non-financial statement or sustainability report is prepared from 2020 according to the "Global Reporting Initiative" standard.
Corporate Governance Reports	X			
Company's financial calendar or other calendar of important and planned communication events	X			Information on financial statements is available, as well as press releases on important events of the Airport, which are planned in the near future or have already taken place.


Information for shareholders and investors				
Scope/criterion	Observed	Not applicable	Not observed	Explanation
<p>Information on planned shareholders' meetings:</p> <ul style="list-style-type: none"> • Notices on convening shareholders' meetings • Draft decisions 	X			The airport complies with the regulations on the publication of notices of shareholders' meetings. Information about the held shareholders' meetings and the adopted decisions is made public.
<p>Information on the held shareholders' meetings:</p> <ul style="list-style-type: none"> • Information on the decisions made at shareholders' meetings 	X			
The company's dividend policy and information on dividends paid (for at least the last 10 years of the company's operation)	X			See Principle No. 16.

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Information on related party transactions		X		Information about the dividends paid out is included in the company's annual reports, which have been published on the airport's website since 2002.
Announcements published by the company and relevant information for investors, including presentations for investors, video recordings of events for investors, forecasts, if any, etc.		X		The airport has no subsidiary companies and participation in other capital companies.
Contact details of the Investor Relations Officer (if applicable).		X		The airport is not a listed company and does not issue securities, so there is no separate information intended for investors.


Laila Odiņa
Chairwoman of the Board


Artūrs Saveljevs
Member of the Board


Normunds Feierbergs
Member of the Board

11 April 2023