STATE JOINT STOCK COMPANY RIGA INTERNATIONAL AIRPORT
ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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	"Lidosta Rīga 10/1", Lidosta Rīga, Mārupes pag., Mārupes novads, LV-1053
Core business	Airship, passenger and cargo servicing; maintenance of airfields and other services
Shareholder	Ministry of Transport of Latvia (100%) Gogoļa iela 3, Rīga Latvia, LV -1743
Management of the Company	Shareholder's meeting, the Supervisory and the Management Board
The Council	Juris Kanels (Chairman of the Council) from 17 May 2021 Eduards Toms (Member of the Council) from 24 May 2019 Elīna Salava (Member of the Council) from 7 July 2021
The Board	Laila Odiņa (Chairwoman of the Board) from 16 April 2021 Artūrs Saveļjevs (Member of the Board) from 13 September 2017 Normunds Feierbergs (Member of the Board) from 10 November 2021
Financial year	1 January – 31 December 2021
Name and address of the certified audit company and certified auditor in charge	PricewaterhouseCoopers SIA VNR 40003142793 Certified Audit Company License No. 5 Krišjāņa Valdemāra iela 21-21 Rīga Latvia LV-1010 Certified auditor-in-charge: Ilandra Lejiņa Certified auditor Certificate No. 168

Management report

1. Description of airport operations

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

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

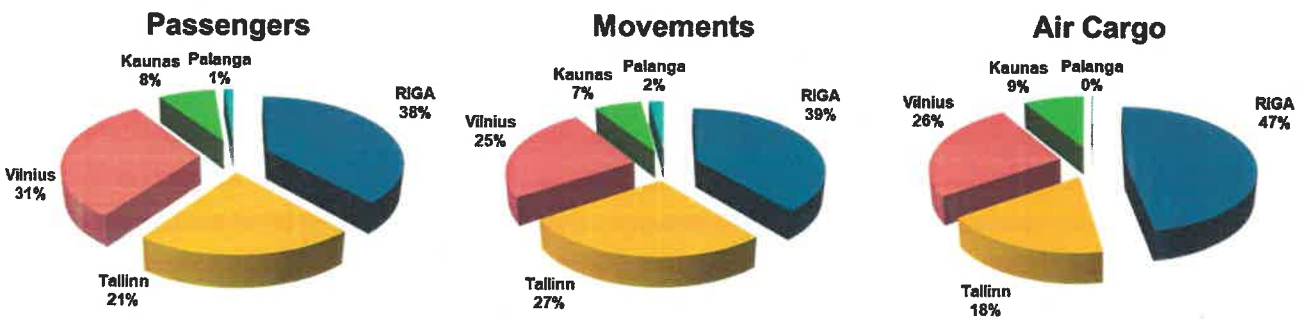
The airport provides high-quality, safe and affordable air services in the aviation sector, promotes business and has provided stable financial performance until the global Covid-19 crisis.

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

On 31 December 2021, 1165 employees worked at Riga International Airport. The largest number of employees is in the following areas of activity - security 35%, infrastructure maintenance 16%, passenger service 36%, other 13%.

2. Volumes of services provided

In 2021, despite the negative impact of Covid-19 on the Airport's economic performance, the airport maintained its leading position among the airports of the Baltic capitals, serving 38% of passengers (Tallinn 21%, Vilnius 31%), 39% of flights (Tallinn 27%, Vilnius 25 %) and 47.5% of the total cargo volume between the capitals of the Baltic States (Vilnius 26%, Tallinn 18%).



Graph No.1 "Market shares and indicators of Baltic airports in 2021"

In 2021, the following services were served at the Airport:

- **2 353 thousand passengers**, which is 486 thousand passengers or 17% less than planned in the approved budget of 2021, by 17% more than in 2020, and by 70% less than in 2019;
- **39 057 flights**, which is 12,417 flights or 24% less than planned in the approved budget of 2021, 10% more than in 2020, and 55% less than in 2019;
- **27.8 thousand tonnes of air freight**, which is 20% more than in 2020 and 2% more than in 2019.

Although there has been an increase in volumes served in all service items in 2020, the main explanation for the deviations from the approved budget is the high level of uncertainty about the recovery of the aviation sector from the projections at the time of the 2021 budget. For example, the deviation from the forecast for the number of transit / transfer passengers in the 2021 budget differs by as much as 47%, which, given that the Airport plans to a large extent based on the forecasts of its users, shows that Covid -19 pandemics have forced them to work in conditions of high uncertainty.

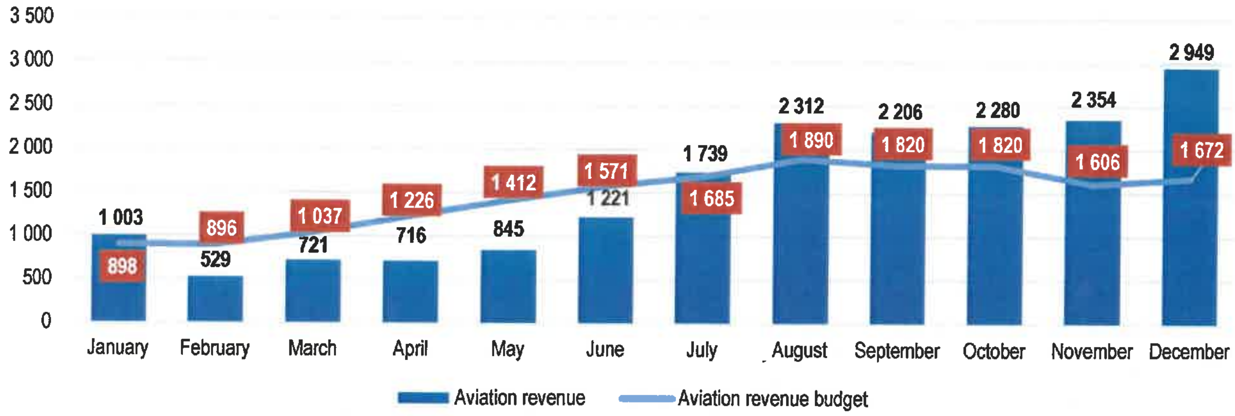
Management report (continued)

3. Revenue

The net turnover of the airport in 2021 was 31 769 thousand EUR, which is by 3 501 thousand EUR or 12.4% more than planned in the approved 2021 budget.

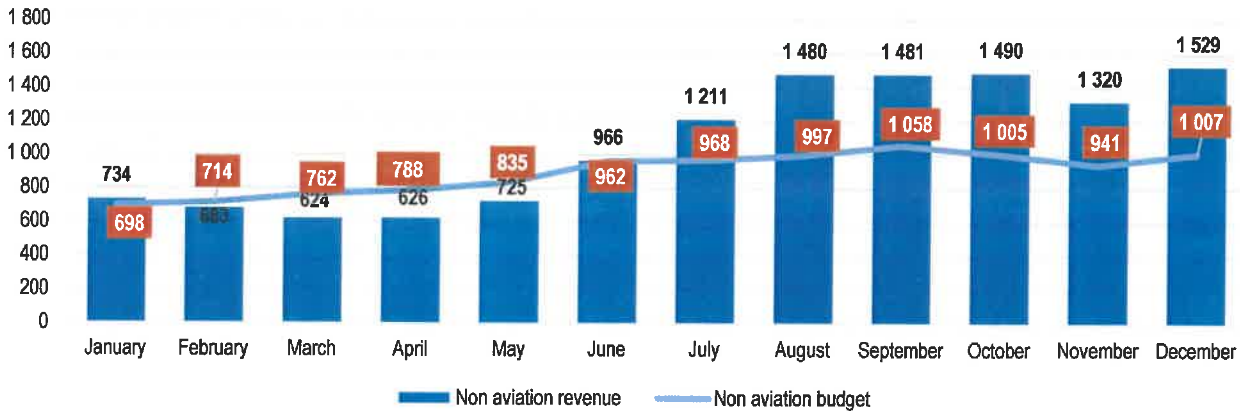
Net turnover consisted of income from:

- aviation services 18 876 thousand EUR, which is by 1 343 thousand. EUR or 8% more than planned in the approved 2021 budget;



Graph No.2, Aviation revenue in 2021, source: Riga Airport..

- non-aviation services 12 893 thousand EUR. In the amount of 2 158 thousand EUR or 20% more than planned in the approved 2021 budget.



Graph No.3, Non-aviation revenue in 2021, source: Riga Airport.

In terms of revenue, in the 1-2 quarters of 2021, the revenue did not reach the budgeted amounts, while in the 3-4th quarter the revenue was significantly higher than planned in the budget, which is primarily due to the reduction of the state restrictions on the spread of Covid-19 as well as introduction of a digital travel certificate.

In the annual assessment, the increase in net turnover compared to the budgeted, with a smaller volume of passengers and flights served, has been facilitated by several factors:

- a significant increase in ground handling revenues, which can be explained by an increase in serviced cargo flights, as well as unplanned revenues related to the conclusion of an agreement on the provision of ground handling services to Air Baltic at the end of 2021, previously provided by another ground handling service provider;
- a relatively small decrease in the segment of served direct passengers, which, in contrast to transit passengers, provides significantly higher revenue for the Airport;
- an increase in the average volume of passenger purchases in procurement areas, which increases the payment of a commercial space operator to the airport;
- as well as a significant increase in revenue for VIP passengers and parking lots.

Management report (continued)

4. Costs

Production costs in 2021 as a whole have remained at the level of 2020, but compared to 2019 they are less than 13 050 thousand EUR or 21%.

Personnel costs in 2021 amounted to 22 502 thousand EUR, which is by 1% or 238 thousand EUR less than in 2020, but in comparison with 2019, they have decreased by 9 301 thousand EUR or 29%.

Depreciation and amortization of property, plant and equipment and intangible assets have remained at 2020 and 2019 levels. Other external costs in 2021 amounted to 12 393 thousand EUR and in comparison with 2020 have increased by 1 701 thousand EUR or 16%, while compared to 2019 they have decreased by 3 803 thousand EUR or 23%.

5. Results of economic activity

Taking into account the above, the Airport has finished the year 2021 with 9 423 thousand EUR losses, which are by 10 066 thousand EUR less than forecasted in the budget, and this result has been positively influenced by higher turnover in both aviation and non-aviation revenue items, reduction of costs in accordance with the decline in services provided, compensation received in 2021 for alienation of land (EUR 1 897 thousand received for the purchase agreement No. P-21-16 concluded on 13 May 2021 with SIA "Eiropas Dzelzceļa līnijas"), the reversal of provisions amounted to 2 577 thousand EUR.

6. Increase of airport share capital

In 2021, the airport continued to partially finance its economic activities with state aid funds received in June 2021 in accordance with the decision of the European Commission of 8 March 2021 in state aid case SA.57756 (2021 / N) - Latvia COVID-19: Recapitalization of Riga International Airport (the decision envisages an increase in the share capital of the Airport of EUR 35.2 million and an exemption from the payment of dividends for the financial year 2019 of EUR 4.5 million).

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

7. Investment projects

Taking into account prudent liquidity management during first and second quarter of 2021, which was due to uncertainty regarding the European Commission's decision in a state aid case, the actual acquisition of investments was planned taking into account financial prudence. According to the above, although in the 2021 budget it was forecasted that the Airport would use investments of 17.6 mln. EUR, however, the actual acquisition of investments in 2021 has been made in the amount of 6.7 mln. EUR.

Table No.1 "Acquisition of investments as of 31.12.2021", thous. EUR

Investment project groups	2021 actual
Airport infrastructure	124
Emergency, security and IT infrastructure	474
Passenger and aircraft service infrastructure	1 978
Development of electricity supply infrastructure	2 312
Road transport and platform equipment and replacement	307
Aerodrome infrastructure	1 415
Other projects	40
Total*	**6 650**

* *of which small investments (up to 10 thousand EUR) 89 thousand which is 1.3% of the annual execution.*

Management report (continued)

8. Financial and operational indicators

By the decision of the Shareholder Meeting of December 22, 2020, the following financial and operational indicators and forecasted results for 2021 were approved.

Table No.2 "Financial and operational indicators of the airport, forecasted and actual results for 2021"

Target	2021 actual	2021 planned	Deviation
Number of passengers	2 353 064	2 838 810	-17%
Number of flights	39 057	51 474	-24%
Net turnover, EUR	31 768 910	28 269 000	12%
Profit, EUR	-9 423 404	-19 489 493	52%

Despite the failure to meet the targets in terms of passenger and flight numbers, the Airport's economic performance has been better than expected, the Airport's turnover has been 12% higher and the losses 52% lower than expected.

9. Grants and subsidies

By the Cabinet of Ministers Order No. of 4 December 2020. 738 (protocol No. 77 § 64) "On granting financing to the state joint stock company" Riga International Airport "for the improvement of the airport infrastructure" The airport was granted financing in the amount of 530 000.00 EUR (including VAT) for the establishment of military infrastructure.

On 22 December 2020, a relevant agreement was concluded with the National Defense Military Facility and Procurement Centre (hereinafter - the Centre) for the implementation of this project "Renovation of the Z3 Area Pavement". Based on the results of the open tender "Renovation of the Z3 site pavement", a contract was concluded with JSC "A.C.B". According to the information provided by the National Defense Military Facilities and Procurement Center - from the financing granted in 2020 in the amount of 530 000.00 EUR, in 2021 until October 8, 2021 the financing was used and accepted in the amount of 528 438.67 EUR and the State Joint Stock Company Riga "has deducted the balance of EUR 1 561.33 to the Centre.

In accordance with the Cabinet of Ministers Order No. of April 7, 2020. 167 "On the Use of Funds Provided in the State Budget Program 44.00.00" Funds for Ensuring Aviation Security, Rescue and Civil-Military Cooperation "and Order No. 167 of the Ministry of Transport of 16 April 2020 01-03 / 99, SJSC "Riga International Airport" was granted financing in the amount of 42 418 EUR for the purchase of two explosives detectors. On November 20, 2019, based on the results of the open tender "Purchase of four explosive residue detectors" (AK-19/187), a contract was concluded with UAB "MTS Novatex" with the total transaction amount of EUR 134 877.16 and on 29 November 2020 Additional Agreement No. was signed in April. V1-D-19/211, on the basis of which one explosive residue detection device was purchased and installed. Acceptance-transfer deed No. P1-D-19-211 was signed on 12 August 2020 and a payment in the amount of EUR 34 243.08 was made on 1 September 2020. 34 243.08 EUR have been used from the allocated grant funds, but the unused part of financing - 8 174.92 EUR. Due to the impact of the global coronavirus Covid-19 epidemic on the Airport's operations and the limited availability of funds to co-finance the project, the Airport had postponed the project until additional funding was available for the purchase of a second explosives detector.

On December 14, 2021, the Ministry of Transport of the Republic of Latvia by Order No. 01-03 / 231, based on the Cabinet of Ministers Order No. 916 "On the financing of measures to maintain civil aviation security" in 2021 from the state budget program 44.00.00 "Funds for Ensuring Aviation Security, Rescue and Civil-Military Cooperation" awarded a grant in the amount of 52 418 EUR to partially cover the costs of purchasing two explosive remnants for significant civil aviation aerodrome "Riga".

Therefore, currently a grant in the amount of 60 592.92 EUR has been granted and is available for the implementation of the project in the total program 44.00.00 "Funds for Ensuring Aviation Security, Rescue and Civil-Military Cooperation". As the decision on granting the grant for 2021 was considered by the Cabinet of Ministers only at the end of the year, Riga Airport, with the decision of the Board meeting of July 9, 2021, started the procurement "Supply of Two SPDs" RIX 2021/16) with an estimated contract price of EUR 58,000.00 (excluding VAT) was postponed to the 3rd quarter of 2021.

Within the deadline for submission of tenders until 26 November 2021, two tenderers submitted tenders. The contract was awarded to Novatex Mokslinis-techninis susivienijimas UAB for a total transaction amount of EUR 76 951.44 (excluding VAT). At the time of submitting the report, the agreement has been sent to UAB "MTS Novatex" for signing. According to the contract, the equipment is planned to be delivered by the end of May 2022.

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

Management report (continued)

10. Risk assessment and risk management

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

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

In order to reduce the Airport's losses and protect its reputation, resources and assets, the Airport identifies, analyses and assesses risks, responds to them in a timely manner, and monitors and reassesses the risks. Airport risk management contributes to the implementation of the Airport's strategy, achievement of objectives and corresponding indicators, as well as it is adapted to the Airport's needs, functionality and organizational culture.

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

11. Sustainability and environmental aspects

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

In order for the Airport to fully ensure sustainability in all aspects of corporate responsibility binding on the company and to be able to focus its activities on achieving more successful environmental goals in accordance with global and regional trends, on 24 January 2022 the Airport Board approved the Airport Sustainability Strategy 2022-2030. developed in accordance with the ACI Europe Guidelines and Sectoral Aspects, the Relevance and Sustainability Aspects identified by the airport and the Sectoral Aspects identified by ACI Europe, ensuring their link to the UN Sustainable Development Goals.

For the third year in a row, the Airport is revealing its sustainability performance using one of the world's leading non-financial reporting standards, the Global Reporting Initiative (GRI). It allows a company to demonstrate its performance, impact and initiatives in the economic, environmental and social fields in a transparent, open and comparable way, actively involving its stakeholders in the preparation of the reporting structure. Since 2020, the report has been subject to the external auditor's limited assurance opinion.

An integrated management system (quality management system, environmental management system and energy management system) has been implemented and is maintained at the airport to streamline work processes, build reliable and secure infrastructure, reduce environmental impact, improve energy efficiency and service quality. It is certified in accordance with the requirements of ISO 9001: 2015, ISO 14001: 2015 and ISO 50001: 2018.

In order to help achieve the climate goals set by the Airport, the Airport participates in the Airport Carbon Accreditation program. With certification at Level 2 of the Airport Carbon Accreditation program, in 2020 the Airport began focused work on reducing emissions to reach Level 3 in the coming years. One of the most important sections of the Airport's Sustainability Strategy approved in 2022 is "Climate Impact". The Sustainability Strategy sets a more ambitious goal for reducing CO_2 emissions than included in the Carbon Management Plan for 2020-2023, therefore in 2022 the Carbon Management Plan will be revised to align the activities included in the plan with the goal of the Sustainability Strategy.

Determined to promote climate neutrality in Europe and the achievement of global climate goals, in July 2021 the Airport joined the ACI Europe Net Zero 2050 initiative, which aims to completely remove direct emissions from the Airport's operations.

Management report (continued)

12. The Company's management bodies

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

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

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

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

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

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

11 April 2022

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 14 to 48 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 2020 and at 31 December 2021, and of its operating performance, changes in capital and reserves and cash flows for the years ended 31 December 2020 and 31 December 2021. The Management's report on pages 4 to 9 gives a true and fair view of the Company's financial performance and prospects.

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

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

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

11 April 2022

Independent Auditor's Report

To the Shareholder of SJSC Riga International Airport

Our opinion

In our opinion, the accompanying financial statements set out on pages 14 to 48 of the accompanying annual report give a true and fair view of the financial position of SJSC Riga International Airport (the "Company") as at 31 December 2021, and the Company's financial performance and cash flows for the year ended 31 December 2021 in accordance with the International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of profit or loss and statement of comprehensive income for the year ended 31 December 2021,
- the statement of financial position as at 31 December 2021,
- the statement of cash flows for the year ended 31 December 2021
- the statement of changes in shareholders' equity for the year ended 31 December 2021, and
- the notes to the financial statements which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Reporting on Other Information Including the Management Report

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

- the General information as set out on page 3 of the accompanying annual report,
- the Management Report, as set out on pages 4 to 9 of the accompanying annual report,
- the Statement of the management's responsibility, as set out on page 10 of the accompanying annual report,
- the Corporate governance statement, which has been prepared by the Company's management as separate report as set out on pages 49 to 53 of the accompanying annual report,

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

PricewaterhouseCoopers SIA
Kr. Valdemāra iela 21-21, Rīga, LV-1010, Latvia, LV40003142793
T: +371 6709 4400, F: +371 6783 0055, www.pwc.lv

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

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

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of

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

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

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

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

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

Riga, Latvia
11 April 2022

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Statement of profit or loss and statement of comprehensive income

	Note	**2021 EUR**	**2020 EUR**
Revenue	3	31 768 910	29 797 924
Government and EU grants	4	4 975 380	5 216 323
Personnel costs	5	(22 502 478)	(22 740 946)
Depreciation of property, plant and equipment and investment property and amortisation of intangible assets	6	(15 651 154)	(15 313 039)
Other external costs	7	(12 392 584)	(10 691 137)
Other operating income	8	5 262 922	3 155 704
Other operating expenses	9	(472 042)	(4 812 827)
Operating loss before financial items		**(9 011 046)**	**(15 387 998)**
Finance income	10	727	1 828
Finance costs	11	(413 085)	(460 177)
Loss before income tax		**(9 423 404)**	**(15 846 347)**
LOSS FOR THE YEAR		**(9 423 404)**	**(15 846 347)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(9 423 404)**	**(15 846 347)**

The accompanying notes on pages 19 to 48 form an integral part of these financial statements.

Statement of financial position

ASSETS

	Note	31.12.2021. EUR	31.12.2020. EUR
NON- CURRENT ASSETS			
Property, plant and equipment	14	134 071 349	142 595 592
Intangible assets	13	1 117 126	1 416 865
Investment property	16	1 124 823	1 145 312
Right of use assets	15	250 455	449 649
TOTAL NON-CURRENT ASSETS		**136 563 753**	**145 607 418**
CURRENT ASSETS			
Inventories	17	812 448	866 493
Trade receivables	18	6 408 567	3 393 739
Other receivables and prepaid expenses	19	1 348 693	1 483 201
Cash and cash equivalents	20	28 461 567	4 826 242
TOTAL CURRENT ASSETS		**37 031 275**	**10 569 675**
TOTAL ASSETS		**173 595 028**	**156 177 093**

The accompanying notes on pages 19 to 48 form an integral part of these financial statements.

Statement of financial position (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY

SHAREHOLDERS' EQUITY	Note	31.12.2021. EUR	31.12.2020. EUR
Share capital	21	68 347 231	28 608 932
Reserves	22	25 188 002	23 001 152
(Accumulated losses)/ retained earnings		(9 423 404)	6 695 149
TOTAL SHAREHOLDERS' EQUITY		**84 111 829**	**58 305 233**
LIABILITIES			
Non-current liabilities			
Borrowings from credit institutions and other borrowings	23	31 102 740	22 437 155
Deferred income	24	39 765 040	43 720 475
TOTAL		**70 867 780**	**66 157 630**
Current liabilities			
Borrowings from credit institutions and other borrowings	23	3 353 881	15 299 932
Trade payables		912 022	947 850
Other liabilities	25	7 881 388	9 409 573
Deferred income	24	5 392 673	5 223 608
Accrued liabilities	26	1 075 455	833 267
TOTAL		**18 615 419**	**31 714 230**
TOTAL LIABILITIES		**89 483 199**	**97 871 860**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**173 595 028**	**156 177 093**

The accompanying notes on pages 19 to 48 form an integral part of these financial statements.

Statement of cash flows

Cash flow from operating activities	Note	**2021 EUR**	**2020 EUR**
Loss of the reporting year before tax		**(9 423 404)**	**(15 846 347)**
Adjustments for:			
Depreciation of property, plant and equipment, investment property and amortisation of intangible assets	13,14,15,16	15 653 864	15 315 828
Received Government grant for the infrastructure development		(249 675)	(247 333)
EU Cohesion Fund resources recognised in the profit for the current year	4	(4 725 519)	(4 961 631)
Obtained from ERDF financing	4	(144)	-
Property, plant and equipment obtained without payment (recognized in the profit for the current year)		(99 345)	(47 271)
Decrease in accruals		(2 231 026)	(4 120 991)
Gain from sale of fixed assets		209 566	2 483
Net interest expenses	10, 11	412 358	458 349
Decrease of inventories		54 045	53 217
Decrease/ (increase in trade receivables		(3 014 828)	4 362 768
Decrease in prepaid expenses		564 878	566 209
Decrease in trade payables		(318 857)	(4 661 875)
Decrease/(increase) in deferred income		(484 986)	239 234
Cash generated from operating activities		**(3 702 026)**	**(8 887 360)**
Interest paid		(418 973)	(488 689)
Net cash (used in) / generated from operating activities		**(4 120 999)**	**(9 376 049)**
Cash flows from investing activities			
EU Project for development of safe and environment friendly infrastructure		2 162 152	709 003
Employment related grants		-	7 359
Government funding for aviation security		52 418	42 418
A-CDM Riga project		186 667	-
Ministry of Defence budget program for the improvement of airport infrastructure		-	530 000
Acquisition of intangible assets	13	(61 393)	(299 831)
Acquisition of fixed assets		(6 588 079)	(13 600 661)
Interest received		727	1 828
Net cash used in investing activities		**(4 247 508)**	**(12 609 884)**
Cash flows from financing activities			
Loans received	23	4 600 000	9 569 114
Repayment of loans and borrowings	23	(7 667 418)	(2 960 161)
State aid (increase of the share capital of the Cabinet of Ministers Order No. 366)		35 230 000	-
Payment of lease obligations	23	(207 703)	(231 139)
Net cash generated from financing activities		**31 954 879)**	**6 377 814**
Net increase/(decrease) in cash and cash equivalents		**23 635 325**	**(15 608 119)**
Cash and cash equivalents at the beginning of the year		**4 826 242**	**20 434 361**
Cash and cash equivalents at the end of the year	**20**	**28 461 567**	**4 826 242**

The accompanying notes on pages 19 to 48 form an integral part of these financial statements.

Statement of changes in shareholders' equity

	Note	Share capital EUR	Other reserves EUR	Retained earnings EUR	Total EUR
31 December 2019		**28 608 932**	**23 001 152**	**22 541 496**	**74 151 580**
Comprehensive loss for the year		-	-	(15 846 347)	**(15 846 347)**
31 December 2020		**28 608 932**	**23 001 152**	**6 695 149**	**58 305 233**
Comprehensive loss for the year		-	-	(9 423 404)	**(9 423 404)**
Transfer from retained earnings to reserves		-	2 186 850	(2 186 850)	-
Retained earnings investment in share capital	21	4 508 299	-	(4 508 299)	-
Increase of share capital	21	35 230 000	-	-	**35 230 000**
31 December 2021		**68 347 231**	**25 188 002**	**(9 423 404)**	**84 111 829**

The accompanying notes on pages 19 to 48 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 "Lidosta Rīga 10/1", Lidosta Rīga, Mārupes pag., Mārupes nov., LV-1053, Latvija. The Company is wholly owned by the Government of the Republic of Latvia.
The key lines of business are:

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

aircraft maintenance, airfield technical maintenance;

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

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

These Company's financial statements were authorised for issue by the Board of directors on 11th April 2022. The Company's members of the Board as at the financial statement signing date are Laila Odiņa (Chairwoman of the Board from 16th April 2021), Artūrs Saveļjevs (from 13th September 2017) and Normunds Feierbergs (from 10th November 2021). Members of the Council on the financial statements reporting date are Juris Kanels (Chairman of the Council from 17th May 2021), Eduards Toms (Member of the Council from 24th May 2019) un Elīna Salava (Member of the Council from 7th July 2021).

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

2. Basis of the preparation and application of IFRS

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

(a) Statement of compliance and accounting principles

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

Financial statements are prepared on a going concern basis.

According to industry forecasts, the impact of the COVID-19 crisis on international passenger air traffic will continue until 2024 or 2025. Along with the recovery of the industry after the negative impact of Covid-19, the geopolitical risks arising from the war started by Russia in Ukraine are mentioned as an additional factor that will negatively affect the recovery of the industry.
The airport's budget for 2022 envisages that 5 million passengers will be served, but in 2024 the number of passengers will reach the same level as in 2019. In case the recovery of passenger flow will be slower than expected, the Airport will perform activities aimed at maintaining liquidity - reassessment of operating costs, as well as revise its investment plans. If, as a result of the above-mentioned activities, the Airport is not able to provide sufficient liquidity to ensure economic activity, the Airport will consider possibilities of restructuring of existing loans, attraction of new loans to ensure liquidity and / or re-apply to the shareholder with a request to find solutions to ensure the liquidity of the Airport.

The financial statements have been prepared under the historical cost convention. The Company's financial assets and liabilities are stated at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future payments 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 instrument.

The amounts included in the financial statements are presented in the official currency of the Republic of Latvia, the euro, which is the Company's functional currency.

Notes (continued)

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

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of items in the statement of financial position and statement of comprehensive income and the amount of contingent liabilities. Future events may affect the assumptions on which the estimates are based. Any effect of changes in estimates is reflected in the financial statements in the period in which the changes are made. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ. The relevant assumptions and judgments are described in Note (t) to this note.
Compared to the accounting methods used in the preparation of the 2020 financial statements, the accounting methods used in the preparation of the 2021 financial statements have not changed.

The following amendments to the EU standards that did not have a material impact on the Company's financial statements have been effective for annual periods beginning on or after 1 January 2021:
Amendments to IFRS 16 - Lease Concessions for Covid-19 (effective for annual periods beginning on or after 1 June 2020). The amendments allow lessees (but not lessors) to use the exemption from the standard requirement to assess whether a Covid-19 concession is a modification of a lease.
Phase Two Reform of the Base Interest Rate Benchmark (IBOR) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address the challenges arising from the implementation of the reforms, including the replacement of one benchmark by an alternative.
The following amendments or interpretations to standards will be effective for annual periods beginning on or after 1 January 2022 that may affect the Company's financial statements and are currently being assessed by management, but are not expected to be material:
Amendments to IFRS 4 - Deferred Application of IFRS 9 (effective for annual periods beginning on or after 1 January 2023);
Amendments to IFRS 10 and IAS 28 - Transactions or Transfers of Assets between an Investor and its Associate or Joint Venture (effective date not yet determined, not approved for use in the EU);
IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU);
Amendments to IAS 1 - Classification of Current and Non-current Liabilities (effective for annual periods beginning on or after 1 January 2022, not yet endorsed in the EU);
Revenue Prior to Intended Use of Property, Plant and Equipment, Encumbering Contracts - Contract Performance Costs, Reference to IFRS Conceptual Framework - Amendments to IAS 16, IAS 3 and IFRS 3, and 2018-2020 Annual Improvements to IFRSs - Amendments to IFRS 1. IFRSs, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2021, not yet endorsed by the EU).

(b) Financial instruments

Classification of financial instruments

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

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

Recognition and derecognition

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

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

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

Notes (continued)

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

b) Financial instruments (continued)

Measurement

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

Financial assets at amortised cost

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

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

Cash and cash equivalents

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

Impairment of financial assets at amortised cost

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

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

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

Financial liabilities at amortised cost

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

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

Borrowings

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

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

Offsetting financial assets and liabilities

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

(c) Revaluation of foreign currency

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

Notes (continued)

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

(c) Revaluation of foreign currency (continued)

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

	31.12.2021. 1 EUR		**31.12.2020. 1 EUR**
1GBP	0.84028	1GBP	0.85080
1USD	1.13260	1RUB	69.95630
		1SEK	10.44680
		1USD	1.12340
		1CAD	1.45980

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

(d) Intangible assets

Software licences

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

Subsequent expenditure

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

Amortisation

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

(d) Property, plant and equipment

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

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

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

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

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

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

Construction in progress

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

Impairment of property, plant and equipment

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

Notes (continued)

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

(e) Property, plant and equipment (continued)

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

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

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

(f) Investment property

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

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

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

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

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

(g) Inventories

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

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

(h) Cash and cash equivalents

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

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

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

(j) Other reserves

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

Notes (continued)

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

(k) Leases

Leases are recognized and accounted for in accordance with IFRS 16 Leases. A lease exists when an asset is identifiable, and the buyer has the right to obtain virtually all the economic benefits from the use of the asset during its useful life. The Company does not apply the IFRS 16 requirements for short-term leases, leases of intangible assets, and leases of low value assets. In these cases, the lease cost is recognized as an expense in the profit or loss on a straight-line basis over the lease term. The Company determines the lease term as irrevocable together with the periods to which the lease is subject to renewal, if there is reasonable assurance that the Company will exercise the option and the periods to which the lease can be terminated. At the inception of the lease, the Company recognizes right to use asset under property, plant and equipment (see Right to use asset) and lease liability. Initially lease obligations are measured at the present value of the lease payments outstanding at the inception of the lease. Lease payments are divided between the present value of the lease obligations and the finance charge. Lease payments are discounted using the interest rate that is included in the lease, if it can be readily determined. If this rate cannot be readily determined, the Company uses the Company's comparable borrowing rate. Finance costs are charged to the profit or loss as interest expense. Changes in the lease or changes in the assumptions made when the lease was initially determined or when the right to use asset is calculated are recalculated, adjusting the lease and the right to use the asset accordingly. Any gain or loss arising on the total or partial termination of the lease is included in profit or loss.

(l) Revenue recognition

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

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

Provision of services
Revenue from services is recognized in the period when the services are provided net of discounts.
Interest
Revenue is recognized based on the period for which interest is calculated.
Rental income
Rental income is recognized for all effective rent agreements over the entire period of rent on a straight-line basis.
Commission fees
The Company has signed several long-term contracts on the assigning rights to supply fuel to aircraft and the rights to provide aircraft de-icing services. Commission fees are charged for all effective contracts over the entire term of services on a straight-line basis.

(m) Government and European Union grants

Government and European Union grants are recognized as follows:

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

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

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

(n) Financial income and expenses

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

Notes (continued)

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

(o) Related parties

Company accounts following parties as related parties:

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

(p) Subsequent events

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

(r) Employee benefits

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

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

(s) Corporate income tax

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

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

(t) Critical accounting estimates and assumptions

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

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

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

Notes (continued)

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

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

Useful lives of property, plant and equipment

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

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

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

Provisions and accruals

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

Notes (continued)

3. Revenue

	2021 EUR	2020 EUR
Total aviation revenue	**18 875 508**	**15 042 649**
Security and rescue measure fees*	4 882 675	4 045 912
Departure / landing fees	2 380 971	1 947 804
Ground handling	6 229 266	4 959 627
Passenger service fees	3 058 221	2 561 481
Other aviation services	825 284	675 586
*Including charge for services provided to disabled persons and persons with reduced mobility***	*326 955*	*278 542*
Centralized infrastructure services	1 499 091	852 239
Total non-aviation revenue	**12 893 402**	**14 755 275**
Rent of premises within terminal	4 288 741	7 451 377
Car parking services	1 628 586	1 144 776
Other lease in the airport territory***	2 384 839	2 040 239
Public utilities	2 237 952	2 057 047
Servicing business passengers	1 098 313	892 890
Advertising services	270 217	299 838
Income from concessions	161 610	145 693
Other non-aviation services	823 144	723 415
TOTAL:	**31 768 910**	**29 797 924**

	2021 EUR	2020 EUR
Revenue from contracts with customers that is recognized over time (in accordance with IFRS 15):		
Security and rescue measure fees	4 882 675	4 045 912
Departure / landing fees	2 380 971	1 947 804
Ground handling	6 229 266	4 959 627
Passenger service fees	3 058 221	2 561 481
Revenue from other aviation services	825 284	675 586
Revenue from centralized infrastructure services	1 333 779	852 239
Revenue from utilities	2 237 952	2 057 047
Revenue from servicing business passengers	1 098 313	892 890
Revenue from other non-aviation services	823 144	723 415
TOTAL:	**22 869 605**	**18 716 001**
Other revenue (IFRS 16 and other standards):		
Rent of premises within terminal	4 288 741	7 451 377
Car parking services	1 628 586	1 144 776
Other lease in the airport territory	2 384 839	2 040 239
Revenue from advertising services	270 217	299 838
Income from concessions	326 922	145 693
TOTAL:	**8 899 305**	**11 081 923**
TOTAL:	**31 768 910**	**29 797 924**

Notes (continued)

3. Revenue (continued)

		2021 EUR	2020 EUR
EU Economic Activities Statistical Classification according to NACE codes:			
Aviation income (52.23)		18 710 196	15 042 649
Non-aviation income (68.20)		11 638 431	13 586 329
Non-aviation income (73.12)		270 217	299 838
Non-aviation income (79.90)		1 150 066	869 108
	TOTAL:	**31 768 910**	**29 797 924**

* 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 31.

*** Includes rental income from investment property in amount of 1 834 499 euro (2020: 1 278 511 euro).

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

4. Government and EU grants

In accordance with the Clause 27 of law On Aviation, the Company provides equipment, systems and trained personnel to prevent unlawful intervention in the safety of civil aviation, and performs all such measures that ensure safety control of aircraft, its personnel, passengers and cargo in accordance with the national and international normative acts. In order to perform these functions, starting from 1 January 2007 the Company has received direct payments from the state budget, in 2021 amounting to 52 418 euro (2020: 42 418 euro). Part of the government grant for the aviation safety used to cover maintenance expenses is recognized under income of the reporting year. As at 31.12.2021, government grant for acquisition and creation of long-term investments to improve aviation safety carried forward to the following year is 177 898 euro; (31.12.2020: 183 266 euro).

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

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

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

		2021 EUR	2020 EUR
Government grant for the safety of aviation:		**57 787**	**62 759**
Depreciation of property, plant and equipment purchased using the grant		57 787	62 759
Grants received from the Cohesion Fund:		**4 725 519**	**4 961 631**
Depreciation of property, plant and equipment purchased using the Cohesion Fund resources		4 697 242	4 951 598
Depreciation of property, plant and equipment purchased using the EU project for development of safe and environmentally friendly infrastructure		28 277	10 033
Other grants:		**192 074**	**191 933**
Depreciation of fixed assets purchased from grants		191 888	184 574
From ERDF funding, Project no. 4.4.1.0/16/I/001		144	-
European Social Fund project		42	7 359
	TOTAL:	**4 975 380**	**5 216 323**

Notes (continued)

5. Personnel costs

	2021 EUR	2020 EUR
Total salaries:	**18 226 103**	**18 372 301**
Staff	17 804 313	17 889 102
Board and Council members	421 790	483 199
Total compulsory state social security contributions:	**4 276 375**	**4 368 645**
Staff	4 179 882	4 254 521
Board and Council members	96 493	114 124
TOTAL:	**22 502 478**	**22 740 946**

Average number of employees during the reporting year 2021 was 1 045, including 3 members of the Board (2020 1 085, including 3 members of the Board).

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

	2021 EUR	2020 EUR
Depreciation of constructions and buildings	9 195 165	8 336 648
Depreciation of investment property	27 361	27 197
Depreciation of equipment and machinery	3 654 542	3 765 557
Depreciation of other property, plant and equipment	2 181 283	2 709 868
Amortization of intangible assets	393 609	269 575
Depreciation of right of use assets	199 194	204 194
TOTAL:	**15 651 154**	**15 313 039**

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

7. Other external costs

	2021 EUR	2020 EUR
Materials	1 381 027	878 820
Insurance of employees and movable and immovable property	636 100	706 260
Territory cleaning costs	142 238	100 630
Infrastructure maintenance costs	1 348 438	1 158 511
Public utilities	3 004 350	2 693 390
Business trips	28 895	15 360
Communication expenses	1 035 643	1 309 939
Transport costs	661 758	396 264
Management expenses*	473 165	474 960
Operating leases**	684 067	596 373
Increase of personnel qualification	243 702	111 995
Marketing and advertising	316 119	348 202
Safety measures	497 334	404 338
Other external costs	1 939 748	1 496 095
TOTAL:	**12 392 584**	**10 691 137**

* Including audit expenses for the reporting year – 17 500 euro (2020: 15 000 euro).

Notes (continued)

7. Other external costs (continued)

**lease expenses are classified as followed:

	2021 EUR	2020 EUR
Rent capacity	7 038	7 156
Lease of low value assets	285 360	267 486
Lease of intangible assets	258 256	251 934
Short term leases	133 413	69 797
TOTAL:	**684 067**	**596 373**

8. Other operating income

	2021 EUR	2020 EUR
Penalty fees	296 551	56 378
Income from reversal of allowances for doubtful receivables and accruals for litigations, net	2 577 072	-
Current assets sales result, net*	2 235 449	2 483
Other operating income**	153 850	3 096 843
TOTAL:	**5 262 922**	**3 155 704**

* including income 4 443 241 euro from fixed assets disposal (including 1 957 594 euro from the sale of real estate (land) for the implementation of the Rail Baltica project), expenses from writing off fixed assets with residual value of 2 207 792 euro, net income – 2 235 449 euro .
** Including calculated depreciation of fixed assets that were acquired without a payment – 75 724 euro (2020: 47 271 euro) and reversal of Ryanair litigation provision in 2021 in the amount of 2 577 076 euro.

9. Other operating expenses

	2021 EUR	2020 EUR
Non-business expenses, primarily trade union events*	64 034	57 729
Real estate tax**	358 802	350 958
Penalties paid	-	15 809
Losses from doubtful debts and provisions for legal cases, net	-	328 944
Other operating expenses	49 206	4 059 387
TOTAL:	**472 042**	**4 812 827**

* Including depreciation of property, plant and equipment related to social infrastructure – 2 710 euro (2020: 2 789 euro), social events expenses – 53 193 euro (2020: 36 195 euro).
** Including real estate tax expenses attributable to investment properties in 2021 amounting to 35 166 euro (2020: 39 423 euro).

10. Finance income

	2021 EUR	2020 EUR
Interest income from sublease	727	1 828
TOTAL:	**727**	**1 828**

Notes (continued)

11. Finance costs

	2021 EUR	2020 EUR
Interest expenses on long-term borrowings	409 025	449 516
Net expenses from exchange rate changes	183	4 094
Interest expenses on finance lease	3 877	6 567
TOTAL:	**413 085**	**460 177**

12. Corporate income tax

	2021 EUR	2020 EUR
Tax on dividends for year 2021 *	-	-
Paid during reporting year	-	-
Overpayment/ (liability) as at 31 December 2021:	-	-

*Effective from 1 January 2018
Order No. 566 of the Cabinet of Ministers of 31 October 2018 "For state joint stock company's "Riga International Airport" to be paid in dividends share of profit for 2018-2023 year" determines that the Company pays a different share of profit as dividends in the amount of 20% of the profit for 2018-2022 year. Law on "The medium-term budgetary framework for 2018, 2019 and 2020 year" determines that minimum share of profit to be paid in dividends for State capital companies for 2018 and 2019 reporting year includes payment for the use of state capital and corporate income tax.

2019 retained earnings in the amount of 4 508 299 euro in 2019 were invested in the share capital of the Company and 2 186 850 euro were transferred to the Company's reserves, while 2020 was closed with a loss of 15 846 347 euro.

13. Intangible assets

	Software licences EUR
Cost at 31.12.2019.	**1 768 106**
Purchase	299 831
Transfers	377 982
Disposals	(73 553)
Cost at 31.12.2020.	**2 372 366**
Accumulated amortization at 31.12.2019.	**759 479**
Amortization	269 575
Amortization of liquidated assets	(73 553)
Accumulated amortization at 31.12.2020.	**955 501**
Balance at 31.12.2019.	**1 008 627**
Balance at 31.12.2020.	**1 416 865**
	EUR
Cost at 31.12.2020.	**2 372 366**
Purchase	61 393
Transfers	32 477
Disposals	(23 477)
Cost at 31.12.2021.	**2 442 759**
Accumulated amortization at 31.12.2020.	**955 501**
Amortization	393 609
Amortization of liquidated assets	(23 477)
Accumulated amortization at 31.12.2021.	**1 325 633**
Balance at 31.12.2020.	**1 416 865**
Balance at 31.12.2021.	**1 117 126**

Notes (continued)

14. Property, plant and equipment

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

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

Notes (continued)

14. Property, plant and equipment (continued)

* Reclassified from / to investment property – Land and buildings with the cost of 6 872 euro reclassified to/from investment property; land and buildings 10 076 euro the original value has been reclassified from investment property (15 031 euro in 2020 to investment property) (see Note 16).

** Cost value – As at 31 December 2021, the Company's statement of financial position includes fully depreciated property, plant and equipment items in the amount of 86 609 185 euro (31.12.2020: 85 366 131 euro).
*** Depreciation – calculated depreciation includes Property, Plant and Equipment purchased for government grants, purchased for means of European Community financial institutions and purchased on finance lease.

On 31 December 2021 the land with total area of 73.8506 hectares (31.12.2020: 73.8506) owned by the Ministry of Transport of the Republic of Latvia was transferred for usage to the Company and was not disclosed in the statement of financial position of the Company as the terms of use do not comply with the classification of finance leases. The Company's fixed assets, except land, intangible assets and use of rights assets, are pledged to the State Treasury.

15. Right of use assets

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

	Right of use land and buildings	Right of use equipment and machinery	Right of use other property, plant and equipment	TOTAL
	EUR	EUR	EUR	EUR
Cost at 31.12.2020.	-	**184 500**	**1 185 864**	**1 370 364**
Reclassified to property, plant and equipment	-	-	(60 000)	**(60 000)**
Cost at 31.12.2021.	-	**184 500**	**1 125 864**	**1 310 364**
Accumulated depreciation at 31.12.2020.	-	**107 625**	**813 090**	**920 715**
Depreciation	-	26 357	172 837	**199 194**
Reclassified to property, plant and equipment	-	-	(60 000)	**(60 000)**
Accumulated depreciation at 31.12.2021.	-	**133 982**	**925 927**	**1 059 909**
Balance at 31.12.2020.	-	**76 875**	**372 774**	**449 649**
Balance at 31.12.2021.	-	**50 518**	**199 937**	**250 455**

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

Notes (continued)

16. Investment property

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

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

In the course of its business, as at 31 December 2021 the Company rents out as part of the Company's land amounting to 69.4748 (31.12.2020.: 68.9909) hectares.

17. Inventories

		2021 EUR	2020 EUR
Materials and consumables		812 448	866 493
	TOTAL:	**812 448**	**919 710**

18. Trade receivables

		2021 EUR	2020 EUR
Trade receivables		7 070 431	6 882 672
Impairment allowance		(661 864)	(3 488 933)
	TOTAL:	**6 408 567**	**3 393 739**

Notes (continued)

18. a Impairment allowance

	EUR
Impairment allowance at 31 December 2019	**11 278 126**
Reduction of allowance, unrecovered debts	(8 119 582)
Reduction of allowance, recovered debts	(62)
Created impairment allowance	330 451
Impairment allowance at 31 December 2020	**3 488 933**
Reduction of allowance, unrecovered debts	(2 827 069)
Reduction of allowance, recovered debts	-
Created impairment allowance	-
Impairment allowance at 31 December 2021	**661 864**

19. Other receivables and prepaid expenses

	2021 EUR	2020 EUR
Financial assets		
Other receivables*	26 646	70 529
Impairment allowance for other receivables	-	(1 989)
TOTAL FINANCIAL ASSETS:	**26 646**	**68 540**
Non-financial assets		
Insurance	117 962	87 115
Advances for services	49 371	179 921
Advances for services	803 669	650 433
Other prepaid expenses	351 045	497 192
TOTAL NON-FINANCIAL ASSETS:	**1 322 047**	**1 414 661**
TOTAL:	**1 348 693**	**1 483 201**

* Including sublease receivable of 15 371 euro as of 31 December 2021 (2020: 31 665 euro)

20. Cash and cash equivalents

	2021 EUR	2020 EUR
Cash in bank	28 436 578	4 815 767
Cash in exchange machine and cash in transit	21 193	5 791
Cash on hand	3 796	4 684
TOTAL:	**28 461 567**	**4 826 242**

21. Share capital

The registered and paid-up share capital of the Company is 68 347 231 euro (31 December 2020: 28 608 932 euro) and it is comprised of 28 608 932 shares with nominal value one euro each and 397 382 990 Covid-19 shares with nominal value of 0.10 euros each (31 December 2020: 28 608 932 shares with nominal value 1.00 euro each). All shares are owned by the Republic of Latvia. The holder of the state shares is the Ministry of Transport of Latvia. All Company's shares rank equal with respect to dividends, liquidation quota and voting rights in the Shareholder Meeting. Based on the decision of the European Commission from 8 March 2021 in the State aid case SA.57756 (2021 / N) - Latvia COVID-19: Recapitalization of Riga International Airport, 14 June 2021, Shareholders decision sets increase in share capital of the Airport by 35.2 million euro and an exemption from dividend payments of EUR 4.5 million for the 2019 financial year.

Notes (continued)

22. Reserves

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

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

	EUR
Reserve capital at 31 December 2019	**22 991 758**
Reserve capital at 31 December 2020	**22 991 758**
Increase in 2021, net	2 186 850
Reserve capital at 31 December 2021	**25 178 608**

Apart from reserve capital, other reserves include a "Long-term investment revaluation reserve" that has been created in 2002 for the assets that previously belonged to the Russian Federation Army, received free of charge. As at 31 December 2021 the balance of this reserve is 9 394 euro (2020: 9 394 euro).

23. Borrowings from credit institutions and other borrowings

	2021 EUR	2020 EUR
Long-term loans from credit institutions		
The Treasury (repayable later than 5 years after balance sheet date)	20 513 778	22 215 994
Swedbank AS (repayable later than 5 years after balance sheet date)	6 705 882	-
SEB bank (repayable later than 5 years after balance sheet date)	3 833 333	-
Long-term lease liabilities (repayable not later than 5 years after balance sheet date)	49 747	221 161
TOTAL NON-CURRENT PORTION:	**31 102 740**	**22 437 155**

	2021 EUR	2020 EUR
Short-term loans from credit institutions		
The Treasury	1 759 936	1 744 306
Swedbank AS	960 477	8 624 655
OP Corporate Bank plc	-	4 723 107
SEB bank	461 967	-
Lease liabilities	171 501	207 864
TOTAL CURRENT PORTION:	**3 353 881**	**15 299 932**
TOTAL:	**34 456 621**	**37 737 087**

(a) Loans from credit institutions

On 12 April 2012 **The Treasury of the Republic of Latvia** issued a loan to the Company of 43 483 793 euro. From 2 April 2015 loan amount has been reduced in line with the Decision No. 12-33/9 by the Ministry of Finance to 33 663 759.46 euro. The aim of the loan is implementation of Cohesion Fund project No. 2010LV161PR001 "Riga International Airport Infrastructure Development". The loan shall be repaid until 20th February 2035. The loan was used until 20 March 2015. The Company has placed a mortgage for the benefit of the State Treasury of the Republic of Latvia with real estate belonging to the Company and mortgaged movable property (Pledge deed No. 100155354 dated 9th February 2012 and pledge deed No. 100158809 dated 11t October 2012, updated 20th February 2014 No. 100165077, updated 24th March 2015 No. 100169472). As at 31 December 2021 the repayable part of the loan is 22 026 906 euro and accrued interest is 57 720 euro (2020: 23 689 314 euro and accrued interest 61 474). Based on the Minister of Finance Decision No. 12-6 / 12 of 9 August 2018, the Company and The Treasury of the Republic of Latvia signed a loan agreement in the amount of 208 978 euro. Purpose of the loan was realization of KF project No.6.1.2.0/16/I/001 "Development of safe and environmentally friendly infrastructure at Riga International Airport". Loan shall be repaid by 20 July 2026. As at 31 December 2021, the outstanding portion of the loan is 189 088 euro.

Notes (continued)

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

Swedbank AS On 7 January 2020, the Company entered into a loan agreement in the amount of 9 500 000 euro. The purpose of the loan is to refinance the borrower's liabilities from OP Corporate Bank. As at 31 December 2020, the outstanding part of the loan was 7 663 865 euro and the accrued interest was 2 495 euro (2020: 8 621 849 euro and accrued interest 2 806). In 2021, the loan was repaid in the amount of 1 067 489 euro. The loan shall be repaid by 23 December 2024. The loan is classified as a non-current liability based on a notification received from Swedbank AS in December 2021 regarding non-compliance with the terms of the loan agreement - non-compliance with DSCR coefficient

OP Corporate Bank plc The Company has a loan of 6 400 000 euro signed on 21st April 2016. Purpose of the loan – funding of project "Expansion of a passenger terminal of SJSC "Riga International Airport" 5.2nd level. The loan shall be repaid until 20th April 2021. In 2017 a loan in amount of 6 294 000 euro was received. The loan was repaid on 20th April 2021.

SEB bank The Company has a loan of 4 600 000 euro signed on 19th April 2021. Purpose of the loan - full repayment of a liability to OP Corporate bank plc. As at 31 December 2021, the outstanding portion of the loan was 4 293 333 euro and the accrued interest was 1 967 euro. In 2021 the loan was repaid in the amount of 306 667 euros. The loan must be repaid by 18 April 2024.

OP Corporate Bank plc The Company has an available credit line of 20 000 000 EUR. The deadline for full repayment and final settlement of the loan is May 26, 2021. On May 20, 2021, the term of full repayment and final settlement of the loan has been extended until August 26, 2021. The amount of the used credit line was repaid on June 28, 2021.

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

Future payments under finance lease in 2020 and under lease liabilities in 2021 are as follows:

	2021 EUR	2020 EUR
Within 1 year, including lease interest	172 852	211 655
Later than one year but less than five years, including lease interest	50 019	222 868
Total lease liabilities – minimum lease payments and lease interest	**222 871**	**434 523**
Future finance charges on lease – interest on the lease	(1 623)	(5 498)
PRESENT VALUE OF LEASE LIABILITIES:	**221 248**	**429 025**

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

	2021 EUR	2020 EUR
Within 1 year	171 501	207 864
Later than one year but less than five years	49 747	221 161
PRESENT VALUE OF LEASE LIABILITIES:	**221 248**	**429 025**

Movement of borrowings:

	2021 EUR	2020 EUR
Balance at the beginning of the reporting year	**37 737 087**	**31 393 707**
Loans received	4 600 000	9 569 114
Loans repaid	(7 667 418)	(2 960 161)
Lease repayments	(207 703)	(231 139)
Calculated interest	412 902	452 427
Interest received	727	1 828
Interest paid	(418 974)	(488 689)
Balance at the end of the reporting year	**34 456 621**	**37 737 087**

Notes (continued)

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

As at 31 December 2020, the Company has signed 4 lease contracts with repayment term till 31 December 2022 - 100 833 euro; till 31 December 2023 – 48 901 euro; till 31 December 2024 – 48 952 euro.In 2021, no new lease agreements were signed. During 2021, actual interest rates fluctuated from 1% to 2.8% per annum.

24. Deferred income

	2021 EUR	2020 EUR
Long term:		
Government grant related to the Cohesion Fund financing of property, plant and equipment acquired as part of the runway extension project	3 420 000	4 006 339
Payment for development of infrastructure stipulated in the long-term lease agreements	1 790 503	1 718 477
Government grants for development of the airport infrastructure	188 491	254 785
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	137 485	125 480
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	32 747 423	36 858 325
Fixed assets (heating system and other) obtained free of charge	181 741	209 050
From EU project for safe and environmentally friendly infrastructure	837 100	18 019
Ministry of Defence budget program for airport infrastructure improvement	454 684	530 000
ERDF funding, Project no. 4.4.1.0/16/I/001	7 613	-
TOTAL LONG TERM PART:	**39 765 040**	**43 720 475**
Short term:		
Government grant related to the Cohesion Fund as part of the runway extension project	586 340	586 340
Advertising and lease services	431 354	262 270
Government grants for development of the airport infrastructure	66 294	168 267
Long term part of depreciation of property, plant and equipment acquired and acquirable using the government grants on aviation safety	40 412	57 787
Infrastructure development (Cohesion fund project Nr.3DP/3.3.1.4.0/10/IPIA/SM/001)	4 110 903	4 110 903
Fixed assets (heating system and other) obtained free of charge	28 308	28 640
EU project "Development of safe and environmentally friendly infrastructure"	78 066	9 401
Ministry of Defence budget program for airport infrastructure improvement	50 134	-
ERDF funding, Project no. 4.4.1.0/16/I/001	862	-
TOTAL SHORT TERM PART:	**5 392 673**	**5 223 608**
TOTAL:	**45 157 713**	**48 944 083**

See also Note 4.

Notes (continued)

25. Other liabilities

	2021 EUR	2020 EUR
Financial liabilities		
Other liabilities	4 047 787	3 806 406
Other accrued expenses	1 196 412	3 669 626
TOTAL FINANCIAL LIABILITIES:	**5 244 199**	**7 476 032**
Non-financial liabilities		
Taxes and compulsory state social security contributions liabilities	1 431 066	1 125 788
Salaries	1 186 123	807 753
Advances from clients	20 000	-
TOTAL NON-FINANCIAL LIABILITIES:	**2 637 189**	**1 933 541**
TOTAL:	**7 881 388**	**9 409 573**

26. Accrued liabilities

	2021 EUR	2020 EUR
Accrued vacation liabilities	1 075 455	833 267
TOTAL ACCRUED LIABILITIES:	**1 075 455**	**833 267**

27. Financial risk management

(a) Financial risk factors

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

The Company has the following financial instruments:

a. financial assets: current and non-current receivables, and cash in banks, cash in bank deposits;

b. financial liabilities: short-term and long-term loans, lease liabilities, payables to creditors.

Financial instruments by categories:

	Notes	2021 EUR	2020 EUR
Financial assets at amortized cost			
Trade receivables, net	18	6 408 567	3 393 739
Other financial assets	19	26 646	68 540
Cash and cash equivalents	20	28 461 567	4 826 242
	TOTAL:	**34 896 780**	**8 288 521**

	Notes	2021 EUR	2020 EUR
Financial liabilities at amortized cost			
Loans from credit institutions	23	(34 456 621)	(37 308 062)
Lease liabilities	23	(221 248)	(429 025)
Trade payables		(912 022)	(947 850)
Other liabilities	25	(5 244 199)	(7 476 032)
	TOTAL:	**(40 834 090)**	**(46 160 969)**

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

The Company is exposed to the following risks:

- credit risk;
- liquidity risk;
- interest rate risk;
- foreign exchange risk.

Credit risk

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

Sources of credit risk

Credit risk mainly relates to the largest customers of the Company. Three largest customers of the Company contribute 57% (2020: 71%) of the total debtors. One of those customers represented 21% (2020: 15%) of the total trade receivables, the second one represented 27% (2020: 13%) and the third largest customer represented 9% (2020: 43%) of the total trade receivables.

Credit risk management

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

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

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

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

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

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

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

Accounts receivable are analysed based on the following aging groups as at 31 December 2020:

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

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

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

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

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

Credit risk management	**Total, gross**	**Allowance**	**Total, net**	**Not yet due**		**Due**	
				Gross amounts	**Allowance**	**Gross amounts**	**Allowance**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
31.12.2020.							
Trade receivables, including	6 882 672	(3 488 933)	3 393 739	3 753 307	(188 650)	3 129 365	(3 300 283)
Three largest clients	*4 868 474*	*(2 826 511)*	*2 041 963*	*2 257 211*	-	*2 611 263*	*(2 826 511)*
Other customers	*2 014 198*	*(662 422)*	*1 351 776*	*1 496 096*	*(188 650)*	*518 102*	*(473 772)*
Other receivables, net	70 529	(1 989)	68 540	68 540	-	1 989	(1 989)
TOTAL:	**6 953 201**	**(3 490 922)**	**3 462 279**	**3 821 847**	**(188 650)**	**3 131 354**	**(3 302 272)**

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

Quality of the debtors

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

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

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Term deposits and cash at bank

Bank	**Long term rating from Moody's Investors Service**	**2021 EUR**	**2020 EUR**
AS Swedbank	Aa3	6 478 194	1 807 981
AS Citadele Bank	Baa3	4 560 581	977 603
OP Corporate Bank plc	Aa3	998 311	9 746
Luminor Bank	Baa1	7 345 698	116 407
The Treasury of the Republic of Latvia		8 095 307	1 903 065
SEB bank	Aa3	958 487	965
	TOTAL:	**28 436 578**	**4 815 767**

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

Liquidity risk

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

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

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

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

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

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

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

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

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

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

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

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Term analysis of financial liabilities at 31.12.2020. based on their contractual undiscounted cash flows:

	Carrying amount EUR	Contractual cash flows EUR	1 – 3 months EUR	3 months – 1 year EUR	1 – 5 years EUR	More than 5 years EUR
31.12.2020.						
Loans from credit institutions	(37 308 062)	(39 427 896)	(865 338)	(6 865 329)	(17 391 723)	(14 305 506)
Lease liabilities	(429 025)	(434 472)	(54 269)	(157 387)	(222 816)	-
Accounts payable to suppliers and contractors	(947 850)	(947 850)	(947 850)	-	-	-
Other liabilities	(7 476 032)	(7 476 032)	(1 035 947)	(1 861 229)	(4 578 856)	-
TOTAL:	**(46 160 969)**	**(48 286 250)**	**(2 903 404)**	**(8 883 945)**	**(22 193 395)**	**(14 305 506)**

Interest rate risk

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

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

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

Foreign currencies fluctuations risk

Foreign currency exchange risk is probability, that foreign currency exchange fluctuations will affect financial position and cash flows of the Company. Assets and liabilities exposed to the foreign currency exchange risk are cash and cash equivalents, trade and other receivables, short and long-term borrowings, accounts payable to suppliers and contractors and other liabilities. The Company is mainly exposed to foreign currency exchange risk associated with USD and CAD. Exposure to foreign currency exchange risk as at 31 December 2021 and 2020 is as follows:

	2021	2020
Financial assets, USD thousand	98	55
Financial liabilities, USD thousand	(1)	(1)
Statement of financial position, USD thousand, net	**97**	**54**
Statement of financial position, EUR thousand, net	**85**	**44**

Notes (continued)

27. Financial risk management (continued)

(a) Financial risk factors (continued)

Currency sensitivity analysis

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

31 December 2021

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

31 December 2020

	Currency	Book value EUR	Impact on current profit before income tax / net assets +1% (USD) +1%(CAD) EUR	Impact on current profit before income tax / net assets -1% (USD) -1%(CAD) EUR
Financial assets				
Cash and cash equivalents	USD	20 626	206	(206)
Trade receivables, gross	USD	34 388	344	(344)
	TOTAL:	**55 014**	**550**	**(550)**
Financial liabilities				
Trade payables	USD	793	8	(8)
Net effect		**54 222**	**542**	**(542)**

(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%.

Notes (continued)

27. Financial risk management (continued)

(b) Capital risk management (continued)

In 2021 and 2020 the proportion of borrowed capital to total capital was as follows:

	2021 EUR	2020 EUR
Total liabilities	89 483 199	97 871 860
(Cash and cash equivalents)	(28 461 567)	(4 826 242)
(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)	(42 845 856)	(46 963 336)
Net total liabilities	18 175 776	46 082 282
Total equity and liabilities	173 595 028	156 177 093
Borrowed capital proportion to total capital:	**10.47%**	**29.51%**

(c) Fair value

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

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

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

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

Quoted market prices - Level 1

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

Valuation techniques using observable inputs - Level 2

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

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

Assets: Cash and cash equivalents 28 461 567 euro; net trade accounts receivables net 6 408 567 euro; other net receivables net 26 646 euro.

Liabilities: Borrowings from credit institutions 34 235 373 euro; lease liabilities 221 248 euro; other liabilities 5 244 199 euro.

Valuation technique using significant unobservable inputs - Level 3

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

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

Notes (continued)

27. Financial risk management (continued)

(c) Fair value (continued)

Assets and liabilities for which fair value is disclosed

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

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

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

28. Capital commitments

The Company has planned to spend 22 935 thousand euro (2020: 17 762 thousand euro) for capital expenditures for property, plant and equipment and intangible assets in the subsequent year, including:

- Contracted for, but not yet delivered: 7 047 thousand euro (2020: 3 089 thousand euro)
- Approved, but not yet contracted for: 15 888 thousand euro (2020: 14 673 thousand euro)

29. Related party transactions

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

(a) Balances due to related parties

	2021 EUR	2020 EUR
Payables to SA "Civilās valsts aģentūru", safety and rescue pay part	133 428	159 410

(b) Balances due from related parties

	2021 EUR	2020 EUR
SJSC „Latvijas gaisa satiksme", for lease and public utility services	33 228	41 729
SJSC „Latvijas pasts", for lease and public utility services	34 665	32 928
JSC „Air Baltic Corporation", for aviation and lease services	1 891 795	1 052 703

(c) Income from sales of services to related parties

	2021 EUR	2020 EUR
SJSC Latvijas gaisa satiksme for lease and public utility services	487 290	581 939
SJSC Latvijas pasts for lease and public utility services	321 579	291 684
JSC "Air Baltic Corporation" for aviation and lease services	7 532 166	5 340 958

Notes (continued)

29. Related party transactions (continued)

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

	2021 EUR	2020 EUR
SJSC „Latvijas gaisa satiksme" for the services provided	-	11 928
SJSC „Latvijas pasts" for the services provided	-	4 327
Services received from JSC „Air Baltic Corporation"	-	76 060

(e) Grants received from related parties

	2021 EUR	2020 EUR
Aviation safety grants from the State (see Note 4)	52 418	42 418

Transactions with key management personnel are disclosed in Note 5.

30. Contingent liabilities and assets

Accruals:
According to the SJSC "Riga International Airport" Board decision dated 14 February 2022; the following provisions have been created:

- Leave unchanged the provision created for potential compensations for real estate located at Mazā Gramzdas Street 1A, cadastre No. 8076 002 0061 and "Mūkupurvi", cadastre No. 8076 002 0063 in amount of 295 120 euro

Details of the pending legal proceedings as at 31 December 2021:

AB "flyLAL - Lithuanian Airlines' claim against the SJSC "Air Baltic Corporation" and SJSC "Riga International Airport", to stop unlawful operations and recover material loss, and a claim by third parties JSC" Zia Valda ", JSC" VA REALS " to stop unlawful operations and recover material loss.

By decision of 27 January 2016 of the Vilnius Regional Court the claim against SJSC "Riga International Airport" was dismissed, while court proceeding expenses for postal expenses, state duty in favour of flyLAL-Lithuania Airlines and 1/2 of case proceeding expenses in favour of flyLal Lithuania Airlines are to be recovered from SJSC "Riga International Airport". On 26 February 2016 the Airport filed an appeal. On 12 January 2016, the Lithuanian Appeal Court decided to refer to CJEU regarding jurisdiction. On 12 February 2019, the CJEU decided that the dispute was subject to the jurisdiction of the Republic of Lithuania.
By decision of 30 March 2020, the Court of Appeal of Lithuania dismissed the claim against SJSC Riga International Airport, ruling in favour of SJSC Riga International Airport to recover part of the costs.
On 5 May 2020, a Lithuanian court decided to grant the Airport's request for the waiver of the security in the case of AB flyLAL - Lithuania Airlines / the Airport. 3rd persons - have filed an appeal in cassation, appealing against the judgment of the second instance only in part regarding the recovery of costs. The Airport has lodged a cassation appeal against the incomplete recovery of costs. Cassation complaints were also filed by AS AirBaltic Corporation and AB flyLAL - Lithuania Airlines. The Supreme Court has accepted all the appeals in cassation.
The Supreme Court of Lithuania heard the cassation appeal on January 13, 2021. The judgment of the Supreme Court of Lithuania annulled the decision of the Court of Appeal and remitted the case to the Court of Appeal in full, as the Supreme Court of Lithuania considered that the judgment of the Court of Appeal should have been more detailed after assessing all arguments and counter-arguments submitted by the parties.
By a judgment of 28 June 2021, the Court of Appeal of Lithuania dismissed the action against SJSC Riga International Airport, ruling in part in favor of SJSC Riga International Airport.
AB FlyLAL - Lithuania Airlines and third parties have filed cassation complaints. The Supreme Court has upheld all appeals in cassation.

Future income from lease payments

During 2021, the Company signed several operating lease agreements as a lessor of land and premises. In 2021, the Company generated revenue of 4 079 056 euro (2020: 5 726 759 euro) from these lease agreements.

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

Notes (continued)

30.Contingent liabilities and assets (continued)

Future income from lease payments (continued)

On 30 September 2010, the Company signed the long-term lease agreement no. NN-10/100 (renewed by NN-10/116) with SIA TAV Latvia on renting commercial premises of the Company's terminals until 31 December 2026. The share of income from the above lease agreement with SIA TAV Latvia in the Company's total income from the rent of premises and land in 2021 amounted to 46% (2020: 60%). The respective agreement stipulates that lease payments depend upon turnover of the commercial premises in each month separately. Considering the significant share of income generated by this agreement, future income from lease in accordance with the effective agreements as at 31 December 2021 have not been disclosed, as it cannot be estimated reliably.

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

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

	2021 EUR	2020 EUR
Income	326 955	278 542
Direct costs	(402 161)	(511 331)
Indirect costs	(103 956)	(179 636)
Loss from operating activities	**(179 162)**	**(412 425)**
Other operating income	-	-
Other operating expenses	(1 498)	(2 706)
LOSS BEFORE TAX:	**(180 660)**	**(415 131)**

32. Profit distribution proposed by the Board

The management recommends to cover the losses of the reporting year by reducing the share capital of the Company.

33. Subsequent events

Due to Russia's military aggression against Ukraine, which began on February 24, 2022, as a result of the war and international sanctions against Russia, there is a high risk that the Company will not be able to achieve the approved 2022 financial and performance indicators. Nevertheless, the projected decline in revenue is estimated at approximately 10%, which does not pose a significant risk to the Company's future operations. The impact of the war in Ukraine on the Company's turnover will be most significant in the decrease in cargo turnover, however, the share of this business segment in the total revenue structure in 2021 will not exceed 10% of the total turnover.

Except for the above, in period since last day of the reporting period there have been no events that would significantly affect the Company's 2021 financial statements.

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

The 2021 Financial statements of the Company set out on pages 14 to 48 were signed on 11 April 2022 by:

Laila Odiņa
Chairwoman of the Board

Artūrs Saveļjevs
Member of the Board

Normunds Feierbergs
Member of the Board

Inga Simsone
Chief accountant

Corporate governance statement

General Information
For year 2021, SJSC "Riga International Airport" (hereinafter - the Airport), unified registration No. 40003028055 have prepared Corporate governance statement according to the Law on Governance of Capital Shares of a Public Person and Capital Companies Section 58.1 and according to the Corporate governance code developed by Council of Corporate governance advisory board.
Adherence to the principles of corporate governance contributes to the long-term growth of the company's value, effective management and transparency of operations and is applicable at all levels of the Airport, creating a successful cooperation between the Airport's shareholders, council, board, employees, customers and others. During daily operations of the Airport, it creates open and reliable communication with all involved parties, as well as ensures compliance with Latvian and international legal norms and ethical standards.

Company strategy
At the end of 2021, the company, in cooperation with the Board and the Council, has developed a medium-term strategy for the period from 2021 till 2027. During first nine months of 2021, it was coordinated with the Ministry of Transport and Cross-Sectoral Coordination Center, and after receiving positive approvals, the Airport Board approved the final draft of the strategy, which was subsequently approved by the Airport Council. The strategy analyses the industry trends, past performance, opportunities and risks, sets the company's goals and long-term value growth. The process of its development and coordination was ensured in accordance with the Cabinet of Ministers Order No. of 28 April 2021. 283 "On the General Strategic Objective of the State Joint Stock Company" Riga International Airport "" approved the General Strategic Objective of the Airport "to provide modern regional air transport infrastructure and services to the regional traffic center, offering convenient and safe connectivity to passengers and business, and to promote sustainable development and competitiveness ". The development of the strategy complied with the Regulation No. 1 developed by the Cross-Sectoral Coordination Center on 28 August 2018. 1.2-23 / 1/1 "Guidelines for the Development of the Medium-Term Operational Strategy of State Capital Companies" and Internal Regulations of the Ministry of Transport of 27 September 2021 No. 01-02 / 31 "Procedure for Management of State Capital Shares".
In order to ensure the airport's core business, a strategy, an annual action plan for the implementation of the strategy and a budget are being developed, as well as other documents setting out the direction for long-term value growth.
The development of the airport in the medium-term strategy is set for seven years, for the period from 2021 to 2027, while the financial forecasts for determining the long-term value of the company are developed for 20 years (2019-2039). The implementation of the strategy and the process of evaluating the fulfilment of the set goals is ensured on an ongoing basis by developing the annual business plans of the structural units, the action plan for the implementation of the company's strategy, annual performance indicators and reporting on their fulfilment on a quarterly or semi-annual basis.
The airport's medium-term strategy sets out key non-financial and financial objectives in line with the overall strategic objective, as well as five strategic objectives, each with key actions and performance indicators.
The medium-term strategy is developed by the board and approved by the council. The implementation of the strategy is ensured by the board, which reports on the implementation of the goals set in the strategy and the implementation of the action plan to the council, which monitors the implementation of the strategy. Semi-annual reports on the implementation of the strategy are sent to the shareholder after approval by the council.

Internal culture and ethical behaviour
On June 11, 2018, the Airport Board approved a Code of Ethics, which sets out the basic principles of professional ethics and conduct: loyalty, professionalism and diligence, and responsibility. These basic principles have been established with the aim of promoting the honest, responsible and lawful operation of Airport employees in the interests of the company and society and to increase public confidence in the Airport. The basic principles of professional ethics and conduct included in the Code are binding on all Airport employees. Employees observe the principles contained in the Code in the performance of their duties, in mutual communication, as well as in relations with customers, Airport guests, cooperation partners and other third parties. The Supervisory Board is involved in defining the company's core values and they are included in the approved company's strategy.
The Code of Ethics reflects the company's core values, as well as the standards of ethical conduct and professional conduct and the guidelines for achieving and implementing them. Standards of behaviour have been set for employees of the company, explaining what behaviour is expected and what behaviour is considered unacceptable.
In order to develop a value-based company culture based on honesty, mutual respect and openness, e-learning on basic ethical and behavioural principles is provided to all employees on a regular basis (on recruitment and every three years thereafter). In 2021, attention was paid to positions that are more exposed to the risk of corruption - specialized infographics were prepared, as well as employees were reminded of the conditions for combining positions and training was organized to protect Trade Secrets.
Etiquette for online learning and meetings was developed for effective and respectful online collaboration.
The Code of Ethics calls on employees to be socially active and to react if a violation is identified, as well as the expected consequences if a violation of the Code of Ethics is identified.
Employees have the opportunity to report cases of discrimination using the reporting tool "Violations of the Code of Ethics" and in 2021 no cases of discrimination were registered at the Airport. No applications have been received for violations of the Code of Ethics in 2021. There have been no incidents. In 2022, it is planned to update the Code of Ethics on the basis of changes in binding documents, incl. to the Airport's medium-term business strategy, set values and strategic goals.

Corporate Governance Statement (continued)

Internal control system, risk management and internal audit
The purpose of the airport's internal control system and risk management is to ensure the efficient, sustainable and lawful operation and development of the Airport, as well as to assess risks and respond to them in a timely manner, observing the acceptable level of risks. The airport has a risk management system in place, taking into account the size, structure and specificities of the organization, as well as the limited capacity to manage individual risks. Airport risk management contributes to the implementation of the Airport's strategy, achievement of objectives and corresponding indicators, as well as it is adapted to the Airport's needs, functionality and organizational culture.
The operation of the airport, including the course of processes, including internal controls are specified in external regulatory enactments and the internal regulatory documents of the airport. The airport's internal control system is regularly reviewed, its efficiency is assessed and its improvement is ensured, taking into account changes in the Airport's operations and external conditions affecting its operations, including external regulations.
The airport's accounting policy includes certain principles, guidelines, methods, rules and practices used by the airport in preparing its financial statements. The accounting policy is based on the standards adopted in Latvia and the accounting policy of the European Union (hereinafter - the EU) in order to ensure the company's comparability and compliance with generally accepted standards;
The financial statements of the airport have been prepared in accordance with International Financial Reporting Standards as adopted by the EU at the reporting date and have been prepared on a going concern basis.
Airport risks are managed taking into account the "Risk Management Policy of the State Joint Stock Company" Riga International Airport "(hereinafter - the Policy) approved at the Airport Council meeting on July 8, 2020 and the internal regulatory documents regulating the management of the respective type of risk. . The policies set out common tasks, stages, basic elements of the risk management system, principles, types of risks, as well as the duties and responsibilities of the actors involved in the risk management process.
The following risk management principles are followed in the implementation of the Risk Management Policy: integration in management, dynamism, practicality and efficiency, traceability and validity of information, continuous improvement, involvement and cooperation, the concept of "three lines of defense". Detailed information on the principles of risk management is published in the section "About RIX / Corporate Information/Policies" on the website of Riga Airport.
The Airport Risk Management Committee monitors the Airport Risk Management Process. The Airport Board is responsible for the establishment, maintenance, monitoring and improvement of the key elements and process of the internal control system and the Airport Risk Management System. The Airport Council monitors the operation of the internal control and risk management systems of the Airport, reviews their adequacy and effectiveness. As part of the oversight of airport risk management, an annual report on airport risk management is prepared, including the implementation of the Policy, which is reviewed by the Airport Risk Management Committee, the Board and the Council. Taking into account the information on the priority risks of the Airport, the Airport Board and the Council shall make management decisions in accordance with their competence.
An independent Internal Audit Capability has been set up at the airport, which reports administratively to the board and functionally to the board. The Management Board, the Supervisory Board and the shareholder shall every three years decide on the approval of the Internal Audit Strategic Plan and annually on the approval of the Annual Internal Audit Plan. Reports prepared by the internal audit unit on the results of internal audit inspections and the operation of the management and control system are submitted to the board, council and shareholder, as well as at least once a year a report on the performed audits, main identified problems on the measures to be taken to improve the operation of the internal control system.
The responsibilities of the Management Board and the Supervisory Board in making internal audit decisions are specified in the Regulations of the Internal Audit Unit, which have been approved by the Management Board and approved by the Supervisory Board.
The operation of the internal audit is determined by the Statutes of the Airport, the regulations of the Council and the regulations of the Board. The preparation of internal audit plans, the procedure for the performance of audits and the preparation of reports shall be determined by the instructions for the performance of internal audit, which have been approved at the meeting of the Management Board and agreed upon at the meeting of the Supervisory Board.
The internal audit report for 2021, which includes information on the assessment of the airport's internal control system, was reviewed and approved at the board meeting, the council meeting and the shareholders' meeting.

External auditor
In accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia, the opinion on the Financial Statements prepared by a merchant is provided by a sworn auditor who, in accordance with Commercial Law Section 176, first paragraph, examines and provides an opinion; a clear picture of the financial position, results of operations and cash flows in accordance with International Financial Reporting Standards as adopted by the European Union.
The auditor shall be selected by the Public Service Provider in accordance with the procedures specified in the Procurement Law by conducting a tender, the results of which shall be approved by the Board and the Council.
Pursuant to Section 94, Paragraph one, Clauses 5 and 8 of the Law on the Management of Capital Shares of Public Persons and Capital Companies, the shareholders' meeting shall make a decision regarding the election of the auditor and determination of the amount of remuneration.

The contract with the external auditor shall include a list of the external auditor's responsibilities, an audit plan, a timetable, payment terms, an obligation to report any conflict of interest, threats to independence or any other impediment to the auditor's performance or performance.

The airport shall ensure effective cooperation with the external auditor during the audit process, access to information and cooperation in correcting identified deficiencies and flaws.

Corporate Governance Statement (continued)

Election of members of the Supervisory Board

The Law on Governance of Capital Shares of a Public Person and Capital Companies prescribes conditions regarding the establishment of the council and the number of council members, as well as the tasks of the council, requirements for candidates for council members, election and removal of council members.

Regulations of the Cabinet of Ministers of January 7, 2020 No. 20 "Procedure for Nomination of Board and Council Members in Capital Companies Owned by the State or a Derivative Public Entity" determines the procedure for nominating candidates for the position of council member at the Airport, including the procedure for establishing the nomination commission, composition and requirements for nomination commission members; how the co-operation of the co-ordinating institution with the holder of the state capital shares takes place, as well as the minimum requirements regarding the education, language skills and work experience of the members of the council, the necessary competencies and the procedure for their assessment. These rules also set out the procedures for documenting and publishing information on the progress and results of the nomination process, as well as the responsibilities of the recruitment consultant and the costs of ensuring compliance with the principles of good corporate governance and open, fair and selection of professional board members.

Regulations of the Cabinet of Ministers of February 4, 2020 No. 63 "Regulations on the number of members of the board and council of public corporations and public-private companies, as well as the maximum amount of monthly remuneration of board and council members" determine the number of members of the airport council in accordance with indicators.

The selection of the members of the Airport Council is carried out by organizing a public application procedure for candidates, with the additional involvement of a recruitment consultant in the nomination process. An exception is allowed only in the cases provided for in the Law on the Management of Capital Shares of Public Entities and Capital Companies, if a member of the supervisory board is re-elected or it is not possible to nominate a person within a term that would ensure the legal capacity of the supervisory board. Two of the members of the Supervisory Board are independent, both sexes are represented on the Supervisory Board and the Management Board, and an authorization agreement has been concluded with each member of the Supervisory Board for the performance of the duties of a member of the Supervisory Board. The term of office of a member of the Council shall be five years. When the members of the Council start working at the Airport, training "Aviation Security Training at Riga Airport", "Safety Management System", "Safety at the Aerodrome" is provided, as well as the opportunity to get acquainted with all binding documents of the Airport.

The Council of the Airport was established in 2016 and in 2021 the Council of the Airport consists of three members of the Council - Juris Kanels, Eduards Toms and Elīna Salava. On May 13, 2021, from May 17, 2021, Juris Kanels was re-elected as the Chairman of the Supervisory Board for five years, and on July 7, 2021, Elīna Salava was re-elected as an independent member of the Supervisory Board.

Principles for determining the remuneration of the Supervisory Board and the Management Board

The principles of remuneration of the Airport Board and Council are determined by the legal acts of the Republic of Latvia - the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet of Ministers Regulations No. 63 "Regulations regarding the number of members of the board and council of public corporations and public-private companies, as well as the maximum amount of monthly remuneration of members of the board and council". Legislation establishes a unified regulation for the remuneration of members of the council and board of a public company. The remuneration of the members of the Supervisory Board is determined at the shareholders' meeting. No variable shares and bonuses are paid to the members of the Supervisory Board, nor are any compensation paid in the event of resignation or resignation.

Regulation No. 1 developed by the Cross-Sectoral Coordination Center on 18 September 2020 1.2-23 / 4/1 "Guidelines for Determining the Remuneration of Members of the Board and Council of Public Capital Companies and Public Private Capital Companies" (with amendments No. 1.2-23 / 5/1 of 22 January 2021), issued in accordance with the share and capital companies management law, defines the procedure for payment of the bonus or variable part of remuneration to the board after approval of the annual report and evaluation of the performance of the capital company in the reporting year. No bonuses were paid to board members in 2021, given the significant impact of the Covid-19 pandemic on the aviation industry.

The members of the Airport Board and Council are not subject to the provisions of the Collective Bargaining Agreement and the Remuneration Regulations.

The aim of the airport's remuneration policy as a responsible employer is to establish a remuneration system to ensure high-quality, safe and accessible services to our customers by maintaining and developing infrastructure that meets the requirements of international aviation.

Remuneration policy focuses on stable, always timely and competitive remuneration of employees with social guarantees and benefits.

The remuneration system is set out in the Airport Remuneration Regulations, which consist of salaries, allowances and bonuses (cash prizes) as well as any other remuneration related to work.

The salary system consists of 16 salary levels. Salary level is the range of salary (from / to) for certain groups of positions, within which the salary may change based on the principles of its formation. All positions are divided into salary levels by certain job groups.

The salary of airport employees is formed by determining the relative value of positions, performing the evaluation of positions, taking into account the following basic criteria:

- responsibility - discretion, impact on the result,
- problem solving, decision making and complexity,
- professional knowledge, including level of education and work experience.

Corporate Governance Statement (continued)

Organization of the Council's work and decision-making

The Council represents the interests of the shareholders between the shareholders' meetings and supervises the activities of the Board using well-thought-out and effective management tools: participates in the strategic development of the Airport and financial and risk management system, evaluates the effectiveness of the internal control system and performs other regulatory activities. When making informed and considered decisions, the short-term and long-term impact on the value, sustainability and responsible development of the Airport is assessed. The principles of operation of the Council, as well as the main responsibilities are determined by the Statutes of the Airport and the Regulations of the Council. The tasks and responsibilities of the Council are regulated by regulatory enactments.

The Airport Council organizes its work in accordance with the conditions provided for in the Law on the Management of Capital Shares and Capital Companies of the Public Person regarding the convening of council meetings and the adoption of council decisions; 01-02 / 31 "Procedures for the Management of State Capital Shares", issued in accordance with the Law on the Structure of Public Administration, the Statutes of the Airport and the Regulations of the Council.

According to the internal regulations of the Ministry of Transport of September 27, 2021 No. 01-02 / 31 "Procedure for Management of State Capital Shares" The Council has reviewed the Airport's operation strategy and its action plan, the calendar of council meetings for 2022 and performed an evaluation of the council's work for 2020.

In 2021, all members of the Airport Council participated in all Council meetings according to the term of office. The Council has been provided with the technical support necessary for the work of the Council.

Prevention of conflicts of interest

SJSC "Riga International Airport" Code of Ethics sets out the basic principles of professional ethics and conduct of the Airport staff and the Board, including that the Airport does not engage in such private activities, as well as refrains from such side work and combining positions , as well as suspicion of potential or actual conflicts of interest. The airport's internal control system ensures the preventive management of the risks of corruption and conflicts of interest, including the prevention of conflicts of interest, corrupt practices and bribery in decision-making and in the work environment as a whole.

In accordance with the Cabinet of Ministers Regulation No. 630 "Regulations Regarding the Basic Requirements for an Internal Control System for the Prevention of Corruption and Conflict of Interest in an Institution of a Public Person", positions and processes exposed to corruption and conflict of interest risks have been approved at the airport, , which identifies risks of corruption and conflicts of interest and measures to mitigate them.

The airport shall provide training to staff on ethical and conflict-of-interest issues every three years, including on how to deal with possible irregularities, fraud or corruption.

The members of the airport board and council are public officials within the meaning of the Law on Prevention of Conflict of Interest in the Activities of Public Officials and must comply with the general and special restrictions on income, business, gifts and donations and other restrictions set out in the above law.

The members of the Council and the Management Board shall observe the restrictions specified in the Commercial Law for concluding transactions with related parties, as well as the prohibitions specified in the Law on Prevention of Conflict of Interest in the Activities of Public Officials.

Members of the Supervisory Board and the Management Board do not participate in decision-making on issues where the interests of the company conflict with the interests of the Supervisory Board, members of the Management Board or persons related to it.

The members of the Supervisory Board and the Management Board regularly improve their knowledge in training on conflict prevention issues.

Preventing conflicts of interest and corruption is one of the key components of corporate governance that promotes respect for Airport values. The airport shall not engage in or condemn corrupt practices or activities that may give rise to a conflict of interest.

At least once every three years, in-depth knowledge improvement measures are planned for the positions most exposed to the risk of corruption, attracting lecturers from the Corruption Prevention and Combating Bureau (KNAB) or other external organizations.

According to the anti-corruption plan approved at the airport, further training is planned for 2022 for all employees of the company, as well as for the positions most exposed to the risk of corruption.

Shareholders' meeting

The shareholders' meeting of the airport is convened in accordance with the Law on the Management of Capital Shares and Capital Companies of the Public Person and the internal regulations of the Ministry of Transport of 27 September 2021 No. 01-02 / 31 "Procedure for Administration of State Capital Shares", issued in accordance with the Procedure for Convening and Preparation of Documents provided for in the State Administration Structure Law, observing the specified deadlines, as well as the competence of the shareholders' meeting specified in the Commercial Law.

According to the internal regulations of the Ministry of Transport of September 27, 2021 No. 01-02 / 31 "Procedure for Management of State Capital Shares" the board and council of a capital company shall refer to the shareholders 'meeting for consideration issues on which, in accordance with regulatory enactments, only the shareholders' meeting has the right to make a decision or the board and council require prior consent. Also, in accordance with these regulations, the date of the shareholders' meeting is agreed in advance with the representative of the holder of state capital shares or through the responsible employee.

Corporate Governance Statement (continued)

The airport, in cases when the shareholders 'meeting is organized by electronic means (remotely), takes the necessary measures to ensure the shareholders' meeting, giving the opportunity to express themselves, ask questions, as well as participate in discussions.

The airport dividend policy is developed in accordance with the regulatory enactments on the state budget (Cabinet of Ministers Regulations No. 806 of 22 December 2015 "Procedures for Forecasting and Determining Profits to be Dividends to be Dividends and make payments to the state budget for the use of state capital "). The amount of actual dividends is determined at the shareholders' meeting after approval of the annual report, evaluating the results of the previous year. In order to implement the airport development projects, a different dividend policy is set for certain periods, which is included in the company's medium-term strategy and approved by the Cabinet of Ministers, and, if necessary, the approval of the European Commission is received. In order to determine a different dividend policy, a company must prepare an assessment of business support before approving it in the Cabinet of Ministers.

In 2020, taking into account the impact of the Covid-19 pandemic, the Airport repeatedly discussed with the shareholder and sought solutions to stabilize the Airport's financial situation and the resulting risks, including the issue of leaving the profits of the previous reporting year to the Airport. As a result of the agreement, the Cabinet of Ministers by Order No. of 23 April 2020 219 "On the increase of the share capital of the State Joint Stock Company" Riga International Airport "" and the subsequent decision adopted by the European Commission on March 8, 2021, supported the increase of the share capital of the Airport by 35.2 mln. EUR and dividend for the profit of 2019 4.5 mln. Leaving EUR at the disposal of the Airport.

The airport has determined the dividend policy in the medium term by developing a medium-term operating strategy for 2021-2027. year. Within the framework of the strategy, a different dividend policy is planned for 2024-2027. so that the Airport can implement the 6th round of expansion of the passenger terminal. Thus, in the period from 2024 to 2027. The share of the profit for the reporting year to be paid in dividends is planned to be 20%.

The proposal for a different dividend policy has been agreed with the Airport's shareholder in the development of a medium-term operating strategy. In 2022, the Airport will push for the approval of a different dividend policy by the Cabinet of Ministers, preparing an assessment of business support.

Transparency of company operations

The airport publishes information on its website on the Internet in accordance with regulatory representations, ensuring that the published information is timely and provides a clear picture of the company's management, strategy, economic activities and financial results. Within the company's website information is published about the company, its operations, strategy and goals, shareholders and beneficial owners, as well as members of the board and council. The website also contains information on financial statements, shareholders' meetings and key policies. Information is available in Latvian and English languages.

Ensuring the openness of information is performed in compliance with the Law on Governance of Capital Shares of a Public Person and Capital Companies, as well as taking into account the Regulation No. 1.2-23 / 2/2 "Guidelines for Disclosure of Information to Capital Companies and Holders of Capital Shares" developed by the Cross-Sectoral Coordination Center on 27 July 2020, publishing information on the general strategic objectives, information on the types of activities and business of the capital company.

Also, at least once a year, information on the results of the implementation of the capital company's financial and non-financial objectives, contributions to the state budget (including dividends, deductions, tax payments), information on the received state or local government budget financing and its utilization, as well as on the capital company's reports.

Information on the organizational structure, procurement, Articles of Association, regulations of the Management Board and the Supervisory Board, members of the Management Board and the Supervisory Board (including professional work experience, education, positions in other capital companies, terms of office, as well as compliance of the Supervisory Board member with this Law) is constantly updated. criteria for an independent member of the supervisory board), shareholders' meetings (including the agenda and resolutions adopted), the principles of remuneration policy.

In line with the Law on Governance of Capital Shares of a Public Person and Capital Companies, information on expected risk factors, key elements of the internal control and risk management system applied in the preparation of financial statements, supervisory board committees and in 2022 corporate governance statement is posted on company's website at least once a year.

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

11 April 2022