STATE JOINT STOCK COMPANY RIGA INTERNATIONAL AIRPORT ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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 Supervisory Board	Juris Kanels (Chairman of the Board) from 17 May 2016 Raitis Nešpors (Member of the Board) from 17 May 2016 Tālis Linkaits (Member of the Board) from 17 May 2016
The Management Board	Ilona Līce (Chairman of the Board) from 20 January 2017 Artūrs Saveļjevs (Member of the Board) from 13 September 2017 Lauma Jenča (Member of the Board) from 31 October 2017 Normunds Feierbergs (Member of the Board) from 10 November 2017 Armands Jurjevs (Chairman of the Board) from 31 October 2016 until 12 January 2017 Ilona Līce (Member of the Board) from 31 October 2016 until 19 January 2017 Irina Feļdmane (Member of the Board) from 31 October 2017 until 17 October 2017
Financial year	1 January – 31 December 2017
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA VNR 40003142793 Certified Audit Company License No. 5 Krišjāņa Valdemāra iela 21-21 Rīga Latvia LV-1010 Certified auditor-in-charge: Terēze Labzova-Ceicāne Certified auditor Certificate No. 184

Management report

In 2017, the State Joint Stock Company *Riga International Airport* (hereinafter "*the Company*") provided services to 75 thousand aircrafts, 6.1 million passengers, and handled 26 thousand tonnes of cargoes. Compared to 2016, the number of passengers has increased by 13 %, the number of aircrafts serviced has increased by 10 %, whereas the volume of handled cargoes has increased by 29 per cent.

The Company continues to be the largest air carrier of passengers as well as cargo handling centre in the Baltic States, accounting for 48.8 % of the passengers, to which services were provided by the airports of the capitals of the Baltic States. The national airline *Air Baltic* is the leader in terms of the number of passengers carried from/to the Riga airport, and the share of its passengers in the total number of passengers handled at the Riga airport accounts for 53.3 %. During the reporting year, airlines have launched 16 new flight destinations from the Riga airport, whereof the national carrier *Air Baltic* launched 11 flights. In 2017, during the summer flight season, 89 direct destinations were available, whereas in winter, 74 destinations were operated from the Riga airport.

In 2017, the Company carried on its work at the streamlining of the general operational processes with a view to reducing environmental impacts and steadily improving of the quality of the services provided, promoting the achievement of the objectives set by the Company. In September 2015, the Company obtained the ISO standard certifications to support compliance of the Airport's quality management system with the requirements of the ISO 9001:2008 standard as well as compliance of its environmental management system with the requirements of the ISO 14001:2004 standard. In 2017, the Company carried on its work aimed at improving the quality of its services with a view to undergo recertification under the updated versions of the above-mentioned standards (ISO 9001:2015 and ISO 14001:2015) in 2018.

On 12 December 2017, the Company's airfield was certified according to the requirements of EC Regulation No. 216/2008 and the EC Regulation No. 139/2014, pursuant to the Republic of Latvia Cabinet Regulation No. 635 *Development, Certification and Exploitation of Civil Aviation Airfields Regulations.*

Considering that certification is a complex and time-consuming process, the Company started working on it as early as in 2014. During the certification, all airfield management processes were thoroughly reviewed and analysed as well as improved according to the top security and management requirements currently set for the aviation industry companies in Europe. The Riga airport is among those 461 European airports, which have been certified under the new requirements; it is also one of the first airports in the region to have obtained the certificate. The certificate means that the airfield of the Riga airport meets the highest ground operation, technical maintenance, management and security system standards. Not only the received certificate does guarantee additional security, but it also contributes to increasing the airport's competitiveness enabling the attracting of new air carriers.

Under the European Commission regulation that provides for establishing of the same aerodrome operating, technical maintenance, management and security systems, all the airports of the Member States of the European Union were required to complete their certification processes and obtain the new certificates by 31 December 2017. The Riga airport completed the certification process ahead of the statutory term.

The principal activity of the Company

The reporting year was the 27th year of operation of SJSC Riga International Airport.

The principal activity of the Company is the provision of aircraft, passenger and cargo handling services as well as other (non-aviation) services in the territory of the Riga International Airport. The key non-aviation service lines comprise leasing of premises and land, as well as provision of parking and other services. In 2017, the Company's net turnover was EUR 54,639,215, up by 8.3 % (by EUR 4,192,148) from 2016. During the reporting year, revenue from aviation services amounted to EUR 31,442,329, up by 9.4 % (by EUR 2,696,883) from the previous year. The major source of aviation revenue is revenue from the services, for which the rates are laid down in the Republic of Latvia Cabinet Regulation No. 823 *Regulations Regarding the Charges for Security and Rescue Measures Provided at the Aerodrome*, No. 210 and No. 953 *Regulations Regarding the Charges for the Services at the Aerodrome Provided by State Joint Stock Company Riga International Airport*. Income from services other than aviation services amounted to EUR 23,196,886 during the reporting year, up by 6.9 % (by EUR 1,495,265) from the previous year.

From 2007 to 2010 (inclusive), the Company received a government grant under the State budget programme 44.00.00 "Ensuring aviation security, rescue and medical assistance functions at the Riga International Airport" for carrying out security-related investment projects and for covering maintenance costs. In 2011, under the law "On the State Budget for 2011", as part of the same programme, the Company received a grant for covering security- related maintenance costs. Starting from 2012, the Company has been receiving government grants under the national budget programme 44.00.00 "Financing for Providing of Aviation Security Measures" for carrying out security provision-related investment projects. In 2017, under the law *On the State Budget for 2017* and the Republic of Latvia Cabinet order No. 109 *On Spending of the Financing of the State Budget Programme 44.00.00 "Financing for Providing Aviation Security Measures"*, the Company received a grant of EUR 42,834 (in 2016: EUR 42,828) for purchasing of the liquid explosive detector.

In 2017, the Company provided jobs to more than 1,200 employees – responsive professionals helping the Company to achieve its business goals. The breakdown of the Company's staff by employment area was as follows: security – 44 %, passenger services – 24 %, infrastructure

Management report (continued)

maintenance services – 18 %, other areas of the Company's business activities – 14% of total staff. Being a responsible employer, the Company aims at designing such an employee remuneration system, which ensures top quality, safe and affordable air carriage services to the Company's customers through maintaining and developing an infrastructure that meets international aviation requirements. The Company's remuneration policy provides for a stable, competitive and always timely paid employee remuneration package supplemented with social guarantees and benefits.

Financial performance

The Company's performance for the reporting year from operating activities before financial items was EUR 3,078,431. The overall performance for 2017 was a profit of EUR 3,486,688. The profit for the financial year was materially affected by the provisions for doubtful debts, contingent compensations due to the tenants and litigation costs, all created under the requirements of the Company's accounting policy, as well as by the adjustment under the new CIT requirements resulting from the CIT reform, i.e., recognising the reduction of the deferred tax liability of EUR 2,480,143 in the income for 2017.

The Company's development

The priorities set for 2017 were as follows:

1) The certification of SJSC Riga International Airport under the requirements of Cabinet Regulation No. 635 *Development, Certification and Exploitation of Civil Aviation Airfields Regulations* of 1 August 2006 and the European Commission Regulation No. 139/2014 of 12 February 2014;
2) Launching of the implementation of the Operational Programme 6.1.2. "Promoting compliance with security and environmental requirements at the Riga International Airport" of the European Union Cohesion Fund 2014 – 2020 programming period Operational Programme "Growth and Employment" of SJSC Riga International Aiport;
3) Improving and upgrading of the passenger service infrastructure.

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

1) Expansion of the passenger terminal: the 6th round;
2) Carrying out of the EU fund 2014-2020 projects;
3) Cargo platform infrastructure.

In the period since the last day of the reporting year to the date of signing of this report, the Company has become aware of the court judgment that has come into force under which the claim of SJSC Riga International Airport against SIA *Rixport* for cancellation of the lease agreement has been satisfied, which opens up the opportunity for the Company to continue the business park development project (a more detailed description thereof is provided in Note 32 to the financial statements).

Risk assessment and risk management

The Company's control environment stems from the Company's values. The Company's management supports such commercial activities, which are good faith-based, comply with ethical norms; it also takes the necessary measures to prevent risks of a corruptive and fraudulent nature. The Company promotes the awareness of its staff of the internal controls, as well as continuously improves them. The Company has been continuously improving the competencies of its staff to enable the achieving of the Company's objectives more efficiently.

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

The Company's risk management is aimed at the timely identification and management of the factors that may adversely impact the Company's operating activities, thereby ensuring the achieving of the Company's strategic objectives, minimising the potential losses or damage to reputation. The Company has started work on the development of its risk management policy; a number of risk management processes have been already put in place, such as safety, aviation security and information systems, i.e., the processes aimed at identifying and minimising operational risks.

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

Management report (continued)

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

The Company's management bodies

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

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

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

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

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

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

4 April 2018

Statement of the management's responsibility

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

The financial statements on pages 11 to 49 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 2016 and at 31 December 2017, and of its operating performance, changes in capital and reserves and cash flows for the years ended 31 December 2016 and 31 December 2017. The Management's report on pages 4 to 6 gives a true and fair view of the Company's financial performance and future prospects.

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

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

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

4 April 2018

Translation from Latvian original*

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of VAS "Starptautiskā lidosta "Rīga""

Our Opinion

In our opinion, the accompanying financial statements set out on pages 11 to 49 of the accompanying annual report give a true and fair view of the financial position of VAS "Starptautiskā lidosta "Rīga"" (Company) as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The financial statements comprise:

- statement of financial position as at December 31, 2017,
- the statement of comprehensive income for the year then ended,
- the statement of changes in shareholder's equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements and auditor's independence rules that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Reporting on Other Information Including the Management Report

Management is responsible for the other information. The other information comprises
- the Management Report, as set out on pages 4 to 6 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 7 of the accompanying Annual Report,

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

Our opinion on the financial statements does not cover the other information, including the Management Report.

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Lolita Čapkeviča
Member of the Board

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

Riga, Latvia
4 April 2018

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

Statement of profit or loss and statement of comprehensive income

	Note	2017 EUR	2016 EUR
Revenue	3	54 639 215	50 447 067
Government grants	4	6 548 884	6 814 700
Personnel costs	5	(24 341 567)	(20 981 931)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(15 810 093)	(14 973 921)
Other external costs	7	(12 112 358)	(12 991 029)
Other operating income	8	497 146	836 909
Other operating costs	9	(6 342 796)	(7 418 541)
Operating profit before financial items		**3 078 431**	**1 733 254**
Finance income	10	7	2 993
Finance costs	11	(840 338)	(852 193)
Profit before income tax		**2 238 100**	**884 054**
Corporate income tax	12 b	1 248 588	(525 604)
PROFIT FOR THE YEAR		**3 486 688**	**358 450**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3 486 688**	**358 450**

The accompanying notes on pages 16 to 49 form an integral part of these financial statements.

Statement of financial position

ASSETS

NON-CURRENT ASSETS	Note	31.12.2017. EUR	31.12.2016. EUR
Property, plant and equipment	14	140 452 987	150 576 038
Intangible assets	13	332 295	375 213
Investment property	15	1 406 867	1 448 304
TOTAL NON-CURRENT ASSETS		**142 192 149**	**152 399 555**
CURRENT ASSETS			
Inventories	16	630 349	620 064
Overpaid corporate income tax	12 a	-	404 942
Trade receivables	17	6 704 503	5 248 107
Other receivables and prepaid expenses	18	1 531 172	1 741 380
Cash and cash equivalents	19	31 256 966	19 981 583
TOTAL CURRENT ASSETS		**40 122 990**	**27 996 076**
TOTAL ASSETS		**182 315 139**	**180 395 631**

The accompanying notes on **pages** 16 to 49 form an integral part of these financial statements.

Statement of financial position (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY	Note	**31.12.2017. EUR**	**31.12.2016. EUR**
Share capital	20	28 608 932	28 608 932
Reserves:			
Other reserves	21	12 298 629	12 374 520
Retained earnings:			
Comprehensive income for the year		3 486 688	358 450
TOTAL SHAREHOLDERS' EQUITY		**44 394 249**	**41 341 902**
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions and other borrowings	22	43 425 622	40 963 278
Deferred income	23	60 426 734	66 270 631
Deferred income tax liabilities	12 c	-	2 480 143
TOTAL		**103 852 356**	**109 714 052**
Current liabilities			
Borrowings from credit institutions and other borrowings	22	3 809 917	3 661 896
Trade payables		2 114 919	1 165 532
Corporate income tax payable	12 a	855 723	-
Other payables	24	17 959 661	15 184 134
Deferred income	23	6 653 937	7 302 457
Accrued liabilities	25	2 674 377	2 025 658
TOTAL		**34 068 534**	**29 339 677**
TOTAL LIABILITIES		**137 920 890**	**139 053 729**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**182 315 139**	**180 395 631**

The accompanying notes on pages 16 to 49 form an integral part of these financial statements.

Statement of cash flows

	Note	2017 EUR	2016 EUR
Cash flow from operating activities			
Profit of the reporting year before tax		2 238 100	884 054
Adjustments for:			
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	13, 14, 15	15 813 180	14 977 934
Received Government grant for the infrastructure development		(779 703)	(986 315)
EU Cohesion Fund resources recognised in the profit for the current year	4	(5 675 581)	(5 675 581)
European Regional Development Fund resources recognised in the profit for the current year	4	(13 706)	(29 429)
Obtained from KPFI financing	4	(52 861)	(52 861)
Obtained without payment, (recognised in the profit for the current year)	8	(50 567)	(50 567)
Increase in accruals		3 439 062	4 644 847
Write-off of loss on fixed asset development and construction in progress		3 310	-
Impairment of intangible and fixed assets		-	240 970
Gain from sale of fixed assets		42 335	(10 953)
Net interest expenses	10 ,11	840 331	852 085
Increase of inventories		(10 285)	(38 194)
(Increase) / decrease in trade receivables		(1 456 396)	463 716
Decrease / (increase) in prepaid expenses		287 808	(611 988)
Decrease / (increase) in trade payables		1 095 325	(946 618)
Increase / (decrease) in deferred income		5 668	(107 403)
Cash generated from operating activities		**15 726 020**	**13 553 697**
Interest paid		(847 071)	(859 445)
Corporate Income tax paid		(375 832)	(569 856)
Net cash generated from operating activities		***14 503 117***	***12 124 396***
Cash flows from investing activities			
Funding from Cohesion Fund "For airport infrastructure development"		-	5 037 535
Government funding "For airport infrastructure development"		-	1 045 963
Employment related grants		25 909	17 296
Government funding for aviation security		42 834	42 828
ERDF financing From LIKTA government aid		1 125	-
Acuisition of intangible assets	13	(42 031)	(141 874)
Acquisiton of fixed assets		(5 381 021)	(13 462 382)
Income from sale of fixed assets		216	11 106
Interest received	10	7	108
Net cash used in investing activities		***(5 352 961)***	***(7 449 420)***
Cash flows from financing activities			
Loans received		6 294 000	1 252 000
Repayment of loans and borrowings		(3 390 115)	(2 929 494)
Payment of obligations under finance lease		(473 975)	(560 244)
Payments made for use of state capital		(304 683)	(1 035 788)
Net cash generated from / (used in) financing activities		2 125 227	(3 273 526)
Net increase in cash and cash equivalents		***11 275 383***	***1 401 451***
Cash and cash equivalents at the beginning of the year		**19 981 583**	**18 580 132**
Cash and cash equivalents at the end of the year	19	**31 256 966**	**19 981 583**

The accompanying notes on pages 16 to 49 form an integral part of these financial statements.

Statement of changes in shareholders' equity

	Notes	Share capital EUR	Other reserves EUR	Retained earnings EUR	**Total EUR**
31 December 2015		**28 608 932**	**12 259 432**	**1 150 876**	**42 019 240**
Transfer from retained earnings to reserves	21	-	115 088	(115 088)	-
Payment for the use of state capital		-	-	(1 035 788)	**(1 035 788)**
Comprehensive income for the year		-	-	358 450	**358 450**
31 December 2016		**28 608 932**	**12 374 520**	**358 450**	**41 341 902**
Transfer from retained earnings to reserves	21	-	53 768	(53 768)	-
Payment for the use of state capital		-	-	(304 683)	**(304 683)**
Property, plant and equipment written off		-	(129 659)	-	**(129 659)**
Comprehensive income for the year		-	-	3 486 688	**3 486 688**
31 December 2017		**28 608 932**	**12 298 629**	**3 486 688**	**44 394 249**

The accompanying notes on pages 16 to 49 form an integral part of these financial statements.

Notes to the financial statement

1. General information

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

The key lines of business are:

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

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

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

These Company's financial statements were authorised for issue by the Board of directors on 20 March 2017. Company's members of the Board as at the financial statement signing date are Ilona Līce (Chairman of the Board from 20th January 2017), Artūrs Saveļjevs (from 13 September 2017), Lauma Jenča (from 31 October 2016), Normunds Feierbergs (from 10 November 2016). Members of the Council on the financial statements reporting date are Juris Kanels (Chairman of the Council from 17th May 2016), Raitis Nešpors (Member of the Council from 17th May 2016), Tālis Linkaitis (Member of the Council from 17th May 2016). In 2017 Irina Feļdmane (Board member until 17 October 2017) and Armands Jurjevs (Chairman of the Board) were released from the Board.

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

2. Basis of the preparation

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

a) Statement of compliance and accounting principles

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

Financial statements are prepared on a going concern basis.

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

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

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

Compared with the accounting methods that were used in the preparation of the annual financial statements of 2016, the accounting methods used in 2017 for the preparation the annual financial statements are not changed.

Notes (continued)

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

a) Statement of compliance and accounting principles (continued)

The following new and amended IFRS and interpretations became effective in 2017, but have no significant impact on the operations of the Company and these financial statements:

Amendments to IAS 12 "Income taxes" – recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

Amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017).

The implementation of these standards did not have any significant impact on the Company's 2017 financial statements.

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2018 or later periods or are not yet endorsed by the EU and are relevant to the operations of the Company:

IFRS 9 "Financial instruments" (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

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

The Company regularly evaluates debtors and performs aging analysis to identify potential impairment losses, and the credit risk is also managed. The management has made an evaluation of implementation of IFRS 9 and has concluded that the adoption of the standard does not have an impact on the classification and measurement of the Company's financial assets and liabilities, and the calculated additional ECL are not significant.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). The standard completely replaces all standards and interpretations that were in force previously, and introduces a unified revenue recognition model, which is based on a 5 step approach. By evaluating the implementation of the IFRS 15, the Company's management has concluded that the adoption of the standard does not have an impact on the Company's financial statements, as the revenue recognition principles applicable to the Company remain the same.

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

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

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

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

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

b) Financial instruments

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

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

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

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

Notes (continued)

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

b) Financial instruments (continued)

Loans and receivables

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

Liabilities

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

Interest bearing borrowings

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

c) Revaluation of foreign currency

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

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

	31.12.2017.		31.12.2016.
	EUR		EUR
1GBP	0.88723	1GBP	0.73395
1RUB	69.3920	1RUB	64.30000
1SEK	9.84380	1SEK	9.552500
1USD	1.19930	1USD	1.054100

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.

Notes (continued)

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

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

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

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

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

Construction in progress

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

Impairment of property, plant and equipment

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset in relation to which the future cash flows have not been adjusted.

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

f) Investment property

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

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

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

Investment property is derecognized when 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.

Notes (continued)

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

f) Investment property (continued)

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

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

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

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

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

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

l) Revenue recognition

Revenue is recognized based on the likelihood of gaining economic benefit and to the extent, it is reasonably measurable. Revenue is recognized based on the following conditions:

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

Notes (continued)

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

l) Revenue recognition (continued)

Interest
Revenue is recognized based on the period for which interest is calculated.

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

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

m) Government and European Union grants

Government and European Union grants are recognized as follows:

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

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

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

n) Financial income and expenses

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

o) Related parties

Company accounts following parties as related parties:

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

p) Subsequent events

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

q) Employee benefits

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

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

Notes (continued)

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

r) Current and deferred income tax

Income tax expense consists of the year and deferred tax.

Corporate income tax for the reporting period is calculated based on tax legislation enforced at the year end. Current legislation stipulates application of 15% tax rate.

Until 31 December 2016, deferred tax was provided for, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arose from different fixed asset depreciation rates, accrued costs and provisions which were deductible in the future taxation periods as well as tax losses carried forward.

On July 28, 2017, a new Corporate Income Tax Law was adopted, which stipulates that from January 1, 2018, the corporate income tax is levied on profit that arose after 2017 if it is distributed. The new tax law does not include rules which result into timing differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Transitional provisions of the law provide that taxpayers will be able to utilise the unused tax losses accumulated by 31 December 2017 during next 5 taxation years for reducing the tax payable on distributed profits by no more than 50% each year, as well as to use provisions created by 31 December 2017 that resulted in the increase of taxable income during the respective tax periods, for reduction of taxable profits, in the amount of their reduction. Such amounts, if any, do not give rise to deferred income tax assets as at 31 December 2017 and thereafter, as in the situation where there is a different tax rate on distributed profit and retained earnings, the deferred tax is calculated according to the tax rate applicable to retained earnings, i.e. 0%. Given the circumstances, there is no longer any reason for the existence of a deferred tax asset or liability at 31 December 2017, and the deferred tax liability recognized by the Company as at 31 December 2016 was reduced to zero, including a reduction in that liability in the profit and loss account for the year 2017.

From taxation year 2018, corporate income tax will be calculated on the basis of distributed profit (20/80 of the net amount payable to shareholder). Corporate tax on distributed profit will be recognized when the shareholder of the Company make a decision about profit distribution.

s) Critical accounting estimates and assumptions

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

Recoverable amount and impairment
When the events and circumstances indicate a potential impairment, the Company performs impairment tests for items of property, plant and equipment, intangible assets and investment property. According to these tests, assets are written down to their recoverable Amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. The estimates are based on forecasts of the general economic environment. If the situation changes in the future, either additional impairment could be recognised or the previously recognised impairment could be partially or fully reversed. Impairment charges recognised by the Company are disclosed in Note 9.

Impairment of receivables
The Company recognizes allowances for doubtful debts. In order to determine amount of unrecoverable receivables, management estimates based on historical experience are used. Provisions for doubtful debts are recognized based on an individual management assessment of recoverability of each receivable (Note 17a).

Useful lives of property, plant and equipment
Management estimates the expected useful lives of property, plant and equipment in proportion to the expected duration of use of the asset based on historical experience with similar property, plant and equipment and based on future plans. Depreciation of property, plant and equipment is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of 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

Notes (continued)

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

s) Critical accounting estimates and assumptions *(continued)*

Provisions and accruals

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

Notes (continued)

3) Revenue

	2017 EUR	2016 EUR
Total aviation revenue	**31 442 329**	**28 745 446**
Security and rescue measure fees*	11 294 996	10 342 037
Departure / landing fees	3 703 806	3 305 636
Ground handling	4 835 707	4 700 800
Passenger service fees	7 281 834	6 342 485
Other aviation services	2 730 312	2 314 932
*Including charge for services provided to disabled persons and persons with reduced mobility***	*850 293*	*754 887*
Centralized infrastructure services	1 595 674	1 739 556
Total non-aviation revenue	**23 196 886**	**21 701 621**
Rent of premises within terminal	10 695 787	9 624 003
Car parking services	2 454 943	2 104 375
Other lease in the airport territory***	4 308 717	4 301 473
Public utilities	2 237 158	2 146 524
Servicing business passengers	1 395 412	1 314 583
Advertising services	468 401	466 681
Income from concessions	326 887	323 335
Other non-aviation services	1 309 581	1 420 647
TOTAL:	**54 639 215**	**50 447 067**

	2017 EUR	2016 EUR
EU Economic Activities Statistical Classification according to NACE codes:		
Aviation income (52.23)	31 442 329	28 745 446
Non-aviation income (68.20)	21 092 017	19 490 958
Non-aviation income (73.12)	468 401	19 490 958
Non-aviation income (79.90)	1 636 468	1 743 982
KOPĀ:	**54 639 215**	**50 447 067**

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

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

*** Includes rental income from investment property in amount of 3 475 693 EUR (2016: 2 965 162 EUR).

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

4) Government 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 2017 amounting to 42 834 EUR (2016: 42 828 EUR). Part of the government grant for the aviation safety used to cover maintenance expenses is recognized under income of the reporting year. As at 31.12.2017., goverment grant for acqusition and creation of long-term investments to improve aviation safety carried forward to the following year is 243 859 EUR (31.12.2016.: 667 313 EUR).

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

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

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

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

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

	2017 EUR	2016 EUR
Government grant for the safety of aviation:	**466 289**	**618 589**
Other external costs	-	53 218
Depreciation of property, plant and equipment purchased using the grant	466 289	565 371
Grants received from the Cohesion Fund:	**5 675 581**	**5 675 581**
Depreciation of property, plant and equipment purchased using the Cohesian Fund resources	5 675 581	5 675 581
Subsidies received from European Regional Development Fund:	**13 706**	**29 429**
Depreciation of assets bought using resources obtained from ERDF	13 706	29 429
Other grants:	**393 309**	**491 101**
Depreciation of property, plant and equipment purchased using the grant	313 414	420 944
Project Nr.KPFI-15.3/147, obained from Climate Change Control Instrument financing	52 861	52 861
Employment related grants	25 909	17 296
ERDF financing from LIKTA government aid	1 125	-
TOTAL	**6 548 884**	**6 814 700**

Notes (continued)

5) Personnel costs

	2017 EUR	2016 EUR
Total salaries:	**19 604 923**	**16 997 865**
Staff	19 226 209	16 734 685
Board members	378 714	263 180
Total compulsory state social security contributions:	**4 736 644**	**3 984 066**
Staff	4 646 954	3 921 982
Board members	89 690	62 084
TOTAL	**24 341 567**	**20 981 931**

Average number of employees during the reporting year was 1 211, including 4 members of the Board (2016: 1 171 including 4 members of the Board).

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

	2017 EUR	2016 EUR
Depreciation of constructions and buildings	9 117 761	9 000 185
Depreciation of investment property	41 394	41 401
Depreciation of equipment and machinery	4 355 174	3 825 237
Depreciation of other items of property, plant and equipment	2 210 815	2 067 372
Amortization of intangible assets	84 949	39 726
TOTAL:	**15 810 093**	**14 973 921**

* Refer to Notes 13, 14 and 15.

7) Other external costs

	2017 EUR	2016 EUR
Materials	1 362 628	1 434 482
Insurance of employees and movable and immovable property	573 831	505 135
Territory cleaning costs	113 144	105 302
Infrastructure maintenance costs*	1 231 264	2 621 567
Public utilities	3 344 502	3 213 783
Business trips	220 422	182 684
Communication expenses	809 582	717 248
Transport costs	694 239	708 055
Operating lease	526 225	511 172
Increase of personnel qualification	457 593	410 887
Marketing and advertising	579 005	418 230
Safety measures	323 881	288 426
Management expenses**	401 654	498 945
Other external costs	1 474 389	1 375 113
TOTAL:	**12 112 358**	**12 991 029**

* Including government grants for aviation safety – 0 EUR (2016: 53 218 EUR).
** Including audit expenses for the reporting year – 7 950 EUR (2016: 7 950 EUR). During the reporting year, the Company also received other services related to tax consultations from the certified audit company – 2 500 EUR (2016: 3 000 EUR).

8) Other operating income

	2017 EUR	2016 EUR
Penalty fees	115 806	104 090
Current assets sales result, net *	97 168	664 758
Other operating income**	284 172	68 061
TOTAL:	**487 146**	**836 909**

* Including revenue of 216 EUR from sale of fixed assets with residual value of 0 EUR, expenses on writing off fixed assets with a residual value of 42 551 EUR, net income – 42 335 EUR; income from the sale of inventory 9 845 EUR.
* Excluding items written off from the "Long-term investment revaluation reserve", revenue recognized in amount of 129 659 EUR (2016: 0 EUR).
** Depreciation of fixed assets obtained free of charge, in 2017: 50 567 EUR (2016: 50 567 EUR).

9) Other operating expenses

	2017 EUR	2016 EUR
Non-business expenses, primarily trade union events*	161 674	138 423
Real estate tax**	364 063	365 033
State tax for lottery organisation of goods and services	832	1 045
Losses from doubtful debts and provisions for legal cases, net***	5 812 701	6 903 331
Penalties paid	419	1 669
Other	3 107	9 040
TOTAL:	**6 342 796**	**7 418 541**

*Including depreciation of property, plant and equipment related to social infrastructure - 3 087 EUR (2016: 4 014 EUR), social events expenses 121 842 EUR (2016: 94 710 EUR).
**Including real estate tax expenses attributable to investment properties in 2017 amounting to 53 918 EUR (2016: 39 915 EUR).
***Including 2017 provisions for unrealized construction projects 0 EUR (2016: 240 970 EUR.)

10) Finance income

	2017 EUR	2016 EUR
Interest income from deposits and current bank balances	7	108
Net profit on currency exchange fluctuations	-	2 885
TOTAL:	7	2 993

11) Finance costs

	2017 EUR	2016 EUR
Interest expenses on long term borrowings	815 319	834 565
Net expense from exchange rate changes	10 503	-
Interest expenses on finance lease	14 516	17 628
TOTAL:	840 338	852 193

12) Corporate income tax

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

	2017 EUR	2016 EUR
Overpayment as at 1 January	404 942	210 916
Ovarpayment transferred to bank account	(404 942)	-
Calculated for the reporting year	(1 231 555)	(375 830)
Paid during reporting year	375 832	569 856
Overpayment / (liability) as at 31 December	**(855 723)**	**404 942**

(b) Corporate tax expense / (income)

	2017 EUR	2016 EUR
Corporate income tax for the reporting year	1 231 555	375 830
Increase / (decrease) of deferred tax liability during the year	(2 480 143)	149 774
TOTAL:	**(1 248 588)**	**525 604**

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

	2017 EUR	2016 EUR
Profit before corporate income tax	**2 238 100**	**884 054**
Theoretical corporate income tax expense, 15%	335 715	132 608
Permanent differences, 15%*	958 610	747 878
Settled temporary differences	(62 770)	-
De-recognition of deferred tax liability	(2 480 143)	-
Change in deferred tax asset not recognised, 15%	-	(354 882)
Total (income) / expense for the reporting year	**(1 248 588)**	**525 604**

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

Notes (continued)

12. Corporate income tax (continued)

(c) Deferred tax

Movements in deferred tax:

	Difference related to the carrying value of the property plant and equipment	Accrued expenses on unused vacations	Other accrued expenses	Impairment allowance for intangible assets and property, plant and equipment	Doubtful debt allowance	Unrecognized deferred tax asset	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
31.12.2015.	**(3 713 944)**	**123 946**	**1 259 629**	**-**	**2 668 455**	**(2 668 455)**	**(2 330 369)**
(Expenses) / income in statement of comprehensive income	(663 976)	(123 946)	602 001	36 147	354 882	(354 882)	**(149 774)**
31.12.2016.	**(4 377 920)**	**-**	**1 861 630**	**36 147**	**3 023 338**	**(3 023 338)**	**(2 480 143)**
(Expenses) / income in statement of comprehensive income	4 377 920	-	(1 861 630)	(36 147)	(3 023 338)	3 023 338	**2 480 143**
31.12.2017.	**-**	**-**	**-**	**-**	**-**	**-**	**-**

13) Intangible assets

	Software licences EUR
Cost at 31.12.2015.	**508 192**
Purchase	141 874
Transfers	215 952
Disposals	(1 257)
Cost at 31.12.2016.	**864 761**
Accumulated amortization at 31.12.2015.	**451 079**
Amortization in 2016	39 726
Amortization of liquidated assets	(1 257)
Accumulated amortization at 31.12.2016.	**489 548**
Balance at 31.12.2015.	**57 113**
Balance at 31.12.2016.	**375 213**

	Software licences EUR
Cost at 31.12.2016.	**864 761**
Purchase	42 031
Transfers	-
Disposals	(51 972)
Cost at 31.12.2017.	**854 820**
Accumulated amortization at 31.12.2016.	**489 548**
Amortization in 2017	84 949
Liquidated assets depreciation	(51 972)
Accumulated amortization at 31.12.2017.	**522 525**
Balance at 31.12.2016.	**375 213**
Balance at 31.12.2017.	**332 295**

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 31.12.2015**	**187 972 435**	**45 585 951**	**15 712 920**	**972 100**	**250 243 406**
Additions	94 634	2 295 393	904 291	10 452 292	**13 746 610**
Reclassified	6 375 271	3 472 869	556 666	(10 620 758)	**(215 952)**
Reclassification to/from investment property*	479 022	-	-	-	**479 022**
Disposals**	(82 326)	(1 197 981)	(93 929)	-	**(1 374 236)**
Replacement part of fixed assets	-	(10 275)	-	-	**(10 275)**
Cost at 31.12.2016**	**194 839 036**	**50 145 957**	**17 079 948**	**803 634**	**262 868 575**
Accumulated depreciation at 31.12.2015.	**61 811 416**	**30 671 901**	**6 030 565**	-	**98 513 882**
Depreciation***	9 000 185	3 825 236	2 071 386	-	**14 896 807**
Depreciation reclassified from / to investment properties *	25 236	-	-	-	**25 236**
Disposals depreciation	(82 326)	(1 197 981)	(93 776)	-	**(1 374 083)**
Substitute part of fixed assets	-	(10 275)	-	-	**(10 275)**
Provisions for impairment	-	-	-	240 970	**240 970**
Accumulated depreciation at 31.12.2015.	**70 754 511**	**33 288 881**	**8 008 175**	**240 970**	**112 292 537**
Balance at 31.12.2015.	**126 161 019**	**14 914 050**	**9 682 355**	**972 100**	**151 729 524**
Balance at 31.12.2016.	**124 084 525**	**16 857 076**	**9 071 773**	**562 664**	**150 576 038**

	Land and buildings EUR	Equipment and machinery EUR	Other property, plant and equipment EUR	Construction in progress EUR	TOTAL EUR
Cost at 31.12.2016**	**194 839 036**	**50 145 957**	**17 079 948**	**803 634**	**262 868 575**
Additions	697 324	1 013 085	2 588 912	1 310 282	**5 609 603**
Reclassified	1 245 080	-	-	(1 245 080)	**-**
Reclassification to/ from investment property*	43	-	-	-	**43**
Disposals**	(129 658)	(487 757)	(113 667)	(3 310)	**(734 392)**
Provisions for impairment	-	-	-	(240 970)	**(240 970)**
Substitute part of fixed assets	(87 331)	(35 484)	-	-	**(122 815)**
Cost at 31.12.2017	**196 564 494**	**50 635 801**	**19 555 193**	**624 556**	**267 380 044**
Accumulated depreciation at 31.12.2016.	**70 754 511**	**33 288 881**	**8 008 175**	**240 970**	**112 292 537**
Depreciation***	9 117 761	4 355 174	2 213 902	-	**15 686 837**
Disposals depreciation	(129 658)	(487 613)	(113 384)	-	**(730 655)**
Substitute part of fixed assets	(45 208)	(35 484)	-	-	**(80 692)**
Provision for impairment	-	-	-	(240 970)	**(240 970)**
Accumulated depreciation at 31.12.2017.	**79 697 406**	**37 120 958**	**10 108 693**	-	**126 927 057**
Balance at 31.12.2016.	**124 084 525**	**16 857 076**	**9 071 773**	**562 664**	**150 576 038**
Balance at 31.12.2017.	**116 867 088**	**13 514 843**	**9 446 500**	**624 556**	**140 452 987**

Notes (continued)

14. Property, plant and equipment (continued)

* Reclassified from / to investment property – Land and buildings with the cost of 43 EUR reclassified from investment property (2016: 479 022 EUR) (refer to note 15).

** Historical cost - As at 31 December 2017, the Company's statement of financial position includes fully depreciated property, plant and equipment the cost of which is 41 402 747 EUR (31.12.2016.: 45 249 123 EUR).

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

On 31 December 2017 the land with total area of 73.8506 hectares (31.12.2016: 74.8806) owned by the Ministry of Transport of the Republic of Latvia was transferred for usage to the Company and was not disclosed in the statement of financial position of the Company as the usage conditions did not comply with the classification of finance lease.

In 2017, the Company acquired property, plant and equipment of 163 380 EUR on finance lease terms (2016: 244 500 EUR). The net book value of property, plant and equipment acquired on finance lease terms as at 31 December 2017 was 1 434 986 EUR (2016: 1 725 062 EUR). See Note 22.

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

15) Investment property

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

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

In the course of its business, as at 31 December 2017 the Company rents a part of the Company's land amounting to 80.3347 (31.12.2016: 80.3377) hectares.

16) Inventories

	31.12.2017. EUR	31.12.2016. EUR
Materials and consumables	628 299	618 916
Advances for goods	2 050	1 148
TOTAL:	**630 349**	**620 064**

17) Trade receivables

	31.12.2017. EUR	31.12.2016. EUR
Trade receivables	29 338 384	25 403 692
Impairment allowance	(22 633 881)	(20 155 585)
TOTAL:	**6 704 503**	**5 248 107**

17. a Impairment allowance

	EUR
Impairment allowance at 31 December 2015	**17 789 703**
Reversal of allowance through debt recovery	(54 843)
Written off bad debts	(35 563)
Created impairment allowance	2 456 288
Impairment allowance at 31 December 2016	**20 155 585**
Reversal of allowance through debt recovery	(354)
Written off bad debts	(2 260)
Created impairment allowance	2 480 910
Impairment allowance at 31 December 2017	**22 633 881**

18. Other receivables and prepaid expenses

	31.12.2017. EUR	31.12.2016. EUR
Financial assets		
Other receivables	448 638	528 833
Impairment allowance for other receivables	(1 989)	(1 989)
TOTAL FINANCIAL ASSETS	**446 649**	**526 844**
Non-financial assets		
Insurance	81 637	112 720
Advances for services	6 062	5 953
Advances for fixed assets	756 798	679 198
Other prepaid expenses	240 027	416 665
TOTAL NON-FINANCIAL ASSETS	**1 084 523**	**1 214 536**
TOTAL:	**1 531 172**	**1 741 380**

19. Cash and cash equivalents

	31.12.2017. EUR	31.12.2016. EUR
Cash in bank	31 214 737	19 955 138
Cash in exchange machine and cash in transit	34 993	25 080
Cash on hand	7 236	1 365
TOTAL:	**31 256 966**	**19 981 583**

20. Share capital

The registered and paid-up share capital is 28 608 932 EUR (31 December 2016: 28 608 932 EUR) and it is comprised of 28 608 932 shares with nominal value one euro each (31 December 2016: 28 608 932 shares with nominal value 1.00 EUR each). All shares are owned by the Republic of Latvia. The holder of the state shares is the Ministry of Transport of Latvia. All Company's shares rank equal with respect to dividends, liquidation quota and voting rights in the Shareholder meeting.

21. Reserves

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

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

	EUR
Reserve capital at 31 December 2015	**12 120 380**
Increase in 2016, net	115 088
Reserve capital at 31 December 2016	**12 235 468**
Increase in 2017, net	53 768
Reserve capital at 31 December 2017	**12 289 236**

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, in amount of 178 566 EUR. As at 31 December 2017 the balance of this reserve is 9 394 EUR (2016: 139 052 EUR). See also Note 13.

22. Borrowings from credit institutions and other borrowings

	31.12.2017. EUR	31.12.2016. EUR
Long term loans from credit institutions		
The Treasury (repayable not later than 5 years after balance sheet date)	27 014 130	28 676 538
Borrowing from Luminor	-	313 617
Borrowing from "OP Corporate Bank plc" (repayable not later than 5 years after balance sheet date)	15 599 020	10 914 697
Finance lease liabilities (repayable not later than 5 years after balance sheet date)	812 472	1 058 426
TOTAL NON-CURRENT PORTION:	**43 425 622**	**40 963 278**

Notes (continued)

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

	31.12.2017 EUR	31.12.2016 EUR
Short term loans from credit institutions		
The Treasury	1 813 725	1 822 373
Luminor bank loan	313 617	537 629
Loan from "OP Corporate Bank plc"	1 296 995	885 956
Finance lease liabilities	385 580	415 938
TOTAL CURRENT PORTION:	**3 809 917**	**3 661 896**
TOTAL:	**47 235 539**	**44 625 174**

(a) Loans from credit institutions

On 12 April 2012 **The Treasury of the Republic of Latvia** issued a loan to the Company for 43 483 793 EUR. From 2 April 2015 loan amount has been reduced to 33 663 759.46 EUR. The aim of the loan is implementation of Cohesion Fund project No. 2010LV161PR001 "Riga International Airport Infrastructure Development". The loan shall be repaid until 20th February 2035. The loan shall be used until 20 March 2015. The Company has placed a mortgage for the benefit of the State Treasury of the Republic of Latvia with real estate belonging to the Company and mortgaged movable property (Pledge deed No. 100155354 dated 9th February 2012 and pledge deed No. 100158809 dated 11t October 2012, updated 20 February 2014 Nr. 100165077). As at 31 December 2017 the repayable part of the loan is 28 676 538 EUR and the accrued interest is 151 317 EUR (2016: 30 338 946 EUR and accrued interest 159 965 EUR).

Luminor bank (previously - Nordea Bank AB Latvian branch) The Company from 6 August 2013 has been granted a loan amounting to 2 490 026 EUR. The purpose of the loan – to finance the construction work of the VIP Center "Riga International Airport". Repayment of the loan must be made by 31 July 2018. On 31 December 2017 the outstanding loan is 313 617 EUR (2016: 851 246 EUR).

"OP Corporate Bank plc" The Company has a loan facility of 13 000 000 EUR signed on 14th August 2014. Purpose of the loan - funding of projects "Expansion of a passenger terminal of SJSC "Riga International Airport" - 5th level and 1st level of building Northern terminal. The loan shall be repaid until 14th August 2019. In 2015 a loan in amount of 11 267 500 EUR was received. As at 31st December 2017 the repayable part of the loan is 10 914 697 EUR and accrued interest is 1 543 EUR (2015: 11 790 044 EUR and accrued interest 10 609 EUR).

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

"OP Corporate Bank plc" The Company has a loan of 6 400 000 EUR signed on 21st April 2016. Pupose of the loan – funding of project "Expansion of a passenger terminal of 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 EUR was received. As at 31st December 2017 the repayale part of the loan is 5 979 270 EUR and accrued interest is 505 EUR (2016: 0 EUR).

(b) Finance lease

In 2017, the Company acquired property, plant and equipment in amount of 163 380 EUR on finance lease terms (2016: 244 500 EUR). Refer also to Note 14.

	31.12.2017. EUR	31.12.2016. EUR
Net value of property, plant and equipment purchased under finance lease terms	1 434 986	1 725 062

Notes (continued)

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

Future payments for the finance lease are as follows:

	31.12.2017. EUR	31.12.2016. EUR
Within 1 year, including lease interest	395 891	430 932
Later than one year but less than five years, including lease interest	828 014	1 081 084
Total finance lease liabilities – minimum lease payments and lease interest	**1 223 905**	**1 512 016**
Future finance charges on finance lease – interest on the lease	(25 853)	(37 652)
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**1 198 052**	**1 474 364**

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

	31.12.2017. EUR	31.12.2016. EUR
Within one year	385 580	415 938
Later than one year but less than five years	812 472	1 058 426
PRESENT VALUE OF FINANCE LEASE LIABILITIES	**1 198 052**	**1 474 364**

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

As at 31 December 2017, there are 19 finance lease contracts effective for plant and equipment received until 31.12.2017 with the following key terms:

Notes (continued)

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

Company	Agreement currency	Repayment year	Liabilities 31.12.2017. EUR	Liabilities 31.12.2016. EUR
Luminor leasing	EUR	2017	-	1 986
Luminor leasing	EUR	2017	-	1 738
Luminor leasing	EUR	2017	-	1 738
Luminor leasing	EUR	2017	-	1 738
Luminor leasing	EUR	2017	-	1 738
Luminor leasing	EUR	2017	-	2 673
SEB leasing	EUR	2017	-	1 309
SEB leasing	EUR	2017	-	1 741
SEB leasing	EUR	2017	-	1 741
SEB leasing	EUR	2017	-	1 949
SEB leasing	EUR	2017	-	1 949
SEB leasing	EUR	2017	-	1 949
SEB leasing	EUR	2017	-	2 371
Luminor leasing	EUR	2018	145 647	319 663
Luminor leasing	EUR	2019	18 587	28 896
Luminor leasing	EUR	2020	6 538	9 677
Luminor leasing	EUR	2020	17 019	25 189
SEB leasing	EUR	2020	10 225	14 315
SEB leasing	EUR	2020	6 523	9 132
SEB leasing	EUR	2020	13 847	19 385
SEB leasing	EUR	2020	12 726	17 816
SEB leasing	EUR	2020	12 286	17 200
SEB leasing	EUR	2020	12 507	17 510
SEB leasing	EUR	2020	12 507	17 510
SEB leasing	EUR	2020	12 507	17 510
SEB leasing	EUR	2022	292 539	353 065
SEB leasing	EUR	2022	292 539	353 065
SEB leasing	EUR	2021	13 794	17 643
SEB leasing	EUR	2021	13 516	17 288
SEB leasing	EUR	2021	14 332	18 331
SEB leasing	EUR	2023	151 023	176 549
SEB leasing	EUR	2024	139 390	-
			1 198 052	**1 474 364**

Interest rates for finance lease agreements are set including variable interest rate component. During 2017 actual interest rates fluctuated from 1% to 2.8% per annum.

Notes (continued)

23. Deferred income

	31.12.2017. EUR	31.12.2016. EUR
Long term:		
Government grant related to the Cohesion Fund financing of property, plant and equipment acquired as part of the runway extension project	5 765 359	6 753 795
Payment for development of infrastructure stipulated in the long-term lease agreements	3 355 702	3 335 764
Government grants for development of the airport infrastructure	791 702	1 001 797
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	182 898	137 313
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	49 921 667	54 528 392
Fixed assets (heating system and other) obtained free of charge	353 303	401 612
Funding from State budget subprogram 99.00.00. "Expenditure for unforeseen events"	3 242	6 236
Fixed assets acquired as part of ERDF project No.15.3 /147	52 861	105 722
Total long term part:	**60 426 734**	**66 270 631**
Short term:	**6 653 937**	**7 302 457**
Runway extension (share of the Cohesion fund project financing)	988 436	1 068 855
Advertising and lease services	683 557	666 329
Government grants for development of the airport infrastructure	210 095	310 420
Portion of Government grants on aviation safety available for acquisition and development of property, plant and equipment	60 961	530 000
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 606 725	4 606 725
Fixed assets acquired as part of ERDF project Nr.L-JPR-11-0103	-	13 706
Fixed assets (heating system) obtained free of charge	48 309	50 568
Funding from State budget subprogram 99.00.00. "Expenditure of resources for unforeseen events"	2 993	2 993
Fixed assets acquired as part of ERDF No.15.3/147	52 861	52 861
Total short term part:	**6 653 937**	**66 270 631**
TOTAL:	**67 080 671**	**73 573 088**

See also Note 4.

24. Other liabilities

	31.12.2017. EUR	31.12.2016. EUR
Financial liabilities		
Other liabilities	1 431 193	1 489 784
Other accrued expenses	14 633 361	11 843 018
TOTAL FINANCIAL LIABILITIES:	**16 064 554**	**13 332 802**
Non-financial liabilities		
Taxes and compulsory state social security contributions liabilities	955 057	1 066 255
Salaries	937 704	782 730
Advances from clients	2 347	2 347
TOTAL NON-FINANCIAL LIABILITIES:	1 895 108	1 851 332
TOTAL:	17 959 661	15 184 134

25. Accrued liabilities

	31.12.2017. EUR	31.12.2016. EUR
Accrued vacation liabilities	953 267	861 354
Accrued bonus expenses	1 721 110	1 164 304
TOTAL ACCRUED LIABILITIES:	2 674 377	2 025 658

26. Financial risk management

(a) Financial risk factors

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

The Company has the following financial instruments:

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

Financial instruments by categories:

	Notes	31.12.2017. EUR	31.12.2016. EUR
Non-derivative financial assets, loans and receivables			
Trade receivables, net	17	6 704 503	5 248 107
Other financial assets	18	446 649	399 384
Cash and cash equivalents	19	31 256 966	19 981 583
TOTAL:		**38 408 118**	**25 629 074**

26. Financial risk management (continued)

(a) Financial risk factors (continued)

Non-derivative financial liabilities	**Notes**	**2017 EUR**	**2016 EUR**
Loans from credit institutions	22	(46 037 487)	(43 150 810)
Finance lease liabilities	22	(1 198 052)	(1 474 364)
Trade payables		(2 114 919)	(1 165 532)
Other liabilities	24	(16 064 554)	(14 115 532)
	TOTAL:	**(65 415 012)**	**(59 906 238)**

The Company has exposure to the following risks:

- credit risk
- liquidity risk
- market 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 84% (2016: 84%) of the total revenue. One of those customers represented 35% (2016: 37%), of the total trade receivables, the second one represented 36% (2016: 33%) and the third largest customer represented 13% (2016: 15%) of the total trade receivables.

Credit risk management

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

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

On monthly basis the Company evaluates balances due from specific debtors and performs aging analysis. Accounts receivable are analysed based on the following aging groups:

Credit risk management	**Total, gross**	**Allowance**	**Total, net**	**Not yet due**		**Due**		**Due, but debts are recoverable**
	EUR	**EUR**	**EUR**	**Gross amounts EUR**	**Allowance EUR**	**Gross amounts EUR**	**Allowance EUR**	**Gross amounts EUR**
31.12.2017.								
Trade receivables, including	29 338 384	(122 633 881)	6 704 503	6 626 926	-	22 686 116	(22 633 881)	25 342
Three largest clients	*24 571 715*	*(22 051 720)*	*2519 995*	*2 493 102*	-	*22 078 613*	*(22 051 720)*	-
Other customers	*4 766 669*	*(582 161)*	*4 184 508*	*4 133 824*	-	*607 503*	*(582 161)*	*25 342*
Other receivables, net	448 638	(1 989)	446 649	446 649	-	1 989	(1 989)	-
TOTAL	**29 787 022**	**(22 635 870)**	**7 151 152**	**7 073 575**	**-**	**22 688 105**	**(22 635 870)**	**25 342**

Notes (continued)

26. Financial risk management (continued)

(a) Financial risk factors (continued)

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

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

Quality of the debtors

Fully performing debtors are mainly comprised of airline company debts for services provided to airline companies in December.

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

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

	2017	**2016**
	EUR	**EUR**
Within 3 months	25 342	224 169
TOTAL:	**25 342**	**224 169**

Term deposits and cash at bank

Credit ratings of banks mainly used by the Company:

Bank	**Rating agency**	**Long term rating**	**Short term rating**	**Rating of financial security**	**Rating forecast**
AS Swedbank	Moody's Investors Service	Aa3	P-1	Stable	Stable
AS Citadele Banka	Moody's Investors Service	Ba2	NP	Positive	Positive
Luminor banka (formerly: Nordea bank AB)	Moody's Investors Service	Aa3	P-1	Stable	Stable
Luminor banka (formerly: DnB Banka)	Moody's Investors Service	Aa2	P-1	Negative	Negative
"OP Corporate Bank plc"	Moody's Investors Service	Aa3	P-1	Stable	Stable

Notes (continued)

26. Financial risk management (continued)

(a) Financial risk factors (continued)

Cash in banks:

Banks		2017 EUR	2016 EUR
AS Swedbank		6 550 593	1 385 373
AS Citadele Banka		1 244 163	714 753
"OP Corporate Bank plc"		12 175 565	8 327 349
Luminor banka (formerly: DnB Banka)		1 713 828	293 206
Luminor banka (formerly: Nordea bank AB)		1 060 197	806 901
State Treasury		8 470 391	8 427 557
	TOTAL:	**31 214 737**	**19 955 139**

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 EUR. By the decision of the Ministry of Finance dated 2 April 2015, the loan has been reduced to 33 663 759 EUR. The purpose of the loan – implementation of the Cohesian fund project Nr. 2010LV161PR001 "Infrastructure development of Riga International Airport".

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

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

The Company has a loan agreement with OP Corporate Bank plc dated 21 April 2016 for a loan in amount of 6 400 000 EUR. Purpose of the loan is financing of construction works in relation to 2nd part pf 5th stage of passenger terminal expasion 5.stage 2.part. The loan repayment date is 20 April 2020.

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

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

At 31 December 2017 the Company's short-term assets exceeded its short-term liabilities by 6 054 456 EUR. Short-term liabilities include deffered income, which relates to the State subsidies and support from EU funds, which is not related to direct cash flows, in total amount of 5 970 380 EUR. The Company's management forecasts that liquidity will not be an issue and the Company will be able to settle its payables when due.

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

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

Term analysis of financial liabilities at 31.12.2017. based on their contractual cash flows:

31.12.2017	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
Loans from credit institutions	(46 037 487)	(51 511 503)	(1 067 005)	(2 968 185)	(26 549 845)	(20 926 468)
Finance lease liabilities	(1 198 052)	(1 223 421)	(106 351)	(289 046)	(824 253)	(3 770)
Accounts payable to suppliers and contractors	(2 114 919)	(2 114 919)	(2 114 919)	-	-	-
Other liabilities	(16 064 554)	(16 064 554)	(79 771)	(1 191 584)	(14 793 199)	-
TOTAL:	**(65 415 012)**	**(70 914 397)**	**(3 368 046)**	**(4 448 815)**	**(41 167 297)**	**(20 930 238)**

Notes (continued)

26. Financial risk management (continued)

(a) Financial risk factors (continued)

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

31.12.2016	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
Loans from credit institutions	(43 150 810)	(48 501 364)	6 396 800	(3 254 572)	(28 681 348)	(22 962 244)
Finance lease liabilities	(1 474 364)	(1 535 763)	(114 196)	(316 737)	(1 081 084)	(23 746)
Accounts payable to suppliers and contractors	(1 165 532)	(1 165 532)	(1 165 532)	-	-	-
Other liabilities	(14 115 532)	(14 115 532)	(1 381 645)	(1 364 125)	(11 369 762)	-
TOTAL:	**(59 906 238)**	**(65 318 191)**	**3 735 427**	**(4 935 434)**	**(41 132 194)**	**(22 985 990)**

Market risk

Interest rate risk

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

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

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

Foreign currencies fluctuations risk

Foreign currency exchange risk is probability, that foreign currency exchange fluctuations will affect financial position and cash flows of the Company. Assets and liabilities exposed to the foreign currency exchange risk are cash and cash equivalents, trade and other receivables, short and long-term borrowings, accounts payable to suppliers and contractors and other liabilities. The Company is mainly exposed to foreign currency exchange risk associated with USD. Exposure to foreign currency exchange risk as at 31 December 2017 and 2016 is as follows:

	2017	2016
Financial assets, USD thousand	150	189
Financial liabilities, USD thousand	(6)	(10)
Statement of financial position, USD thousand, net	**144**	**179**
Statement of financial position, EUR thousand, net	**120**	**170**

Currency sensitivity analysis

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

31 December 2017	Currency	Book value	Impact on current profit before income tax / net assets	
			+1% (USD)	-1% (USD)
		EUR	EUR	EUR
Financial assets				
Cash and cash equivalents	USD	39 093	391	(391)
Trade receivables, gross	USD	86 503	865	(865)
	TOTAL:	**125 596**	**1 256**	**(1 256)**
Financial liabilities				
Trade payables	USD	5 204	52	(52)
	TOTAL:	-	-	-
Net effect		**120 392**	**1 204**	**(1 204)**

Notes (continued)

26. Financial risk management (continued)

(a) Financial risk factors (continued)

31 December 2016

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

(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 2017 and 2016 the proportion of borrowed capital to total capital was as follows:

	2017 EUR	**2016 EUR**
Total liabilities	132 231 140	139 053 729
(Cash and cash equivalents)	(31 256 966)	(19 981 583)
(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)	(63 041 412)	(69 570 995)
Net total liabilities	37 932 762	49 501 151
Total equity and liabilities	184 796 050	180 395 631
Borrowed capital proportion to total capital	**20.53%**	**27.44%**

(c) Fair value

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

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

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

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

Notes (continued)

26. Financial risk management (continued)

(c) Fair value (continued)

Quoted market prices - Level 1
Valuations in Level 1 are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available and the prices represent actual and regularly occurring market transactions on an arm's length basis.
Valuation techniques using observable inputs - Level 2
Valuation techniques in Level 2 are models where all significant inputs are observable for the asset or liability, either directly or indirectly. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as price) or indirectly (that is, derived from prices).
Valuation technique using significant unobservable inputs - Level 3
A valuation technique that incorporates significant inputs that are not based on observable market data (unobservable inputs) is classified in Level 3. Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. Level 3 inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

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

The following financial assets and liabilities are included in Level 3:
Assets: Cash and cash equivalents 31 256 966 EUR; net trade accounts receivable 6 704 503 EUR; other net receivables 446 649 EUR.
Liabilities: Borrowings form credit institutions 46 037 487 EUR; financial lease liabilities 1 198 052 EUR; trade accounts payable 2 114 919 EUR; other liabilities 16 064 554 EUR.

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

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

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

27. Capital commitments

The Company has planned to spend 17 810 thousand EUR (2016: 21 518 thousand EUR) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:
- Contracted for, but not yet delivered: 3 638 thousand EUR (2016: 3 572 thousand EUR)
- Approved, but not yet contracted for: 14 172 thousand EUR (2016: 17 946 thousand EUR)

28. Related party transactions

The Company has transactions with a number of companies whose shares belong the the State. The largest transactions have been with AS Air Baltic Corporation, VAS Latvenergo and 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

	2017 EUR	2016 EUR
Payables to VA "Civilās Valsts Aģentūra", safety and rescue pay part	300 319	176 806

(b) Balances due from related parties

	2017 EUR	2016 EUR
VAS Latvijas gaisa satiksme, for lease and public utility services	*44 028*	*56 079*
VAS Latvijas pasts, for lease and public utility services	36 808	18 144
AS Air Baltic Corporation for aviation and lease services	10 129 478	9 278 186
incl. doubtful debt allowance	*(8 586 618)*	*(8 586 618)*

28. Related party transactions (continued)

(c) Income from sales of services to related parties

	2017 EUR	2016 EUR
VAS Latvijas gaisa satiksme for lease and public utility services	643 108	612 890
VAS Latvijas pasts for lease and public utility services	327 837	325 619
AS Air Baltic Corporation for aviation and lease services	11 266 197	9 941 194

(d) Purchases of goods and services from related parties

	2017 EUR	2016 EUR
VAS Latvijas gaisa satiksme for lease and public utility services	21 077	10 888
VAS Latvijas pasts for lease and public utility services	7 228	10 054
For aviation and public utility services provided to AS Air Baltic Corporation	206 160	183 297

(e) Grants received from related parties

	2017 EUR	2016 EUR
Aviation safety grants from the State (see note 4)	42 834	42 828

Transactions with key management personnel are disclosed in Note 5.

29. Contingent liabilities and assets

Accruals:
According to the JSC "Riga International Airport" Board decision dated 19 February 2018 (Protocol No. 9), the following provisions have been created:

- Leave unchanged the provision created in previous years for compensation to "Rixport" Ltd in amount of EUR 6 694 864;
- Leave unchanged the provision created for fulfilment of the potential liabilities regarding the case by air carrier "Ryanair" in amount of 4 254 591 EUR;
- Leave unchanged the provision created for potential compensations for real estate located at Maza Gramzdas Street 1A, Cadastre No. 8076 002 0061 and "Mūkupurvi", Cadastre No. 8076 002 0063, to the owners Dzintra Lemeševska, Maris Kiršbaums and Dzintra Eglīte in amount of 295 120 EUR ;
- Recognized and disclosed in the Company's Financial Statement 2017 provisions for possible reimbursements to Staur Building Ltd. In amount of 3 329 123 EUR.

Details of the proceedings:

Ltd. "Rixport" claim and the JSC "Riga International Airport" counterclaim
Ltd. "Rixport" has initiated a claim against the JSC "Riga International Airport" for the debt and the legal and contractual interest payments, in turn, JSC "Riga International Airport" has initiated a counterclaim against the LLC "Rixport" on the principal contractual and legal recovery. According to the Kurzeme District Court of 13 April 2016 judgment, Ltd. "Rixport 'claims have been rejected, but the JSC "Riga International Airport" claim was satisfied. Ltd. "Rixport" has filed a cassation complaint. The trial date is not appointed.

AB "flyLAL - Lithuanian Airlines' claim against the JSC "Air Baltic Corporation" and JSC "Riga International Airport", to stop unlawful operations and recover material loss, and a claim by third parties JSC" Zia Valda ", JSC" VA REALS " to stop unlawful operations and recover material loss.
By decision of 27 January 2016 of the Vilnius Regional Court the claim against JSC "Riga International Airport" was dismissed, while court proceeding expenses for postal expenses, state duty in favour of flyLAL-Lithuania Airlines and ½ of case proceeding expenses in favour of flyLal Lithuania Airlinses are to be recovered from JSC "Riga International Airport". On 26 February 2016 the Airport filed an appeal. On 12 January 2016, the Lithuanian Appeal Court decided to refer to CJEU regarding jurisdiction. CJEU trial date is not set.

Notes (continued)

29.Contingent liabilities and assets (continued)

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

Air carrier Ryanair Ltd has appealed to the Riga disctrict court Jurmala court house for recognition of a London ad-hoc arbitration decision and request for reinforcement against JCS "Riga International Airport". According to Riga district court Jurmala court house decision dated 21 September 2017, the claim by Ryanair ltd has been satisfied. On 19 October 2017 JCS "Riga International Airport" filed a complaint in Riga regional court. The oral hearing has been appointed for 18 April 2018.

Claim of JSC "Riga International Airport" against Jānis Vilders

Claim was initiated for invalidation of issued invoices and for enfrocement of the claim security measure – postponement of activities. With the decision of Zemgale regional court of Riga, the Company's claim was declined. With the decision of Riga regional court dated 4 April 2017, the Company's claim was satisfied. J. Vilders appealed in cassation on 17 May 2017. On 21 July 2017 the Senate of the Supreme court decided to refer this matter to the cassation proceeding. The date of the hearing is not set.

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

JSC "Riga International Airport" has brought a claim against "Rixport" Ltd for cancellation of the lease, principal legal and contractual interest recovery. By ruling of Riga district Jurmala court on 20 December 2016 a civil case was initiated. According to Riga district court Jurmala court house decision dated 18 December 2017, the Company's claim was satisfied partially.

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

JCS "Riga International Airport" has raised a claim against LLC "Staur Building" for cancellation of rent agreement and recovery of the principial debt amount and interest. On 6 October 2017 SIA "Staur Building" raised a counterclaim against JCS "Riga International Airport". The proceeding in the first instance court has not been completed.

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

On 24 February 2017 JCS "Riga International Airport" has raised a claim in Riga city Pardaugava court for conclusion of an agreement for mandatory rent of land and recognition of contractual land rent relationship with Dzintra Lemeševska, Māris Kiršbaums and Dzintra Eglīte. The trial has been appointed for 3 April 2018.

Claim of SIA "Merks"against JSC "Riga International Airport"

On 21 September 2017 SIA "Merks" initiated a claim against JCS "Riga International Airport" for recovery of debt and contractual penalty. The trial is appointed for 16 May 2018 in Liepaja court.

In 2017, the case related to the Company's claim for small amount claims (principal debt amount, penalty and contractual interest) recovery. Currently proceedings take place in relation to 3 claims regarding labour disputes.

Future operating lease payments

During 2017, the Company has signed a number of operating lease agreements. In 2017 the Company has paid 526 225 EUR (2016: 511 172 EUR) in lease payments.

Future operating lease payments according to the agreements effective as at 31 December 2017 can be disclosed as follows:

	2017 EUR	2016 EUR
Within one year	382 912	405 553
Later than one year but less than five years	334 777	539 871
TOTAL:	717 689	945 424

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

Notes (continued)

29. Contingent liabilities and assets (continued)

Future income from lease payments

During 2017, the Company signed several operating lease agreements as a lessor of land and premises. In 2017, the Company generated revenues of 15 004 504 EUR (2016: EUR 13 925 476) from these lease agreements.

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

On 30 September 2010, the Company signed the long-term lease agreement no. NN-10/100 (renewed by NN-10/116) with SIA TAV Latvia on renting commercial premises of the Company's terminals until 31 December 2020. The share of income from the above lease agreement with SIA TAV Latvia in the Company's total income from the rent of premises and land in 2017 amounted to 69% (2016: 65%). The respective agreement stipulates that lease payments depend upon turnover of the commercial premises in each month separately. Taking into account the significant share of income generated by this agreement, future income from lease in accordance with the effective agreements as at 31 December 2017 have not been disclosed, as it cannot be estimated reliably.

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

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

	2017 EUR	2016 EUR
Income	850 293	754 887
Direct costs	(730 180)	(730 339)
Indirect costs	(162 054)	(147 171)
Loss from operating activities	**(41 941)**	**(122 623)**
Other operating expenses	(65)	(8 130)
LOSS BEFORE TAX:	**(42 006)**	**(71 284)**

31. Profit distribution proposed by the Board

The profit for the reporting year to be distributed is 3 486 688 EUR.

The Law on State Budget for 2018, Article 44 states that Companies whose shares directly or indirectly belong to the State, shall pay in 2018 80% of net profit for 2017 reporting year in dividends. However, the Board considers that based on paragraph 2 of article 44, in order to achieve the strategic plans of the Company, which include major capital investments into infrastructure aimed at ensuring that airport capacity is sufficient for the growing estimated numbers of passengers, it is necessary to submit a request to the Cabinet of Ministers for setting a different minimal portion of profit to be paid as dividends, in accordance with the order set by the Cabinet of Ministers.

The distribution of profit proposed by the Board in accordance with the regulations:
- plan the payment for the use of state shares in amount of 20% or 697 338 EUR from the distributable profit of the reporting year;
- to transfer 80%, or 2 789 350 EUR of the distributable profit, to the Company's reserve capital.

32. Subsequent events

No significant subsequent events have occurred since the last day of the reporting period that would materially influence the Company's financial statements as at 31 December 2017. However, the following events have taken place that have a significant impact on the future of the Company:

On 16 December 2016 the Company raised a claim in Riga district Jurmala court house against SIA "Rixport" for cancellation of rent contracts signed between the parties (NN-06/119, 06/120, NN-06/121 with total land area ~ 17.8 ha), cancellation of rent rights in the land register and recovery of court expenses in amount of 33 753 form SIA "Rixport". Riga district Jurmala court house initiated the case (case No.C33796616) and with the decision dated 18 December 2017, the Company's claim was satisfied (full decision text was compiled on 15 January 2018). SIA "Rixport" had the rights to appeal this decision until 6 February 2018, but SIA "Rixport" did not use these rights and did not appeal the decision in the order set by the Civil procedure law. As a result, the decision on this case has come into force as at 6 February 2018.

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

The 2017 Financial statements of the Company set out on pages 11 to 49 were signed on 4 April 2018 by:

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

Inga Jenausa
Chief accountant