2020 ANNUAL REPORT

STATE JOINT STOCK COMPANY RIGA INTERNATIONAL AIRPORT

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

CONTENTS

GENERAL INFORMATION

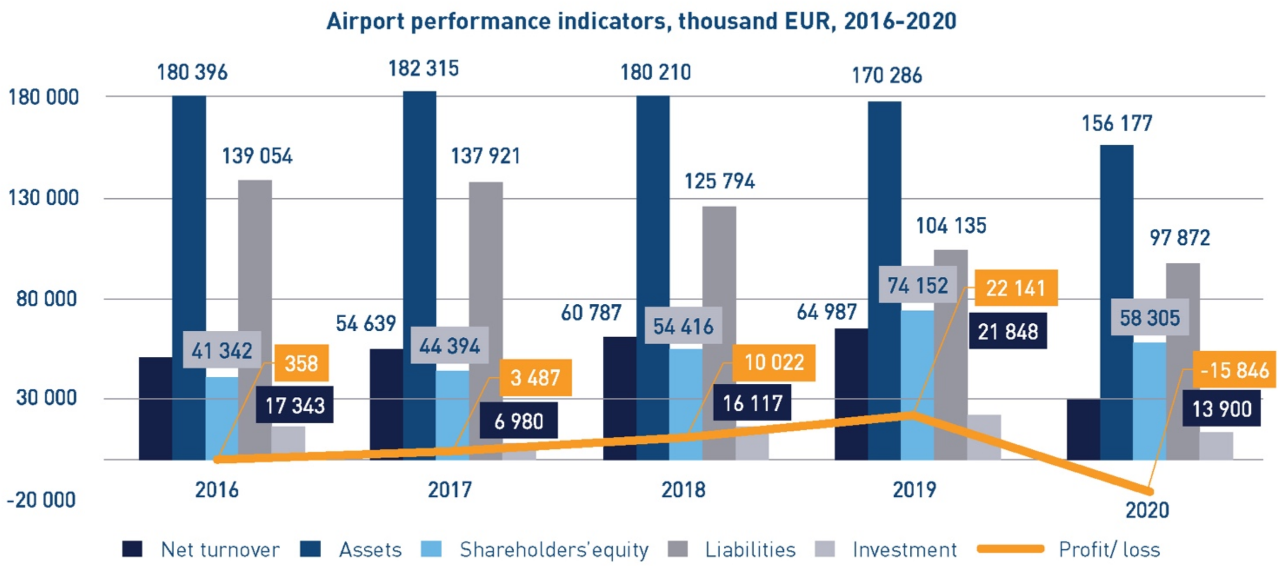
Name of the Company	Riga International Airport
Legal status	State Joint Stock Company
Common registration number place and date	40003028055 Riga, 30 September 1991
Place and date of re-registration with the Commercial Registry	Riga, 10 September 2004
Legal address	Mārupes novads, Lidosta „Rīga" 10/1, Latvija, LV-1053
Core business	Airship, passenger and cargo servicing; maintenance of airfields and other services
Shareholder	Ministry of Transport of Latvia (100%) Gogoļa iela 3, Rīga Latvia, LV -1743
Management of the Company	Shareholder's meeting, the Supervisory and the Management Board
The Council	Juris Kanels (Chairman of the Council) from 17 May 2016 Eduards Toms (Member of the Council) from 24 May 2019 Laila Odiņa (Member of the Council) from 26 April 2018 till 15 April 2020
The Board	Laila Odiņa (Chairwoman of the Board) from 16 April 2020 Artūrs Saveļjevs (Member of the Board) from 13 September 2017 Normunds Feierbergs (Member of the Board) from 10 November 2016 Ilona Līce (Chairwoman of the Board) from 20 January 2017 till 15 April 2020 Lauma Jenča (Member of the Board) from 31 October 2016 till 3 July 2020
Financial year	1 January – 31 December 2020
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: Ilandra Lejiņa Certified auditor Certificate No. 168

MANAGEMENT REPORT

SUMMARY

- Economic activity of year 2020 of SJSC "Riga International Airport" (hereinafter - the Airport) has clearly passed under the influence of the global pandemic caused by Covid-19. Good financial performance of previous years allowed to start 2020 with historically the best economic performance indicators. Also the first two months of economic activity indicated a positive trend - Airport could reach a new record of the number of passengers serviced;
- Overall, the impact of Covid-19 on the Airport's economic performance has been significant - the number of passengers serviced at the Airport has significantly decreased, the Airport has significantly reduced its operating costs and revised its investment plans. In addition, on 23.04.2020 the Cabinet of Ministers has decided to provide state aid to the Airport in order to ensure overcoming economic crisis and stabilize economic situation in the sector;
- In 2020, due to the global pandemic caused by Covid-19, the number of passengers serviced decreased to 2.01 mil., which is 5.8 mil. passengers or 74% less than planned in the approved budget of 2020;
- Net turnover of the Airport in 2020 was 29.8 mil. EUR, which is 34.7 mil. EUR less than initially planned in the budget, but, compared to 2019, turnover has decreased by 54%. The decrease in turnover was directly influenced by significant decrease in the number of passengers serviced due to Covid-19 pandemic;
- Revenue from aviation service providers in the reporting period was 15.0 mil. EUR, and compared to budget plan, decreased by 63%;
- Revenue from non-aviation services has decreased to 14.7 mil. EUR in the reporting period, and compared to the previous year, revenue has decreased by 39%. According to the Cabinet of Ministers Regulations No. 453[1], in 2020, the Airport's tenants have been granted with a reduction or exemption of rent payments in amount of 223 thousand EUR;
- The Airport's costs in 2020 have been reduced by 30% or 14.6 mil. EUR, compared to 2019, (decreased labour costs and other external costs);
- As a result of collective redundancy, 335 job positions were liquidated, and as of 31/12/2020 the Airport employes 1,009 employees;
- The total amount of investments realized at the Airport in 2020 reached 13.9 mil. EUR;
- Airport's financial year 2020 result is a loss of 15.8 mil. EUR;
- On March 8, 2021, the European Commission made a positive decision in case to grant state aid to Riga Airport to mitigate the consequences of the Covid-19 pandemic and supported the increase of the share capital of Riga Airport by 35.2 mil. EUR and dividends for year 2019 profit in amount of 4.5 mil. EUR remain undistributed.

Graph No. 1, Airport performance indicators 2016-2020, source: Riga Airport.



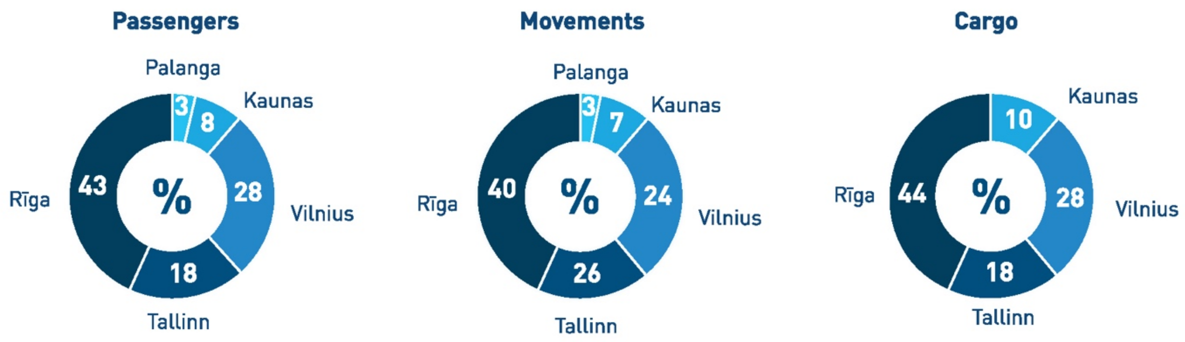
[1] Cabinet Regulation No. 453 of 14 July 2020 "Regulations Regarding the Application of Exemption or Reduction of the Rent of Property of a Public Person and a Capital Company Controlled by a Public Person Due to the Spread of Covid-19"

AIRPORT'S OPERATIONAL ACTIVITIES

The main operational activity of the Airport is servicing of aircraft, passengers and cargo at the Airport's terminal and other (non - aviation) services in the Airport's territory. Despite the negative impact of Covid-19 on the Airport's economic performance indicators, the Airport maintained its position as the largest airport in the Baltic States in 2020:

- 43% market share of the total number of passengers serviced in the Baltic States (39% for Lithuanian airports and 18% for Tallinn);
- 40% of number of flights (34% for Lithuanian airports and 26% for Tallinn);
- 44% of serviced air cargo, in tons (for Lithuanian airports - 38%, but for Tallinn - 18%).

Graph No.2 "Market shares and indicators of Baltic airports in 2020"



On 1 January 2020, the Airport had 1315 employees, but on 1 June 2020, 335 staff places were liquidated as part of the collective redundancy. As of 31 December 2020, the Airport employed 1009 employees. Additionally, to that, for some employees, according to the law on mitigation of the consequences of the spread of Covid-19 Infection, downtime was set as of November 1, 2020, and as of December 31, 2020, 48 employees were on downtime.

1. PASSENGER FLOW

Following the global epidemic of coronavirus Covid-19, which was declared a pandemic on 11 March 2020 in accordance with the decision of the World Health Organization (*WHO Director- General's opening remarks at the media briefing on COVID – 19, 11 March 2020*, available: https://who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020) and according to which on March 12, 2020 the Cabinet of Ministers issued Order No. 103 "On Declaring a State of Emergency" (hereinafter - Order No. 103) to limit the spread of the new coronavirus disease Covid-19, from 17 March to 9 June 2020, regular international passenger services through airports, ports, buses and rail transport were abolished, with the exception of passenger transport by state aircraft and military transport, which significantly affected the Airport's economic activities.

In total, year 2020 started with a relatively rapid increase in the number of passengers, by servicing 117 thousand passengers more in January and February than in the corresponding period of 2019. However, with the onset of the global pandemic caused by Covid-19 and with the Cabinet of Ministers Order No. 103 of 12 March 2020, a sharp decline in the number of passengers serviced began, reaching the lowest proportion of passengers serviced in April compared to 2019 - 99.5% or only 3 thousand of passengers.

As a result of improvement in epidemiological situation, the Cabinet of Ministers lifted the state of emergency and the 3rd quarter of 2020 marked a positive trend in terms of the number of passengers serviced and in August 114 thousand passengers were serviced at the Airport. However, by the end of the third quarter, with the rapid "second" wave of Covid-19 proliferation in the European Union (please see. *European Centre for Disease Prevention and Control* information on laboratory confirmed cases of Covid-19 in EU Member States in 2020-2021 years, https://www.ecdc.europa.eu/en/cases-2019-ncov-eueea), the number of passengers serviced at the Airport fell sharply again.

The decrease in the number of passengers serviced was particularly pronounced in the fourth quarter of 2020, when the rapid spread of Covid-19 across the European Union and the EEA has decreased by almost 90% compared to the same reference period in 2019.

In order to be able to forecast the pace of recovery of aviation and its impact on the Airport's economic performance, the Airport continuously follows recovery trends of aviation industry, and is ready for various business stabilization scenarios to ensure business continuity in 2021 as well.

2. ECONOMIC ACTIVITY PERFORMANCE INDICATORS

NET TURNOVER

The net turnover of Riga Airport in 2020 was 29.8 mil. EUR, which is by 34.7 mil. EUR less than initially planned in the budget, but, compared to 2019, the turnover has decreased by 54%, where:

- Revenue from aviation services in the reporting period was 15.0 mil. EUR and, compared to the previous year and budget they decreased by 63%. The major part of aviation revenue consists of revenue from services, where fees are set by the Cabinet of Ministers of the Republic of Latvia Regulations No. 823 "Regulations regarding the fee for security and rescue measures provided at the aerodrome", No. 210 and No. 953 "Regulations regarding the fee for the services provided at the aerodrome of the State Joint Stock Company" Riga International Airport "";
- Revenue from non-aviation services decreased to 14.7 mil. EUR in the reporting period, and, compared to the previous year, revenue has decreased by 39%, but against the planned budget -38%.

The number of passengers served in 2020 decreased to 2.01 mil., which is 5.8 mil. passengers or 74% less than initially planned in the budget.

Table No.1 "Information on passengers and flights serviced in 2020", source: Riga Airport

Service type	2019 actual	2020 budgeted *approved*	2020 budgeted *adjusted*[2]	2020 actual *actual*	2020 actual/ budgeted (approved)	2020 actual/budgeted (adjusted)
Number of passengers (thousand)	**7 798**	**7 840**	**2 059**	**2 011**	**-74%**	**-2%**
Number of flights	**87 007**	**87 434**	**35 668**	**35 591**	**-59%**	**-0.2%**

REVIEW OF OPERATING EXPENSES

In response to the sharp decline in the number of aircraft and passengers serviced and, consequently, in revenue, in the first quarter of 2020 the Airport launched and continues to implement a cost reduction program to ensure business continuity with the aim of reducing losses under the Covid-19 impact.

Airport expenses in 2020, compared to 2019, have been reduced by 30% or 14.6 mil. EUR (reducing labour costs and other external costs).

BUSINESS RESULTS

Considering the above, the Airport has closed year 2020 with a loss of 15.8 mil. EUR. In addition to the results of operations, the amount of loss has been impacted by the provisions made in the 2019 financial statements, which were

[2] Considering the impact of Covid-19, the Airport's shareholders' meeting on 10.12.2020 approved the adjusted financial and operational indicators of the Airport and the forecasted results for 2020

reversed in 2020, as well as the estimate included in the profit / loss statement of the agreement reached with commercial space operator SIA TAV Latvia.

Currently, the actual performance indicators are better than the forecast of indicators, which were included in the Cabinet of Ministers Order No. 219 of 23 April 2020 "On the increase of the share capital of the State Joint Stock Company Riga International Airport".

INCREASE IN THE AIRPORT'S SHARE CAPITAL

In connection with the Cabinet of Ministers Order No. 219 of 23 April 2020 "On Increasing the Share Capital of the State Joint Stock Company Riga International Airport", the Airport, in cooperation with the Ministries of Transport and Finance, and with the approval of Order No.219, started to work on agreement with European Commission regarding business support plan for mitigating the consequences of Covid-19.

On March 8, 2021, the European Commission made a positive decision on granting state aid to Riga Airport to mitigate the consequences of the Covid-19 pandemic and supported the increase of the share capital of Riga Airport by 35.2 mil. EUR and dividends for year 2019 profit in amount of 4.5 mil. EUR remain undistributed. The share capital increase is expected to be carried out within approximately two months after the European Commission's decision.

3. INVESTMENT PROJECTS

Also, considering the decision of the Cabinet of Ministers adopted on 23 April 2020 on providing support to the Airport, by investing 49.9 mil. EUR in share capital to ensure overcoming the economic crisis and stabilizing the economic situation in the sector, as well as leaving the Airport's retained earnings undistributed in order to cover the losses caused by the Covid-19 crisis, realization of investment projects was supported for such investment projects that have been prescribed as mandatory in accordance with the international and current regulatory enactments of the Republic of Latvia or where the breach of the commitments made within the framework of the concluded agreements would cause additional costs and litigation risks for the Airport.

By 31 December 2020, from the budgeted and planned investments, the Airport has purchased fixed assets and realized investment projects, as well as made advance payments in total amount of 13.9 mil. EUR. During the year, despite the crisis caused by Covid-19, several large-scale investment projects were implemented, including: construction of a cargo platform, expansion of the 2nd platform, as well as completion of the access road to the DHL cargo handling center and parking lot. Also close to commissioning are projects such as: construction of the high-speed maneuvering area Y, renovation of the runway and maneuvering area A pavement and installation of apron line lights, construction of the helicopter landing area and reconstruction of the public rainwater system and Rreconstruction of Muzeja street.

4. FINANCIAL AND OPERATIONAL INDICATORS

Based on the above mentioned, and, respectively, the decisions of the Shareholders' meeting of Riga Airport on September 3 and December 10, 2020, the financial and operational indicators and forecasted results for 2020 have also been adjusted.

Table No.2 "Financial and operational indicators of the Airport, forecasted and actual results for 2020"

Aim	2020 planned	2020 planned- adjusted	2020 actual performance
Flights	87 434	35 668	35 591
Passengers	7 840 298	2 058 514	2 011 155
Net turnover, EUR	64 499 000	24 902 230	29 797 924
Profit, EUR	4 144 490	-18 164 938	-15 846 347

5. GRANTS AND SUBSIDIES

On July 8, 2019, the Ministry of Transport of the Republic of Latvia by Order No. 01-03 / 94, based on the Cabinet of Ministers Order No. 258 of 28 May 2019 "On State Budget Program 44.00.00" Funds to ensure Aviation Security, Rescue and Civil-Military cooperation", funds in amount of 42 724 EUR were granted to Riga Airport to partially cover the expenses related to the purchase of X-ray equipment necessary for the security screening of large baggage. The project ended in August 2020 and the allocated funding of 42 724 EUR has been fully spent.

In accordance with the Cabinet of Ministers Order No. 167 of 7 April 2020 "On the Use of Funds Provided in the State Budget Program 44.00.00" Funds to ensure Aviation Security, Rescue and Civil-Military Cooperation " and the Ministry of Transport Order No.01-03 / 99 from 16 April 2020, SJSC "Riga International Airport" has been granted with funding in the amount of 42 418 EUR for the purchase of two explosives detectors.

Currently, 34 243.08 EUR have been used from the allocated funds, but the unused part of the funding – 8 174.92 EUR.

Considering the impact of the global coronavirus Covid-19 epidemic on the Airport's operations and the limited availability of funds to co-finance the project, the Airport has postponed the project until additional funding is available for the purchase of a second explosives detector.

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

By the Cabinet of Ministers Order No. 738 (protocol No. 77 64. §) of 4 December 2020 "On granting funding to the state joint stock company "Riga International Airport" for the improvement of the Airport's infrastructure" The airport has been granted funding in the amount of 530 000 EUR (including VAT) for the establishment of military infrastructure.

On December 22, 2020, agreement has been concluded with the State Defence Military Facility and procurement center on the implementation of this project "Restoration of the Z3 area pavement", and in accordance with the rules of the Agreement, the Airport must realize the project by 30 July, 2021.

6. RISK ASSESSMENT AND RISK MANAGEMENT

The Airport has established and continuously improves the general-level controls (policies, instructions, process descriptions, etc.) aimed at contributing to the Company's strategy and achieving its objectives. In addition, to ensure achieving of the objectives set in the Airport's strategy, the Airport develops its annual objectives and monitors the progress towards achieving them.

In accordance with the amendments of the Law on Governance of Capital Shares of a Public Person and Capital companies, additional requirements for the establishment of an appropriate internal control system were set for capital companies from 1 January 2020, including the operation of the risk management system, which includes approved policies in defining the operating principles of the capital company with regard to risk management. In order to ensure the establishment of an appropriate and effective internal control system in the field of risk management in the Airport, In 2020, the Airport Risk Management Policy was developed and approved by the Board and the Council with the aim to determine goals of the Company's risk management process, risk management areas, keystone elements, process stages, keystone principles and guidelines, as well as duties and responsibilities of participants involved in risk management process. The Airport's security risk management process is ensured within the framework of the security management system, in accordance with the European Commission Regulation (EU) No.

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.

The Airport's control environment is based on the Airport's values. The Airport's management promotes business in accordance with honest principles, compliance with ethical norms, as well as takes the necessary actions to prevent the risks of corrupt and fraudulent activities. The Airport has implemented and ensures the operation and continuous improvement of the internal control system in accordance with Regulation No. 630 of 17 October 2017 "Regulations on Basic Requirements of the Internal Control System for Prevention of Risk of Corruption and Conflict of Interest in a Public Institution", as well as raising staff awareness of internal controls by continuously improving the competencies of employees to achieve the goals of Airport more effectively.

In order to promote and ensure the Airport's long-term business activities and strategic goals based on responsible and balanced action in all aspects of sustainability, in accordance with the Airport's Corporate Social Responsibility guidelines, the Airport's Board has approved the sustainability development policy with the aim to regulate general framework for sustainability and corporate responsibility policies. In November 2020, the Board approved the first Sustainability Report of Riga Airport for 2019, prepared in accordance with the international Global Reporting Initiative (GRI) standard. It allows a company to demonstrate its performance, impact and initiatives in the economic, environmental and social fields in a transparent, open and comparable way, actively involving its stakeholders in the preparation of the reporting structure. Being aware of the growing interest of stakeholders in the Company's performance in the context of sustainability, as well as the European Union's initiatives in recent years, which have become more focused on making access to finance conditional on how effectively its beneficiaries can demonstrate compliance with certain sustainability standards and requirements, Riga Airport has recognized its impact and reported it using one of the world's leading standards - GRI. The Airport Sustainability Report is publicly available on the Riga Airport website.

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

In order to acknowledge the sustainable development of the Airport, reduced CO2 emissions and used energy resources efficiently, the Airport has implemented and maintains an energy management system certified in accordance with the requirements of the ISO 50001: 2018 standard since 2018.

In order to reduce the risks to the development of the Airport, which may occur without lenders financing the construction of polluting facilities (including new airport infrastructure), the Airport participates in the Airport Carbon Accreditation program and has started to work on purposeful reduction of greenhouse gas emissions. In 2020, the Airport developed its first Carbon Management Plan for 2020-2023, which is the first step towards achieving climate neutrality by 2050.

7. 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 Saveļjevs	Member of the Board
Normunds Feierbergs	Member of the Board

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

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

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

15 April 2021

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

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

The financial statements on pages 15 to 58 have been prepared on the basis of supporting documents and give a true and fair view of the Company's financial position at 31 December 2019 and at 31 December 2020, and of its operating performance, changes in capital and reserves and cash flows for the years ended 31 December 2019 and 31 December 2020. The Management's report on pages 4 to 8 gives a true and fair view of the Company's financial performance and 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	Artūrs Saveļjevs	Normunds Feierbergs
Chairwoman of the Board	Member of the Board	Member of the Board

15 April 2021

Independent Auditor's Report

To the Shareholders of SJSC Riga International Airport

Our opinion

In our opinion, the accompanying financial statements set out on pages 13 to 48 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 2020, and the Company's financial performance and cash flows for the year ended 31 December 2020 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 2020,
- the statement of financial position as at 31 December 2020,
- the statement of cash flows for the year ended 31 December 2020,
- the statement of changes in shareholders' equity for the year ended 31 December 2020, and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company in accordance with the International 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 Management report, as set out on pages 4 to 8 of the accompanying annual report,
- the Statement of the management's responsibility, as set out on page 9 of the accompanying annual report,

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

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

PricewaterhouseCoopers SIA
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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.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- 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

Ilandra Lejiņa
Certified auditor in charge
Certificate No.168
Member of the Board

Riga, Latvia
15 April 2021

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STATEMENT OF PROFIT OR LOSS AND STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 / EUR	2019 / EUR
Revenue	3	29 797 924	64 986 666
Government and EU grants	4	5 216 323	5 466 858
Personnel costs	5	(22 740 946)	(31 803 309)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(15 313 039)	(15 595 266)
Other external costs	7	(10 691 137)	(16 195 149)
Other operating income	8	3 155 704	17 028 093
Other operating expenses	9	(4 812 827)	(814 015)
Operating (loss)/profit before financial items		**(15 387 998)**	**23 073 878**
Finance income	10	1 828	24 020
Finance costs	11	(460 177)	(556 402)
(Loss)/profit before income tax		**(15 846 347)**	**22 541 496**
Corporate income tax		-	(400 889)
(LOSS)/PROFIT FOR THE YEAR		(15 846 347)	22 140 607
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(15 846 347)	22 140 607

The accompanying notes on pages 15 to 58 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

ASSETS

NON- CURRENT ASSETS	Note	31.12.2020. EUR	31.12.2019. EUR
Property, plant and equipment	14	142 595 592	143 023 217
Intangible assets	13	1 416 865	1 008 627
Investment property	16	1 145 312	1 157 478
Right of use assets	15	449 649	779 694
TOTAL NON-CURRENT ASSETS		**145 607 418**	**145 969 016**
CURRENT ASSETS			
Inventories	17	866 493	919 710
Trade receivables	18	3 393 739	7 756 507
Other receivables and prepaid expenses	19	1 483 201	3 206 829
Cash and cash equivalents	20	4 826 242	20 434 361
TOTAL CURRENT ASSETS		**10 569 675**	**32 317 407**
TOTAL ASSETS		**156 177 093**	**178 286 423**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY	Note	31.12.2020. EUR	31.12.2019. EUR
Share capital	21	28 608 932	28 608 932
Reserves	22	23 001 152	23 001 152
Retained earnings		6 695 149	22 541 496
TOTAL SHAREHOLDERS' EQUITY		**58 305 233**	**74 151 580**
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions and other borrowings	23	22 437 155	28 978 512
Deferred income	24	43 720 475	47 737 208
TOTAL		**66 157 630**	**76 715 720**
Current liabilities			
Borrowings from credit institutions and other borrowings	23	15 299 932	2 415 195
Trade payables		947 850	3 577 954
Other liabilities	25	9 409 573	11 213 053
Deferred income	24	5 223 608	6 179 991
Accrued liabilities	26	833 267	4 032 930
TOTAL		**31 714 230**	**27 419 123**
TOTAL LIABILITIES		**97 871 860**	**104 134 843**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**156 177 093**	**178 286 423**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Cash flow from operating activities	Note	**2020 / EUR**	**2019 / EUR**
(Loss)/profit of the reporting year before tax		**(15 846 347)**	**22 541 496**
Adjustments for:			
Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	13,14,15,16	15 315 828	15 598 219
Received Government grant for the infrastructure development		(247 333)	(247 724)
EU Cohesion Fund resources recognised in the profit for the current year	4	(4 961 631)	(5 129 359)
Obtained from KPFI financing	4	-	(52 861)
Property, plant and equipment obtained without payment (recognized in the profit for the current year)		(47 271)	(47 271)
Decrease in accruals		(4 120 991)	(6 273 248)
Gain from sale of fixed assets	8	2 483	247 394
Net interest expenses	10, 11	458 349	532 382
Decrease/ (increase) of inventories		53 217	(116 252)
Decrease/ (increase in trade receivables		4 362 768	(971 092)
Decrease/ (increase) in prepaid expenses		566 209	(1 898 359)
Increase/ (decrease) in trade payables		(4 661 875)	3 012 167
Decrease in deferred income		239 234	(1 617 348)
Cash generated from operating activities		**(8 887 360)**	**25 578 144**
Interest paid		(488 689)	(595 568)
Tax paid on dividends		-	(400 889)
Corporate Income tax returned / (paid)		-	187 914
Net cash (used in) / generated from operating activities		**(9 376 049)**	**24 769 601**
Cash flows from investing activities			
EU Project for development of safe and environment friendly infrastructure		709 003	1 018 932
Employment related grants		-	34 397
European Social Fund grants		7 359	2 517
Government funding for aviation security		42 418	42 724
A-CDM Riga project		-	145 669
Ministry of Defence budget program for the improvement of airport infrastructure		530 000	-
Acquisition of intangible assets	13	(299 831)	(716 719)
Acquisition of fixed assets		(13 600 661)	(19 399 710)
Interest received		1 828	17 988
Net cash used in investing activities		**(12 609 884)**	**(18 854 202)**
Cash flows from financing activities			
Loans received		9 569 114	139 864
Repayment of loans and borrowings		(2 960 161)	(12 121 358)
Payment of obligations under finance lease		(231 139)	(258 654)
Payments made for use of state capital		-	(2 405 492)
Net cash generated from / (used in) financing activities		**6 377 814**	**(14 645 640)**
Net decrease in cash and cash equivalents		**(15 608 119)**	**(8 730 241)**
Cash and cash equivalents at the beginning of the year		**20 434 361**	**29 164 602**
Cash and cash equivalents at the end of the year	**20**	**4 826 242**	**20 434 361**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
31 December 2018		**28 608 932**	**12 298 629**	**13 508 904**	**54 416 465**
Transfer from retained earnings to reserves	22	-	10 702 523	(10 702 523)	**-**
Payment for the use of state capital		-	-	(2 405 492)	**(2 405 492)**
Comprehensive income for the year		-	-	22 140 607	**22 140 607**
31 December 2019		**28 608 932**	**23 001 152**	**22 541 496**	**74 151 580**
Comprehensive loss for the year		-	-	(15 846 347)	**(15 846 347)**
31 December 2020		**28 608 932**	**23 001 152**	**6 695 149**	**58 305 233**

The accompanying notes on pages 15 to 58 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENT

1. GENERAL INFORMATION

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

The key lines of business are:

- Aviation operations, including:
  - servicing aircraft, passengers and cargo;
  - airport terminal services;
  - aircraft maintenance, airfield technical maintenance;
- Non-aviation operations, including:
  - rent of real estate;
  - providing public utility facilities;
  - car park services;
  - concession services;
  - servicing business passengers;
  - advertising services.
- Ensuring civil aviation safety, rescue and medical assistance function at the Riga International Airport.

These Company's financial statements were authorised for issue by the Board of directors on 6th April 2021. The Company's members of the Board as at the financial statement signing date are Laila Odiņa (Chairwoman of the Board from 16th April 2020), Artūrs Saveļjevs (from 13th September 2017) and Normunds Feierbergs (from 10th November 2016). Members of the Council on the financial statements reporting date are Juris Kanels (Chairman of the Council from 17th May 2016) and Eduards Toms (Member of the Council from 24th May 2019). Chairwoman of the Board till 15th April 2020 was Ilona Līce and Lauma Jenča was a Member of the Board till 3rd July 2020.

PricewaterhouseCoopers SIA with Ilandra Lejiņa as the Certified auditor-in-charge is the appointed auditor of the Company.

2. BASIS OF THE PREPARATION AND APPLICATION OF IFRS

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

(a) STATEMENT OF COMPLIANCE AND ACCOUNTING PRINCIPLES

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

Financial statements are prepared on a going concern basis.

The impact of the Covid-19 (coronavirus) pandemic on the Company's current and future operations was considered in the preparation of the financial statements. The financial statements reflect the impact of the pandemic on the valuation of assets and liabilities.

As at 31 December 2020, the Company's current liabilities exceeded current assets by 21 144 555 EUR. Current liabilities include deferred income related to government grants and support from EU funds, which are not related to direct cash flow in the amount of 4 932 698 EUR. The management of the Company forecasts that together with the Cabinet of Ministers Order No. 219 of 23 April 2020 "On the increase of the share capital of the State Joint Stock Company Riga

International Airport" and the subsequent decision adopted by the European Commission on March 8, 2021, it has supported the increase of the share capital of Riga Airport by 35.2 mil. EUR and dividends for the profit of 2019 in amount of 4.5 mil. leave undistributed, the Airport will not have liquidity problems and the Company will be able to settle their liabilities with creditors within the set deadlines. The share capital increase is expected to be realized within approximately two months after the European Commission's decision. Also available to the Airport is a credit line, from OP Corporate Bank plc in the amount of 20 000 000 EUR, with the loan maturity on May 26, 2021. As at 31 December 2020, the credit line is not used.

According to the industry's October 2020 forecast[3], the impact of the COVID-19 crisis on international passenger air traffic will continue at least until 2022, but a full recovery to the traffic volume of 2019 in Europe seems unlikely before 2024 or 2025. The airport forecasts a slow recovery by 2022, reaching pre-COVID-19 levels in 2024. The number of regular passengers was forecasted to increase slowly from 2.01 mil. in 2020 to 2.83 mil. in 2021 and 5.04 mil. in 2022, but in 2024 it will reach the same traffic volume per year as it was in 2019.

In case the recovery of passenger traffic will be slower than expected, the Airport will re-evaluate the operating costs, review the investment flow and assess the attraction of liquidity loans. If, as a result of the above activities, the Airport will not able to stabilize the cash flow required to ensure economic activity, the Airport will turn to the shareholder with a request to find solutions to ensure the liquidity of the Airport.

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

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

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

Compared with the accounting methods that were used in the preparation of the annual financial statements of 2019, the accounting methods used in 2020 for the preparation the annual financial statements have not been changed.

(b) (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.

[3] ACI Europe, COVID-19 & Airports – Traffic Forecast & Financial Impact [COVID-19 and Airports - Traffic Forecast and Financial Impact], 3rd adjusted forecast, 6 October 2020.

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

Recognition and derecognition

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

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

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

Measurement

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

Financial assets at amortised cost

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

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

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

	31.12.2020. 1 EUR		31.12.2019. 1 EUR
1GBP	0.89903	1GBP	0.85080
1RUB	91.46710	1RUB	69.95630
1SEK	10.03430	1SEK	10.44680
1USD	1.22710	1USD	1.12340
1CAD	1.56330	1CAD	1.45980

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

(d) INTANGIBLE ASSETS

Software licences

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

Subsequent expenditure

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

Amortisation

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

(e) PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

Construction in progress

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

Impairment of property, plant and equipment

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

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

The recoverable amount of an asset or cash-generating unit is the 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 dispossessed or discontinued for use and no future benefit is expected from the disposal. The write-off or disposal of investment property is recognized in profit or loss in the period of dispossession or liquidation.

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

(g) INVENTORIES

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

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

(h) CASH AND CASH EQUIVALENTS

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

(i) SHARE CAPITAL AND DIVIDENDS/ PAYMENT FOR UTILISATION OF THE STATE CAPITAL

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

(j) OTHER RESERVES

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

(k) LEASES

Leases are recognized and accounted for in accordance with IFRS 16 Leases. A lease exists when an asset is identifiable, and the buyer has the right to obtain virtually all the economic benefits from the use of the asset during its useful life. The Company does not apply the IFRS 16 requirements for short-term leases, leases of intangible assets, and leases of low value assets. In these cases, the lease cost is recognized as an expense in the profit or loss on a straight-line basis over the lease term. The Company determines the lease term as irrevocable together with the periods to which the lease is subject to renewal, if there is reasonable assurance that the Company will exercise the option and the periods to which the lease can be terminated. At the inception of the lease, the Company recognizes right to use asset under property, plant and equipment (see Right to use asset) and lease liability. 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 based on the period for which interest is calculated.

Rental income

Rental income is recognized for all effective rent agreements over the entire period of rent on a straight-line basis.

Commission fees

The Company has signed 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.

(o) RELATED PARTIES

Company accounts following parties as related parties:

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

(p) SUBSEQUENT EVENTS

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

(r) EMPLOYEE BENEFITS

Bonuses

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

Social security and pension contribution

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

(s) CORPORATE INCOME TAX

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

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

(t) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Recoverable amount and impairment

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

Impairment of receivables

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

Useful lives of property, plant and equipment

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

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

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

Provisions and accruals

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

3. REVENUE

	2020 / EUR	2019 / EUR
Total aviation revenue	**15 042 649**	**40 865 167**
Security and rescue measure fees[4]	4 045 912	14 522 063
Departure / landing fees	1 947 804	4 742 107
Ground handling	4 959 627	7 671 397
Passenger service fees	2 561 481	9 509 494
Other aviation services	675 586	1 668 578
Including charge for services provided to disabled persons and persons with reduced mobility[5]	*278 542*	*1 083 614*
Centralized infrastructure services	852 239	2 751 528
Total non-aviation revenue	**14 755 275**	**24 121 499**
Rent of premises within terminal	7 451 377	12 107 498
Car parking services	1 144 776	3 385 818
Other lease in the airport territory[6]	2 040 239	2 463 126
Public utilities	2 057 047	2 466 232
Servicing business passengers	892 890	1 413 182
Advertising services	299 838	513 486
Income from concessions	145 693	348 855
Other non-aviation services	723 415	1 423 302
TOTAL:	**29 797 924**	**64 986 666**

	2020 / EUR	2019 / EUR
Revenue from contracts with customers that is recognized over time (in accordance with IFRS 15):		
Security and rescue measure fees	4 045 912	14 522 063
Departure / landing fees	1 947 804	4 742 107
Ground handling	4 959 627	7 671 397
Passenger service fees	2 561 481	9 509 494
Revenue from other aviation services	675 586	1 668 578
Revenue from centralized infrastructure services	852 239	2 751 528
Revenue from utilities	2 057 047	2 466 232
Revenue from servicing business passengers	892 890	1 413 182
Revenue from other non-aviation services	723 415	1 423 302
TOTAL:	**18 716 001**	**46 167 883**

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

[5] 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.

[6] Includes rental income from investment property in amount of 1 278 511 euro (2019: 1 694 752 euro).

Other revenue (IFRS 16 and other standards):		
Rent of premises within terminal	7 451 377	12 107 498
Car parking services	1 144 776	3 385 818
Other lease in the airport territory	2 040 239	2 463 126
Revenue from advertising services	299 838	513 486
Income from concessions	145 693	348 855
TOTAL:	**11 081 923**	**18 818 783**
TOTAL:	**29 797 924**	**64 986 666**

	2020 / EUR	**2019 / EUR**
EU Economic Activities Statistical Classification according to NACE codes:		
Aviation income (52.23)	15 042 649	40 865 167
Non-aviation income (68.20)	13 586 329	21 835 856
Non-aviation income (73.12)	299 838	513 486
Non-aviation income (79.90)	869 108	1 772 157
TOTAL:	**29 797 924**	**64 986 666**

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

4. GOVERNMENT AND EU GRANTS

In accordance with the Clause 27 of law On Aviation, the Company provides equipment, systems and trained personnel to prevent unlawful intervention in the safety of civil aviation, and performs all such measures that ensure safety control of aircraft, its personnel, passengers and cargo in accordance with the national and international normative acts. In order to perform these functions, starting from 1 January 2007 the Company has received direct payments from the state budget, in 2020 amounting to 42 418 euro (2019: 42 724 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 31.12.2020, government grant for acquisition and creation of long-term investments to improve aviation safety carried forward to the following year is 183 266 euro (31.12.2019.: 203 607 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 EUR from the National Defence Military Facilities and procurement center 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 acquisition of financial resources must be completed by 1 October 2021.

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

	2020 / EUR	2019 / EUR
Government grant for the safety of aviation:	**62 759**	**60 406**
Depreciation of property, plant and equipment purchased using the grant	62 759	60 406
Grants received from the Cohesion Fund:	**4 961 631**	**5 129 359**
Depreciation of property, plant and equipment purchased using the Cohesion Fund resources	4 951 598	5 120 541
Depreciation of property, plant and equipment purchased using the EU project for development of safe and environmentally friendly infrastructure	10 033	8 818
Other grants:	**191 933**	**277 093**
Depreciation of property, plant and equipment purchased using the grant	184 574	187 318
Project No. KPFI-15.3/147, obtained from Climate Change Control Instrument financing	-	52 861
Employment related grants	-	34 397
European Social Fund project	7 359	2 517
TOTAL:	5 216 323	5 466 858

5. PERSONNEL COSTS

	2020 / EUR	2019 / EUR
Total salaries:	**18 372 301**	**25 653 535**
Staff	17 889 102	25 101 013
Board and Council members	483 199	552 522
Total compulsory state social security contributions:	**4 368 645**	**6 149 774**
Staff	4 254 521	6 018 028
Board and Council members	114 124	131 746
TOTAL:	22 740 946	31 803 309

Average number of employees during the reporting year was 1 085, including 3 members of the Board (2019: 1 315, including 4 members of the Board).

6. DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY AND AMORTISATION OF INTANGIBLE ASSETS[7]

	2020 / EUR	2019 / EUR
Depreciation of constructions and buildings	8 336 648	8 513 539
Depreciation of investment property	27 197	31 947
Depreciation of equipment and machinery	3 765 557	3 836 438
Depreciation of other items of property, plant and equipment	2 709 868	2 698 773
Amortization of intangible assets	269 575	134 008
Depreciation of right of use assets	204 194	380 561
TOTAL:	**15 313 039**	**15 595 266**

7. OTHER EXTERNAL COSTS

	2020 / EUR	2019 / EUR
Materials	878 820	1 804 638
Insurance of employees and movable and immovable property	706 260	700 897
Territory cleaning costs	100 630	104 500
Infrastructure maintenance costs	1 158 511	2 463 772
Public utilities	2 693 390	3 261 291
Business trips	15 360	276 952
Communication expenses	1 309 939	1 443 193
Transport costs	396 264	838 916
Management expenses[8]	474 960	428 283
Operating leases*	596 373	575 206
Increase of personnel qualification	111 995	469 587
Marketing and advertising	348 202	910 969
Safety measures	404 338	462 697
Other external costs	1 496 095	2 454 248
TOTAL:	**10 691 137**	**16 195 149**

*lease expenses are classified as followed:

	2020 / EUR	2019 / EUR
Rent capacity	7 156	7 156
Lease of low value assets	267 486	259 459
Lease of intangible assets	251 934	194 847
Short term leases	69 797	113 744
KOPĀ:	**596 373**	**575 206**

[7] Refer to Notes 13, 14,15 and 16.

[8] Including audit expenses for the reporting year – 15 000 euro (2019: 15 000 euro). During the reporting year, the Company received other services related to tax consultations – 0 euro (2019: 23 600 euro).

8. OTHER OPERATING INCOME

	2020 / EUR	2019 / EUR
Penalty fees	56 378	274 695
Income from allowances for doubtful receivables and accruals for litigations, net	-	15 281 402
Current assets sales result, net[9]	2 483	247 394
Other operating income[10]	3 096 843	1 224 602
TOTAL:	**3 155 704**	**17 028 093**

9. OTHER OPERATING EXPENSES

	2020 / EUR	2019 / EUR
Non-business expenses, primarily trade union events[11]	57 729	283 825
Real estate tax[12]	350 958	361 579
Penalties paid	15 809	5
Losses from doubtful debts and provisions for legal cases, net	328 944	-
Other operating expenses[13]	4 059 387	168 606
TOTAL:	**4 812 827**	**814 015**

10. FINANCE INCOME

	2020 / EUR	2019 / EUR
Interest income from deposits and current bank balances	-	16 370
Net profit on currency exchange fluctuations	1 828	7 650
TOTAL:	**1 828**	**24 020**

[9] Including income 3 718 euro from selling fixed assets with residual value 0, expenses from writing off fixed assets with value of 1 235 euro, net income – 2 483 euro.

[10] Including calculated depreciation of fixed assets that were acquired without a payment – 47 271 euro (2019: 47 271 euro) and in 2020 accruals for staff bonuses were reversed in the amount of 2 939 427 euro.

[11] *Including depreciation of property, plant and equipment related to social infrastructure – 2 789 euro (2019: 2 953 euro), social events expenses 36 195 euro (2019: 170 333 euro).

[12] Including real estate tax expenses attributable to investment properties in 2020 amounting to 39 423 euro (2019: 39 316 euro).

[13] In 2020, a provision for impairment of trade receivables was created in amount of 3 764 847 euro.

11. FINANCE COSTS

	2020 / EUR	2019 / EUR
Interest expenses on long-term borrowings	449 516	543 987
Net expenses from exchange rate changes	4 094	5 795
Interest expenses on finance lease	6 567	6 620
TOTAL:	**460 177**	**556 402**

12. CORPORATE INCOME TAX

	2020 / EUR	2019 / EUR
Tax on dividends for year 2018[14]	-	(400 889)
Paid during reporting year	-	400 889
Overpayment/ (liability) as at 31 December 2020:	**-**	**-**

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

[14] Effective from 1 January 2018

13. INTANGIBLE ASSETS

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

	Software licences EUR
Cost at 31.12.2019.	**1 768 106**
Purchase	299 831
Transfers	377 982
Disposals	(73 553)
Cost at 31.12.2020.	**2 372 366**
Accumulated amortization at 31.12.2019.	**759 479**
Amortization	269 575
Amortization of liquidated assets	(73 553)
Accumulated amortization at 31.12.2020.	**955 501**
Balance at 31.12.2019.	**1 008 627**
Balance at 31.12.2020.	**1 416 865**

14. PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings EUR	Equipment and machinery EUR	Other property, plant and equipment EUR	Construction in progress EUR	TOTAL EUR
Cost at 31.12.2019.[16]	**199 402 332**	**54 418 193**	**21 292 173**	**20 519 234**	**295 631 932**
Additions	135 149	237 781	425 036	13 906 745	**14 704 711**
Reclassified	17 055 506	2 312 194	99 623	(19 845 305)	**(377 982)**
Reclassification from right of use assets	-	-	1 150 232	-	**1 150 232**
Reclassification to/from investment property[15]	(15 031)	-	-	-	**(15 031)**
Disposals[16]	-	(441 109)	(470 783)	(49 078)	**(960 970)**
Substitute part of fixed assets	-	(4 421)	-	-	**(4 421)**
Cost at 31.12.2020.[16]	**216 577 956**	**56 522 638**	**22 496 281**	**14 531 596**	**310 128 471**
Accumulated depreciation at 31.12.2019.	**96 995 317**	**42 252 677**	**13 360 721**	**-**	**152 608 715**
Depreciation[17]	8 336 648	3 765 557	2 712 657	-	**14 814 862**
Disposals depreciation	-	(441 109)	(469 549)	-	**(910 658)**
Reclassification from right of use assets	-	-	1 024 381	-	**1 024 381**
Substitute part of fixed assets	-	(4 421)	-	-	**(4 421)**
Accumulated depreciation at 31.12.2020.	**105 331 965**	**45 572 704**	**16 628 210**	**-**	**167 532 879**
Balance at 31.12.2019.	**102 407 015**	**12 165 516**	**7 931 452**	**20 519 234**	**143 023 217**
Balance at 31.12.2020.	**111 245 991**	**10 949 934**	**5 868 071**	**14 531 596**	**142 595 592**

On 31 December 2020 the land with total area of 73.8506 hectares (31.12.2019: 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.

[15] Reclassified from / to investment property – Land and buildings with the cost of 15 031 euro reclassified to/from investment property (2019: 98 860 euro) (refer to Note 16).

[16] Historical cost - As at 31 December 2020, the Company's statement of financial position includes fully depreciated property, plant and equipment the cost of which is 85 366 131 euro (31.12.2019.: 67 769 475 euro).

[17] 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.

15. RIGHT OF USE ASSETS

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

	Right of use land and buildings EUR	Right of use equipment and machinery EUR	Right of use other property, plant and equipment EUR	TOTAL EUR
Cost at 31.12.2019.	-	**184 500**	**2 336 096**	**2 520 596**
Reclassified to fixed assets	-	-	(1 150 232)	**(1 150 232)**
Cost at 31.12.2020.	-	**184 500**	**1 185 864**	**1 370 364**
Accumulated depreciation at 31.12.2019.	-	**81 268**	**1 659 634**	**1 740 902**
Depreciation	-	26 357	177 837	**204 194**
Reclassified to fixed assets	-	-	(1 024 381)	**(1 024 381)**
Accumulated depreciation at 31.12.2020.	-	**107 625**	**813 090**	**920 715**
Balance at 31.12.2019.	-	**103 232**	**676 462**	**779 694**
Balance at 31.12.2020.	-	**76 875**	**372 774**	**449 649**

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

16. INVESTMENT PROPERTY

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

	Land / EUR	Buildings / EUR	TOTAL / EUR
Cost at 31.12.2019.	**964 640**	**1 003 877**	**1 968 517**
Reclassified from property, plant and equipment	15 031	-	**15 031**
Cost at 31.12.2020.	**979 671**	**1 003 877**	**1 983 548**
Accumulated depreciation at 31.12.2019.	**-**	**811 039**	**811 039**
Depreciation (calculated)	-	27 197	**27 197**
Accumulated depreciation at 31.12.2020.	**-**	**838 236**	**838 236**
Balance at 31.12.2019.	**964 640**	**192 838**	**1 157 478**
Balance at 31.12.2020.	**979 671**	**165 641**	**1 145 312**

In the course of its business, as at 31 December 2020 the Company rents out as part of the Company's land amounting to 68.9909 (31.12.2019: 67.9324) hectares.

17. INVENTORIES

	2020 / EUR	2019 / EUR
Materials and consumables	866 493	918 125
Advances for goods	-	1 585
TOTAL:	866 493	919 710

18. TRADE RECEIVABLES

	2020 / EUR	2019 / EUR
Trade receivables	6 882 672	19 034 633
Impairment allowance	(3 488 933)	(11 278 126)
TOTAL:	**3 393 739**	**7 756 507**

18. A IMPAIRMENT ALLOWANCE

	EUR
Impairment allowance at 31 December 2018	**19 865 797**
Reversal of allowance through debt recovery	(8 587 779)
Created impairment allowance	108
Impairment allowance at 31 December 2019	**11 278 126**
Reversal of allowance through unrecovered debts	(8 199 582)
Reversal of allowance through debt recovery	(62)
Created impairment allowance	330 451
Impairment allowance at 31 December 2020	**3 488 933**

19. OTHER RECEIVABLES AND PREPAID EXPENSES

	2020 / EUR	2019 / EUR
Financial assets		
Other receivables[18]	70 529	580 584
Impairment allowance for other receivables	(1 989)	(1 989)
TOTAL FINANCIAL ASSETS:	**68 540**	**578 595**
Non-financial assets		
Insurance	87 115	94 141
Advances for services	179 921	13 458
Advances for fixed assets	650 433	1 807 851
Other prepaid expenses	497 192	712 784
TOTAL NON-FINANCIAL ASSETS:	**1 414 661**	**2 628 234**
TOTAL:	**1 483 201**	**3 206 829**

[18] Including sublease receivable of 31 665 euro in as of 31 December 2020. (2019: 46 558 euro)

20. CASH AND CASH EQUIVALENTS

	2020 / EUR	2019 / EUR
Cash in bank	4 815 767	20 384 515
Cash in exchange machine and cash in transit	5 791	42 489
Cash on hand	4 684	7 357
TOTAL:	**4 826 242**	**20 434 361**

21. SHARE CAPITAL

The registered and paid-up share capital is 28 608 932 euro (31 December 2019: 28 608 932 euro) and it is comprised of 28 608 932 shares with nominal value one euro each (31 December 2019: 28 608 932 shares with nominal value 1.00 euro each). All shares are owned by the Republic of Latvia. The holder of the state shares is the Ministry of Transport of Latvia. All Company's shares rank equal with respect to dividends, liquidation quota and voting rights in the Shareholder Meeting.

22. RESERVES

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

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

	EUR
Reserve capital at 31 December 2018	**12 289 235**
Increase in 2019, net	10 702 523
Reserve capital at 31 December 2019	**22 991 758**
Increase in 2020, net	-
Reserve capital at 31 December 2020	**22 991 758**

Apart from reserve capital, other reserves include a "Long-term investment revaluation reserve" that has been created in 2001 for the assets that previously belonged to the Russian Federation Army, received free of charge. As at 31 December 2020 the balance of this reserve is 9 394 euro (2019: 9 394 euro).

23. BORROWINGS FROM CREDIT INSTITUTIONS AND OTHER BORROWINGS

	2020 / EUR	2019 / EUR
Long-term loans from credit institutions		
The Treasury (repayable not later than 5 years after balance sheet date)	22 215 994	23 829 178
Borrowing from "OP Corporate Bank plc" (repayable not later than 5 years after balance sheet date)	-	4 720 470
Long-term lease liabilities (repayable not later than 5 years after balance sheet date)	221 161	428 864
TOTAL NON-CURRENT PORTION:	**22 437 155**	**28 978 512**

	2020 / EUR	2019 / EUR
Short-term loans from credit institutions		
The Treasury	1 744 306	1 763 776
Loan from "OP Corporate Bank plc"	4 723 107	420 034
"Swedbank AS"	8 624 655	-
Lease liabilities	207 864	231 385
TOTAL CURRENT PORTION:	**15 299 932**	**2 415 195**
TOTAL:	**37 737 087**	**31 393 707**

(a) LOANS FROM CREDIT INSTITUTIONS

On 12 April 2012 **The Treasury of the Republic of Latvia** 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 11t October 2012, updated 20th February 2014 No. 100165077, updated 24th March 2015 No. 100169472). As at 31 December 2020 the repayable part of the loan is 23 689 314 euro and the accrued interest is 61 474 euro (2019: 25 351 722 euro and accrued interest 101 119 euro).

Based on the Minister of Finance Decision No. 12-6 / 12 of 9 August 2018, the Company and The Treasury of the Republic of Latvia signed a loan agreement in the amount of 208 978 euro. Purpose of the loan was realization of KF project No.6.1.2.0/16/I/001 "Development of safe and environmentally friendly infrastructure at Riga International Airport". Loan shall be repaid by 20 July 2026. Loan must be used by 30 July 2021. As at 31 December 2020, used portion of the loan is 208 978 euro.

"Swedbank AS" On 7 January 2020, the Company entered into a loan agreement in the amount of 9 500 000 euro. The purpose of the loan is to refinance the borrower's liabilities from OP Corporate Bank. As at 31 December 2020, the outstanding part of the loan was 8 621 849 euro and the accrued interest was 2 806 euro. In 2020, the loan was repaid in the amount of 878 151 euro. The loan shall be repaid by 23 December 2024. The loan is classified as a current liability based on a notification received from Swedbank AS in November 2020 regarding non-compliance with the terms of the loan agreement - non-compliance with DSCR coefficient.

"OP Corporate Bank plc" The Company has a loan of 6 400 000 euro signed on 21st April 2016. Purpose of the loan – funding of project "Expansion of a passenger terminal of SJSC "Riga International Airport" 5.2nd level. The loan shall be repaid until 20th April 2021. In 2017 a loan in amount of 6 294 000 euro was received. As at 31st December 2020 the repayable part of the loan is 4 722 709 euro and accrued interest is 398 euro (2019: 5 140 070 euro and accrued interest 434 euro).

"OP Corporate Bank plc" The Company has an available credit line of 20 000 000 EUR. The deadline for full repayment and final settlement of the loan is May 26, 2021. As at 31 December 2020, the credit line is not used.

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

Future payments under finance lease in 2019 and under lease liabilities in 2020 are as follows:

	2020 / EUR	2019 / EUR
Within 1 year, including lease interest	211 655	237 792
Later than one year but less than five years, including lease interest	222 868	434 523
Total lease liabilities – minimum lease payments and lease interest	**434 523**	**672 315**
Future finance charges on lease – interest on the lease	(5 498)	(12 066)
PRESENT VALUE OF LEASE LIABILITIES:	**429 025**	**660 249**

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

	2020 / EUR	2019 / EUR
Within 1 year	207 864	231 385
Later than one year but less than five years	221 161	428 864
PRESENT VALUE OF LEASE LIABILITIES:	**429 025**	**660 249**

Movement of borrowings:

	2020 / EUR	2019 / EUR
Balance at the beginning of the reporting year	**31 393 707**	**43 570 122**
Loans received	9 569 114	139 864
Undertaken lease	-	106 490
Loans repaid	(2 960 161)	(12 121 358)
Repayment of lease liabilities	(231 139)	(258 654)
Calculated interest	452 427	551 193
Interest received	1 828	1 618
Interest paid	(488 689)	(595 568)
Balance at the end of the reporting year	**37 737 087**	**31 393 707**

As at 31 December 2020, the Company has signed 7 lease contracts with repayment term till 31 December 2021 – 6 776 euro; till 31 December 2022 – 221 833 euro; till 31 December 2023 – 74 415 euro; till 31 December 2024 – 71 545 euro. In 2020, no new lease agreements were signed (2019: two agreements with repayment term till 31.12.2022 – 85 152 euro). During 2020, actual interest rates fluctuated from 1% to 2.8% per annum.

24. DEFERRED INCOME

	2020 / EUR	2019 / EUR
Long term:		
Government grant related to the Cohesion Fund financing of property, plant and equipment acquired as part of the runway extension project	4 006 339	4 592 680
Payment for development of infrastructure stipulated in the long-term lease agreements	1 718 477	1 302 958
Government grants for development of the airport infrastructure	254 785	423 050
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	125 480	145 981
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	36 858 325	41 009 129
Fixed assets (heating system and other) obtained free of charge	209 050	237 690
From EU project for safe and environmentally friendly infrastructure	18 019	25 720
Ministry of Defence budget program for airport infrastructure improvement	530 000	-
TOTAL LONG TERM PART:	**43 720 475**	**47 737 208**
Short term:		
Government grant related to the Cohesion Fund as part of the runway extension project	586 340	586 340
Advertising and lease services	262 270	935 588
Government grants for development of the airport infrastructure	168 267	184 325
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	57 787	57 628
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 110 903	4 378 336
Fixed assets (heating system and other) obtained free of charge	28 640	28 707
Funding from State budget subprogram 99.00.00. "Expenditure for unforeseen events"	-	249
Fixed assets acquired as part of ERDF project No.15.3 /147	9 401	8 818
TOTAL SHORT TERM PART:	**5 223 608**	**6 179 991**
TOTAL:	**48 944 083**	**53 917 199**

See also Note 4.

25. OTHER LIABILITIES

	2020 / EUR	2019 / EUR
Financial liabilities		
Other liabilities	3 806 406	4 149 138
Other accrued expenses	3 669 626	4 590 955
TOTAL FINANCIAL LIABILITIES:	**7 476 032**	**8 740 093**
Non-financial liabilities		
Taxes and compulsory state social security contributions liabilities	1 125 788	1 182 445
Salaries	807 753	1 289 235
Advances from clients	-	1 280
TOTAL NON-FINANCIAL LIABILITIES:	**1 933 541**	**2 472 960**
TOTAL:	**9 409 573**	**11 213 053**

26. ACCRUED LIABILITIES

	2020 / EUR	2019 / EUR
Accrued vacation liabilities	833 267	1 086 458
Accrued bonus expenses	-	2 946 472
TOTAL ACCRUED LIABILITIES:	**833 267**	**4 032 930**

27. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The Company has the following financial instruments:

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

Financial instruments by categories:

	Notes	2020 / EUR	2019 / EUR
Financial assets at amortized cost			
Trade receivables, net	18	3 393 739	7 756 507
Other financial assets	19	68 540	578 595
Cash and cash equivalents	20	4 826 242	20 434 361
	TOTAL:	**8 288 521**	**28 769 463**

	Notes	2020 / EUR	2019 / EUR
Financial liabilities at amortized cost			
Loans from credit institutions	23	(37 308 062)	(30 733 458)
Lease liabilities	23	(429 025)	(660 249)
Trade payables		(947 850)	(3 577 954)
Other liabilities	25	(7 476 032)	(8 740 093)
	TOTAL:	**(46 160 969)**	**(43 711 754)**

The Company has exposure to the following risks:

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

Credit risk

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

Sources of credit risk

Credit risk mainly relates to the largest customers of the Company. Three largest customers of the Company contribute 71% (2019: 38%) of the total debtors. One of those customers represented 15% (2019: 12%), of the total trade receivables, the second one represented 13% (2019: 8%) and the third largest customer represented 43% (2019: 18%) of the total trade receivables. The debt, which as of 31 December 2019 represented 43% of the total trade receivables, has been written of during the reporting year.

Credit risk management

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

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

In 2020, 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 2020:

	Not due	Less than 30 days	30-90 days	90-180 days	More than 190 days	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Trade receivables, gross	3 547 447	40 270	58 272	58 545	3 178 138	**6 882 672**
Allowance	(188 650)	(28 561)	(39 543)	(53 059)	(3 179 120)	**(3 488 933)**
Trade receivables, net	3 358 797	11 709	18 729	5 486	(982)	**3 393 739**

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

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

Accounts receivable are 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
31.12.2020.							
Trade receivables, including	6 882 672	(3 488 933)	3 393 739	3 753 307	(188 650)	3 129 365	(3 300 283)
Three largest clients	4 868 474	(2 826 511)	2 041 963	2 257 211	-	2 611 263	(2 826 511)
Other customers	2 014 198	(662 422)	1 351 776	1 496 096	(188 650)	518 102	(473 772)
Other receivables, net	70 529	(1 989)	68 540	68 540	-	1 989	(1 989)
TOTAL:	**6 953 201**	**(3 490 922)**	**3 462 279**	**3 821 847**	**(188 650)**	**3 131 354**	**(3 302 272)**

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

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

Quality of the debtors

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

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

Term deposits and cash at bank

Bank	Long term rating from Moody's Investors Service	2020 / EUR	2019 / EUR
AS Swedbank	Aa3	1 807 981	1 215 067
AS Citadele Bank	Baa3	977 603	1 184 773
"OP Corporate Bank plc"	Aa3	9 746	9 868
Luminor Bank	Baa2	116 407	-
Luminor bank (previously: DnB bank)	Baa1	-	984 214
Luminor bank (previously: Nordea bank AB)	Baa1	-	10 646 619
The Treasury of the Republic of Latvia		1 903 065	6 343 974
SEB Bank	Aa2	965	-
	TOTAL:	**4 815 767**	**20 384 515**

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.

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

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.

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.

As at 31 December 2020, the Company's current liabilities exceeded current assets by 21 144 555 euro. Current liabilities include deferred income related to government grants and support from EU funds, which are not related to direct cash flow in the amount of 4 932 698 euro. The management of the Company forecasts that together with the Cabinet of Ministers Order No. 219 of 23 April 2020 "On the increase of the share capital of the State Joint Stock Company Riga International Airport" and the subsequent decision adopted by the European Commission on March 8, 2021, it has supported the increase of the share capital of Riga Airport by 35.2 mil. euro and dividends for the profit of 2019 in amount of 4.5 mil.euro leave undistributed, the Airport will not have liquidity problems and the Company will be able to settle it's liabilities with creditors within the set deadlines. The share capital increase is expected to be realized within approximately two months after the European Commission's decision. Also, a credit line, from OP Corporate Bank plc in the amount of 20 000 000 euro, with the loan fully repayable on May 26, 2021, is available to the Airport. As at 31 December 2020, the outstanding portion of the credit line is 0 euro.

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

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

Term analysis of financial liabilities at 31.12.2020. 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
31.12.2020.						
Loans from credit institutions	(37 308 062)	(39 427 896)	(865 338)	(6 865 329)	(17 391 723)	(14 305 506)
Lease liabilities	(429 025)	(434 472)	(54 269)	(157 387)	(222 816)	-
Accounts payable to suppliers and contractors	(947 850)	(947 850)	(947 850)	-	-	-
Other liabilities	(7 476 032)	(7 476 032)	(1 035 947)	(1 861 229)	(4 578 856)	-
TOTAL:	**(46 160 969)**	**(48 286 250)**	**(2 903 404)**	**(8 883 945)**	**(22 193 395)**	**(14 305 506)**

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

Interest rate risk

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

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

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

If all other variables remain unchanged, The Company's pre-tax profit effect against reasonably possible interest rate fluctuation is following: if euro borrowing rates would have been 100 basis points higher at floating base rates then the Company loss after tax for reporting year would be 54 222 euro less.

Foreign currencies fluctuations risk

Foreign currency exchange risk is probability, that foreign currency exchange fluctuations will affect financial position and cash flows of the Company. Assets and liabilities exposed to the foreign currency exchange risk are cash and cash equivalents, trade and other receivables, short and long-term borrowings, accounts payable to suppliers and contractors and other liabilities. The Company is mainly exposed to foreign currency exchange risk associated with USD and CAD. Exposure to foreign currency exchange risk as at 31 December 2020 and 2019 is as follows:

	2020	2019
Financial assets, USD thousand	55	134
Financial liabilities, USD thousand	(1)	(2)
Statement of financial position, USD thousand, net	**54**	**132**
Statement of financial position, EUR thousand, net	**44**	**118**

	2020	2019
Financial liabilities, CAD thousand	-	(13)
Statement of financial position, CAD thousand, net	**-**	**(13)**
Statement of financial position, EUR thousand, net	**-**	**(9)**

Currency sensitivity analysis

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

31 December 2020

	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	20 626	206	(206)
Trade receivables, gross	USD	34 388	344	(344)
	TOTAL:	**55 015**	**550**	**(550)**
Financial liabilities				
Trade payables	USD	793	8	(8)
	TOTAL:	**793**	**8**	**(8)**
Net effect		**54 222**	**542**	**(542)**

31 December 2019

	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	36 237	362	(362)
Trade receivables, gross	USD	83 385	834	(834)
	TOTAL:	**119 622**	**1 196**	**(1196)**
Financial liabilities				
Trade payables	USD	1 476	15	(15)
Trade payables	CAD	9 059	91	(91)
	TOTAL:	**10 535**	**106**	**(106)**
Net effect		**109 087**	**1090**	**(1090)**

(b) Capital risk management

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

The Company performs management of the capital, based on proportion of borrowed capital against total capital. This indicator is calculated as proportion of total liabilities, less cash and cash equivalents, to the total capital of the Company. Liabilities include all long term and short-term liabilities, but total capital includes all liabilities of the

Company and equity. This indicator is used to evaluate structure of the capital of the Company, as well as its solvency. Strategy of the company is to ensure that mentioned proportion is not higher than 50%.

In 2020 and 2019 the proportion of borrowed capital to total capital was as follows:

	2020 / EUR	2019 / EUR
Total liabilities	97 871 860	104 134 843
(Cash and cash equivalents)	(4 826 242)	(20 434 361)
(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)	(46 963 336)	(51 678 653)
Net total liabilities	46 082 282	32 021 829
Total equity and liabilities	156 177 093	178 286 423
Borrowed capital proportion to total capital:	**29.51%**	**17.96%**

(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 entirely.

Quoted market prices - Level 1

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

Valuation techniques using observable inputs - Level 2

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

Valuation technique using significant unobservable inputs - Level 3

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

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

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

Assets: Cash and cash equivalents 4 826 242 euro; net trade accounts receivable 3 393 739 euro; other net receivables 70 529 euro.

Liabilities: Borrowings form credit institutions 37 308 062 euro; financial lease liabilities 429 025 euro; trade accounts payable 947 850 euro; other liabilities 7 476 032 euro.

Assets and liabilities for which fair value is disclosed

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

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

Assets measured at fair value

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

28. CAPITAL COMMITMENTS

The Company has planned to spend 17 762 thousand euro (2019: 4 305 thousand euro) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:

- Contracted for, but not yet delivered: 3 089 thousand euro (2019: 4 075 thousand euro);
- Approved, but not yet contracted for: 14 673 thousand euro (2019: 230 thousand euro).

29. RELATED PARTY TRANSACTIONS

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

(a) Balances due to related parties

	2020 / EUR	2019 / EUR
Payables to VA "Civilās valsts aģentūru", safety and rescue pay part	159 410	400 375

(b) Balances due from related parties

	2020 / EUR	2019 / EUR
VAS „Latvijas gaisa satiksme”, for lease and public utility services	41 729	53 677
VAS „Latvijas pasts”, for lease and public utility services	32 928	32 421
AS „Air Baltic Corporation”, for aviation and lease services	1 052 703	2 237 466

(c) Income from sales of services to related parties

	2020 / EUR	2019 / EUR
VAS Latvijas gaisa satiksme for lease and public utility services	581 939	585 700
VAS Latvijas pasts for lease and public utility services	291 684	326 223
AS “Air Baltic Corporation” for aviation and lease services	5 340 958	16 731 936

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

	2020 / EUR	2019 / EUR
VAS „Latvijas gaisa satiksme” for the services provided	11 928	8 661
VAS „Latvijas pasts” for the services provided	4 327	6 360
Services received from AS „Air Baltic Corporation”	76 060	288 836

(e) Grants received from related parties

	2020 / EUR	2019 / EUR
Aviation safety grants from the State (see Note 4)	42 418	42 724

Transactions with key management personnel are disclosed in Note 5.

30. CONTINGENT LIABILITIES AND ASSETS

Accruals:

According to the SJSC "Riga International Airport" Board decision dated 15 February 2021; the following provisions have been created:

- Leave unchanged the provision created for fulfilment of the potential liabilities regarding the case by air carrier "Ryanair Ltd" in amount of 2 577 076 euro;
- Leave unchanged the provision created for potential compensations for real estate located at Mazā Gramzdas Street 1A, cadastre No. 8076 002 0061 and "Mūkupurvi", cadastre No. 8076 002 0063 in amount of 295 120 euro.

Details of the pending legal proceedings as at 31 December 2020:
AB "flyLAL - Lithuanian Airlines' claim against the SJSC "Air Baltic Corporation" and SJSC "Riga International Airport", to stop unlawful operations and recover material loss, and a claim by third parties JSC" Zia Valda ", JSC" VA REALS " to stop unlawful operations and recover material loss.

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

By decision of 30 March 2020, the Court of Appeal of Lithuania dismissed the claim against SJSC Riga International Airport, ruling in favour of SJSC Riga International Airport to recover part of the costs.

On 5 May 2020, a Lithuanian court decided to grant the Airport's request for the waiver of the security in the case of AB flyLAL - Lithuania Airlines / the Airport. 3rd persons - have filed an appeal in cassation, appealing against the judgment of the second instance only in part regarding the recovery of costs. The Airport has lodged a cassation appeal against the incomplete recovery of costs. Cassation complaints were also filed by AS AirBaltic Corporation and AB flyLAL - Lithuania Airlines. The Supreme Court has accepted all the appeals in cassation.

The Supreme Court of Lithuania heard the cassation appeal on January 13, 2021. The judgment of the Supreme Court of Lithuania annulled the decision of the Court of Appeal and remitted the case to the Court of Appeal in full, as the Supreme Court of Lithuania considered that the judgment of the Court of Appeal should have been more detailed after assessing all arguments and counter-arguments submitted by the parties.

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

On 21 September 2017 SIA "Merks" initiated a claim against JCS "Riga International Airport" for recovery of debt and contractual penalty, on 18 May 2018 SJSC "Riga International Airport" filed a counterclaim in court for the recovery of the contractual penalty, as well as legal costs and expenses for legal assistance provided by lawyers.

On December 8, 2020, a settlement No. J-20-51 was concluded between SIA "Merks" and the Airport. The settlement has been submitted to the court for approval. On December 14, 2020, the designated court hearing was cancelled due to the judge's illness. The next hearing is scheduled for March 8, 2021. On March 19, 2021, the court decision of March 8, 2021, which approved the settlement concluded between SJSC "Riga International Airport" and SIA "Merks", has entered into force.

Future income from lease payments

During 2020, the Company signed several operating lease agreements as a lessor of land and premises. In 2020, the Company generated revenue of 5 726 759 euro (2019: 14 570 624 euro) from these lease agreements.

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

On 30 September 2010, the Company signed the long-term lease agreement no. NN-10/100 (renewed by NN-10/116) with SIA TAV Latvia on renting commercial premises of the Company's terminals until 31 December 2022. The share of income from the above lease agreement with SIA TAV Latvia in the Company's total income from the rent of premises and land in 2020 amounted to 60% (2019: 82%). 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 2020 have not been disclosed, as it cannot be estimated reliably.

31. CHARGE FOR SERVICES PROVIDED TO DISABLED PERSONS AND PERSONS WITH REDUCED MOBILITY

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

	2020 / EUR	2019 / EUR
Income	278 542	1 083 614
Direct costs	(511 331)	(938 610)
Indirect costs	(179 636)	(293 692)
Loss from operating activities	**(412 424)**	**(148 688)**
Other operating income	-	309 533
Other operating expenses	(2 706)	(4 378)
PROFIT/ (LOSS) BEFORE TAX:	**(415 131)**	**156 467**

32. PROFIT DISTRIBUTION PROPOSED BY THE BOARD

The management recommends covering the losses of the reporting year with the profit of the previous years from the accumulated reserves of the Company.

33. SUBSEQUENT EVENTS

On 8 March 2021, the European Commission adopted a decision in the state aid case SA.57756 (2021 / N) - Latvia COVID-19: Recapitalization of Riga International Airport (hereinafter - EC Decision), which anticipates an increase of the Airport's share capital by 35.2 mil. euro and an exemption from dividend distribution for the financial year 2019 in the amount of 4.5 mil. euro.

The EC decision follows the Order No. 219 "On Increasing the Share Capital of the State Joint Stock Company Riga International Airport" issued by the Cabinet of Ministers on April 23, 2020, which anticipated an increase of the Airport's share capital by 49.9 mil. euro and exemption from dividend distribution for the financial year 2019 in the amount of 4.5 mil. euro. As a result of the EC decision, the share capital of the Airport will be increased in a smaller amount, mainly due to the better-than-expected Airport economic performance in 2020.

At the time of approval of the financial statements, the liquidity of the Airport is sufficient to cover its liabilities. The Airport's ability to cover its liabilities in the future, even after the share capital increase, depends on measures to limit the spread of Covid-19, various scenarios for the duration of the state of emergency, as well as the associated travel restrictions.

Except for the above, in period since last day of the reporting period there have been no events that would significantly affect the Company's 2020 financial statements.

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

The 2020 Financial statements of the Company set out on pages 15 to 58 were signed on 15 April 2021 by:

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

Inga Simsone

Chief accountant