

SUSTAINABILITY AND ANNUAL REPORT

2023



airBaltic

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GENERAL INFORMATION ON THE GROUP'S PARENT COMPANY

Name of the Parent company	Air Baltic Corporation	
Legal status of the Parent company	Joint stock company	
Registration number, place and date	40003245752 Riga, 8 February 1995	
Main activities	Passenger and cargo aviation transportation	
Registered office	Riga International airport, Tehnikas Street 3, Marupe municipality, Latvia, LV-1053	
Shareholders	Republic of Latvia	97.97%
	Aircraft Leasing 1 SIA	2.03%
	Other	0.000084%
Executive Board Members	Martin Alexander Gauss	Chairman of the Board
	Vitolds Jakovļevs	Member of the Board
	Pauls Juris Cālītis	Member of the Board
Supervisory Board Members	Current members:	
	Klāvs Vasks	Chairman of the Supervisory Board since 14 June 2023
	Kaspars Ozoliņš	Vice-Chairman of the Supervisory Board since 14 June 2023
	Andris Liepiņš	Member of the Supervisory Board since 14 June 2023
	Lars Thuesen	Member of the Supervisory Board
	Members during the financial year:	
	Dins Merirands	Member of the Supervisory Board from 26 April 2023 until 14 June 2023
	Baiba Vīlpa	Member of the Supervisory Board from 26 April 2023 until 14 June 2023
	Nikolajs Bulmanis	Chairman of the Supervisory Board until 26 April 2023,
	Kaspars Āboliņš	Deputy Chairman of the Supervisory Board until 26 April 2023
	Toms Siliņš	Member of the Supervisory Board until 26 April 2023
Financial year	1 January 2023 – 31 December 2023	
Auditors	Certified auditor company:	Certified auditor in charge:
	PricewaterhouseCoopers SIA Certified auditor license No. 5 Kr. Valdemāra Street 21 – 21 Riga, LV-1010, Latvia	Ilandra Lejiņa Certificate No. 168

GLOSSARY

AVIATION TERMINOLOGY

A4E	Airlines for Europe
ACMI	Aircraft leasing arrangement between two airlines, whereby one airline (the lessor) provides an aircraft, crew, maintenance, and insurance (ACMI) to another airline (the lessee)
ACMI-in	Aircraft provided for operations of Air Baltic Corporation
ACMI-out	ACMI operations conducted for other airlines
AOG	Aircraft on Ground – a situation where an aircraft cannot fly for technical or operational reasons
API	Application Programming Interface
ASK	Available Seat-Kilometre denotes one seat offered flown for one kilometre
CAMMOE	Continuing Airworthiness Management and Maintenance Organization Exposition CRM Client Relation Management
CASK	Denotes the operating expenses (without ACMI-out related costs and claims compensations) divided by available seat kilometres
CIM	Crisis & Incident Management
CORSIA	Carbon Offsetting Reduction Scheme for International Aviation
CSRD	Corporate Sustainability Reporting Directive
EAAP	European Association for Aviation Psychology
ERO	Emergency Response Organisation
ESG	Environmental, Social, and Governance
ETS	Emissions Trading Systems
EVP	Employee Value Proposition
FDM	Flight Data Monitoring
FSF	Flight Safety Foundation
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
IFRS	International Financial Reporting Standards
IOSA	IATA Operational Safety Audit
LV CAA	Latvian Civil Aviation Agency
OHSMS	Occupational Health and Safety Management System
RASK	Denotes the revenue without ACMI-out lease revenue divided by available seat kilometres
RNP AR	Required Navigation Performance with Authorization Required

RPK	Revenue passenger-kilometre denotes one paying passenger transported for one kilometre
SAF	Sustainable Aviation Fuel
SDG	Sustainable Development Goals
TLS	The Transport Layer Security
VFR	Visiting Family and Friends
Yield	Average traffic revenue earned per unit of output; calculated passenger and charter revenue per revenue passenger kilometre flown

ALTERNATIVE PERFORMANCE MEASURES (APM) THAT ARE NOT DEFINED IN IFRS

Adjusted EBIT	Profit / (loss) for the period adjusted for: corporate income tax, finance cost, finance income and provision for legal disputes
Adjusted EBITDA	Profit / (loss) for the period adjusted for: corporate income tax, finance cost, finance income, provision for legal disputes, foreign currency exchange gain / (loss), net, amortisation and depreciation
Adjusted EBITDAR	Profit / (loss) for the period adjusted for: corporate income tax, finance cost, finance income, provision for legal disputes, foreign currency exchange gain / (loss), net, amortisation and depreciation, aircraft and similar lease and claims compensation
Adjusted EBITDAR margin	Measures adjusted EBITDAR as a proportion of total operating revenue for the period
Management Profit / (loss)	Profit / (loss) for the period adjusted for: revaluation of liabilities in USD, provision for legal disputes, provision of bad debt and net impairment losses on right-of-use assets
Management EBIT	Adjusted EBIT adjusted for revaluation of liabilities in USD, provision of bad debt and net impairment losses on right-of-use assets
Management EBITDA	Adjusted EBITDA adjusted for provision of bad debt and net impairment losses on right-of-use assets
Management EBITDAR	Adjusted EBITDAR adjusted for provision of bad debt and net impairment losses on right-of-use assets
Operating profit / (loss)	Profit / (loss) for the period adjusted for finance income / (expenses) and corporate income tax
Net debt	Non-current borrowings and non-current lease liabilities, current borrowings and current lease liabilities, less cash



Independent Limited Assurance Report

To the Management of Air Baltic Corporation AS:

Introduction

We have been engaged by the Management of Air Baltic Corporation AS (the “Company”) on the basis of our agreement dated 13 December 2023 to provide limited assurance on the Selected information described below and included in the Sustainability and Annual report of the Company for the year ended 31 December 2023 on pages 9 to 105 (“the Sustainability report 2023”). The Sustainability report 2023 represents information related to the Company and its subsidiaries (together the “Group”).

Selected Information and Reporting Criteria

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability report 2023 and referred to and included in the GRI Content Index (hereinafter – the “Selected Information”). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (hereinafter – the “GRI Standards”), published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2023. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability report 2023 and, therefore, do not express any conclusion thereon.

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (hereinafter – the “Reporting Criteria”). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the Management of the Company

The Management of the Company is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company’s Management.

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, and plan and perform procedures to obtain limited assurance on whether the measures taken by the Company in respect of Selected information comply in all material respects, with the Reporting criteria.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have fulfilled our other ethical responsibilities in accordance with IESBA Code.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the Work Performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. It also included an assessment of the significant estimates and judgements made by the Management in the preparation of the Sustainability report 2023 in accordance with the GRI Standards.

Our work consisted of:

- interviewing the management and senior executives to evaluate the application of the GRI Standards and to obtain an understanding of the control environment related to sustainability reporting;
- obtaining an understanding of the relevant processes for collecting, processing and presenting data included in the Sustainability report 2023;
- comparing data from Selected information to internal documentation and corroborating statements of management and senior executives in the interviews;
- comparing the financial data included in the Sustainability report 2023 to the financial statements 2023 of Group; and
- evaluating the overall format and content of the Sustainability report 2023, taking into account the compliance of the disclosed information with the Reporting Criteria.

Reporting and Measurement Methodologies

Under the Reporting criteria there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by the Management as described in the Sustainability report 2023, and for which the Company is solely responsible.

Our Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2023 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use and Distribution

This report, including our conclusion, has been prepared solely for the Company's Management in accordance with the agreement between us, to assist the Management in reporting on the Group sustainability performance and activities. We permit this report to be disclosed in the Sustainability report 2023, which will be published on the Company's website¹, to assist the Management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.



Eva Jansen-Diener
Persona per procura

PricewaterhouseCoopers SIA
Certified audit company
License No. 5



Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Riga, Latvia
29 February 2024

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

ABOUT THE REPORT

Air Baltic Corporation AS, registration number 40003245752, is a joint stock company registered in Latvia, and its transferable securities in the form of bonds are traded on a regulated market (Euronext Dublin). Airline has operating bases in Riga, Latvia; Tallinn, Estonia; Vilnius, Lithuania; Tampere, Finland and Gran Canaria, Spain.

The consolidated Sustainability Report, which is a part of the Air Baltic Corporation AS Group Consolidated Annual Report and the Air Baltic Corporation AS Annual Report, covers the time period from January 1 to December 31, 2023. It supplements the Management Report in the Annual Report and includes the Corporate Governance Statement and Taxonomy Statement. The report provides insight into the key aspects of the company's non-financial performance, including its environmental, social, and employment impact, anti-corruption and anti-bribery practices, community involvement and support, and other relevant non-financial information.

The consolidated Sustainability Report discloses information about Air Baltic Corporation AS (hereinafter – *airBaltic*, airline, the Company) along with its subsidiaries: Air Baltic Training SIA, Baltijas Kravu Centrs SIA, and Aviation Crew Resources AS in liquidation (altogether hereinafter – the Group).

The annual reporting of non-financial and sustainability topics has been in place since 2019. The reporting framework and material topics have been updated in 2023. Material topics now include: safety, security and data protection, climate transition, environment, connectivity and customer service, employee skills and development, employee health and safety, responsible governance and are described in the chapter Sustainability Material Topics.

This report contains restatement of information about: Jet Fuel and Sustainable Aviation Fuel (see section Fuel Consumption and Emissions), indirect energy consumption (see section Indirect Greenhouse Gas Emissions), household and mixed packaging (see section Waste), net promoter score (see section Customer and Passenger Feedback and Satisfaction).

This consolidated Sustainability Report 2023 (hereinafter – the Sustainability Report) is prepared in accordance with Global Reporting Initiative 2021 Standards.

All questions or suggestions regarding the Sustainability Report should be sent via e-mail to sustainability@airbaltic.lv.

The report is made public 5 of March, 2024. The previous report was made public on 3rd of March, 2023.

FOREWORD



Photo by Gatis Gierts

airBaltic is widely recognised for its contribution and commitment to innovation, diversity, inclusion, and sustainability. In particular, the Group has been integrating sustainability into its culture and business practices for many years now. This effort is a part of the airline's vision of becoming a leading sustainable carrier in the EU aviation market. While maintaining a steady growth path, *airBaltic* constantly improves the passenger experience and plays a key role in developing the Baltic States as European business centres.

Overall, 2023 was a successful year for *airBaltic*, with the airline and the whole aviation industry confidently returning to, and even surpassing, pre-pandemic levels. Firstly, the Company offered over 120 direct routes, an all-time high, from our hubs in Riga, Vilnius, Tallinn, Tampere, and seasonally, from Gran Canaria. Secondly, passenger numbers continued to rise, approaching an unprecedented 4.5 million.

From a global sustainability policy perspective, several new regulations were adopted by the EU regarding issues such as increasing the use of sustainable aviation fuel (SAF), operational sustainability through ReFuel initiatives, emission offsetting via the Emission Trading System (ETS), and the overall Corporate Sustainability Reporting Directive (CSRD) framework. While most changes apply from 2025, *airBaltic* initiated preparations for compliance already in 2023. Following the aviation industry's commitment to comprehensive sustainability, in 2023 *airBaltic* kept apace by maintaining one of its primary goals – the pledge to reach carbon neutrality by 2050. This objective is in alignment with the Company's overall business policy and existing sustainability initiatives.

The key short- and mid-term strategy for maintaining *airBaltic*'s sustainability is possessing the most efficient

fleet currently attainable. In 2023 the airline welcomed seven new *Airbus A220-300* aircraft and won *Europe's Second Youngest Fleet Award* with an average fleet age of just 3.8 years. A young fleet means less fuel consumption and operations that are optimised to the highest possible level. Looking ahead, it is important to note that in 2023, *airBaltic* secured a significant contract with *Airbus* for 30 *Airbus A220-300* aircraft, with purchase rights for an additional 20 – thereby keeping right on track with the Company's goal of operating a fleet of 100 such aircraft by 2030.

An airline's image and character are built upon its attitude and conduct in striving for sustainability through prioritising objectives such as environmental responsibility, structuring an inclusive corporate configuration, and advancing an exceptionally strong safety culture. In 2023, *airBaltic*'s efforts in this regard were marked by its participation in several local and international events dedicated to achieving sustainability, including the *Riga Aviation Forum*, the *World Aviation Festival*, the *Tampere Sustainability Forum*, the *LAMPA Conversation Festival*, the *Baltic Sustainability Awards*, and *IATA Wings of Change Europe*. *airBaltic* made significant contributions at all of these undertakings, and notably, was one of the first signatories of the *IATA Safety Leadership Charter*.

At *airBaltic*, one of our core aspirations is the advancement of sustainability through innovation and societal involvement. *airBaltic* has been engaged in the use of SAF for several years now, and to promote public awareness of this sustainable choice for air travel, in 2023 the Company launched a scheme that gives passengers the option of decreasing their carbon footprint by purchasing SAF for their flight. By working together to create more market demand for SAF, we are actively advancing decarbonisation in the aviation industry.

In 2023, *airBaltic* recruited nearly 700 highly motivated and future-orientated professionals, leading the Company to now employ a workforce of more than 2 500 employees – an all-time high since the founding of the airline in 1995. Going forward, *airBaltic* aims to attract even more employees to support the Company's sustainable growth path. On this note, I would like to thank every single member of our team – you, the people of *airBaltic* who actively integrate our sustainability commitments into their daily lives at work and beyond.

MARTIN GAUSS,
Chairman of the Executive Board,
Chief Executive Officer

AIRBALTIC AT A GLANCE

airBaltic is the leading airline in Latvia and Estonia and one of the largest carriers in Lithuania. It operates direct flights from all three Baltic state capitals – Riga (Latvia), Tallinn (Estonia) and Vilnius (Lithuania) – as well as from Tampere (Finland). As of December 2023, *airBaltic* also operates a seasonal base in Gran Canaria (Spain), connecting the popular island with ten destinations in the Nordic and Baltic countries. The Company provides the best connectivity to and from the Baltic region and performs direct flights to more than 80 destinations in Europe and beyond. *airBaltic* is a part of the airline industry and offers air transport services that include passenger transportation on regular and charter flights, cargo transportation, and Aircraft, Crew, Maintenance, and Insurance (ACMI) services. Being a hybrid airline, *airBaltic* takes the best practices from both traditional network airlines and low-cost carriers. Moreover, as a network airline, *airBaltic* has established Riga as a connecting hub, a fortuitous position that has had, and will continue to have, significant direct and indirect impact on the Latvian economy. The Company's services are available to different types of customers and beneficiaries: businesses, passengers, VFR (visiting family and friends) passengers, and charter, ACMI, and cargo customers.

airBaltic is a joint stock company established in 1995 with headquarters at Tehnikas iela 3, Riga International Airport, Latvia. As of December 31, 2023, the Company's primary shareholder is the Latvian State, which holds 97.97% of the stock. Lars Thuesen (through his fully-owned SIA "Aircraft Leasing 1") and the other minority shareholders collectively own 2.03%.

The Company employs over 2 531 people. In 2023, the Company carried 4.54 million passengers on 44 113 flights and had EUR 668 million of revenue.

In 2023, the Company received seven new *Airbus A220-300* aircraft, becoming the largest operator of this aircraft type in Europe and one of the largest operators globally. The Company currently has 46 aircraft of this type in its fleet, and four more are expected to join in 2024. For training purposes, the Group owns eight single-engine Diamond DA-40NG (New Generation) aircraft and one dual-engine Diamond 42-VI (Improved Speed), both models being among the most modern in the industry.

VISION: for *airBaltic* to become a sustainable carrier in the EU aviation market while maintaining a continuous growth path, innovatively improving the passenger experience, and supporting the development of the Baltic states as a key European business centre.

MISSION: to ensure vital connectivity between the Baltic states and the world and to contribute significantly to the economy.

VALUES



We deliver

Consistent excellence in every aspect of our business is what we strive for every day. We are strongly committed to delivering top-notch quality in all areas of our operations. We make sure that travel is safe, punctual and smooth for our customers. We are a reliable partner for everyone we cooperate with. By connecting people and places, we benefit all of society.



We care

We love what we do and our passion for aviation inspires others. We build long-lasting relationships with our passengers, anticipating their needs and offering the best service possible. Sustainability is at the core of all of our operations – how we do business, how we interact with people, and how we respect the environment by introducing green practices wherever we can.



We grow

We see challenges as opportunities to develop. We innovate, improve, and move forward to be ahead of the industry. We are a team of the best professionals in the field and are constantly working to stay on top. We believe in the balance of thinking fast and smart – true leaders are flexible visionaries and take clear decisions to adapt to change and create a better future.

airBaltic re-evaluated its core values through a series of employee workshops and surveys of *airBaltic* customers and stakeholders in 2020. These values remain unchanged and continue to define the company in 2023.

SUSTAINABILITY 2023 FACT SHEET



Founded: 1995



Subsidiaries: Air Baltic Training, SIA;
Baltijas Kravu Centrs, SIA;
Aviation Crew Resources
(in liquidation)



Headquarters: Riga (Latvia)



80 destinations served in
36 countries
(2022: 74 dest., 31 countries)



36% MARKET SHARE
in the Baltic capitals
Riga – 56% (2022: 51%), Tallinn –
26% (2022: 22%), Vilnius – 13%
(2022: 11%).



46 aircraft in service
(2022: 39)



9 Diamond aircraft for Pilot Academy
(9 in 2022)



6 334 million seat capacity
(2022: 5 183 M)



4.54 million passengers carried
(2022: 3.34 M)



126 routes operated
(2022: 103)

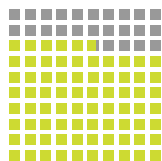


44 113 flights performed
(2022: 37 302)



9.4 thousand tons
of freight transported
(2022: 10.1 thousand tons)

AIRBALTIC AT A GLANCE



76.7% load factor
(2022: 71.2%)



99.5% regularity rate
(2022: 99.1%)



53.0% 3-min punctuality rate
(2022: 54.5%)



71.2% 15-min punctuality rate
(2022: 71.7%)



1 090 750 *airBaltic Club*
Loyalty Programme members
(2022: 792 846)



EUR 42 million paid in taxes
(2022: EUR 38 M)



EUR 104 million paid in salaries
(2022: EUR 74 M)



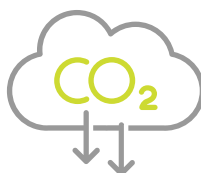
177 789 tons of fuel consumed
(2022: 134 041 tons)



7 615 tons of fuel containing
SAF consumed
(2022: 6 184 tons)



560 035 tons of flight CO₂ emissions
(Scope 1)
(2022: 422 228 tons)



89 grams of carbon emissions
per passenger km
(2022: 94 g)



230.2 tons of household waste
(2022: 213.9 tons)

AIRBALTIC AT A GLANCE



49.5 tons of mixed packaging waste
(2022: 42.3 tons)



978.9 tons of CO₂ emissions
from electricity and heating
(2022: 564.0 tons)



29 electric vehicles
(2022: 23)

ERO



1 partial ERO activation
(2022: 1)

18 inadmissible passenger cases
(2022: 17)



Customer net promoter score
(NPS) – 58 points
(2022: 58 points)



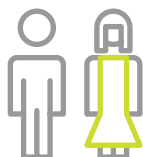
2 531 employees
(2022: 2 143)



1 serious occupational accident
(2022: 0)



65 hours of training in average per
employee provided (flight crew,
cabin crew, and technicians)
(2022: 115 hours)



54%/46% share of men/women
in the Group
(2022: 53%/47%)



55%/45% share of men/women
in Management Team
(55%/45% in 2022)



New: Code of Conduct and *airBaltic*
Suppliers Code of Conduct

REPRESENTATION AT ASSOCIATIONS, ORGANISATIONS AND UNIONS

In 2023, *airBaltic* regularly participated in various forums, conferences, seminars, and working groups to discuss the development of the industry and sustainability challenges, to obtain information about current trends, and to share its own position and experience on topics relevant to the aviation industry and business in general.

Throughout the year, *airBaltic's* team participated in various industry events, such as the World Aviation Festival, the IATA Annual General Meeting, the CAPA Airline Leaders Summit and World Aviation Summit, and others. The Company continued to share *airBaltic's* story and experience in other local and international events, as well as in the media.

Membership in associations International organisations and associations

IATA, International Air Transport Association	Airlines for Europe (A4E)
Finnish Business Travel Association	Association of Finnish Travel Agents (SMAL AFTA)
Flight Safety Foundation (FSF)	Estonian Travel and Tourism Association
Finnish-Latvian Trade Association	



National associations and professional organisations

Latvian aviation association	Latvian Employers Confederation
Latvian Chamber Of Commerce And Industry	Association Of Latvian Travel Agents And Operators
American Chamber Of Commerce In Latvia	



KEY SUSTAINABILITY MILESTONES IN 2023

ENVIRONMENT



FLEET AND OPERATIONS EFFICIENCY

The primary climate and environmental impact for the Group arose from 177 789 tons of fuel consumption that results in 560 035 CO₂ emissions. While sustainable aviation fuel (SAF) is currently only available in limited quantities within the aviation industry, and its use will expand starting from 2025 with a mandatory 2% blend, *airBaltic's* operational improvements in 2023 already saved 6 701 tonnes of CO₂, which is equal to 1.2% of the Group's total jet fuel emissions.

In February 2023, *airBaltic* successfully concluded the re-delivery process of its *Bombardier Q400 NextGen* turbo-prop aircraft. *airBaltic* currently operates a fully single-type fleet of *Airbus A220-300* aircraft. This is one of the most efficient commercial aircraft in the world, with a half as large noise footprint and reduced CO₂ and NO_x emissions (by 25% and 50%, respectively) in comparison to previous generation aircraft and industry standards. For training purposes, the Group uses one of the most modern aircraft types in the aviation industry — the single-engine *Diamond DA-40NG* (New Generation), of which the Company has eight, and one dual-engine *Diamond 42-VI* (Improved Speed).

airBaltic's shift to an electric car fleet has also yielded tangible results. In 2023, the electric car fleet was expanded to 29 vehicles, leading to an additional reduction of 58 tonnes of CO₂ emissions compared to the previous year.



VOLUNTARY SUSTAINABLE AVIATION FUEL FOR PASSENGERS

To raise awareness about the growing significance of SAF in air traffic and its role in achieving climate neutrality goals, *airBaltic* has been offering passengers the option to contribute to this cause since May 2023. Throughout the summer, the purchase of SAF ancillary product was added to more than 9 300 bookings.

SAF has substantial decarbonisation potential, but it faces a lack of widespread awareness in the general public. At the end of November 2023, *airBaltic* teamed up with KLM Royal Dutch Airlines and Business Tampere to address and discuss the challenges aviation is facing and to explore more sustainable ways of flying. The event, Sustainability Forum: Shaping the Future of Aviation, the first of its kind in the city, took place in Tampere. It drew together a diverse group of professionals and decision-makers from the fields of aviation, innovation, and environmental protection.

EXPANDED RECYCLING SYSTEMS AT AIRBALTIC OFFICES AND ONBOARD

As a way of moving towards more sustainable actions in 2023, the Group expanded its waste management in offices and onboard. The Group implemented a new recycling system for plastic, paper, metal, glass, and household waste sorting by introducing designated collection points throughout the Company's offices. The new recycling system helped divert recyclables from general waste, and reduced the non-sorted waste amount by 9% per employee.

In order to reduce fresh food waste onboard, in summer 2023 *airBaltic* implemented the sale of unsold fresh food at a discount one hour before a flight's arrival at home base. However, *airBaltic* needs to continue promoting meal pre-orders, as in 2023 fresh food waste increased by 3% in comparison to 2022. Onboard glass waste sorting was implemented in November 2023.

ENGAGEMENT IN GLOBAL ACTIONS

To achieve carbon neutrality, collaboration within the entire aviation industry is crucial and vital. At the IATA World Sustainability Symposium in October 2023 in Madrid, *airBaltic* signed an agreement to contribute data to the IATA CO₂ Connect emissions calculator, thereby enhancing the tool's accuracy. Expanding this data pool is vital for transparency and informed CO₂ compensation choices, and supports ESG reporting. Continuously broadening data sources improves the quality of IATA CO₂ Connect's calculations significantly beyond those of theoretical or model-based tools.

SOCIAL



CUSTOMER SATISFACTION

In 2023, *airBaltic*'s Net Promoter score was the same as in the previous year – 58, which represents a 'Great' level of customer endorsement and reflects a strong positive sentiment towards our services.

In 2023, *airBaltic* had to navigate operational challenges caused by global supply chain issues that had led to limited aircraft availability. Strained availability of ACMI-IN partners that peaked in the summer combined with unexpected engine maintenance delays left *airBaltic* with two options to choose from: either cancel flights, or wet-lease partner aircraft. The latter would ensure successful performance of planned flights and passengers would avoid flight cancellations and reach their desired destinations. Consequently, in order to meet the summer travel demand, from June till September, 25% of *airBaltic*'s flights were served by ACMI-IN partners.

TOP EMPLOYER

On April 5, 2023, the annual Best Employer award ceremony took place following a nationwide survey carried out by the recruitment agency CV-Online Latvia. At the ceremony, the Latvian airline *airBaltic* for the first time was recognized as third Best Employer in Latvia for 2022, and also received award as the Best Employer in the Transport and Logistics Sector for the twelfth consecutive year.



COMMUNITY ENGAGEMENT

airBaltic and its partners cooperated with more than 20 sports, culture, environment, corporate governance and innovation projects in 2023. In partnership with Latvia's National Centre for Education, *airBaltic* helped the country's most outstanding students travel to various European cities to participate in school-subject olympiads and competitions. *airBaltic* spread its knowledge and shared experience at local events such as TechChill, the RTU Aviation Hackathon, the Lampa Conversation Festival, and the Novatore Impact Summit. As the official airline for the Latvian Song and Dance Festival, *airBaltic* provided informational support about this huge event in Latvia's cultural life. *airBaltic* took great pride in flying home two Latvian sports teams: the National Men's Ice Hockey Team after winning the bronze at the World Championships in May; and the National Men's Basketball Team, which finished fifth at the FIBA Basketball World Cup 2023 in September.



The launch of the *airBaltic* Disc Golf Park reflects our dedication to offering varied and engaging experiences to our loyalty programme members. *airBaltic* advocates for quality and meaningful leisure time that unites, and we are excited to provide a space where sports enthusiasts and families can come together and enjoy the growing popularity of disc golf. In order to promote this accessible and exciting outdoor activity in Latvia, *airBaltic* has partnered with the largest disc golf park in Riga, located in the Mežaparks area.

GOVERNANCE



RESPONSIBLE GOVERNANCE

Continuing responsible governance, *airBaltic* approved new Codes of Conduct for itself and its suppliers in early 2023, as well as conducted a corporate governance evaluation aligned with the Code of Corporate Governance of Latvia issued by the Corporate Governance Advisory Board.

The Company has initiated its transition to complying with the Corporate Sustainability Reporting Directive and the delegated European Sustainability Reporting Standards. This journey involves completing the Double Materiality Assessment and evaluating sustainability topics based on their impact and financial significance.

AWARDS



CH-AVIATION FLEET AWARD

airBaltic was recognised by the web-based service provider *ch-aviation* as the winner of the Europe's Second Youngest Aircraft Fleet Award 2023, with an average fleet age of 3.8 years.

APEX AWARD

airBaltic received the 2023 APEX Passenger Choice Award for Best Cabin Service in Europe, recognising the airline's onboard service and hospitality efforts. The APEX Passenger Choice Award is one of the most prestigious awards an airline can receive in recognition of its best-in-world advancements in cabin service, seat comfort, entertainment, and more.



SKYTRAX

Skytrax named *airBaltic* the winner of the Best Airline in Eastern Europe award in 2023 for the second year in a row. The award was presented during a special ceremony at The World Airline Awards during the Paris Air Show 2023.

GOLD CATEGORY FOR CORPORATE SUSTAINABILITY AND RESPONSIBILITY

In year 2023 for the third time, *airBaltic* was assessed by the Sustainability Index organised by the Institute for Corporate Sustainability and Responsibility in Latvia and was awarded the Gold Category. The Sustainability Index serves as a strategic management tool, employing internationally recognized methodologies to assess company sustainability practices and level of corporate responsibility. Moreover, it provides valuable insights into areas where further performance could be improved.

DIVERSITY CHAMPION AWARD

On June 1, 2023, *airBaltic* received the prestigious Diversity Champion Award. This award is a testament to the remarkable work carried out by our organisation in terms of diversity and inclusion. It signifies that *airBaltic's* continuous efforts in diversity management have been a thrilling success, and underscores the fact that diversity is, by all means, one of our priorities.





CONNECTING THE BALTICS WITH ABROAD AND IMPACT ON THE LOCAL ECONOMY

airBaltic's mission is ensuring vital connectivity between the Baltic states and the world and to contribute significantly to the economy.

The full economic profile of the Group, including revenues, operating costs, payments to providers of capital, taxes, and investments – can be found in the Management Report. Detailed information about impact on local economy including specific examples such as employee wages and benefits can be found in the Employment chapter; information about donation possibilities is enclosed in the Responsible Governance chapter. In addition, *airBaltic* provides an overview of other significant impacts the Group has on the Baltic region.

CONNECTING THE BALTICS WITH THE WORLD

The Baltic states are geographically remote. Significant, functioning railway connections to the rest of Europe will be available only after the Rail Baltica project is completed. The Baltic Sea separates the Baltic states from the Nordic countries, and it takes anywhere from 10 to 20 hours to drive to the closest capitals of central Europe. With its extensive and broad route network, *airBaltic* connects Latvia, Estonia, and Lithuania to the rest of the world. Every year, *airBaltic* brings hundreds of thousands of visitors to the Baltic states, enables business connections, and unites families living abroad. *airBaltic* serves many different market segments, from business to leisure, visiting friends and relatives (VFR), as well as charter and cargo flights, and in doing so provides opportunities for the local travel industry.

Globalisation has expanded supply chains across the world, and air travel plays a crucial role in supporting essential travel for these chains. Having a large fleet based in the Baltic states is valuable for a quick response to sudden demand for goods and services. Its ability to rapidly adjust capacity makes *airBaltic* a valuable asset for Baltic state residents.

In 2023, *airBaltic* served 80 destinations and operated 126 routes from Riga, Tallinn, Vilnius, Tampere and Gran Canaria. This is a significant increase over 2022, when 74 destinations and 103 routes were served. The key milestones of the year can be summarised as follows:

- *airBaltic* launched a total of 38 new routes across all five bases, including routes to 14 destinations not served in 2022;
- in Riga, 11 new routes were launched with a particular focus on connecting south-eastern Europe (Bucharest, Belgrade, Tivat), Turkey (Istanbul) and the Caucasus region (Yerevan, Baku). New leisure routes to Agadir (Morocco), Bilbao (Spain), Burgas (Bulgaria) and Porto (Portugal) were launched, as well as a new route to Hannover in Germany;
- *airBaltic* launched a record amount of new routes in bases outside of Riga: 8 in Tallinn and Vilnius, and 5 in Tampere. With strong demand for leisure travel, most of these routes were to sun and beach destinations during the summer season (such as Heraklion, Rhodes, Nice, Dubrovnik, Split). As of November 2023, routes to Tenerife were also launched from all three bases, as well as a route between Vilnius and Dubai;
- in December 2023, *airBaltic* opened a seasonal base in Gran Canaria, connecting it with ten destinations in Nordic and Baltic countries;
- in 2023, 15 routes were discontinued.



PILOT ACADEMY

The Group keeps investing in aviation education. *airBaltic's* subsidiary *airBaltic Training* is the leading aviation training centre in Baltic region and specializes in pilot, cabin crew and maintenance personnel training. In 2018 the Company launched an integrated airline transport pilot course with the brand name *airBaltic Pilot Academy*.

In 2023, the *airBaltic Pilot Academy* continued training 127 students of twelve different nationalities. During the reporting year, 58 new students joined the *Pilot Academy*. There were 21 graduates of the *Pilot Academy* by the end of 2023, and all joined *airBaltic* as first officers and began their professional careers in aviation.

Slowly but steadily, gender diversity may be observed in pilot training as well. The representation of female cadets in the 2023 enrolment increased to 12%, compared to 6% in 2022. The percentage of female graduates was 10% in 2023 (8% in 2022).

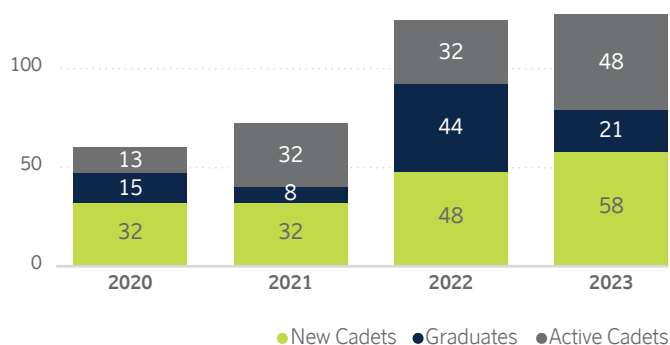
COOPERATION WITH LIEPĀJA STATE TECHNICAL SCHOOL

In 2020, the *airBaltic Training Centre* partnered with the Vocational Education Competence Centre (VECC) at Liepāja State Technical School to create a new educational programme for aircraft mechanics, a unique curriculum in Latvia. As a result, two study programmes were launched in 2022:

- high school: a 1.5-year programme for high school graduates providing professional maintenance technician education only;
- professional education: a 4-year programme for students having completed 9th grade, offering both high school education and professional maintenance technician education.

In 2023, 76 students participated in the 1.5-year training programme (68 in 2022). Out of the students that enrolled in 2022, 21 students have completed the 1.5-year programme (10 in 2022). The first graduates of the 4-year programme are expected in 2024.

Pilot education



WEB3 TECHNOLOGIES



In 2023, the aviation industry continued highlighting Web3 technology inclusion in aviation infrastructure.

airBaltic has been pioneering Web3 technologies, such as blockchain, cryptocurrencies and non-fungible tokens (NFTs), in aviation since 2014. In 2023, *airBaltic* continued to share its Web3 experience and use-cases at blockchain events like [NFT NYC 2023](#) and [Paris Blockchain Week 2023](#).

The Company accepts most popular cryptocurrencies as a payment method.

airBaltic has various NFT collections, such as the [airBaltic City Collection](#), [DreamTeam 2023](#) and [Planies](#).

Planies-collection owners enjoy *airBaltic Club* benefits, including loyalty points and flight discounts. In 2023, *airBaltic* introduced VIP status through a *Planies* NFT, allowing immediate access to loyalty privileges without flying. Over 70 customers have acquired VIP status through a *Planies* NFT. After a year, loyalty program members with *Planies* NFTs, on average, undertake three times as many flights in 2023 compared to loyalty program members without NFTs, as each *Planie* NFT generates 20 loyalty points per day.

Planies NFTs can be purchased by visiting mint.planiesnft.com. (For more information and an introduction, visit [Planies NFTs](#).)

With this endeavor, *airBaltic* has facilitated an increase in customer knowledge about Next Generation Internet as well as widened society's awareness of the possibilities of blockchain technology in aviation and related industries.





SUSTAINABILITY AT AIRBALTIC

airBaltic has always been committed to minimising its impact on the environment and the climate by implementing environmentally and socially sustainable practices in its operations and adhering to sustainable corporate governance principles. The Company has aligned itself with the sustainability goals set by organisations such as the International Civil Aviation Organization (ICAO), the International Air Transport Association (IATA), and Airlines for Europe (A4E), and, as a resident of a member state of the European Union, is dedicated to being a part of a sustainable aviation community.

GLOBAL AVIATION AND SUSTAINABILITY COMMITMENTS

Member States of the International Civil Aviation Organization (ICAO) agency of the United Nations, which includes Latvia, have agreed to focus their collaboration in aviation environmental issues on three core areas: climate change and aviation emissions, aircraft noise, and local air quality. The ICAO has prioritised its environmental protection actions on: airframe, propulsion, and other aeronautical and technological innovations; optimising flight procedures to reduce fuel burn; increasing the production and deployment of sustainable aviation fuels and clean energy; and implementing the Carbon Offsetting Reduction Scheme for International Aviation (CORSIA).

The International Air Transport Association (IATA), which represents 290 airlines (83% of all aircraft participating in air traffic), including *airBaltic*, has committed to achieving net zero carbon emissions by 2050, establishing the [Fly Net Zero by 2050](#) strategy for the entire aviation industry and governments. The strategy comprises new technologies, operations efficiency, increases in the use of sustainable aviation fuel (SAF), carbon offsetting, and carbon capture measures.

European Union Member States have agreed on the [EU Green Deal and Fit for 55](#) policies, thus aiming to become the first climate neutral continent by 2050. In addition to the *Fit for 55* packages, the EU has adopted the Taxonomy Regulation, which is a classification system for investors, companies, and policy makers that aims to determine whether an economic activity is environmentally sustainable.

Airlines for Europe (A4E), the united voice of 17 of Europe's leading airlines (including *airBaltic*) and aircraft man-

ufacturers, has laid out a joint long-term vision called [Destination 2050](#), which focuses on reaching net zero CO₂ emissions from all flights departing from the European Union, the United Kingdom, and the European Free Trade Association (EFTA).

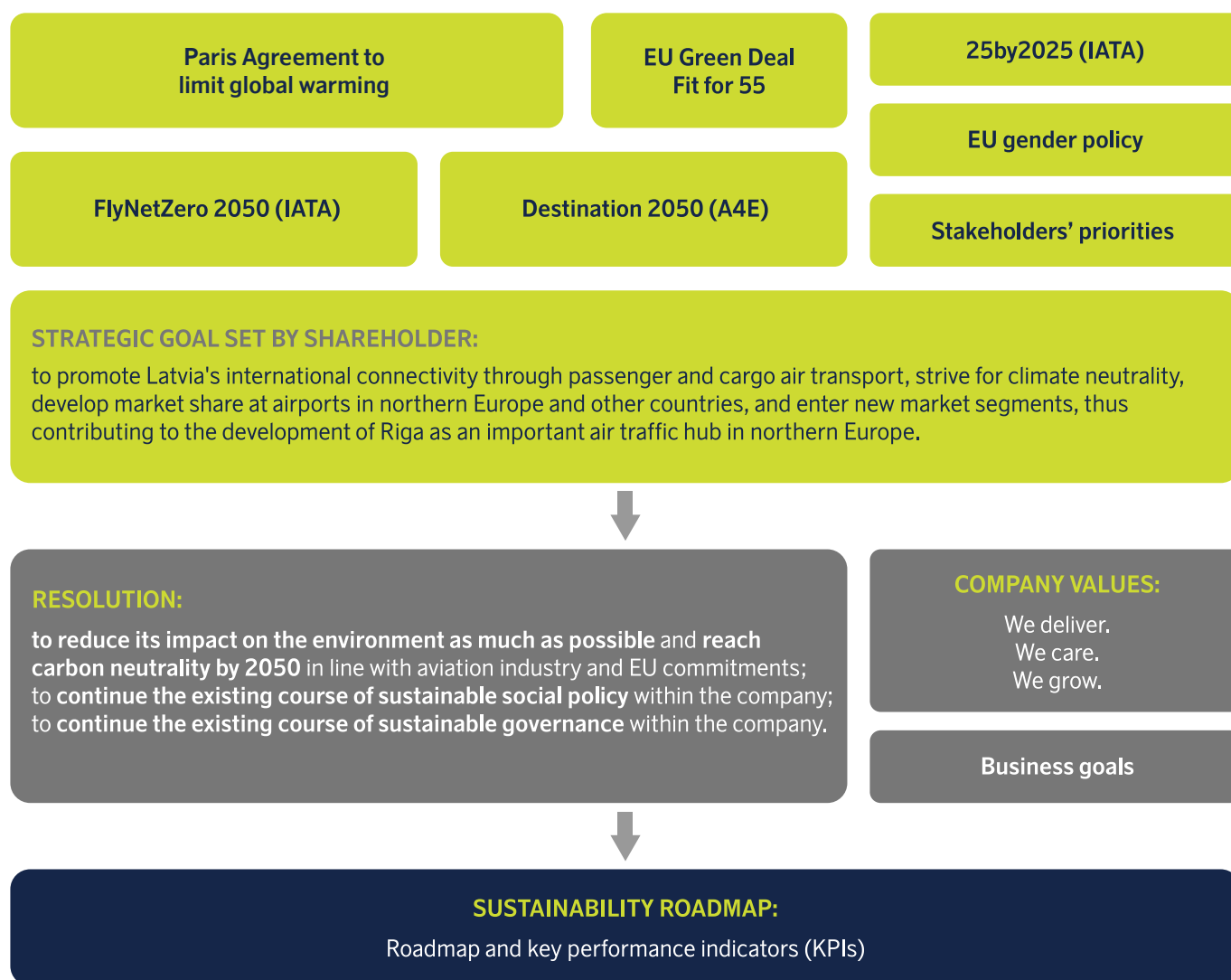
Additionally, IATA has committed to reach gender balance by increasing the number of women in senior positions and under-represented areas by 25%, or up to a minimum of 25%, by 2025 ([the 25by2025 policy](#)). This goes hand in hand with the EU-approved gender balance policy, which states that 40% of non-executive director posts, or 33% of all director posts, should be occupied by the under-represented sex in all large-scale publicly listed companies by the end of June 2026.

Year 2023 was marked by further regulatory framework development in Europe, paving the way towards climate neutrality. The EU European Emissions Trading System directive was revised to broaden its scope to include non-CO₂ emission reporting, along with modifications to emission accounting and support mechanisms starting from 2025. The ReFuel Aviation Regulation was adopted, mandating the compulsory use of SAF from 2025 and assigning tasks to the European Aviation Safety Agency (EASA) to develop a labelling scheme for airlines. In 2024, the approval of the Green Claims Directive is expected to minimise any greenwashing risks. A delegated act for the Corporate Sustainability Reporting Directive was adopted setting new European Sustainability Reporting Standards starting from 2024.

AIRBALTIC COMMITMENTS

airBaltic's Executive Board and Supervisory Board has approved strategic sustainability priorities (hereinafter – Commitments) in 2022, which apply to all of the Group's activities and business relationships. These long-term commitments continue steadfast into the year 2023 without any alterations.

Strategic approach to sustainability



The Commitments apply to all of the Group's activities. The Corporate Manual describes the environmental, social, and governance commitments that are binding to all employees (see chapter Responsible Governance). The Corporate Manual, the Personnel Handbook, the Purchasing Policy, and internal communication channels such as the intranet site, live videos, seminars, articles, and internal events are the main tools used to inform and educate employees about the commitments.

In 2023, airBaltic started addressing the Commitments throughout the entire value chain and made them public through the general [Code of Conduct](#) and [Supplier Code of Conduct](#). The Commitments, permanently added to the [airBaltic's web page](#), refer to existing and future employees, trade unions, suppliers, members of society, students, educational institutions, shareholders. The Commitments are communicated publicly via press releases and articles in airBaltic's inflight magazine Baltic Outlook and other communication channels.

REGULATORY FRAMEWORK

A significant aspect of sustainability is the Group's consistent compliance with the regulatory framework, which includes default requirements for social, environmental and governance matters.

The Constitution of the Republic of Latvia (Satversme) protects the legal rights of individuals. Latvia has joined the International Human Rights Convention, and its commitments have been incorporated into the legal acts regulating commercial activities and employee rights that are binding on residents of the Republic of Latvia.

The Commercial Law determines the requirement for decent and careful management and business actions, the provision of truthful information, executive and supervisory board responsibilities, and shareholders' rights.

The Labour Law sets forth requirements for sound and healthy legal employment relationships; contains principles of equal rights to work, to fair, safe, and healthy work conditions, and to fair remuneration; prohibits differential treatment or direct or indirect discrimination based on a person's race, colour, sex, age, disability, religious, political, or other beliefs, national or social origin, financial or family status, sexual orientation, or other circumstances; requires employers to ensure an inclusive environment

and the right to engage in trade unions and organisations; sets forth provisions of collective labour agreements; and establishes many other employee's rights. The Labour Law provisions are in compliance with the EU *acquis communautaire* and are constantly updated according to the latest EU requirements and employment law policies.

airBaltic has joined the [Latvian Diversity Charter](#), which is a voluntary commitment by companies and organisations to strive to adhere to the basic principles of diversity management and respectful inclusion in relation to their employees and society.

Since 2009, the Group has been engaged in a Collective Labour Agreement with four trade unions, however, Collective Labour Agreement conditions apply to all employees regardless of whether they are trade union members or not (see section: Labour Relations / Collective Bargaining Agreements).

The Law on Governance of Capital Shares of a Public Person and Capital Companies regulates the compliance of public company financial and non-financial goals with the policy targets of the industry, sets transparency requirements, requires conflict of interest prevention, and provides reporting requirements and corporate management reporting. Certain requirements as set forth in this law are also applicable to companies in which the majority shareholder is the state, such as is the case with airBaltic. According to the law, airBaltic must report to its shareholders the result indicators of the Company's goals set in the previous year.

The Group has not determined an urgency for a separate due diligence review for responsible business conduct. The Commitments do not include a specific precautionary principle, because this is part of the Group's corporate culture and refers to all of the company's actions. In 2023, airBaltic performed a Double Materiality Assessment (DMA, see chapter Sustainability Material Topics) for the Group, evaluating the impacts, risks and opportunities and tracking the policies to address them. Although no non-compliance matter has been identified, the DMA must be followed with the *due diligence* in 2024. This due diligence would cover the compliance with policy commitments and business conduct as well.

SUSTAINABILITY MATERIAL TOPICS

In 2023, *airBaltic* initiated the Double Materiality Assessment (DMA) in accordance with the European Sustainability Reporting Standards (ESRS), which were adopted at the same time. The DMA covers analysis of the material topics that are enclosed in Appendix A of the ESRS Standard ESRS 1 'General requirements', and the entity-specific material topics for the Group.

First, a stakeholder survey was carried out addressing more than 3300 respondents from nine core stakeholder groups: (1) customers, (2) tourism operators and agencies, (3) suppliers, (4) airports, airlines and lessors, (5) investors and financiers, (6) media and journalists, (7) policy makers, (8) government institutions, and (9) environmental and other non-governmental organisations. The stakeholder survey showed that the previously defined material sustainability priorities (2019–2020) had not changed significantly.

The survey was succeeded by regulatory analysis, a management workshop, and a comprehensive DMA conducted by experts with the utmost knowledge in their specific field.

As a result, the Executive Board has prioritised and approved the seven most relevant material topics regarding sustainability and responsible business conduct¹:

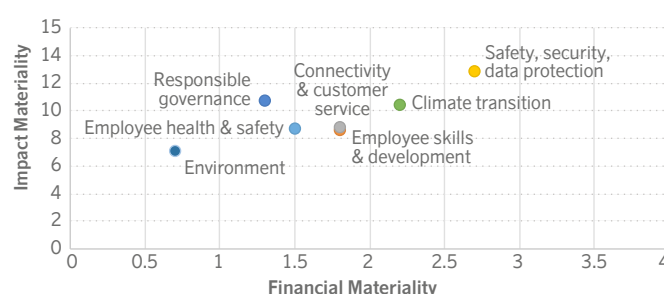
- safety, security and data protection (see sections: Flight Safety and Security; Data Protection and Cybersecurity);
- climate transition and environment (see section: Environment);
- environment (see section: Environment);
- connectivity and customer service (see sections: Connecting Baltics with abroad and Impact to local economy, Service and Customer experience);
- employee skills and development (see section: Training and Skills Development);
- employee health and safety (see section: Employee Health and Safety);
- responsible governance (see section: Responsible Governance).

These material topics indicate continuity of the material topics that were used for 2020–2022 planning and reporting purposes (flight safety as the fundamental responsibility; the impact that flight connections have on the local economy and job creation; employee health and safety; cli-

mate impact and energy efficiency; customer experience and the responsibility to communicate with stakeholders and the wider public). They also indicate that aviation material subjects experience minimal deviations, if any at all.

The Company's Supplier Code of Conduct addresses these material topics to the whole value chain.

In 2024, following the DMA, a thorough due diligence will be conducted, and sustainability reporting will shift to align with the Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards.



SUSTAINABLE DEVELOPMENT STRATEGY

Sustainability aspects are embedded in the Group's goals, values, and top management commitments, and are incorporated in its operational decision-making. The shareholder's representative has determined the strategical goals, which include striving for climate neutrality and reaching non-financial goals. The Executive Board is responsible for reaching these goals.

The Top Management team is responsible for the Company's everyday business activity and undertakes the responsibility to revise stakeholder materiality topics and accept the most relevant ones (see section: Sustainability Material Topics) regarding sustainability for *airBaltic* (see section: Corporate Governance Statement). The entire Top Management team also holds the highest responsibility towards the Environmental, Social, and Governance (ESG) values and principles of *airBaltic*.

Each department of the Company is responsible for implementing the best processes considering all sustainability components and commitments. The business units incorporate roles that manage internal sustainability responsibilities, such as flight operations efficiency, digital solutions, fuel procurement and operations, sustainable workplace, wellbeing, and others. The Head of Sustainability at the Company oversees the continuous and coordinated interdepart-

¹ The management procedures of each material topic are described in the chapters shown in brackets

mental implementation of sustainability activities (thereby aligning with the aviation industry overall), EU policies, and *airBaltic* Commitments. The Head of Sustainability reports quarterly and directly to the Top Management Team and the Executive Board, and arranges the measures necessary to increase collective knowledge, skills and experience relevant to sustainable development. In 2023, a separate course on Sustainability in Aviation was designed and addressed to the ALFA Leadership programme for managers and team leaders. This now enables the company to focus on sustainable development in a decentralised manner and as part of the integrated management system.

The Group is committed to minimising the impact on the environment as much as possible in order to reach carbon neutrality by 2050. This target will be achieved in line with the aviation industry's and the EU's courses towards climate neutrality. Part of the short- and mid-term targets involves aligning processes with the [ReFuel](#) Aviation Regulation, the [EU Emission Trading System \(ETS\)](#) Directive, and the [Corporate Sustainability Reporting Directive \(CSRD\)](#).

The decision to switch to a single fleet of *Airbus A220-300*, the most environment-friendly aircraft, has had the greatest impact on shaping the sustainability roadmap in recent years.



In 2023, *airBaltic* continued expanding its fleet of *Airbus A220-300*, aircraft that is with a twice smaller noise footprint when compared to the previous generation aircraft. Moreover, at the moment, it is the most efficient commercial aircraft in the world with a transparent declaration of the life-cycle environmental impact, helping to reduce CO₂ and NO_x emissions by 25% and 50% respectively in comparison the previous generation aircraft and industry standards. Together with continuous operational efficiency (see section Flight Operations (Fuel) Efficiency), it lead to CO₂ emission reduction per revenue Passenger kilometre (see section Fuel Consumption and Emissions).

The Company has continued its gradual increase of sustainable aviation fuel consumption, and is looking forward to a mandatory SAF blend of 2% starting with 2025 as mandated by the [ReFuel](#) regulation. In 2023, *airBaltic* launched a voluntary option for passengers who wished to reduce their environmental footprint by adding SAF to their flights.

The Airline provides calculation of route footprints that is based on average fuel consumption per specific routes. In 2023, *airBaltic* signed a data license agreement with IATA, contributing to CO₂ data calculations and aligned methodologies.

The Group is continuing the established course of: sustainable social policy within the Company; maintaining and continuously developing excellent health and safety conditions; fair working and employee rewarding and compensation conditions; fair labour practices; diversity; non-discrimination and inclusion; employee training and development; human rights standards; and positive impacts on local communities through education, professional jobs opportunities, and corporate social responsibility activities.

The Group is continuing the established course of: sustainable governance of the Company; maintaining and continuously developing excellent ethical, compliance, and anti-corruption standards; diversity; stakeholder engagement; shareholder rights; and open and transparent communication.

The Group will continue to be a constructive and proactive social partner to the national government in order to achieve national climate goals.

To reach its environmental, social and governance commitments, the Group's strategical approach is in line with the international aviation industry and company's existing course.

SHORT-TERM GOALS (2025)	KEY PERFORMANCE INDICATORS (KPI's)
Continue increasing the use of SAF (<i>permanent goal</i>)	Compliance with the EU guidelines regarding SAF use
Continue mandatory emission offsetting and engage in volunteer CO ₂ offsetting (<i>permanent goal</i>)	Compliance with the Emissions Trading Systems (ETS) and CORSIA regulations
Complete the transition to compliance with the CSRD	Compliance with CSRD
Keep raising awareness about sustainability	Implemented ALFA Leadership 'Sustainability in Aviation' course
Ensure a fair wage policy and equal social security eligibility coverage (<i>permanent goal</i>)	Compliance with the remuneration policy. Ensuring of a local market median compensation level. Provision of health and accident insurance coverage for employees
Continue reducing the number of work-related accidents and ensure a policy of zero fatalities as a result of work-related injuries and work-related ill health (<i>permanent goal</i>)	A decrease in the rate of work accidents per million available seat kilometers (ASK) compared with 2019 (0.188%): a 50% reduction reached in 2023, a 90% reduction to be reached in 2025
Ensure zero discrimination incidents related to equal opportunities (<i>permanent goal</i>)	0 cases
Ensure gender balance	25% representation (or an increase by 25%) of women in managerial roles, women in Pilot and Technician roles, and men in Cabin Crew roles by 2025

In addition to engaging in national-level activities, *airBaltic* supports and participates in international initiatives such as the EASA Environmental Label Programme and IATA CO₂ Calculation tool. It actively contributes to the development of these programs by sharing operational data to validate and enhance their effectiveness.

In the medium term (until 2030), the Group pledges to continue working towards its short-term goals and will include the following additional goals:

- remain a constructive and proactive social partner to national governmental organisations in achieving national ESG goals;
- ensure continuous social dialogue with employee representatives;
- ensure training and development of employees by providing information about activities related to training and skills development and, within the context of continuous professional growth, upgrade workers' skills and facilitate continued employability.

In the long term, in addition to the short-term and medium-term goals, the Group expects to have minimised its impact on the environment to as low a level as possible and reach carbon neutrality by 2050.



ENVIRONMENT AND CLIMATE IMPACT

Climate impact, energy efficiency (Climate Transition) and reducing impact on the environment (Environment) are amongst seven of the most important material sustainability aspects for the Group. Being a proud member of the international aviation community, *airBaltic* has committed to reducing its impact on the environment to the minimum possible value and reaching carbon neutrality by 2050. This goal is in line with both aviation industry and EU commitments.

CLIMATE TRANSITION

The International Air Transport Association (IATA) has adopted the Fly Net Zero by 2050 strategy, which sets an overall roadmap for the entire aviation industry and governments. *airBaltic* is following the same principles that IATA unveiled in its roadmap in 2023: reduce aircraft energy use, increase the use of sustainable aviation fuels (SAFs), and reduce the Airline's carbon footprint by re-capturing all produced CO₂ which could not be avoided in any other manner.

Aviation's primary negative impact on the climate is its CO₂ emissions from fuel and energy use, which are viewed from three perspectives: energy consumption and direct greenhouse gas emissions (Scope 1), indirect greenhouse gas emissions (Scope 2), and other greenhouse gas emissions (Scope 3). In line with the Corporate Sustainability-Reporting Directive's (CSRD's) reporting methodology, the Company will provide full Scope 3 emission accounting as of 2027.

Other environmental impacts are related to noise levels, a circular economy and waste, and the use of materials and chemical substances.

At the Group, continuous improvement of environmental management is a component of the integrated management system. The environmental strategy is defined in the Airline's Corporate Management Manual, and it is fully incorporated within the framework of *airBaltic*'s economic and quality targets:

- all activities within the Company shall be performed in a manner that has minimal negative effect on the environment;
- environmental consideration is considered in all departments and at all levels of the Company, resulting in increased environmental awareness;
- environmental consideration is considered when decisions are made, and it is *airBaltic*'s policy to utilise and implement production methods that are environmentally sound, conserve energy consumption, facilitate recycling processes, and produce the lowest possible emissions.

Departments and business units are responsible for implementing the best processes considering all components of environmental management and sustainability. In 2023, *airBaltic* performed the Double Materiality Assessment, as per the Corporate Sustainability Reporting Directive. This assessment examined the impacts, risks, and opportunities related to climate and the environment. While transitioning to reporting in accordance with the CSRD, the conclusions derived from Double Materiality Assessments are also in line with this year's chosen GRI reporting framework.

Apart from minor noise breach cases (see section: Noise), there have been no cases of non-compliance with environmental laws and regulations, nor have there been fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations in 2023.

FUEL CONSUMPTION AND EMISSIONS

In aviation, the main impact on the climate is created by emissions from jet fuel and ground vehicle fuel.

For jet fuel emission calculations, *airBaltic* uses the internationally accepted constant of 3.15 (as per EU ETS reporting requirements) to represent the number of tonnes of CO₂ produced by burning one tonne of aviation fuel. Starting from the reporting year 2024, the EU ETS directive's approved constant of 3.16 will be used for reporting purposes (same as CORSIA).

In 2023, the direct amount of CO₂ emissions arising from the Group's traffic and consumed jet fuel was 560 035 tonnes (2022: 422 228)². Out of the total amount of emissions, 225 tonnes were from sustainable aviation fuel (2022: 171 tonnes).

The key factors in reducing the amount of carbon emissions released per passenger kilometre flown continuously indicate the advantage of a sole fleet operation, i.e. flying the more fuel-efficient *Airbus A220-300* aircraft. In 2023 the

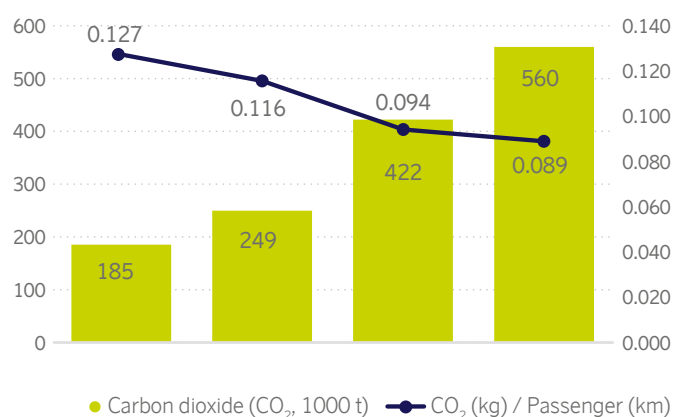
Airline continued to increase its growth by operating 18% more flights than in 2022, at the same time achieving a reduction in CO₂ emissions by 5.3% (0.089 kg vs 0.094 kg) in the amount of carbon emissions released per passenger kilometre in 2023 as compared to 2022. Irrespective of this, 16.11% of total flights were operated as ACMI-IN leases (Aircraft, Crew, Maintenance, and Insurance coming in from other companies).

To reduce the negative impact from its fuel consumption, *airBaltic* focuses on several mitigation actions: making continuous flight operation efficiency improvements that lead to reduced fuel consumption, using SAF, switching to an electric ground vehicle fleet, and compensating CO₂ emissions. Further improvements would require a further increase in the cabin load factor along with a gradual increase in the use of sustainable aviation fuels.

² Previously reported figure (420 924 tons in 2022) was adjusted due to a calculations error.

	2023	2022	2021	2020
Jet Fuel, kg	177 789 007	134 040 643	79 176 723	58 820 098
Value in previous reports*	n/a	133 626 740	58 053 668	57 903 660
Jet Fuel, GJ	7 733 644	5 830 634	3 444 108	2 558 615
Value in previous reports*	n/a	5 765 994	2 505 016	2 478 277
Out of which:				
Fuel containing SAF, kg	7 615 388	6 183 893	174 877	352 318
Value in previous reports*	n/a	6 147 090	201 992	352 000
Fuel containing SAF, GJ	331 262	268 993	7 607	15 325
Value in previous reports*	n/a	265 247	8 716	15 294
Out of which: SAF, kg	71 372	54 332	2 370	1 762
SAF, GJ	3 105	2 363	103	77

* Previously reported figures adjusted due to a calculations error.



ELECTRIC CAR FLEET

As an additional measure to reduce energy consumption and offset carbon, in late 2021 the Group decided to gradually switch its ground vehicle fleet to electric cars.

In 2023, the Group continued to renew its fleet by replacing 6 convention vehicles with electric cars (21 in 2022). Additionally, 4 charging stations (18 in 2022) were installed in apron and technical areas.

In total, the Group has 29 electric vehicle's fleet, which is used for technical, ground operations, management, and administration purposes. In total, 29 charging stations have been installed on the apron and in office parking areas.

A portion of the Group's greenhouse gas emissions arose from vehicle operations that use gasoline and diesel fuel. This included the fuel consumption of vehicles owned by *airBaltic* and used by the Technical and Ground Operations departments. The CO₂ emission factors for ground vehicles were 74 tCO₂/TJ for diesel and 71.18 tCO₂/TJ for gasoline vehicles.³ The decision to switch to electric car fleet was the main reason for consistent emission reduction by 58.14 tCO₂ from ground vehicle fuel. In 2023, the Company started tracking the electricity emissions from electric cars.

³ In accordance with the Cabinet of Ministers regulation No. 42

Ground vehicle fuel consumption	2023	2022	2021	2020
Ground vehicles fuel consumption (diesel), GJ	960.73	1788.74	1999.33	1449.57
Ground vehicles fuel consumption (gasoline), GJ	32.11	30.67	45.62	33.06
Ground vehicles fuel consumption (electricity), GJ	100.15	—	—	—
Total, GJ	1 093	1 819	2 045	1 483
CO ₂ emission factor for diesel, tCO ₂ /TJ	74	74	74	74
CO ₂ emission factor for gasoline, tCO ₂ /TJ	71.18	71.18	71.18	71.18
CO ₂ emission factor for electricity, tCO ₂ /TJ	109	—	—	—
CO ₂ emissions from diesel vehicles, tCO ₂ equivalent per year	71.09	132.37	147.95	107.27
CO ₂ emissions from gasoline vehicles, tCO ₂ equivalent per year	2.29	2.18	3.25	2,35
CO ₂ emissions from electricity vehicles, tCO ₂ equivalent per year	3.03	—	—	—
CO₂ emissions from ground vehicle fuel consumption, tCO₂ equivalent per year	76.41	134.55	151.20	109.62

SUSTAINABLE AVIATION FUEL

airBaltic shares the industry's opinion in believing that SAF will play a crucial role in ensuring the future of the aviation industry and will help everyone involved to decrease their impact on the environment, which is why the Company is planning on continuous increases in its use of SAF in 2024 and beyond.

Following the latest industry and regulatory requirements, in 2023 *airBaltic* continued to increase its use of SAF to 71 372 kg (54 332 kg in 2022). The airline is continuously working on other activities to promote more sustainable aviation fuels in cooperation with industry partners and different fuel providers within *airBaltic's* network. *airBaltic* continues to explore and work with multiple other stakeholders to accelerate the commercialization of SAF.

In May 2023, the company introduced an ancillary product, offering the opportunity to include approximately 1 kg of Sustainable Aviation Fuel (SAF) for economy class and 1.5 kg of SAF for business class passengers. This same option was extended to *airBaltic* club members, who could utilize their loyalty points for the purchase. Throughout 2023, almost 9 318 *airBaltic* passengers (representing 0.21% of all bookings) opted to add SAF to their flights. The most active SAF users were passengers in routes of Riga-Helsinki, Riga-Tallinn, Riga-Berlin. *airBaltic* is obligated to secure SAF within 12 months following the ancillary purchase.

FLIGHT OPERATIONS (FUEL) EFFICIENCY

Fuel conservation has a significant ripple effect that benefits everyone involved. By reducing fuel consumption, airlines can cut operational costs, potentially resulting in more affordable tickets for passengers. Additionally, the effort contributes to a decrease in CO₂ emissions released.

As a result, ongoing initiatives to enhance flight efficiency are imperative. Achieving this goal necessitates seamless collaboration among Flight, Maintenance, Dispatch, and Ground Operations teams on a daily basis.

In 2023, *airBaltic* applied fuel efficiency techniques such as:

- calculating a separate fuel flow factor to gather accurate fuel consumption data for each aircraft and optimise fuel planning;
- conducting Required Navigation Performance with Authorisation Required (RNP AR) approaches, resulting in more efficient arrival routing and notable reductions in both noise and CO₂ emissions;
- decreasing aerodynamic drag by executing Reduced Flaps Take-off and Landing procedures, which also result in fuel savings as determined by comparing them to traditional full-flaps landings and increased-flaps take-offs for a matching distance;
- utilising an Electronic Flight Bag (EFB, iPad) solution, which, by replacing paper-based materials, lessens aircraft weight and which, in turn, reduces fuel consumption; as an additional advantage, limiting paper documentation reduces the amount of printing needed;
- reducing the distance flown per sector through initiatives such as Take-off in Direction of Flight, thereby decreasing general fuel consumption and CO₂ emissions;
- utilising a Single Engine Taxi-In policy at large airports with extended taxi times, which involves shutting down one engine shortly after landing and taxiing to the parking stand using only one engine.

To examine jet fuel reduction in 2023, seven techniques with the highest impact on fuel consumption were considered: Required Navigation Performance with Authorisation Required (RNP AR) approaches, Idle Reverse, Paper to Electronic Flight Bag (EFB), Reduced Flaps Landing, Reduced Flaps Take-Off, Single Engine Taxi-In, and Extra Fuel Reduction. The heightened impact was attained through enhanced precision, reliability, and pilot familiarity with the techniques, resulting in a rise in frequency of usage and improved overall accuracy.

	2023	2022	2021
Jet Fuel, kg	2 127 357	1 825 383	955 448
Jet Fuel, GJ	92 538	79 402	41 561
CO ₂ saved, kg	6 701 175	5 749 956	3 009 661
Per Flight*, kg	58.36	53.46	41.4
Per Flight*, GJ	2.54	2.33	1.8
CO ₂ saved Per Flight, kg	184	168	130

Disclaimer*: The number of flights may not match the report's total number of flights (flights with no data, non-commercial, restricted due to weather, operated by another airline, etc.). ACMI-IN flights, which account for 16.11% of total flights, are not included due to unavailable data from the operating airlines.

This data illustrates that *airBaltic* has further decreased its direct energy consumption, resulting in a savings of 58.36 kg of jet fuel per flight (savings have grown by 9% for each flight compared to 2022). The improvement is even more considerable if compared in total numbers (an increase of 17%) due to more flights executed.

COMPLIANCE WITH CO₂ REGULATORY REQUIREMENTS

The Group follows the governing regulations and annually reports the amount of produced emissions as directed under the schemes of the European Union Emission Trading System (EU ETS), the Swiss Emission Trading System (CH ETS), the United Kingdom's Emission Trading System (UK ETS), and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). These reports are verified and the emissions are surrendered keeping strict control over set deadlines. Besides reduced fuel consumption and reduced levels of emissions, *airBaltic* is committed to striving even further to reach carbon neutrality through CORSIA, a global market-based measure developed and agreed upon by the United Nations specialised aviation organisation, the International Civil Aviation Organisation (ICAO). The key elements of a global solution should not distort competition and should incorporate the United Nations' Common But Differentiated Responsibility (CBDR) principles.

In 2023, amendments to the Emission Trading System Directive (2003/87) were adopted, requiring the monitoring, reporting, and verification of airline non-CO₂ emissions starting from 2025. Consequently, the scope of emissions will broaden in the upcoming years.

INDIRECT GREENHOUSE GAS EMISSIONS

In late 2023, the company enhanced customised methodology for Scope 2 emission calculation which covers owned and leased facilities under unified framework. The enhancement process of the methodology will continue also in 2024 to adjust even further for the upcoming changes in sustainability reporting framework.

For the owned real estate and ground vehicles, the Group has since 2017 implemented the ISO 50001 energy management system. Accordingly, energy efficiency calculations are made by the Internal Energy Management Task Group. External monitoring, certification, and auditing are provided by Bureau Veritas, an external energy auditor.

Pursuant to Republic of Latvia Cabinet Regulation No. 668 (Regulations Regarding the Energy Efficiency Monitoring and Applicable Energy Management System Standard), *airBaltic* submits annual reports to the State Construction Control Bureau (BVKB) on the implemented energy efficiency improvement measures for its real estate and ground vehicles and the resulting energy savings.

Each year, the Group executes an internal energy audit in accordance with ISO 50001:2018 (last performed on July 31, 2023), a management review (October 3, 2023),

and an independent external energy audit (13 October 2023). The Company's energy management system has been deemed effective and in compliance with the standard.

The majority of Group's offices and buildings are heated by natural gas and diesel fuel. In 2023, the combined CO₂ emissions arising from the consumption of electricity and heating energy were 315,87 tCO₂ and 663,03 tCO₂, respectively.

The calculation of CO₂ emissions is based on energy consumption multiplied by the corresponding emission factor ratio. The CO₂ emission factors for heating are 55.44 (tCO₂ /TJ) in 2023⁴ for natural gas and 0.27 tCO₂ /MWh for diesel fuel⁵. The CO₂ emission factor for electricity is 109 g/kWh.⁶ The CO₂ emission factor for central heating is 264 g/kWh⁷.

⁴ In accordance with the Latvian Environment, Geology and Meteorology Centre Methodology for calculating CO₂ emissions from stationary fuel burning (2023)

⁵ In accordance with the Cabinet of Ministers regulation No. 42.

⁶ In accordance with the Cabinet of Ministers regulation No. 222.

⁷ In accordance with the Cabinet of Ministers regulation No. 222.

	2023*		2022		2021		2020	
Indirect Energy Consumption	non-renewable	renewable	non-renewable	renewable	non-renewable	renewable	non-renewable	renewable
Facility Electricity, MWh	2 897.93	0	1 711.61	0	1 507.13	0	1 249.22	0
Facility Electricity, GJ	10 432.55	0	6 161.78	0	5 425.66	0	4 497.20	0
Facility heat, MWh	3 349.30	0	2129.83	0	2469.71	0	2161.00	0
Facility heat, GJ	12 057.48	0	7667.39	0	8890.95	0	7779.61	0
Total, GJ	22 490.03	0	13 829.16	0	14 316.61	0	12 276.81	0

* Calculations for 2023 were performed on a date prior to the energy audit verification.

Disclaimer: 1. The report presents owned property data 2020-2022 that has been verified by the energy audit. Since sustainability reports are typically prepared prior to energy audits, the data verified by the energy audit was not available during the preparation of the report, and the results may vary based on recommendations from the energy auditor. 2. The methodology of the Scope 2 emission calculation has been enhanced in late 2023, by incorporating leased property data into the scope, which resulted in higher energy consumption rates for 2023.

ENVIRONMENT AND CLIMATE IMPACT

CO ₂ emissions from indirect energy consumption, tonnes	2023*	2022	2021	2020
CO ₂ emission factor for electricity, (tCO ₂ /Mwh)	0.109	0.109	0.109	0.109
CO ₂ emissions from electricity consumption, tCO ₂ equivalent per year	315.87	186.56	164.28	136.17
CO ₂ emission factor for heating, natural gas, tCO ₂ /TJ	55.44	55.44	55.52	55.46
CO ₂ emissions from heating, natural gas, tCO ₂ equivalent per year	376.95	376.95	439.81	387.85
CO ₂ emission factor for heating, diesel fuel, tCO ₂ /MWh	0.27	0.27	0.27	0.27
CO ₂ emissions from heating, diesel fuel, tCO ₂ equivalent per year	0.49	0.49	0.49	0.49
CO ₂ emission factor for central heating, tCO ₂ /MWh	0.264	n/a	n/a	n/a
CO ₂ emissions from central heating, tCO ₂ equivalent per year	285.59	n/a	n/a	n/a
CO ₂ emissions from heat consumption, tCO ₂ equivalent per year	663.03	377.44	440.30	388.35
Total CO₂ emissions from indirect energy consumption, tCO₂	978.90	564.01	604.58	524.51

*Calculations for 2023 were performed on a date prior to the energy audit verification.

Disclaimer: 1. The report presents owned property data 2020-2022 that has been verified by the energy audit. Since sustainability reports are typically prepared prior to energy audits, the data verified by the energy audit was not available during the preparation of the report, and the results may vary based on recommendations from the energy auditor. 2. The methodology of the Scope 2 emission calculation has been enhanced in late 2023, by incorporating leased property data into the scope, which resulted in higher energy consumption rates for 2023.

To mitigate greenhouse gas emissions arising from the energy consumption of its buildings, the Group provides relevant educational training to its employees – process optimisation that leads to better work performance. In order to effectively manage energy consumption, reduce costs, and prioritise employees' well-being, the Group demands that all new building designs meet or exceed the 'very good' level of energy-efficiency standards, such as those set by BREEAM.

OTHER EMISSIONS

The Group has around 2 000 suppliers (see section: Supplier Management). In 2023, the Company took steps to address environmental sustainability within its supply chain by introducing a Supplier Code of Conduct, which requests suppliers to adhere to environmentally responsible practices. The code includes the requirement to reduce greenhouse gas emissions. In line with the Corporate Sustainability Reporting Directive, *airBaltic* will fully report on its supply chain (Scope 3) emissions as of 2027.

NOISE

In 2023, *airBaltic* operations encountered three potential noise abatement infringements (versus five in 2022): two of these were encountered upon departure from Riga airport (both by a contracted ACMI operator). The third took place while operating an *airBaltic Airbus A220-300* aircraft from Valencia airport in Spain. As in 2022, none of these cases caused *airBaltic* to receive a fine, at least not a substantial one. There was also another minor compliance case related to flight deviation, and in that case *airBaltic* did receive a minor monetary fine. Overall, these cases arise from operational mistakes made during the ordinary course of business of the Company and do not reflect any systemic failures.

Such infringements may take place while avoiding thunderstorm clouds or following other air traffic control guidance. *airBaltic's* operational department maintains close cooperation with each reporting airport authority to identify factors affecting such events as well as to further develop crew guidance to minimise future deviations from locally implemented noise control and reduction procedures.

WASTE

Waste management in aviation is a multifaceted process due to the diverse sources and locations from which waste originates. These include offices, maintenance activities, ground operation activities, and tenant areas, among others. Flight operations also contribute to this complexity, encompassing both tangible waste and items categorised as unwanted or unusable products. The latter refers to materials and substances generated during the preparation or execution of flights and that have surpassed their usability.

WASTE MANAGEMENT AND CIRCULARITY

In aviation, waste management is subject to specific regulations, such as the Waste Management Law, Procedures for Accounting Waste and Waste Shipments, Rules on the Classification of Waste and the Characteristics that Make Waste Hazardous, and several other national and European regulations, and must comply with established requirements for waste handling, storage, transport, and disposal. *airBaltic* is committed to adhering to aviation waste management regulations as well as minimising waste output.

At the Group, the Technical and Administration departments shoulder the responsibility for managing waste streams. This entails overseeing waste storage areas, monitoring and tracking generated waste, analysing waste streams, and ensuring the proper removal of waste by licensed contractors in compliance with relevant regulatory requirements. The Administration department is responsible for overall waste management, while the Technical department handles mainly chemicals and other materials as well as the sorting and recycling of hazardous waste. Waste collection and further management is performed by third parties on a contract basis.

In 2023, the Group upgraded its waste data management system, which incorporates and combines all data sources as well as provides analysis for further areas of improvement.

WASTE GENERATION AND SIGNIFICANT WASTE-RELATED IMPACTS

The Group oversees diverse waste streams stemming from its operations and maintenance activities. A proactive approach is maintained by urging employees to segregate household waste, mixed packaging (comprising paper, plastic, and glass), shredded documents, and batteries. Moreover, it is mandatory for all employees to systematically sort electronic devices and handle hazardous waste responsibly.

Prior to 2023, the Group's offices had already implemented waste sorting for various categories, including household waste, mixed packaging waste, shredded documents, batteries, and electronic devices. On February 2023, *airBaltic*

introduced an enhanced waste sorting process across all offices. This updated process not only facilitates the sorting of glass but also expands the opportunities for employees to segregate mixed packaging waste within office premises.

Hazardous waste is primarily generated in the Technical department, which is responsible for fleet maintenance. Given the necessity of various chemicals and materials in fleet maintenance, it is the responsibility of each employee to appropriately use and temporarily (short-term) store hazardous waste in designated locations. Employees are required to regularly transfer all accumulated hazardous waste to *airBaltic* partners specialising in hazardous waste management.

HOUSEHOLD AND MIXED PACKAGING WASTE

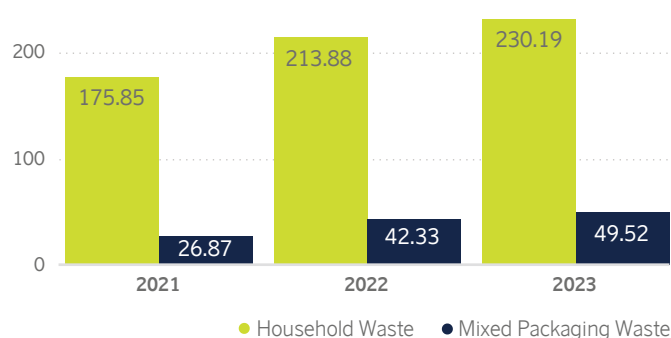
As reflected in the data table, the upward trajectory of household waste in 2023 is a direct reflection of *airBaltic*'s growing operational scale and increased employee count; this growing scale will likely challenge the Group with each coming year. The Group had already identified this trend in 2022 and, consequently, strategically opted to enhance waste sorting capabilities across all company premises. This decision involved equipping facilities with the necessary resources to foster even more responsible waste management practices. Proactive waste sorting initiatives in all offices have proved to be successful, with 49.52 tonnes of mixed packaging waste efficiently managed in 2023. This is a considerable amount compared to the 42.33 tonnes of mixed packaging waste handed over for recycling in 2022.

The data is presented in metric tonnes across multiple positions, ensuring a comprehensive and comparable dataset for enhanced analysis. Data for mixed packaging waste and destroyed documents are combined together due to the same recycling class and are reflected in tonnes.

Household and mixed packaging waste, tonnes

Waste type	2023	2022	2021
Household waste	230.19	213.88	175.85
<i>Value in previous report*</i>	<i>n/a</i>	213.88	175.94
Mixed packaging	49.52	42.33	26.87
<i>Value in previous report*</i>	<i>n/a</i>	8.79	4.07
Household waste per employee, tons	0.091	0.100	0.113
Changes from previous year, %	-9%	-12%	<i>n/a</i>
Mixed packaging waste per employee, tons	0.020	0.020	0.017
Changes from previous year, %	0%	+17%	<i>n/a</i>

Household and mixed packaging waste, tonnes



* Data for household and mixed packaging waste includes all *airBaltic* offices (*airBaltic* headquarters and the *airBaltic* Technical department apron area) as well as subsidiary offices (*airBaltic* Training Centre and Baltic Cargo Centre). *airBaltic* covered and corrected errors in household and mixed packaging waste data disclosure for the years 2021–2022.

ENVIRONMENT AND CLIMATE IMPACT

HAZARDOUS WASTE

The Group is committed to adhering strictly to hazardous waste management regulations. In 2023, due to operational growth, the Airline handed over a total of 62.64 tonnes of hazardous waste compared to 42.45 tonnes in 2022. While the majority of hazardous waste is generated through the

processes of the Technical department, a smaller portion is produced within office spaces. Examples include items such as light bulbs, toners that cannot be returned to a supplier for refurbishment, and computers.

Waste Code	Hazardous Waste Type	Amount, tonnes		
		2023	2022	2021
	Construction debris	4.24	1.79	0.36
	Toners	0.03		
1000026	PBE (protective Breathing Equipment)			0.01
130208	Motor oils, gear oils and other oil types			0.43
130702	Fuel			
150202	Absorbents, filter materials (including oil filters not elsewhere specified or included), sweeping materials and protective clothing contaminated by dangerous substances	0.25		
160103	Used tires	0.53		
160107	Oil filters	0.04		
160213	Discarded equipment containing hazardous components			0.01
160303	Inorganic wastes containing dangerous substances	2.04	1.54	0.08
160604	Alkaline batteries (excluding class 160603)	0.04		
160708	Waste containing petroleum products		0.01	
161001	Polluted water: contaminated water, detergent, oil products, solvents	53.75	38.46	28.12
191205	Glass		0.06	0.09
200121	Fluorescent lamps and other wastes containing mercury	0.05	0.13	
200128	Paints, inks, binders and resins			
200135	Other waste electrical and electronic equipment	0.35		
200136	Discarded electrical and electronic equipment	1.33	0.46	0.25
80111	Organic solvents and other dangerous substances containing paint and varnishes. Particularly dangerous.			0.92
Total		62.64	42.45	30.27

INFLIGHT WASTE

Another channel through which waste arises is from flights on which passengers purchase products on board or consume pre-purchased items. The waste generated during the flight is processed by third-party contractual partners. Food waste resulting from the consumption of food and beverages in Business class is handed over to the catering company after the flight. The remaining waste generated during the flight is handed over to the cleaning company at Riga Airport or at outstations. The contractual partner is obligated to separate cardboard materials from other types of waste. The process of managing food waste in catering establishments is primarily controlled by the supplier and is carried out in accordance with the regulations in force in the respective country. Stricter regulations apply to flights arriving from third countries, as the Food and Veterinary Service also oversees their compliance.

airBaltic classifies food and beverage products into two types. The first type includes fresh products with a shorter shelf life, which are loaded onto the aircraft and, if not consumed by the end of the flight, are disposed of at the base airports where they are catered. Such products include, for example, croissants and paninis, which are made specifically for one turnaround. The second type includes products and beverages whose storage rules allow for re-loading and use on subsequent flights.

The range of fresh products contains only 10% of the total product offer. Nevertheless, food waste remains a significant issue in the aviation industry due to hygiene regulations that mandate the disposal of all unused food from flights. To combat this, *airBaltic* has promoted the pre-ordering of meals, allowing passengers to purchase their desired food for consumption during the flight in advance through *airBaltic's* official website. This approach ensures that meal preparation and delivery are planned ahead of the

flight, thereby significantly reducing food waste. Furthermore, the provision of accurate data regarding Business class passengers and crew enables the preparation of a precise number of meals for specific flights, further minimising waste in these segments.

Additionally, to minimize fresh food waste, a 30% discount on unpurchased fresh food items was introduced before returning to the base airport, starting in the summer of 2023. Following the success of the initial pilot program, this practice has now been adopted as a permanent procedure.

Fresh food waste*: % of total food loaded in flight

Year	2023	2022	2021	2020
%	41%	38%	38%	42%

* Loaded onto the aircraft but not consumed during the flight.

The catering service provider has also established its own sustainability goals. In terms of preparing catering for *airBaltic* flights, the supplier has made several changes to its internal processes to reduce the overall waste generated. These changes include efficiency enhancements in production planning and reductions in water and electricity consumption.



FLIGHT SAFETY AND SECURITY

airBaltic is strongly committed to delivering top-notch quality service in all areas of its operations and makes sure that its flights depart on time and that travel is safe and effortless for all customers. A comprehensive and integrated safety management system enables compliance with the regulations and guidelines set out by the European Aviation Safety Agency (EASA), the Civil Aviation Agency of Latvia (CAA), and the International Air Transport Association (IATA), as well as with any other specific legislation applicable in countries in which *airBaltic* operates.

SAFETY

airBaltic's Safety Management System covers all aspects of flight safety: policy, risk management, training and safety promotion, continuous compliance evaluation of operations, and assessment of the potential impact of any new factors in the operating environment.

For the purposes of safety monitoring and objective control of operations, *airBaltic's* fleet has been equipped with the Flight Data Monitoring (FDM) equipment. This allows quick access to data recorders for convenient and smooth transfer and analysis of relevant safety data. Digital data recorders are connected with the aircraft's 'black box' and various control systems, and allow for continuous recording and storage of the most relevant flight parameters, such as air speed, throttle and flight control position, various engine parameters, and equipment technical conditions. On the *Airbus A220-300* aircraft, over 2 600 parameters are recorded for every flight. The most critical safety parameters from every flight are immediately transmitted to the aircraft manufacturer and *airBaltic* using satellite communications systems. The majority of these parameters are less time-critical and are transmitted via ground-based mobile networks during ground stops. The data capture rate in 2023 for the *Airbus A220-300* fleet shows stable and reliable results, with 97.5% of data available via FDM for review and analysis (after the last Health Monitoring Unit (HMU) update this summer, the capture rate reached 99% for the second half of Y2023).

The data capture rate increased as compared to the previous period (96.4% in 2022) mainly due to the successful HMU software upgrade that was implemented during summer 2023. Flight data analysis results are used for individual case analysis through flight animations, panel views, and approach trajectories based on collected flight data. The results are also used to detect trends and statistics indicating underlying patterns of operation.

While flight data monitoring provides an objective picture of what has happened in the aircraft during a flight, no digital recorder will ever be able to provide the reasons for those occurrences. Therefore, it is of the utmost importance to obtain human input regarding encountered operational events and deviations. To support this, the Company encourages its personnel and subcontractors to report any events that could potentially compromise safety. Over the year 2023, more than 31 316 reports were received (22 363 reports in 2022), but only 0.8 % of those were flight safety related and only 0.6% were actually containing some risk. Each report is analysed, classified, and assessed

for risk and, when necessary, followed by corrective or preventive actions. In addition, the internal Quality Team performed a series of internal audits analysing all critical and regulated safety activities to ensure overall compliance with safety standards. Compliance monitoring is not only mandated by aviation regulations but also offers a rigid element of internal control and ensures that resources are devoted to the continuous monitoring and improvement of operational processes.

During Y2023, the Airline underwent a thoroughly detailed Lufthansa Group operations safety audit known as Common Airline Risk Assessment; this reassured *airBaltic's* suitability for continued cooperation with Lufthansa Group airlines for both codeshare cooperation on the scheduled network and long-term ACMI provision. As a result of the audit, *airBaltic* has been approved for long-term and unlimited wet leasing within the Lufthansa Group, the highest level achievable within the Lease Monitoring Concept.

Besides internal and industry monitoring, *airBaltic* has regularly been subject to numerous inspections conducted by various foreign authorities as part of the EU Ramp Inspection Programme (as mandated by the European Aviation Safety Agency's Air Operations regulations). Last year, 58 safety assessments (vs 46 in 2022) were carried out under the programme. Performed by 34 different aviation authorities, the assessments were mainly concerned with flight deck related procedures (preparation for the flight, aircraft-related documents and manuals, flight crew licenses, relevant safety equipment), cabin safety (presence and condition of mandatory cabin safety equipment), the apparent condition of aircraft, and cargo handling procedures.

Throughout these inspections, *airBaltic* has maintained consistently good results. The Company has a strong safety culture. Cross-functional safety review meetings are held 12 times per year and involve both senior management and operational staff. Any issues that have arisen in the previous month and the actions that were consequently taken are reviewed. In addition, the Company collects detailed data from all aspects of its flight operations in order to identify trends, and relevant personnel from the Company's operational departments meet every week to discuss these and how they are being dealt with.

Objective monitoring of Company operations, continuous development and implementation of improvement measures, and open dialogue with authorities guarantee safe and high-quality operations.

SECURITY

airBaltic is committed to providing sufficient resources in order to promote security awareness and maintain a security culture within the Company that ensures compliance with all applicable security regulations, standards and internal procedures. Security objectives and performance standards are regularly reviewed to ensure continual improvement of security measures. The Security Management and Compliance Manual (Security Programme) establishes security as a fundamental operational priority in the whole Group.

Objectives:

- contribute to a high level of operational and delivery reliability;
- promote security awareness and the establishment of a strong security culture;
- prevent any injuries that could threaten operations and/or the security of employees;
- prevent unauthorised access to, and illegal use of, information about *airBaltic* operations.

Primary security goals:

- no acts of unlawful interference;
- penalised inadmissible passengers do not exceed 1 per 5 000 passengers at Company level;
- in addition, each station/department unit may have its own individual security goals that surpass the Company's overall security performance targets.

All employees are an important resource and the greatest asset of the security organisation within the Company as they bring knowledge and create an environment of cooperation. Every single employee contributes to an overall level of company security within their particular workplace. All relevant employees are trained according to national and international aviation security standards, regulations and practices. Such training also covers the subject of human rights within general and specific training modules required for specific occupations within the Company. In addition to specific requirements, training covers issues such as: the use of force, inhuman or degrading treatment or discrimination, and identification and registering of individuals.

An important function of the Security Organisation is to contribute to secure working conditions and to protect *airBaltic* employees and their operations – ensuring internal safety is a prerequisite for gaining and maintaining confidence

in the external environment. The level of security necessary to eliminate/mitigate any risks and threats that aim to cause the Company damage is continuously assessed and adjusted when necessary. *airBaltic* customer and partner concerns and opinions are also taken into account.

The level of protection shall be reasonable because unrealistic demands or overestimation of risks and threats can result in a decreased level of confidence in the work of Security.



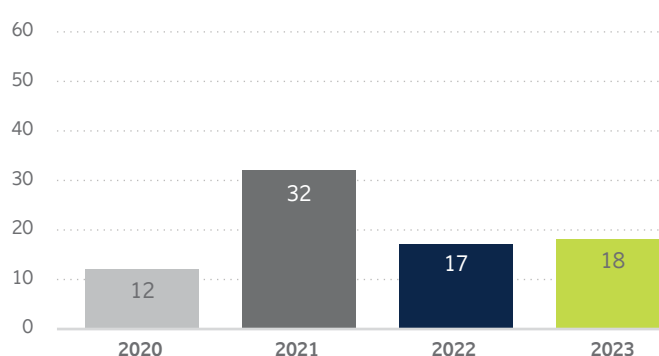
The *airBaltic* Security Programme provides a detailed description of security procedures that are to be implemented for achieving objectives.

The provisions that the Security Programme contains are in compliance with national and international regulations, international standards and practices, and the requirements adapted by the Latvian Civil Aviation Agency. They apply in the territory of the Republic of Latvia and during flights. When an *airBaltic* aircraft is on the ground at an airport in a foreign state, *airBaltic* personnel shall comply with the security regulations and procedures of that state.

Taking into account threat assessment, additional and extraordinary security measures can be implemented as outlined in the Programme.

In 2023 there were 18 cases (17 in 2022), or 0.020 cases per 5 000 passengers (0.025 per 5 000 passengers in 2022), of non-compliance with regulations resulting in a fine, penalty or warning. These cases were mostly related to matters of passengers being transported without proper documentation.

Inadmissible Passengers



EMERGENCY RESPONSE

airBaltic has developed an Emergency Response Organisation (hereinafter — ERO), a formation of the Company's employees who are familiar with the Emergency Response Manual and the procedures that are to take place in case of an emergency or potential crisis situation that could affect the well-being of the Airline while also permitting the rest of the Airline's operations to continue with minimal disruption.

Within the first week of employment, each new employee must participate in an Emergency Response Introduction Course available on the internal learning platform. This course explains the ERO and its structure and processes within the Company. After listening to and watching the introduction course, the employee must complete a test to confirm that the information has been understood and retained.

airBaltic continuously updates and improves the Emergency Response Manual and Emergency Response Procedures to ensure that they will serve as the best guide for handling any emergency and potential crisis, which includes:

- saving lives and minimising trauma to those directly involved, including passengers and crew, their relatives and friends, Airline staff, and others who are involved with the incident;
- minimising any negative effect on the image of the Airline;
- minimising disruption to the continued day-to-day operations of the Airline.

In the event of an aircraft accident, incident, or any other emergency situation involving property used by *airBaltic* in its operations, it is the Company's policy to:

- cooperate closely with the authorities and organisations involved in order to preserve human lives and the property of *airBaltic*;
 - release accurate and coordinated information as soon as possible to the next of kin (a person's closest living relative or relatives), the media, and other parties involved;
- assist all authorities concerned with the investigation of the cause of the occurrence;
- fulfil the Company's obligations towards involved crew members, passengers, cargo, and postal consignors;
 - limit the economic consequences and allow business to continue. This means that the Company continues its daily operations, except for the employees who are involved in Emergency Response activities. In case a relevant employee's daily responsibilities involve any managerial or supervisory functions, a replacement shall be designated according to the Corporate Manual or by management decision.

In 2023, *airBaltic* enhanced and restructured the existing Emergency Response Centre (ERC). The ERC, with its revitalized infrastructure operates as a fully prepared emergency command centre.



As part of its ongoing commitment to organisational growth and employee development, the Company is pleased to highlight the successful implementation of specialised training programmes in collaboration with the Emergency Service Provider *GoCrisis*. Held in 2023, these training sessions focused on critical aspects of emergency response and crisis management.

The collaboration with *GoCrisis* reflects the Company's dedication to ensuring that its team remains at the forefront of industry best practices. Leveraging the expertise of *GoCrisis* allows the organisation to access the latest updates, knowledge and insights, thereby enhancing its organisational resilience. The training sessions in 2023 covered a range of emergency response topics, equipping Emergency Directors, Assistants, and Team Leaders with the necessary skills and strategies to navigate crises effectively. Courses addressed challenges such as leadership during crises, effective communication, decision-making, and proactive crisis response. As outlined in the partnership agreement with *GoCrisis*, these kinds of on-site training courses that cover various emergency response topics will be a recurring feature in the annual calendar — a reflection of the Company's dedication to continuously improving its emergency response capabilities.

On 8 March 2023, an emergency situation was initiated following a minor runway excursion during landing at Riga Airport; no injuries were incurred. The nose landing gear wheel had slid off the hard runway surface after landing due to slippery runway conditions during a heavy snowfall. The emergency was handled according to procedure as described in the latest Emergency Response Manual Revision. After every emergency, a detailed ERO activation report that includes all corrective actions to be implemented for prevention of a repeat occurrence is submitted.

Every emergency is followed by detailed ERO activation report with all its corrective actions for further implementation to enhance overall performance of Emergency Response in *airBaltic*.

In 2023, the same as in 2022, there were no incidents of non-compliance with regulations that would result in fines, penalties or warnings.



EMPLOYMENT

The employment policy refers to the whole Group. The Group's Human Resources Department (HR) continues to support the Group's focus on environmental, economic, and social sustainability, implementing and developing initiatives that support the Company's core values and equal treatment principles.

EMPLOYMENT

EMPLOYMENT POLICY

According to the strategic environmental, social, and governance sustainability priorities, approved in 2022, the Group commits to the existing course of sustainable social policy, maintaining and continuously developing excellent health and safety conditions, fair working and employee rewarding and compensation conditions, fair labour practice, diversity, non-discrimination and inclusion, employee training and development, human right standards, and positive impact on local communities through education and professional job opportunities.



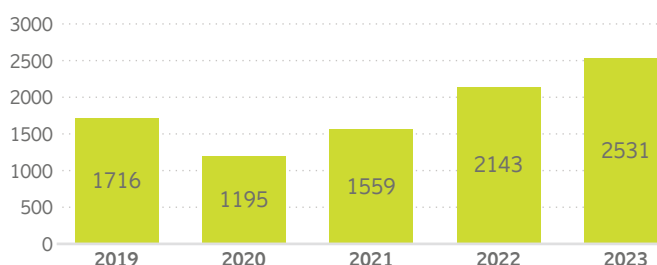
The main goal of HR is to ensure that the Group always has the right talent in place to efficiently achieve its business targets. This is ensured through strategic talent attraction, search and selection, employee integration, development, engagement, labour relationship practices, rewarding, and retention.

HR processes are governed by the Corporate Governance Manual and the Personnel Handbook.

PERSONNEL

Compared to the end of 2022, the total number (head count) of the Group's employees by the end of 2023 had increased by 18% and had reached 2 531 employees.

Number of employees by year



Data as of December 31, 2023

At the end of the year, 46% of employees were women and 54% men, representing more than 30 different nationalities, and with an average age of 33.8. The highest growth in employment numbers was among operations and maintenance personnel, followed by pilots and cabin crew, which is in accordance with the Company's strategy and business plan.

Most of the Group's employees were employed permanently and working in the European region. There are just a few temporary employees working at the Group, mainly covering another employee who is on a long-term absence; currently HR system where all employee information is registered, does not provide an opportunity to register temporary contracts and thus it is not possible to list count of employees working temporary. Employees of the Group cover all business functions; the Group does not rely on contracted workers (e.g. rented labour, subcontractors). Subcontractors only provide expertise and certain services, such as particular training.

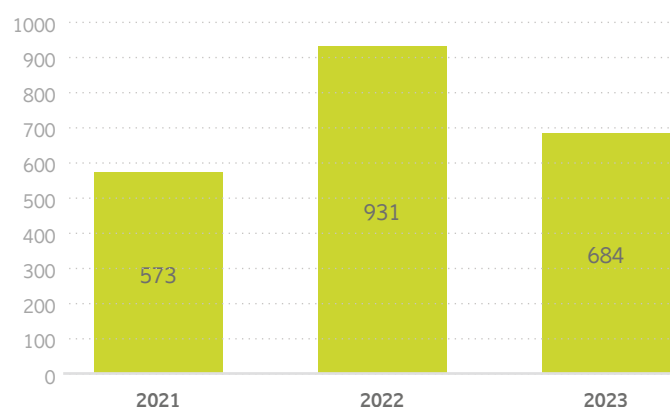
Information on employees by gender and working time

	Female		Male		Total	
	2022	2023	2022	2023	2022	2023
Number of employees	1010	1170	1133	1361	2143	2531
Number of full-time employees	924	1069	1122	1338	2046	2407
Number of part-time employees	86	101	11	23	97	124

Data as of December 31, 2023

EMPLOYMENT

Total number of new employees hired by year



Data as of December 31, 2023

In total, 684 new employees joined the Group in 2023. The gender split of the new hires was 55% men and 45% women. 67% of the new employees were under 30 years of age, and most of them – 48% – were hired as cabin crew.

Age group	2021			2022			2023		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Under 30 years old	179	165	344	389	293	682	243	218	461
30–50 years old	75	136	211	89	145	23	59	146	205
50+ years old	4	14	18	3	12	15	3	15	18
Total	258	315	573	481	450	931	305	379	684

Data as of December 31, 2023

The Group ensures that those employees who are willing or need to work part-time for a better life-work balance have such an option if the company can ensure its operational needs. On average, approximately 5% employees (4% women and 1% men) have part-time employment.

Employees who work part-time or on a temporary basis are entitled to the same benefits and other conditions (e.g. insurance coverage, vacation days, industry-specific benefits, etc.) as full-time and permanent employees. In addition, all employees are entitled to parental leave and retirement provisions as prescribed by state legislation. There are no additional benefits (e.g. life insurance, stock ownership, etc.) provided to employees.

In 2023, there were 78 trainees across the Group (51% of those in the Technical Department) who gained practical work experience. To compare, in 2022 there were 240 trainees; the number of trainees has decreased because as of February 2023, the training period for future cabin crew personnel has been included as part of the employment relationship.

Department	Trainee count	
	2022	2023
Cabin Crew	171	26
Technical	42	40
Ground Handling	8	0
Office	19	12
Grand total	240	78

Data as of December 31, 2023

EMPLOYMENT

Employees may choose to terminate their legal employment relationship voluntarily, or their employment may be terminated involuntarily due to dismissal, retirement, or death of the employee. In total 276 employees have terminated employment legal relationship with the Group in 2023 (to compare – 332 employees in 2022).

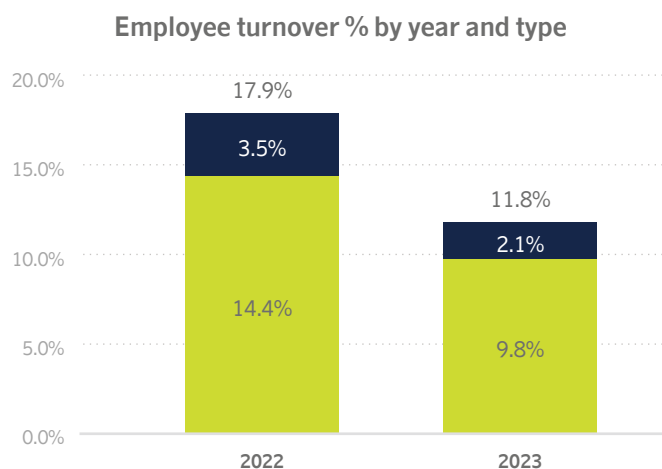
62% of all employees (101 women and 71 men) who left were under the age of 30.

Age group	2022			2023		
	Women	Men	Total	Women	Men	Total
Under 30 years old	118	78	196	101	71	172
30–50 years old	62	60	122	33	57	90
50+ years old	0	14	14	2	12	14
Total	180	152	332	136	140	276

Data as of December 31, 2023

It is important to understand the employee turnover rate, which is an indicator of the percentage of employees who have left the company over a certain period (in this report, from January 1 to December 31, 2023). The turnover rate is calculated according to the following formula: the total number of employees who left the Group divided by the average number of employees during the respective period, multiplied by 100. Taking into consideration that the average number of employees within the Group in 2023 was 2337, the total employee turnover rate was 11.8%, which is lower than in 2022, when the turnover rate was 17.9%.

The Group regularly analyses the reasons why employees leave. The data shows that 50% of voluntary employment terminations in 2023 were due to personal (family) reasons (this was given as a reason for 52% of voluntary turnover cases in 2022), followed by 21% due to the employee having received a better job offer (19% of employees leaving mentioned this reason in 2022).



Data as of December 31, 2023

INVESTMENT IN FUTURE EMPLOYEES

The Group continues to establish and maintain relationship with the potential future employees to facilitate the Company's business plan and the execution of its growth strategy in the coming years.



The Group strongly focuses on promoting jobs in the field of aviation with strong emphasis on technical, pilot, cabin crew, as well as commercial and IT professions.

SkyTech Technical Apprenticeship Programme

In 2023, *airBaltic* introduced the *SkyTech Technical Apprentice Internship Program* (SkyTech Programme) at the Technical Department. The programme provides a unique opportunity for 16 students to gain hands-on experience alongside experienced *airBaltic* technicians and focuses on diagnosing, repairing, and maintaining aircraft mechanical systems.

The SkyTech Programme is tailored for candidates with a comprehensive understanding of aircraft structures, systems, and mechanics, with an emphasis on airworthiness. This programme offers practical training in all aspects of aircraft maintenance.

Other activities include:

- continued long-term cooperation with Riga Technical University, the Transport and Telecommunication Institute, the University of Latvia, Liepaja State Technical School, and Ventspils Technical School in the training of technical specialists;
- participated in the event-exhibition *Skola 2023* to inform participants about the professional education and job opportunities available at the Company immediately after graduating secondary (high) school;
- organised 12 onsite excursions at the Technical Department for pupils and students from different educational institutions across Latvia;
- participated in the *Esi Līderis!* (Be a leader!) hackathon to educate pupils from Latvian schools about work at *airBaltic* through task-solving activities;
- organised an on-site Career Day for adults currently working in other fields to inform them about possible career changes involving a transition to aviation, including in the fields of IT, revenue management, ground handling, and flight operations;
- Organised a joint event in cooperation with the non-governmental organisation *Riga TechGirls* to reach a specifically female audience and inform them about the profession of pilot as well as training opportunities at the *airBaltic* Pilot Academy.

DIVERSITY & EQUAL OPPORTUNITIES

The Company operates with the belief that every individual has equal value. It is prohibited to discriminate against a person because of their age, gender, ethnic background, religion, sexual orientation, disability, political affiliation, marital and/or parental status, or other characteristics. Physical, psychological, verbal, or sexual harassment is not acceptable at *airBaltic*. This applies to all people-related processes: recruitment, employee development and promotion, and others.



The Group has established and follows a strict non-discrimination policy in all personnel management aspects, including talent attraction, selection, and the hiring process.

The non-discrimination policy is stated in the Personnel Handbook, by which every employee of the Group must abide.

In 2023, the same as in the previous year, there were no confirmed discrimination cases within the Group.

To improve the understanding of diversity and inclusion principles and the application of equal opportunities, a diversity training course is included in the *airBaltic Leaders for Future Programme* (hereinafter – ALFA). The training course

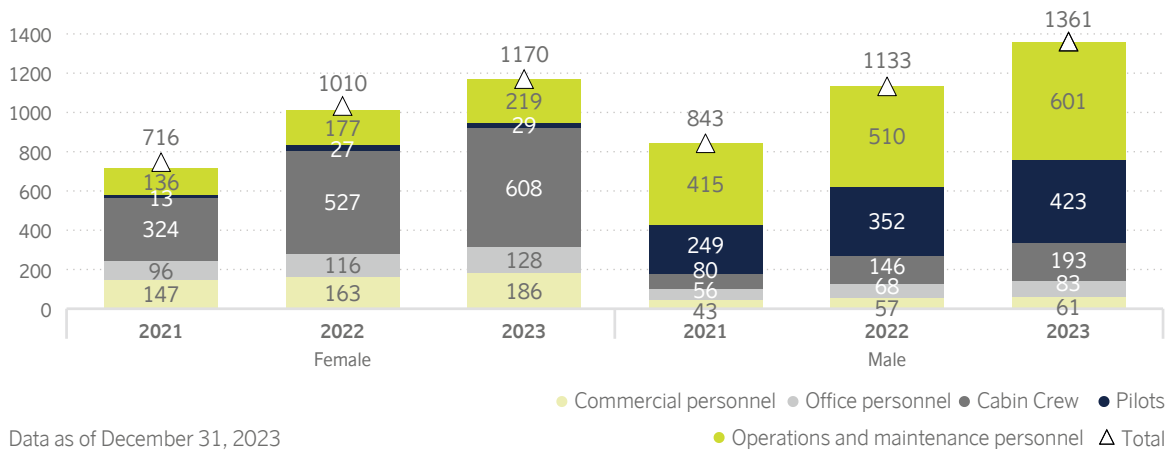
is eight hours long, and each new ALFA group receives the training in their second year. Since 2020, a total of 126 people managers and high-potential employees have undergone this training.

In addition to that, in 2023 the online live discussion panel *Women in Aviation and Leadership* was organised under ALFA for all *airBaltic* employees. It was also broadcast live on *LinkedIn*, and is available for viewing by anyone outside of *airBaltic* who is interested in the subject.

The Group has kept gender equality close to a 50/50 ratio across the Group since 2013. In 2023, the ratio between employees was 54% men and 46% women (in 2022 there were 53% men and 47% women). The gender ratio within the Top Management Team of *airBaltic* has not changed since 2021 and remains at 55% men to 45% women team members. Currently all three Executive Team members are men.

The Group's goal is to ensure gender equality. Therefore, according to the IATA 25by2025 Gender Diversity Pledge, which *airBaltic* has signed, the Group has defined the following aim to be reached by 2025: to increase both: 1) the number of women in pilot, operations, and maintenance positions, and 2) the number of men in cabin crew positions – by 25% (as compared to 2021), or up to a minimum of 25%.

Number of employees by category and gender

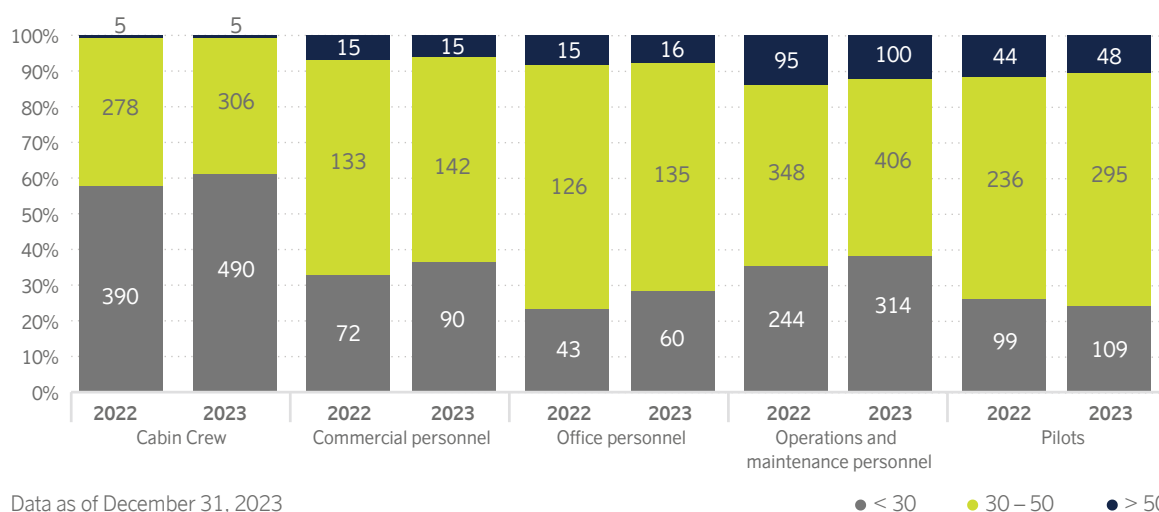


EMPLOYMENT

	Operations & Maintenance personnel			Pilots			Cabin Crew		
	Total number	Women	Percentage	Total number	Women	Percentage	Total number	Women	Percentage
2021	551	136	25%	249	13	5%	404	324	80%
2022	687	177	26%	379	27	7%	673	527	78%
2023	820	219	27%	452	29	6%	801	608	76%

Data as of December 31, 2023

Number of employees by age group in 2022 and 2023



The employee split by age group in 2023 shows that 42% or 1063 employees are under age of 30, 51% or 1284 employees are 30 to 50 years old, and 7% or 184 employees are over 50 years old.

In all employee categories, most employees fall into the 30-50 age group, except cabin crew, where 61% are under 30 years old. Most employees – 54% – within age group of over 50 years old represent operations and maintenance personnel.

Two age groups represent the Top Management Team and Executive Board: 30-50 years and 50 or older.



In 2023 *airBaltic* received the *Diversity Champion Award* from the organisers of Riga Pride. This award is a testament to the work carried out by the Group in the subject of diversity and inclusion. It signifies that *airBaltic's* continuous efforts in diversity management have brought success, underscoring the fact that diversity is one of the Group's priorities.

Age group	Top Management Team			Executive Board		
	Women	Men	Total	Women	Men	Total
Under 30 years old	0	0	0	0	0	0
30–50 years old	4	3	7	0	1	1
50+ years old	1	3	4	0	2	2

Data as of December 31, 2023

REMUNERATION POLICY

Remuneration policy is an integral part of the Personnel Handbook and has been created to ensure fair, transparent, and motivating compensation that aligns with the Group's business strategy and the actual economic reality; it also helps to ensure market competitiveness and fosters a high-performance company culture.

The Company's HR, in cooperation with the Senior Vice President/Vice President (SVP/VP) level managers in each respective area design remuneration systems by combining labour market demands and practices with the needs of the business and the input of employees that managers have received. Trade Unions, as employee representatives, take an active consultative role in the development of the remuneration systems. The Group does not involve the voting of stakeholders on remuneration systems and proposals.

The Group takes one of two approaches in setting remuneration – salary systems and individual remuneration:

- salary systems are used to describe and define remuneration for groups of employees with highly comparable, strictly defined job duties and a similar career development path. This can include but is not limited to Pilots, Cabin Crew and Aircraft Technicians;
- individual remuneration is set for positions that are not included in salary systems. The structure and amount of remuneration is agreed upon between the employee and the employer individually in an employment contract.

The same policy for setting individual remuneration applies to all employees. Information about the highest governance body is enclosed in the chapter: Corporate Governance Statement.

The annual total compensation ratio between the Organisation's top earner* and the median compensation for all employees (excluding the top earner) was 8.6 in 2023, representing a decrease from the previous year's ratio of 10.4.

*Members of the Board are not included in the calculation of the relevant coefficients since their relationship with the Company is not regulated by the conditions of the employment contract. The conditions for the remuneration of Board Members are individually agreed upon with the Supervisory Board.

The total annual compensation for the highest paid employee in 2023 decreased by 12% due to employee rotation (in 2022 there was an 11% increase compared to 2021). In 2023 the total annual compensation median for all employees, excluding the highest-paid individual, increased by 6% (in 2022 there was a 21% increase compared to 2021).

To ensure fair and transparent remuneration that is consistent and comparable both internally and externally, a job evaluation method is used. The job evaluation method provides a systematic process for determining the relative value of various jobs in an organisation.

Each position – both individual and those included in salary systems – is evaluated. Positions are evaluated according to universal aspects, such as education, professional experience, work complexity, mental effort, etc., which enables even highly specific and functionally different jobs to be equally evaluated and sorted into job grades.

Each job grade is bound to a specific salary range, which is defined and reviewed annually based on external consulting and salary increase forecasts by the Bank of Latvia average. The respective salary range is used as a guideline for the salary review process.

The process for setting remuneration is overseen by the internal Compensation Committee to ensure overall compliance with the Compensation Policy.

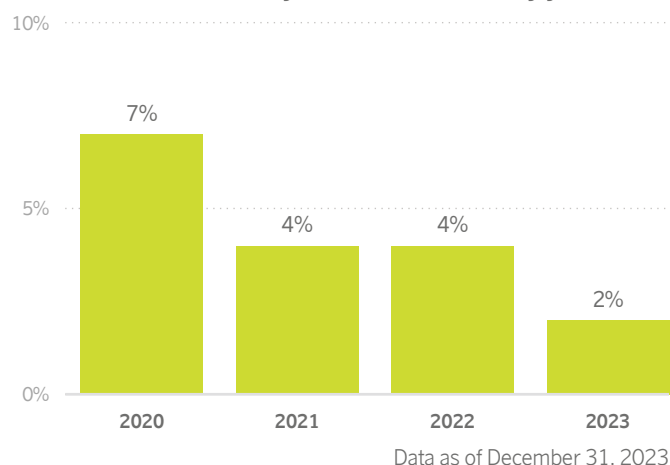
To ensure equitable pay, salaries within job grades are compared without considering different job functions. Individual salary variations can be explained by factors such as performance and prior experience, among other deviations, to ensure fair compensation assessments.

The Group has adjusted the calculation methodology regarding base salary comparison between men and women to represent data as statistically correct as possible. Methodology now includes:

- each individual's base salary re-calculation according to full-time equivalent (previously, also part-time salaries were used, which did not provide accurate data);
- for calculating the weighted average, first, the ratio coefficient of men to women is calculated, and then the ratio coefficient is divided by the total number of men within comparable grades (previously – all employees within comparable grades), because those are men who are receiving this higher coefficient and not all employees.

As per adjusted calculation methodology, base salaries for men are, on average, 2% higher than base salaries for women within the same grade. This is 2% less of a difference than in 2021, and 5% less than in 2020, when the disparity was 7%. This decrease in base salary disparity has been achieved through dedicated work, such as manager training, budgeting process guidelines with defined grades and salary ranges, and dedicated decisions on equalising guaranteed income (base salary) within grades.

Ratio of Base salary of men to women by years



Previous methodology	2020	2021	2022
	0.14	0.06	0.05

The split of the base salary ratio between male and female by employee category indicates that the biggest differences between the two genders are found amongst office personnel. This difference in salaries amongst office personnel is mainly driven by IT positions, because IT is a sector which historically has attracted more men than women. Moreover, IT job market salary levels are significantly higher than those in other job categories.

For the largest employee groups (pilots, cabin crew, and technicians), the Company has implemented remuneration systems based on employee performance, experience, and qualifications. Remuneration systems are set for a position or group of positions and define the exact same remuneration structures, calculation rules, possible remuneration levels, and other conditions for all position holders regardless of gender, age, or any other personal aspect, thus avoiding any subjective pay gaps. Current pay gaps seen in categories with set remuneration systems are due to previous experience, qualification, and other objective parameters defined in the respective remuneration systems.

LABOUR RELATIONS (COLLECTIVE BARGAINING AGREEMENTS)

Since 2009, *airBaltic* has been engaged in a Collective Labour Agreement with four trade unions. However, Collective Labour Agreement conditions apply to all employees regardless of whether they are trade union members or not.

The Group maintains an active dialogue with all trade unions on current topics through monthly meetings and daily through the Trade Unions Affairs Manager, who is responsible for coordinating employee representative relationships.

The established consultation process with trade unions includes the timely provision of information on planned significant changes in employment conditions within the Company, engaging in dialogue with the aim of reaching common agreement, listening to and requesting trade union comments and suggestions, and taking these comments and suggestions into account as much as possible.

Usually, a notice period of one month is provided to employees and their representatives prior to any significant changes that could substantially affect them.

In 2023, the Group started consultations with the trade unions on long-term salary improvement so that the remuneration of the Group's employees is competitive in the international aviation market. The Group must attract pilots, cabin crew, technical personnel and others in the international environment, so it is important that the salary level and benefits offered are competitive.

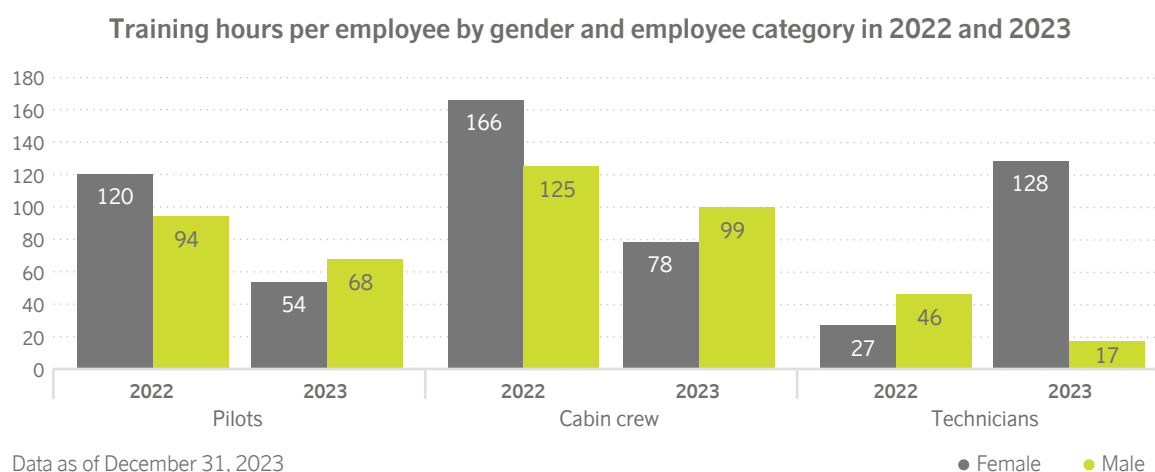
A special Collective Labour Agreement enhancement was reached at the end of 2022. It was signed by two trade unions and all *airBaltic* Group companies, thus agreeing to the following changes: the application of an extended probation period of five months for newly hired Cabin Crew, and an agreement on Group-provided engagement and wellbeing benefits for employees. The mentioned Collective Labour Agreement amendment has been in force throughout 2023, and the Group has agreed with trade unions to prolong it for another year.

TRAINING AND SKILLS DEVELOPMENT

The Group organises and ensures various training programmes for its employees, both mandatory and voluntary. Currently the group does not provide special transition assistance programmes to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.

Mandatory Training

To maintain the qualifications required by and regulated within the aviation industry, pilots, cabin crew, and technicians undergo various recurrent training programmes on an annual basis (in the form of scheduled refresher training). In addition to that, individual employees undergo qualification/position upgrade training.



The main reasons for the differences between training hours for men and women are due to various individual factors:

- in 2023, one woman technician underwent qualification upgrade training that lasted approx. 300 hours; taking into consideration that there were four women technicians in total in the Company, that brought the training hours per female up by 374% compared to 2022;
- a long-term absence of an employee has an impact on the total training length (dependent on the length of absence – the longer the absence, the longer the training);
- individual performance – if training has not been passed with the first attempt and must be retaken, that might impact the total training hours per gender, i.e. if someone from one gender group has to redo their training, that impacts the average results for the whole gender group.

EMPLOYMENT

Leadership Programme								Personal Development Programme				
Participants								Participants				
Year	Total	Managers		High potential employees		Courses available	Training hours	Total	Men	Women	Courses available	Training hours
		Men	Women	Men	Women							
2022	190	66	83	20	21	15	447	288	85	203	12	274
2023	231	83	96	26	26	16	369	387	107	280	12	303

Data as of December 31, 2023

Personal and Leadership Development

ALFA, which the Group introduced in 2020, is designed to drive the advancement of individual and collective development, thereby securing the ongoing sustainability of the Organisation, and it is continually growing.

The ALFA Programme offers various training and development opportunities to the Group's employees:

- *the Leadership Programme* for people managers and high-potential employees (employees with the ability, engagement, and aspiration to rise to and succeed in more senior critical positions; these employees are selected through a custom internal selection process);
- *the Personal Development Programme* for any Group employee willing to voluntarily develop their knowledge and skills in various areas;
- *Development opportunities funded by the EU:* in 2023 the Company successfully obtained EU funds to provide:
 1. A Change Management course, under the ALFA Leadership Programme, to 101 employees.
 2. Training led by external providers on PRINCE2 and AGILE project management.
 3. Mini MBA to nine employees.
- *ALFA Talks:* two live lectures were organised on the topics of *Mastering Shares* and *How to Start Investing and Create Your own Investment Portfolio*; recordings are available to employees on the Company's internal learning platform.
- *Internal Coaching* introduced Team Coaching, which complements the existing internal individual coaching programme. This addition aims to enhance team dynamics through fostering collaboration and synergy among employees.

Language Courses

In 2023, the Group continued to offer Latvian and English language courses to its employees. Since September 2023, 60 employees participated in the English course, and 42 in the Latvian language course. Both courses are 54 academic training hours long. A post-training survey was conducted for the training groups who finished the programme in 2022/2023. Participants reported an average increase in their language knowledge level of 30% in English and 150% in Latvian.

EMPLOYEE HEALTH AND SAFETY

The Group's Occupational Health and Safety Management System (OHSMS) is implemented according to the Labour Protection Law and several relevant regulations adopted by the Cabinet of Ministers; it applies to all employees and trainees of the Group. OHSMS covers risk assessment, internal monitoring of the work environment, training, and mandatory health checks of employees.

According to the respective state legislation, a risk assessment is carried out by identifying and assessing work-related hazards in every position. The matrix of the Finnish five-point method is used in this assessment.

First, the Group identifies hazards and risk factors that have a potential to cause harm (hazard identification). The next step is to analyse and evaluate the risk associated with each particular hazard (risk analysis and risk evaluation). The risk assessment is done by the Occupational Health and

Safety Manager (OHSM), who visits workplaces and evaluates work processes. As a part of the internal monitoring of the work environment, the OHSM examines workplaces to identify potential work-related hazards. Employees of the respective workplace are involved in this process and are encouraged to give their opinion about their work conditions. The risk assessment is documented and signed by the OHSM and the Occupational Physician.

According to the risk assessment and the Finnish five-point method, in which Risk Level 1 is minimum risk and Risk Level 5 is maximum risk, the highest risk level identified at the Company is Level 3, which means medium risk. The risk level can be different for some positions and according to job duties, but is not higher than Level 3 and is not classified as risking high consequence injury.

No Level 4 (Significant Risk) and Level 5 (Intolerable Risk) risks have been observed at the Company.

Level 1 (Insignificant Risk)

- Electromagnetic field
- Radiation
- Noise (except pilots, cabin crew, technicians, employees working on the apron)
- Chemicals (except technicians)
- Vibration

Level 2 (Acceptable Risk)

- Microclimate
- Psycho-social risks
- Electrical safety
- Work equipment
- Personal protective equipment and use of that
- Biological risks
- Fire safety
- Lighting
- Work with computers

Level 3 (Medium Risk)

- Work at heights (for technicians)
- Internal traffic (employees working on the apron)
- Noise (for pilots, cabin crew, technicians, employees working on the apron)
- Ergonomics
- Risk of injury
- Chemicals (for technicians)

In 2023, there were no confirmed complaints from employees regarding occupational health and safety cases within the Group. There were also no reprimands received from state institutions.

Information from the risk assessment is used in job safety training to inform employees about hazards, what is being done by the employer to eliminate or minimise any hazards, and what employees should do to avoid them. The risk assessment also provides insight into the Group's working environment. According to the results of the risk assessment, particular measures are taken to prevent or minimise any risk factors as much as possible.

In 2023, the Company initiated development of an internal trustee's institution to cooperate with OHSM and additionally promote and proactively improve occupational health and safety for employees within the Group. Trustees will be representatives of various employee groups. Trade unions have nominated their representatives as trustees for the positions of Pilots and Cabin Crew. The Group plans to expand the circle of trustees to other position groups as well – technicians, office employees, employees of the Baltic Cargo Centre and *airBaltic* Training. Any employee from these groups will be eligible to apply to be elected a trustee.

EMPLOYMENT

All employees are obligated to report any non-compliance with adopted safety standards, rules, and norms as well as “almost happened” accidents to ensure that appropriate remedial actions are taken and to help bring about continuous improvement in work safety.

Accident prevention is an important aspect of reducing the risk of injury:

- eliminate the risk of injury at its source;
- substitute (use an alternative method);
- protect.

Employees may contact the OHSM of the Group directly via phone or email to inform them about any noncompliance. If they choose to remain anonymous for whatever reason, they can prepare an Employee Report (electronically via the intranet or a printed report that can be left in a special box that is not monitored by security cameras).

In addition, if an employee has experienced a work accident or is witness to one, they shall inform the Group OHSM as soon as possible.

Accidents at Work

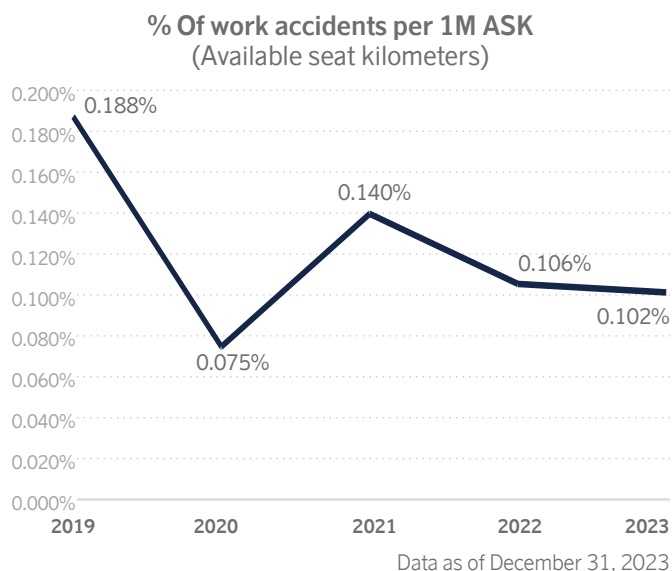
The Group's goal by 2025 is to continue the reduction of work-related accidents by decreasing the rate of work accidents per million available seat kilometres (ASK) by 90% compared to 2019 (0.188%). In 2023, there was a slight decrease compared to 2022 – from 0.106% to 0.102%. The Concern is moving towards achieving the set goal in 2025.



The overall goal is to proactively decrease all possible risks to employees' health and safety and to develop employees' knowledge and competencies in occupational health and safety to ensure zero fatalities due to work-related injuries and work-related ill-health.

According to Latvian legislation, the Group investigates all accidents at work in which one or more employees experience a loss of working abilities for more than 24 hours. Each affected employee must write and submit a report about the accident as soon as possible.

After investigating the accident, the Group's OHSM prepares the Accident Investigation Act and submits it to the State Labour Inspectorate. The Group's OHSM registers all accidents in the internal Accident Journal.



EMPLOYMENT

Accident by	Accident's level (light, serious, lethal)	Injury	Reason
1. Technician	Light	Bruised elbow	Disregarding instructions
2. Hangar keeper	Serious	Fracture of three ribs	Careless movement
3. Technician	Light	Broken finger	Disregarding instructions
4. Pilot	Light	Eye injury	Unpredictable employee behavior
5. Cabin crew	Light	Bruise of shoulder, knee, ankle	Careless movement, damaged water heater
6. Cabin crew	Light	Light burn on leg	Unsafe behaviour by an employee
7. Cabin crew	Light	Dental trauma	Unforeseen, unpredictable behaviour of the employee
8. Cabin crew	Light	Pain in the wrist	Damaged trolley
9. Office employee	Light	Bruised leg	Slippery floor, no warning signs
10. Cabin crew	Light	Fracture in foot	Careless movement
11. Cabin crew	Light	Eye injury	Careless movement

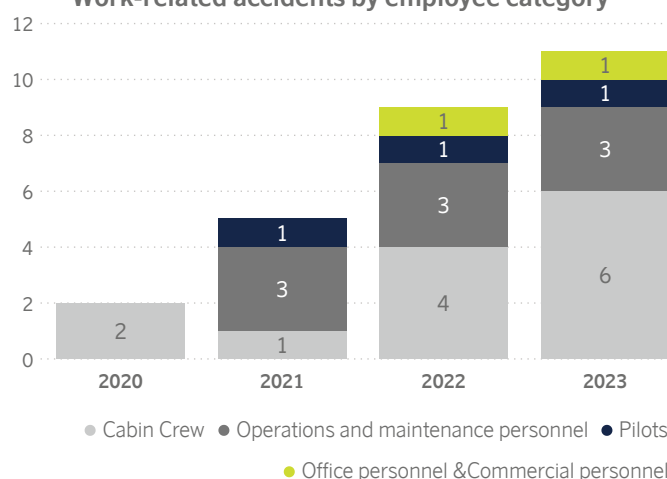
Data as of December 31, 2023

In 2023, the Group registered 11 occupational accidents. All accidents are addressed at the annual job safety training/instruction of employees to avoid the same mistakes happening in the future. According to Latvian legislation, ten accidents were classified as accidents with light injuries, and one accident was classified as a serious accident (three rib fractures). There were no fatalities due to work-related injury in 2023.

Of all accidents at work, six accidents happened to cabin crew, three to operations and maintenance personnel, one to an office employee, and one to a pilot.

The analysis of work-related accidents reveals an upward trend when considering absolute numbers compared to previous years. Nevertheless, it is crucial to acknowledge the concurrent growth in the workforce. The incidence of work-related accidents remains stable at 0.4% of all employees, consistent with the rate observed in 2022.

Work-related accidents by employee category



Data as of December 31, 2023

PROMOTING HEALTHY AND SAFE BEHAVIOUR

It is one of the Company's goals to promote a healthy lifestyle and well-being at work through increasing awareness and knowledge amongst the employees of the four aspects of well-being – physical, mental, social and financial. This will minimise possible negative impacts on their health and improve their well-being over the long run. Methodologies employed include:

- Initial and annual recurrent job safety instruction to all employees.
- Practical fire safety training, including staff evacuation from the building, applicable to all employees.
- Additional job safety training for employees who must fulfil a specific job (e.g. once every three years working at height for technicians, once every two years forklift operation for storekeepers, etc.).
- Mandatory health examination for all employees according to labour legislation – once every 12, 24, or 36 months, depending on their employment category. For technicians, the Group provides mandatory health examinations more frequently than required by law.
- Promotion of a healthy lifestyle via articles every Wednesday on the Group's internal website on physical, mental, social, and financial well-being.
- Two paid days off per year (Unfit Days) for all Group employees when they do not feel fit to perform their direct work duties.
- Accident insurance as of the first day of employment and a primary package of health insurance after the probation period for all employees; employees have the option of purchasing an upgrade for their health insurance themselves.
- Flexible benefits for health and well-being activities allowing employees to choose how to use funds allocated to them by the Company (amount dependent on the health insurance type chosen by the employee). In 2023, around 2500 services have been used via the flexible benefit option – 34% for services related to active lifestyle, 31% to sports activities, and the rest – for physiotherapy, optical services, medical services, etc.
- Loss-of-license insurance for pilots.
- Establishment of a Social Fund to financially support employees who need it for treatment in case they or one of their family members experience severe health issues. Several such cases were supported in 2023.
- The Group Mental Health and Personality Assessment Specialist has been admitted as a member of the European Association for Aviation Psychology (EAAP). This helps to broaden expertise and promote the further development of the Peer Support Programme, as well as well-being and mental health practices for aviation personnel.



SERVICE AND CUSTOMER EXPERIENCE

Delivering exceptional services and ensuring customer satisfaction are *airBaltic's* top priorities. This commitment is aligned with *airBaltic's* vision and with its core values – We care. We deliver. We grow. These are deeply integrated into the Company's services and activities, and place the customer at the centre of *airBaltic's* operations.

CORE PRINCIPLES

In customer service, punctuality significantly impacts an airline's reputation and passenger satisfaction, which is why it stands out as the key performance indicator (KPI) defining the quality of an airline's services. *airBaltic's* KPIs of punctuality and regularity are covered in the Management Report chapter.

airBaltic's **Customer Service Commitment** serves as a clear guideline for customer expectations, during both smooth operations and, on rare occasions, irregular ones. To ensure top-tier service and an exceptional customer journey, all departments must be actively engaged throughout the whole process – starting with ticket booking and ending with post-flight feedback.

Collaboration among ground and flight operations teams and the crew is paramount for a seamless flying experience and punctual flights. Customer service is an essential connection between customers and the company. Customer service channels include *airBaltic's* social media platforms (Facebook, X, LinkedIn) and the Call Centre, where customers can be assisted with bookings and product inquiries. The Call Centre and Social Media Support Team promptly address passenger inquiries, prioritising assistance through the customer's preferred channels. Meanwhile, the Customer Relations Department diligently monitors passenger feedback and satisfaction.

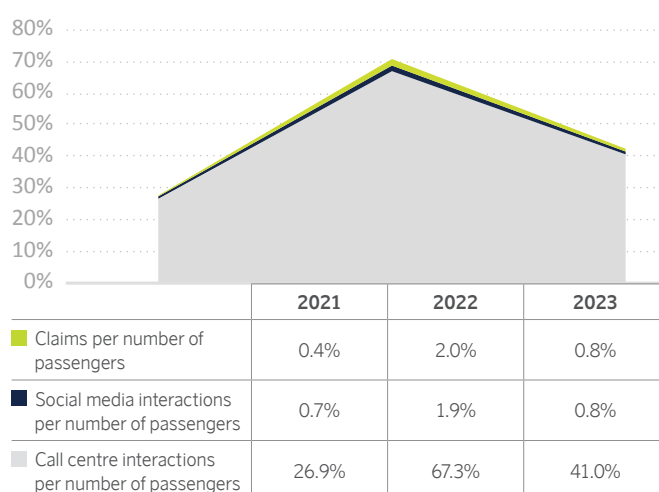
COMMUNICATION AND MARKETING PRACTICES

Relationships with customers and mutual trust has always been one of the airline's main focuses. In order to reach 4.54 million customers, the Company uses a combination of various marketing and communication channels.

COMMUNICATION

The Airline's Call Centre plays a significant role in providing high-quality services. It employs around 100 specialists who, on a daily basis, handle incoming calls, messages, and e-mails in seven languages (Latvian, Lithuanian, Estonian, English, German, Finnish, and Russian). Throughout 2023, the Call Centre served a total of around 1.8 million inquiries (1.1 million in 2022). The Call Centre integrated schedule change notifications to comply with EU regulations, thereby improving service and legal compliance, and also expanded communication channels with WhatsApp and Chat for enhanced customer connection, resulting in a higher interaction ratio per total number of passengers.

Interaction ratio per total number of passengers



Questions and inquiries regarding *airBaltic* operations are also received via social media. Last year, the Airline's social media support specialists engaged in around 35 500 interactions with customers (31 200 in 2022).

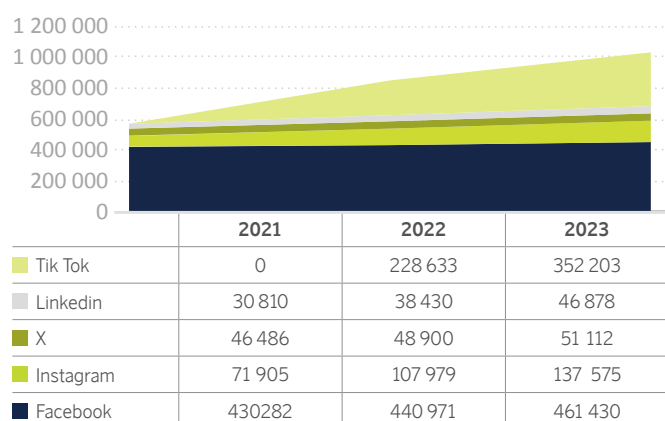
airBaltic's social media channels play a significant role in communicating the *airBaltic* brand.



Daily content production is tailored to each channel's audience, resulting in significant growth in followers and engagement rates. The total number of followers has exceeded 1 million, representing a 21% increase compared to 2022.

Specifically, on Facebook the number exceeded 461 000 followers (5% increase); on Instagram – almost 138 000 followers (27% increase); on X (previously known as Twitter) – more than 51 000 followers (5% increase); on LinkedIn – almost 47 000 followers (22% increase); and on TikTok – more than 352 000 followers, which is a remarkable 54% increase. In 2023, *airBaltic* also established a presence on the micro-blogging platform Threads.

Number of followers on social media channels



The Customer Relations Department is responsible for assessing customer needs and achieving customer satisfaction by evaluating their complaints and providing answers, providing explanations and drafting response letters to national enforcement bodies and consumer rights protection organisations, and other tasks. If compensation is warranted in accordance with *airBaltic's* policies and mandatory laws and regulations, the team calculates and designates it to the passengers in question. Throughout 2023, the Customer Relations Unit served almost 35 900 claims (32 400 in 2022).

MARKETING

In recent years, *airBaltic* has elevated its digital marketing strategies to meet ambitious business and corporate targets. With a strong presence in home markets (the Baltics and Finland), coupled with a desire to expand sales and brand awareness beyond its core market, *airBaltic* leverages modern digital tools, on-demand customer intelligence, and marketing platforms. Notably, *airBaltic.com* remains the source of 64% of all flight bookings, consistent with the figure from 2022.

Mobile devices continue to be the most significant traffic source, constituting 64% of engagement (compared to 57.7% in 2022). However, customers still prefer using PCs for making flight bookings, and mobile devices account for only 33% in this regard (compared to 28.1% in 2022).



Significant efforts have been directed towards improving the *airBaltic Club* mobile app. The booking conversion rate for sessions originating from the mobile app in 2023 reached 5.9%, a notable increase from 3.6% in 2022.

To nurture long-term relationships with customers, *airBaltic* continually enhances its loyalty program, *airBaltic Club*. This program enables clients to earn points while traveling, which can be exchanged for various compelling rewards. Focusing exclusively on the travel industry, *airBaltic Club* attracts travel-related partners, including hotels, car rentals, and insurance providers. The total number of Club members in 2023 reached 1 090 750, a remarkable 38% increase from 2022.

airBaltic's own digital channels, including newsletters and web and app push notifications, play a vital role in the Company's marketing mix. By the end of 2023, the *airBaltic* newsletter subscriber database consisted of 708 175 active subscribers, marking a 28% increase from 2022. The average open rate improved to 33.5%, up from 30.7% in 2022.

While *airBaltic* marketing communications have been generally compliant, there were one non-compliance incident in 2023 regarding marketing communications to passengers about the possibility of adding a meal pre-order to the booking (see chapter Data Protection and Cyber Security). In contrast, there were zero non-compliance incidents in both 2022 and 2021.

CUSTOMER AND PASSENGER FEEDBACK AND SATISFACTION

In its commitment to enhancing the customer experience and following the customer-centric approach, *airBaltic* prioritises and proactively collects diverse feedback from different customer segments through surveys, official claims submissions, social media, feedback platforms, and calls. The timely resolution of concerns contributes to customer loyalty and satisfaction.

airBaltic employs a reporting system grounded in the comprehensive customer journey principle, consolidating issues, requests, complaints, and contact reasons from the Call Centre, Customer Relations, and social media. The feedback is complemented by an annual passenger retention survey aimed at assessing overall customer satisfaction and loyalty scores. This holistic approach attributes scores to corresponding stages of the customer journey, from initial contact to issue resolution. It provides an inclusive view of all interactions, and will be sustained in the future.

In its ongoing commitment to closely monitor and enhance customer satisfaction, *airBaltic* utilises the after-flight survey, a crucial instrument for assessing passenger satisfaction levels and providing immediate feedback beyond traditional channels. Weekly reports disseminate passenger feedback and insights to Company stakeholders, and play a vital role in refining services and addressing customer concerns for enhanced satisfaction and loyalty.

Since 2020, after-flight surveys have been used to monitor the Company's Net Promoter Score (NPS)⁸. These surveys offer valuable insights into customer loyalty and satisfaction, enabling the tracking of customers' likelihood to recommend the company based on their travel experience or NPS⁸. The increase in response rates year on year indicates a positive trend, showcasing growing engagement from *airBaltic*'s customers.

In recent years, the Airline's NPS has demonstrated a downward trend, which is attributable to global travel disruptions caused by the pandemic. However, in 2023 the Company halted this decline, stabilising the score at the same level as for 2022.

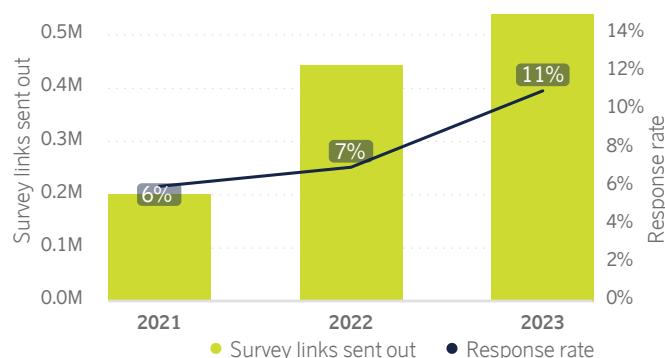
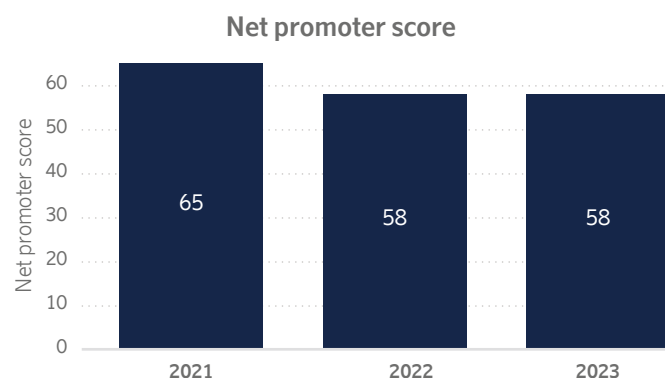
In 2023, *airBaltic* navigated operational challenges caused by global supply chain issues, which led to limited aircraft availability. A strategic decision was taken to incorporate ACMI-in aircraft to minimise schedule disruptions.

The surge in summer travel demand strained the availability of ACMI-in partners, and unexpected engine maintenance delays forced *airBaltic* to choose: either cancel flights or wet-lease partner aircraft.



The latter ensured a successful performance of planned flights – passengers reached their desired destinations and flight cancellations were avoided.

During the peak months of June to September, *airBaltic* managed over 16 800 flights. To maintain connectivity according to our original flight plan and to meet the summer travel demand, *airBaltic* temporarily leased up to 11 (on average – eight) additional aircraft per month, from at least eight different partners. In total, 25% of the flights were served by ACMI-in partners from June till September. Proactively informing passengers about potential aircraft changes and the underlying reasons for disruptions underscores *airBaltic*'s commitment to transparency. This approach was instrumental in mitigating negative impacts and maintaining trust and loyalty among customers.



⁸ A score between 0 and 30 is considered 'Good,' indicating a healthy level of customer satisfaction and loyalty. A score from 31 to 70 represents a 'Great' level of customer endorsement, reflecting a strong positive sentiment towards our services. Scores ranging from 71 to 100 are deemed 'Excellent,' showcasing exceptional customer loyalty and advocacy. These classifications help in gauging the overall customer perception and satisfaction with *airBaltic*'s service over the years.

CUSTOMER SERVICE DIGITISATION

Recognising the modern passenger's demand for more self-service options and 24/7 access, in 2023 *airBaltic* upgraded its customer self-service portal. The advanced functionalities apply to changes initiated and scheduled by *airBaltic*, enabling passengers to accept or decline offered solutions, choose alternative flights, or request a full refund. *airBaltic* aims to continue self-service improvements. The next steps involve extending similar functionality to address last-minute irregularities and accommodate customer-initiated changes, such as date modifications or ticket cancellation requests.

In 2023, *airBaltic* engaged in digitising another part of the customer journey by redesigning and streamlining the Extra Service purchase flow on *airBaltic's* website: seat reservation, heavy cabin- or checked baggage, sports equipment, meal pre-orders, fast track, and lounge access. This process makes the booking process more intuitive and user-friendly, enables a customisable and personalised experience, and meets the diverse needs and preferences of travellers. Full completion of the project is expected in 2024.

Implementing free Wi-Fi on board in cooperation with Starlink is another strategic project that was started in 2023 and will be finalised by 2025.

This demonstrates *airBaltic's* commitment to innovation and boosts the customer experience by providing both corporate and leisure travellers with the ability to stay connected – they will be able to work, communicate, access entertainment, or simply stay in touch with family and friends while in the air.



DATA PROTECTION AND CYBER SECURITY

The Company values customer privacy by handling personal data with the utmost care and respect, thereby acknowledging the trust customers place in safeguarding their information. The airline is committed to complying with all applicable regulations, including the General Data Protection Regulation No. 679/2016 (GDPR), and any relevant national laws in order to ensure that personal data are processed and protected appropriately.

The Company's Data Protection Officer (DPO) continuously manages the Privacy Programme and reports directly to the Airline's top management. The Company has policies and procedures in place, including a process for reporting data security incidents, and provides training for employees on data protection rules. *airBaltic* strongly believes that employees need to be trained and provided with the latest information in this specific field.

In 2023, the DPO organised 18 training sessions for employees and launched an online GDPR training programme to ensure their awareness and compliance with the Company's data protection standards.

airBaltic's Supplier Code of Conduct and agreements concluded with suppliers outline the data protection obligations, thereby promoting compliance throughout the supply chain.

The Company's IT security efforts in 2023 were focused on reducing risk to the business by enabling end users to carry out their responsibilities in alignment with IT security policies and best practices.

The Company values data protection and aims to ensure ongoing transparency, lawfulness and security.

The Company aims to ensure transparent data processing so that data subjects have comprehensive information on how *airBaltic* processes their data. This information is communicated with data subjects through privacy policies, including *the Company's* [Privacy policy](#) and [Cookie policy](#), which are updated when necessary to reflect topical data processing activities carried out by *airBaltic*. In 2023, updates were made to reflect changes in data processing practices and to provide more detailed information on topics such as web browser and mobile application notifications.



SERVICE AND CUSTOMER EXPERIENCE

The Company upholds customer trust through security measures – including industry-standard compliance, access control, and encryption solutions – and timely updates to meet evolving industry standards. The Company's IT security efforts have:

- secured that data entered by customers on *airBaltic's* website is protected through the TLS cryptographic protocol, which ensures that data are encrypted according to up-to-date industry standards;
- introduced a centralised password management solution to promote required password complexity and uniqueness;
- introduced a user-friendly phishing self-report mechanism which significantly increased the level of associated reports;
- established an internal phishing simulation system to collect data on organisational and individual readiness to respond to human factor attacks with threat avoidance and reporting;
- adapted the periodic IT Security training schedule for all employees to individual risk profile and need.

Additionally, the Company strengthened its resistance against increasingly more sophisticated spam and phishing attacks by transitioning to a more effective email security solution. As a further focus area, the Security Information and Event Management (SIEM) platform underwent significant enhancements, including expanding the scope of ingested log sources, fine-tuning machine learning algorithms, enhancing alert configurations, and integrating external threat intelligence. These updates have strengthened our ability to monitor, analyse, and respond to security anomalies promptly.

The Airline's commitment to continuous IT Security improvement was reaffirmed in its annual IT security audit. This thorough assessment allowed for the evaluation of the Airline's security controls, the identification of vulnerabilities, and the determination of the necessary adjustments

to make in our security strategy, thereby ensuring that we remain resilient in the face of evolving threats and safeguard our reputation, data and overall business continuity.

In 2023, typical data subject requests were related to accessing data and requesting the deletion of data.

Currently there are no outstanding substantiated complaints concerning breaches of customer privacy from external parties or regulatory bodies.


There were no identified leaks, thefts, or losses of customer data with a high-risk impact on data subjects. However, on 12 May 2023, *airBaltic* experienced an error in *airBaltic's* emailing system, which resulted in several passengers receiving emails intended for other passengers. These matters did not specifically fall within the remit of the EU Whistleblowing directive, therefore there were no further actions needed from *airBaltic* side. The Company took the necessary steps and promptly notified the relevant data authorities about the incident. Following an examination of the Company's notification, the responsible data protection authority in the United Kingdom dismissed the proceeding without applying any sanctions. However, the proceeding in Latvia is still pending before the Latvian Data State Inspectorate. As a consequence of the data incident, *airBaltic* received several complaints and questions concerning the data breach from data subjects. All cases were successfully addressed, and incoming concerns and questions resolved. Currently, there are no outstanding disputes or substantiated complaints with data subjects.



RESPONSIBLE GOVERNANCE

Sustainability and corporate responsibility are amongst *airBaltic's* core values. Thereby the Group aims to not only uphold strong traditional corporate governance mechanisms and ethical business practices, but also address wider issues of sustainability.

The Company's management consistently underscores the paramount importance of adhering to the corporate governance principles guiding its operations, as detailed in the Corporate Governance Statement. In alignment with these principles, the Company has developed the Corporate Management Manual, serving as the primary reference for every employee, including the Group's employees. Within this comprehensive manual, employees can access information on various governance-related policies and procedures. Upholding a standard of integrity and diligence, all employees are expected to act in good faith on all occasions. These policies and procedures encompass the Internal Agreement Approval Procedure, Authorizations Manual, Sanction Compliance Policy, Purchasing Policy, Personnel Handbook, Whistleblowing Policy, and Code of Conduct. Company manuals are periodically reviewed and updated by company management team. Additionally, the Company has instituted a distinct corporate governance policy for its subsidiaries, ensuring uniform adherence to core principles throughout the Group.



airBaltic had been adhering to sustainable governance policies on a daily basis. In order to improve the efficiency of its policies, company conducts regular thematic trainings and ALFA courses for employees, internal LIVE broadcast sessions, and shares guidelines and explanations in internal communication channels.

ETHICS AND TRANSPARENCY

airBaltic's Business Ethics and Corporate Culture is based on generally accepted norms of ethics, legislation, core competencies and company values such as improving sustainability, maintaining continuous growth, and improving the passenger experience. *airBaltic's* Business Ethics and Corporate Culture is part of the Personnel Handbook, an internally published manual, which applies to all employees within the Group. The principles described in the Personnel Handbook guide employees' relations, business relationships. *airBaltic's* Personnel Handbook provides guidance on the acceptable code of conduct between the Company's management, employees and business partners so as to avoid any cases of conflict of interest and how to report any that might occur. With respect to *airBaltic's* business partners, employees must not conduct any Company busi-

ness with their spouse, any member of their own family, or with any individual or organisation with whom they or their families are associated in any way. Employees must provide information to the Human Resources department about their positions, shares, or other relations with any current or potential suppliers or business partners.

WHISTLEBLOWING PROCEDURE

airBaltic has split reporting lines for the whistleblower cases according to airline industry related matters and corporate governance.

The Company encourages reporting concerns about any potential wrongdoings, and provides all information regarding reporting possibilities on the intranet and internal guidelines. Whistleblower reports can be submitted via the internal whistleblowing system Whistleblower Software, by email or in writing by post. The basic condition is that the report is in writing and that all the conditions laid down by the national Whistleblowing Law and the provisions of Directive 2019/1937 as implemented therein are met. The Company makes sure and guarantees the protection of the reporter against any negative consequences due to whistleblowing, as well as the protection and anonymisation of the reporter's data by ensuring the data is only available to the involved parties handling the specific report. *airBaltic* takes care to guarantee that the reporter receives information when (1) the report has been received, (2) the report has been deemed a whistleblower report, (3) the report has been investigated, what the process was and what decisions were made. The Whistleblowing Policy is reviewed and updated annually.

In the year 2023, a total of four reports were submitted through the Whistleblower portal, each highlighting issues of low to medium severity. These matters did not specifically fall within the remit of the EU Whistleblowing directive, therefore there were no further actions needed from *airBaltic* side.

SANCTIONS LAWS

airBaltic's internal Sanctions Policy, which is continuously updated, helps employees from various departments ensure compliance with sanctions laws and the Company's contractual obligations. The Sanctions Policy explains what the sanctions are and what kind of activities are considered illegitimate. The Sanctions Policy provides guidelines on how to check cooperation partners. When contracting a cooperation partner, the responsible employee at *airBaltic* follows the Sanctions Policy and uses various tools to check



for sanctions compliance. One of the most used tools for ensuring sanctions compliance from cooperation partners from countries with a high-risk profile (e.g. Russia, Ukraine) is the widely known KYC (Know Your Client) Questionnaire, which provides detailed information on the cooperation partner. The Sanctions Policy is an integral part of the Personnel Handbook, the content of which each employee is acquainted with and must comply with on a daily basis.

In 2023, *airBaltic* found one instance of a partner's potential breach of sanctions compliance, which was immediately reported to the competent authorities and the contract was terminated. Furthermore, *airBaltic* concluded a comprehensive sanctions screening of all its partners based in risk or high-risk jurisdictions and did not find any other partners to be in breach of sanctions laws.

Finally, a comprehensive overhaul of the currently applicable sanctions compliance policy was undertaken by the end of 2023 and the new sanctions compliance policy will be adopted during 2024.

ANTI-CORRUPTION

airBaltic places considerable value on ensuring compliance with anti-corruption measures and takes all appropriate steps to safeguard that compliance. Four documents contain the main anti-corruption measures of the Company: the *airBaltic* Code of Conduct; the *airBaltic* Suppliers' Code of Conduct, the Purchasing Policy (for all corporate purchases); and the Continuing Airworthiness Management and Maintenance Organisation Exposition (CAMMOE), which is specific to aircraft-related technical purchases.

The Company has embedded anti-corruption measures in its actions and internal policies, which employees follow in their daily work in accordance with the developed internal documents and instructions. Airline is currently working on consolidating these principles into a single document - the Company's Anti-Corruption Policy.

The Company is further enhancing its existing training initiatives to elevate employee awareness and ensure rigorous adherence to compliance standards. The content of this training will be tailored to the specific departments and the roles of their employees, as well as to the potential risk of corruption. Training will be provided to all new employees upon joining the Company and will be provided annually to other employees. Currently, when new employees join the Company, they are acquainted with the Personnel Handbook, the Purchasing Policy, and other applicable internal manuals, thus ensuring compliance with anti-corruption measures.

airBaltic's Personnel Handbook requires employees to avoid conflicts of interest and to report any personal interests that conflict with the Company's objectives. This includes not using *airBaltic's* opportunities for personal gain, and disclosing any family-related business dealings. Employees need written consent for external employment or business activities that might affect their *airBaltic* duties.

Pursuant to the Company's Purchasing Policy, the internal principles must be adhered to in all tender processes. Tender documents must be prepared, and the tender process carried out, following these principles.

Fair competition	The Company must treat all participants with fairness and ensure that they are given the same level of information.
Conflict of interest	Situations of conflict of interest with the business of the Company must be reported to the Human Resources department.
Cost effectiveness	Offers must be evaluated not only on competitiveness in pricing but also factors such as quality and other predetermined criteria.
Transparency	To ensure transparency, tender documents must provide all necessary information in order to facilitate submission of appropriate and competitive offers.

The Tender Committee carries out tender evaluation depending on expected annual purchase value. The Tender Committee selects the most competitive and cost-effective offer among eligible participants by evaluation according to present assessment criteria. For contracts involving higher costs or requiring higher standards in technology and service areas, a scoring system should be adopted for giving scores in terms of tender price, participant's reputation, risk management, track-records, and management quality, as well as the professional and technical standard of the staff designated for implementing the project/service.

In respect of suppliers or any other partners or state institutions, personal gifts or benefits worth more than EUR 50 must never be accepted. Additionally, in the year 2023 the Company has implemented Procedure for Registering, Evaluating, Using and Redeeming Gifts Accepted while Performing the Duties of a Public Official at Air Baltic Corporation AS, which provides a framework for evaluating and determining actions to be taken in relation to gifts given to employees performing the duties of a public official in accordance with the law.

airBaltic also ensures that charitable donations and sponsorships (financial and in-kind) made to other organisations are not used as a disguised form of bribery. Recipients of charitable donations and sponsorships (financial and in-kind) are screened and approved by the Company's Management and the Supervisory Board. All-in-all, *airBaltic* is very limited in its ability to sponsor or donate to any third party as it needs to fulfil a number of legal requirements to be able to do such activities.

According to information at the Company's disposal, *airBaltic* is currently not subject to any investigations, nor is it part of any proceedings initiated by the Corruption Prevention and Combating Bureau or any other anti-corruption authority. There have been no incidents during the reporting year.

FAIR COMPETITION

airBaltic is committed to maintaining fair competition both in respect to its own behaviour in the market as well as in relation to the tender processes it organises, the recruitment process, etc. The Company therefore adheres to the requirements of the Latvian Competition Law and the appli-

cable provisions harmonised at the EU level, as well as has ensured for the principles of fair competition to be observed when selecting potential suppliers in its Purchasing Policy. *airBaltic* has a Competition Compliance Policy and carries out extensive competition law training for its Management and employees, which was also performed during Y2023.

According to information at the Company's disposal, *airBaltic* is currently not subject to any investigations, nor is it part of any proceedings initiated by the Latvian Competition Council or any other competition authority.

SUPPLIER MANAGEMENT

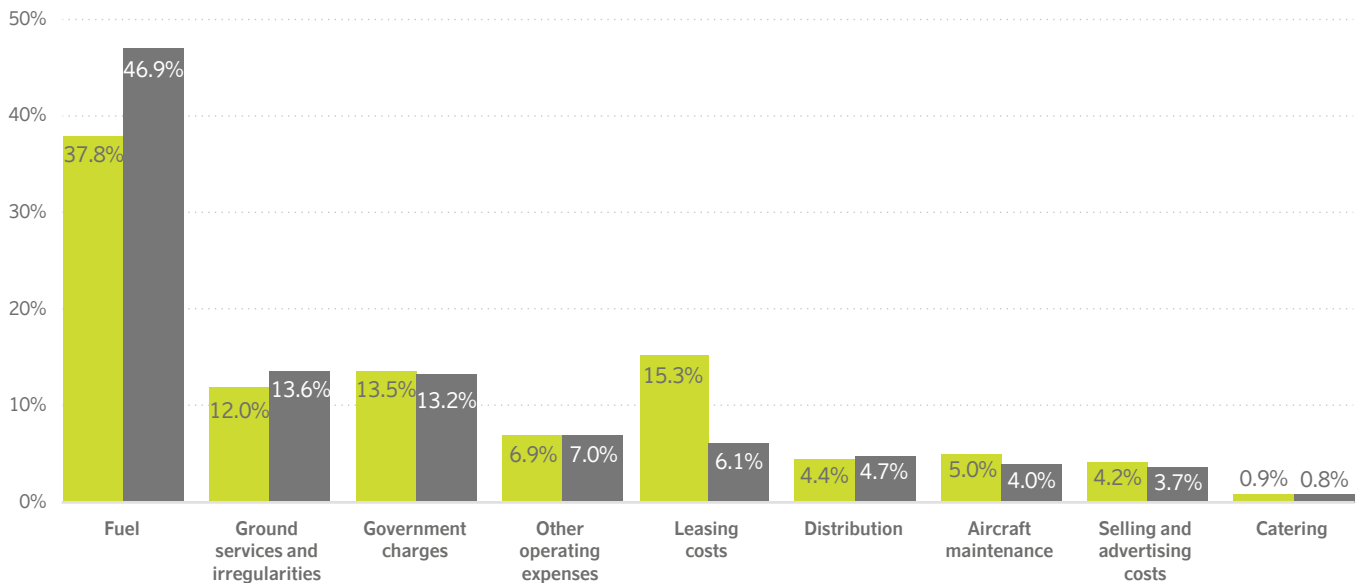
airBaltic has around 2 000 suppliers providing a variety of services and products. The Company's supply chain is mostly centred around aircraft operations such as aircraft and engine manufacturers, airport and air navigation service providers, technical maintenance suppliers, fuel suppliers, IT suppliers, and others. Financial services partners and regional collaborators, such as catering and local service providers, play a crucial role in *airBaltic's* operations. *airBaltic* suppliers are mainly located in its base country of Latvia and the geographical areas where *airBaltic* routes are operated. For technical maintenance related purchases, the majority of the Company's suppliers are located outside of Latvia – e.g. the manufacturers of aircraft, engines, spare parts, and equipment.

In line with the Company's operational model, *airBaltic* is increasingly outsourcing ground handling and customer services to external suppliers. Supplier specifications are continuously reviewed and the most critical suppliers are identified. The responsibility for ongoing follow-up of critical suppliers has also been centralised and standardised.

Suppliers shall comply with the following provisions:

- shall adhere to the standards outlined in the Purchasing Policy;
- are obligated to adhere strictly to the *airBaltic* Suppliers Code of Conduct;
- for suppliers hailing from countries deemed high-risk, the Company reserves the right to request additional documentation, including but not limited to the Know Your Client form, and any other relevant documentation.

Key types of procurement



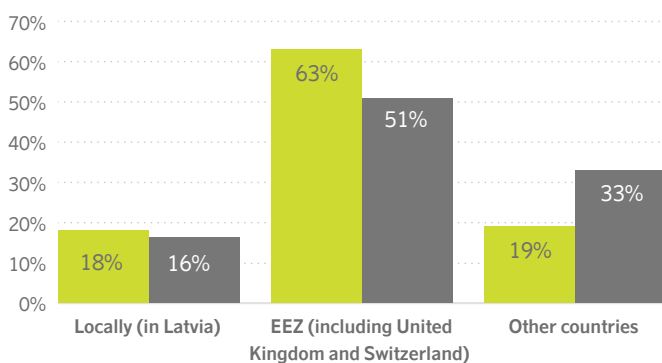
Source: Management Profit/Loss Statement

Note: Excluding personnel costs, Financial items, Interest and Changes of provisions

● 2023 ● 2022

PERCENTAGE OF PRODUCTS AND SERVICES PURCHASED LOCALLY

Products and services purchased locally



Note: According to cash flow method

● 2023 ● 2022

The *airBaltic* Corporate Management Manual and the *airBaltic* Purchasing Policy cover all purchasing activities within the Group. *airBaltic* is responsible for ensuring that sustainability matters are addressed appropriately, regardless of which supplier provides the product or service. The governance model established at *airBaltic* clarifies supply chain responsibilities, risks, and improvement areas, as well as how potential deviations are handled. During Y2023, *airBaltic* introduced the *airBaltic Suppliers Code of Conduct*, which sets out the expectations and requirements that all suppliers must meet when doing business with *airBaltic* and its subsidiary companies. It applies to all stages of the supply chain, from the procurement of raw materials to the delivery of the final product or service.

STAKEHOLDER ENGAGEMENT

The primary stakeholder categories for *airBaltic* are employees, customers, suppliers, current and potential business partners, shareholders, existing and potential creditors, investors, bondholders, government and international authorities, NGOs, media representatives, and the general public. In addition, the concept of nature can be regarded as a 'silent stakeholder', thereby emphasising the collective imperative to minimise environmental impact and achieve climate neutrality.

To ensure meaningful relationships with stakeholders, the Company adheres to good governance principles, outlined in the chapter Corporate Governance Statement, by maintaining transparent and open communication about its results, progress, daily operations, and plans, ensuring regularity, and focusing on segmented engagement topics.

Key stakeholders	Engagement topics	Communication channels
EMPLOYEES	1. Feedback on specific activities, changes, processes 2. Level of employees' satisfaction, involvement, retention, loyalty, and motivation at work	Annual engagement survey & engagement index ⁹
	3. Performance review and skills gap analysis	Employee surveys & interviews
	4. Information flow management	Annual internal comms survey
	5. Employee feedback and opinion about company processes.	Surveys: after-recruitment, after-probation period, after-training, employee experience survey's by responsible departments, exit surveys
	6. Consulting with Trade Unions	Monthly meetings and regular correspondence related to the actual topics in employment relations.
	7. Weekly information update	Weekly CEO Live, internal broadcast
	8. Changes in company actions, arrangements & policies	Internal focus groups
	9. Stakeholder Survey about sustainability matters	Stakeholder Survey 2023

Open and transparent communication serves as the bed-rock for fostering trust and efficient collaboration between employees and the company. The Group consistently maintains a high level of employee engagement, as reflected in quarterly surveys designed to monitor dynamics and prompt swift decisions when needed. Notably, 2023 witnessed a positive uptick in employee engagement levels. The company's management adopts a proactive approach

by hosting a weekly internal Live Stream broadcast led by the CEO, allowing employees to pose anonymous questions on various Company-related topics. Direct communication with top management creates a comfortable environment for employees to address concerns, instilling confidence that every opinion is valued. This strategic approach significantly contributes to the company achieving one of its best-ever employee engagement results.

⁹ Since 2013, the Company has implemented a strategy of continuous listening, regular conducting of employee engagement surveys, and collection of feedback on specific activities, changes, processes, etc. The engagement index is an assessment summary that shows the level of employees' satisfaction, involvement, retention, loyalty, and motivation at work.

RESPONSIBLE GOVERNANCE

Key stakeholders	Engagement topics	Communication channels
CUSTOMERS	1. Customer experience and satisfaction with services	Annual passenger retention and satisfaction survey
		After-flight Survey
		Ad-hoc customer experience surveys
		Call Centre
	2. Stakeholder Survey about sustainability matters	Stakeholder Survey 2023

airBaltic undertakes the responsibility to ensure that communication with its customers follows consistent principles and standards. All marketing activities of *airBaltic* are always legal, decent, honest, and truthful. When advertising the Company's services, the highest possible transpar-

ency is applied. *airBaltic* takes full responsibility for transparent pricing and clear ticket rules, product availability in all channels, a user-friendly internet booking engine, and customer service.

Key stakeholders	Engagement topics	Communication channels
SUPPLIERS and other existing potential business and cooperation partners	1. General information and updates about Company's actions, performance and results	Individual communication and Partner's Calls
	2. Stakeholder Survey about sustainability matters	Stakeholder Survey 2023

Apart from the general engagement, transparency is one of the core principles of *airBaltic's* Purchasing Policy sets complete transparency with its suppliers. Tender documents must provide all necessary information to facilitate the submission of appropriate and competitive offers, and ultimately, to ensure fair competition.

In order to manage risks efficiently, the financial, fiscal, social and legal situations of potential suppliers are taken

into account. As per the Purchasing Policy, responsible employees must evaluate and decide on the necessity of supplier liability insurance; the Company avoids accounting for more than 30% of a supplier's turnover. The responsible employees are required to have a contingency plan with alternative suppliers and/or sourcing solutions to ensure continuous provisioning of services or supply of goods in emergency situations (e.g. supplier failure, political or social events, etc.).

Key stakeholders	Engagement topics	Communication channels
SHAREHOLDERS	1. General information and updates about Company's performance and results	Annual shareholder's meeting
	2. Stakeholder Survey about sustainability matters	Stakeholder Survey 2023

Reporting of any identified critical concerns to the Company's Executive and Supervisory Boards is regular and a naturally integrated part of the Company's information circulation. Where critical concerns are identified, they are reported at the Company's weekly Executive Board meetings and monthly Supervisory Board meetings. In certain cases, extraordinary meetings of the Executive and Super-

visory Boards are also convened to report and assess such concerns. Upon assessing these concerns and determining that they have a serious impact on the Company or its shareholders, the Company will also inform shareholders and other stakeholders of the existence of such concerns, the potential impact and a plan to address them.

RESPONSIBLE GOVERNANCE

Key stakeholders	Engagement topics	Communication channels
Existing and potential INVESTORS, BONDHOLDERS, CREDITORS	1. General information and updates about Company's operations, business strategy, and financial position	Quarterly Investor Calls and Report
		Regular disclosures made to Euronext Dublin, interim reports, financial statements, the Management Board Report, Annual Shareholders' Meetings
		Company page (company.airbaltic.com)
		Investor relations page (investors.airbaltic.com)
	2. Stakeholder Survey about sustainability matters	Press releases
		Stakeholder Survey 2023
Government and international AUTHORITIES and ORGANISATIONS	1. Various business, ESG or industry related matters, such as flight safety and security, customer rights, competition and state aid, the impact of flight operations on the environment, labour rights, and taxation	Dialogue, written communication, meetings, trainings, inspection, audits and other channels
		Participation in workgroups
	2. Stakeholder Survey about sustainability matters	Stakeholder Survey 2023
MEDIA, NGOs and the general PUBLIC	1. General updates	<i>airBaltic</i> web-page: airbaltic.com/en-LV/brand-partnerships , press conferences, press releases, media and social media channels (such as Facebook, X, LinkedIn, Instagram, and TikTok)
	2. Cooperation in sports, culture, environmental and corporate governance, innovation	
	3. Stakeholder Survey about sustainability matters	Stakeholder Survey 2023
NATURE as 'the silent' stakeholder	1. Climate impact and environment	Internal review: Climate and environment impact review and risk analysis
		Internal review: Related policy and legal trend analysis

The accountable department gathers, analyses, consolidates, and communicates the concerns and viewpoints of stakeholders to the Top Management Team and relevant departments. The outcome of the Stakeholder Survey 2023 was used for material topic definition and evaluation. The results of other engagement actions are shared with department managers and the Top Management Team, who assess the need for changes, approve adjustments to the company's strategy, business model, and financial or non-financial key performance indicators as deemed necessary.



CORPORATE GOVERNANCE STATEMENT OF AIR BALTIC CORPORATION AS OF YEAR 2023

Corporate Governance Statement of Air Baltic Corporation AS, unified registration number: 40003245752, of Year 2023 (hereinafter – the Report) is prepared on the basis of requirements of Article 56.² to the extent applicable of the Financial Instruments Market Act and the Code of Corporate Governance, issued by the Corporate Governance Advisory Board under auspices of the Ministry of Justice of the Republic of Latvia in 2020 (available at: tm.gov.lv/lv/media/7299/download?attachment) (hereinafter – the Code). Principles and criteria incorporated in the Code have been based on suggestions by the European Union and the Organization for Economic Cooperation and Development (OECD) on corporate governance of public and private companies. This is the first time the Company has performed a corporate governance evaluation in accordance with the principles outlined in the Code. Evaluating compliance with the principles of the Code in the year 2023, the Company concludes that it is fully compliant with eleven, partially compliant with five and does not comply with one of the principles incorporated in the Code.

The Report is published simultaneously with the Company's audited Consolidated Annual Report for the year 2023, as a part of the Annual Report, and is available on the Company's webpage.

COMPANY'S GOVERNANCE STRUCTURE

The Company's structure is based on the requirements of the Commercial Law on the structure of the joint stock companies. The Company is governed by the Shareholders Meeting, Supervisory Board and Executive Board. Shareholders exercise their rights to take part in the governance of the Company by taking part in the Shareholders Meetings.

SHAREHOLDERS OF THE COMPANY

Shareholders exercise their right to participate in the management of the Company at the Shareholders Meeting. The Company convenes an Ordinary Shareholders Meeting at least once a year and Extraordinary Shareholders Meetings are convened as necessary. The Company ensures equal treatment of all shareholders of the same class. All shareholders have equal opportunities to participate in the management of the Company, i.e., to attend meetings and to receive information necessary to make decisions. The Articles of Association set forth that each share grants one vote at the Company's Shareholders Meeting, carries the same rights (irrespective of the nominal value of the share) to a dividend and liquidation quota as other shares, carries the same priority rights (irrespective of the nominal value of the share) as any other share to acquire newly issued shares in the event of a share capital increase, and to acquire convertible bonds in the event of the issue of convertible bonds.

Decisions at the Shareholders Meeting are typically passed by a majority of the shareholders present with voting rights, unless the Articles of Association or Commercial Law provide otherwise or a decision requires a support of at least three quarters of the shareholders present with voting rights (e.g., amendments to the Articles of Association, increasing or decreasing share capital, etc.).

On 31 December 2023, the shareholding structure of the Company was as follows:

	Participating interest, %	A category shares	B category shares	C category shares	D category shares	Share capital TEUR
Republic of Latvia	97.97	20 531 867	74 323 152	113 164 518	38 660 300	545 319
Aircraft Leasing 1 SIA	2.03	5 115 204	–	–	–	51 152
Other	0.000084	211	–	–	–	2
TOTAL	100	25 647 282	74 323 152	113 164 518	38 660 300	596 473

SUPERVISORY BOARD OF THE COMPANY

The Supervisory Board is the Company's supervisory body, which represents the interests of shareholders between meetings, in the cases provided by law and the Company's Articles of Association, and supervises the activities of the Executive Board. According to its regulations, the Supervisory Board is responsible to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and its shareholders. The Supervisory Board is responsible to act in accordance with the commercial interests of the Company, efficiently, independent of political or other considerations outside the ordinary course of business, and in accordance with sound engineering, financial, and business practice.

The Supervisory Board of the Company acts in accordance with the Company's Articles of Association and the Supervisory Board's regulations. On certain questions that are within the competence of the Supervisory Board, the members must observe the Shareholders' Agreement and the procedure established therein. Once a year shareholders are presented with the Company's financial and non-financial targets and fulfilment thereof for the previous year, as well as planned results indicators for the next year (these targets are reviewed at the Supervisory Board level beforehand). In addition, the Supervisory Board carries out an evaluation of the Executive Board once a year and presents the relevant notification of the Company's performance to the Shareholders Meeting jointly with the annual accounts for the previous year. In 2023, the Supervisory Board did not establish any committees.

Members of the Supervisory Board and their positions until 25 April 2023:

Nikolajs Sigurds Bulmanis, Chairman of the Supervisory Board;
Kaspars Āboliņš, Deputy Chairman of the Supervisory Board;
Lars Thuesen, Member of the Supervisory Board;
Toms Siliņš, Member of the Supervisory Board;

Members of the Supervisory Board and their positions to bridge the period until the open competition on the post of the Supervisory Board Members to be nominated from the state's side was completed until 14 June 2023:

Dins Merirands, Chairman of the Supervisory Board;
Baiba Vīlpa, Deputy Chairman of the Supervisory Board;
Lars Thuesen, Member of the Supervisory Board;

Members of the Supervisory Board and their positions (since 26 June 2023):

Klāvs Vasks, Chairman of the Supervisory Board;
Kaspars Ozoliņš, Deputy Chairman of the Supervisory Board;
Lars Thuesen, Member of the Supervisory Board;
Andris Liepiņš, Member of the Supervisory Board.

EXECUTIVE BOARD OF THE COMPANY

The Executive Board is the executive body of the Company. It manages and represents the Company in its day-to-day activities, and the Company must ensure that the Executive Board is effective, deliberative, and focused on maximising the value of the Company by clearly defining its duties and responsibilities.

The regulations of the Executive Board set forth that the Executive Board is responsible for achieving the Company's goals, strategy and policy, and results. The Executive Board performs duties under the supervision of the Supervisory Board. The Executive Board is accountable to the Supervisory Board and to the Shareholders Meeting. In performing its activities, the Executive Board is guided by the interests of the Company in compliance with its regulations, Articles of Association and relevant legislation. It also must report to the Supervisory Board developments related to internal risk management and control systems.

The Executive Board regularly monitors the execution of the Company's strategy and defined business goals, assesses and guides the execution of the annual budget and business plan, controls risks and ensures control over the execution of targets and the achievement of planned results. Once a year, the Executive Board presents to the shareholders the financial and non-financial targets of the Company and its achievements from the previous year, as well as the planned performance indicators for the coming year. These matters are discussed at the Supervisory Board level before presenting at the Shareholders Meeting.

In order to strengthen the day-to-day governance of the Company, an executive team is established, consisting of eleven Senior Vice Presidents of various fields of operations, to ensure the efficient and sound day-to-day operational management of the Company. In accordance with the Regulations of the Executive Board, the executive team is responsible for the Company's day-to-day business activities, and provides the Executive Board with necessary information and recommendations needed to make sound business decisions that promote both short- and long-term profitability. It also ensures that decisions, challenges and success are communicated effectively to staff to maximise employee engagement and plans and decisions are implemented quickly to guarantee maximum impact as soon as possible.

Members of the Executive Board and their positions:

Martin Alexander Gauss,
Chairman of the Executive Board (since 1 November 2011);
Vitolids Jakovļevs,
Member of the Executive Board (since 4 October 2011);
Pauls Juris Cālītis,
Member of the Executive Board (since 1 March 2020).

Further sections of this Report provide a detailed explanation on compliance with the principles and criteria of the Code using the following legend:

Green: fully compliant / **Orange:** partially compliant /

Red: not compliant / **Grey:** not applicable

PRINCIPLES AND CRITERIA OF THE CORPORATE GOVERNANCE CODE COMPANY STRATEGY

Principle #1

The company has an up-to-date strategy that sets out the company's objectives and progress towards long-term value creation

Compliance	Criteria	Facts
Green	The company has an up-to-date strategy, the draft of which is developed by the management board.	On 20 July 2023 the Supervisory Board of the Company approved <i>airBaltic's</i> Business Plan which was developed by the Executive Board. The Business Plan foresees to continue development in the main business areas, maintaining focus on the Baltic markets and expanding the existing bases and fleet.
Green	The supervisory board is involved in the strategy development process and approves the strategy at the supervisory board meeting.	The Company's Business Plan is developed by the Executive Board; it is reviewed and approved in collaboration with the Supervisory Board, which approves the final version of the Company's Business Plan. Discussions in relation to the Business Plan started during the term of the first Supervisory Board (effective during year 2023), continued with the second Supervisory Board and was discussed and approved during the terms of the third Supervisory Board ¹⁰ .
Green	The supervisory board monitors implementation of the strategy.	The Company's Executive Board is responsible for the implementation of the Business Plan; therefore, it follows the goals and paths defined in the Business Plan and regularly informs thereof the Company's Supervisory Board. The Supervisory Board is briefed at each ordinary Supervisory Board Meeting on the implementation and fulfilment of the Company's Business Plan ¹¹ .
Green	The company's management board implements the strategy and reports to the supervisory board on its implementation on a regular basis.	The Executive Board informs the Supervisory Board of the results and achievements in relation to the Business Plan of the Company (as well as on any other significant items, including any challenges) at each ordinary Supervisory Board Meeting.

¹⁰ In addition, prior to approval of the Business Plan, it has to be reviewed and consented with by state authorities, e.g. Ministry of Transport, Cross-Sectoral Coordination Department of State Chancellery, according to requirements of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Article 22, Para.2.

¹¹ In 2023, thirteen ordinary Supervisory Board meetings took place. In addition, twenty-five extraordinary Supervisory Board Meetings took place covering urgent operational matters.

INTERNAL CULTURE AND ETHICAL BEHAVIOUR

Principle #2

The company develops an internal culture and ethics code which serves as a standard of conduct for the company's management and employees.

Compliance	Criteria	Facts
Green	The supervisory board defines the company's core values.	<p>On 24 September 2020 the Supervisory Board acknowledged revised brand values of <i>airBaltic</i>:</p> <ul style="list-style-type: none"> • We deliver. Consistent excellence in every aspect of our business is what we strive for every day. • We care. We love what we do and our passion for aviation inspires others. We build long-lasting relationships with our passengers, anticipating their needs and offering the best service possible. • We grow. We see challenges as opportunities to develop. We innovate, improve and move forward in order to be ahead of the industry.
Green	The management board prepares and the supervisory board approves the code of internal culture and ethics.	<p>The Executive Board has developed two Codes of Conduct for <i>airBaltic</i> – the <i>airBaltic</i> Code of Conduct (provides a clear and concise set of guidelines and principles that govern <i>airBaltic</i>'s commitments and working practices) and the <i>airBaltic</i> Supplier Code of Conduct (promotes ethical and sustainable business practices throughout the supply chain and ensures that all suppliers adhere to <i>airBaltic</i>'s values and requirements).</p> <p>Both Codes of Conduct were developed by the Executive Board in April 2023 and approved by the Supervisory Board at subsequent meetings.</p> <p>Additionally, a Personnel Handbook (including a section on Business Ethics and Corporate Culture) of the Company has been operative for years. It defines the Company's principles and guides employees regarding their relationships with one another at work and other business relationships.</p>
Green	The management board ensures compliance with the company's internal culture and ethics code on a daily basis and reacts if there is a breach of the code.	<p>The Company encourages reporting concerns about any potential wrongdoings and provides all information regarding reporting possibilities on the intranet and in the internal guidelines. All means of communication for reporting are welcomed and reports can be made in person, in writing or online. Within a specific type of report, such as a whistle-blower's report or a confidential report, it is possible to stay anonymous for legal protection. Two Codes of Conduct were approved in 2023 with the first review reports scheduled for 2024.</p>

INTERNAL CONTROL SYSTEM, RISK MANAGEMENT AND INTERNAL AUDIT

Principle #3

The company has an internal control system, the effectiveness of which is monitored by the supervisory board

Compliance	Criteria	Facts
Green	The company has a documented internal control system, the establishment of which is the responsibility of the management board.	<p>This principle is implemented through a variety of external and internal control tools. External control is carried out by external auditors. The Company's financial statements and financial statements of the Company's group are independently audited.</p> <p>Internal control is ensured by several means to ensure risk management of the Company as follows:</p> <ol style="list-style-type: none"> 1) The Risk Management Committee (chaired by the Executive Board) – key tasks of the Committee are to examine financial and strategic risks by supervising and adopting relevant decisions to ensure the ability to track global trends that may substantially influence cash flows. 2) The Internal Control Project Manager – this position combines internal audit and internal control processes. The goal for the Internal Control Project Manager is to oversee non-aviation related internal processes and provide assurance that the necessary controls are working effectively. The Internal Control Project Manager also carries out internal audits in accordance with the yearly audit plan approved by the Audit Committee and the Supervisory Board and any additional on-request projects initiated by the Company's various departments and the Executive Board in response to changes and potential risks. 3) The Audit Committee – this Committee supervises the efficiency of the internal control and risk management system. Members of the Audit Committee are: one Supervisory Board Member and two independent external auditors.
Green	The internal audit evaluates the effectiveness of the internal control system at least once a year, taking into account pre-defined criteria and reporting the results of the evaluation to the supervisory board.	The Internal Control Project Manager carries out internal audits in accordance with the yearly audit plan approved by the Audit Committee and the Supervisory Board. The Internal Control Project Manager reported on its activities also to the Audit Committee and took part in each meeting ¹² in order that the Audit Committee is informed on any necessary improvements or ongoing processes and could take actions or provide recommendations.
Green	The supervisory board evaluates the received evaluation of the internal control system effectiveness at least once a year.	In its 13 February 2024 report regarding the year 2023 to the Supervisory Board, the Audit Committee reported on the activities of external auditors, the functioning of the internal audit, internal control system and risk management, financial information and preparation of financial statements, approval of non-audit services, and cyber security, as well as litigations, the results of which may have a substantial impact on <i>airBaltic</i> . The Internal Control Project Manager reports on the effectiveness of internal controls systems at the Supervisory Board meeting once a year. In addition, the Internal Control Project Manager takes part in the meetings of the Audit Committee regularly, one member of which is also the Supervisory Board Member and can take up any concerns that may arise.

¹² In 2023, the Audit Committee held nine meetings.

Principle #4

The company identifies, assesses and monitors the risks associated with its operations

Compliance	Criteria	Facts
Green	The management board develops and the supervisory board approves the company's risk management policy.	The process and document management and control systems provide a controlled and transparent flow of documents and processes, thus ensuring internal risk management in line with the Company's policies and manuals. Risk management is carried out in accordance with the Executive Board's approved policies and manuals regulating internal processes – the Corporate Management Manual, the Financial Handbook, the Personnel Handbook, the Purchasing Policy, etc. – as well as international documents that regulate industry procedures, such as OMA (Operations Manual), CAMMOE (Continuing Air Worthiness Management and Maintenance Organization Exposition), etc. The majority of policies are approved by the Executive Board, and only in very specific cases, when a policy governs the Executive Board's functions or relates to strategies, is it approved by the Supervisory Board. <i>airBaltic's</i> Risk Management Policy was approved by the Executive Board on 12 April 2023 and subsequently by the Supervisory Board on 20 April 2023.
Green	Based on the identified risk assessment, the management board implements risk management measures.	In 2023, the Internal Control Project Manager established a detailed Risk Register with evaluations of each risk and management thereof.
Green	The supervisory board reviews the management board's reports on risk management measures and the implementation of the risk management policy at least once a year.	The Executive Board reports to the Supervisory Board regularly, at each ordinary meeting ¹³ , on any risks, including critical risks, and management thereof and provides immediate feedback to the Supervisory Board if necessary and if an event that needs immediate attention takes place.

¹³ In 2023, thirteen ordinary Supervisory Board meetings took place. In addition, twenty-five extraordinary Supervisory Board Meetings took place covering urgent operational matters.

Principle #5

An internal audit has been established in the company; it evaluates the company's operations independently and objectively

Compliance	Criteria	Facts
Orange	The company has an internal auditor who is functionally independent of the management board and reports to the supervisory board.	The position of Internal Control Project Manager within the Company combines internal audit and internal control processes. It was effective until mid-year 2023. After that the internal audit and internal control processes were carried out by the two remaining controls bodies, i.e., the Risk Management Committee and Audit Committee. On the date of this Report, the Company has hired a functionally independent Internal Auditor who reports to the Supervisory Board.
Red	The supervisory board approves the internal auditor.	The position of the Internal Auditor was appointed by the Supervisory Board as of 15 February 2024. The Internal Auditor is independent in reporting to the Supervisory Board, but the employment agreement is signed with the Company. The new Internal Auditor is approved by the Supervisory Board. The previous position of the Internal Control Project Manager was not appointed by the Supervisory Board.
Green	The internal auditor develops a risk-based internal audit plan, which is approved by the supervisory board.	In 2023, the Internal Control Project Manager carried out internal audits in accordance with the yearly audit plan approved by the Audit Committee and the Supervisory Board.
Green	The internal auditor informs the management board and supervisory board on the implementation of the internal audit plan, audit results, and recommended actions to address deficiencies, if any.	In 2023, the Internal Control Project Manager reported to the Executive Board, Supervisory Board and Audit Committee on audit results, Risk Registry, and recommendations in a summarised form.

EXTERNAL AUDITOR

Principle #6

The company has an independent external auditor

Compliance	Criteria	Facts
Green	The supervisory board and the audit committee (if established) determine the selection criteria for the external auditor.	In 2023, the Audit Committee approved the selection criteria for the external auditor. The Supervisory Board reviewed the matter prior to the Shareholders Meeting and recommended the external auditor for approval.
Green	The company has an independent external auditor with appropriate qualifications.	The Company's external auditor for 2023 is: "PricewaterhouseCoopers" SIA, registered at: Krišjāņa Valdemāra iela 21, Riga, LV-1010, Latvia, with an effective license, and with the responsible auditor Ilandra Lejiņa, effective license No.168.
Green	The term of office of one external auditor does not exceed 5 years.	The Shareholders Meeting of the Company appoints an external auditor company for the term of one year. Each responsible external auditor of the Company serves less than five years (most commonly the service is 1–2 years).

ELECTION OF SUPERVISORY BOARD MEMBERS

Principle #7

The company ensures transparent procedures for the election and removal of supervisory board members

Compliance	Criteria	Facts
Grey	The company has approved the procedure for selection and removal of supervisory board members.	Not applicable due to the following reasons: Three of the Supervisory Board members are nominated by the majority shareholder (the Ministry of Transport), whereas one member is nominated based on the terms of the Shareholders' Agreement as a direct representative of a minority shareholder. For the reasons that the majority shareholder is the state, the selection process is organised by the majority shareholder according to the law ¹⁴ applicable to state authorities.
Grey	The company provides timely and sufficient information to the company's shareholders on the supervisory board members who are nominated for election or re-election.	Not applicable due to the following reasons: The selection process of the Supervisory Board is governed by the law ¹⁵ .
Orange	The size of the supervisory board corresponds to the specifics of the company's operations.	The Commercial Law stipulates that a public limited company shall have at least 3 (three) Supervisory Board Members. The Company's Articles of Association stipulate that the number of members of the Company's Supervisory Board shall be 4 (four) and the Company complies with this statutory requirement. According to the recent evaluation by independent external auditors KPMG, the optimal size of the Supervisory Board for <i>airBaltic</i> would be 5–7 Members.
Green	A supervisory board member is elected for a term not exceeding 5 years	The Supervisory Board is elected for a period of three years.

¹⁴ The selection process for the candidates for the post of the Supervisory Board Member is organised according to the requirements of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Article 31, and the Company has no influence on the process. Similarly with the principles of the Code, the said law also provides for the establishment of the nomination committee and nomination procedure to select the Supervisory Board.

¹⁵ Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Article 31, and Regulation of the Cabinet of Ministers No.20 as of January 07, 2020 on the Nomination Procedure for Members of the Management Board and Supervisory Board in Capital Companies in which the State or a Public Derivative Holds Shares.

Principle #8

Supervisory board members combined have relevant experience and competence

Compliance	Criteria	Facts
Green	The supervisory board as a whole has a set of skills, experience and knowledge, including on the sector concerned, to be able to perform their duties fully.	The Supervisory Board has a set of skills, experience and knowledge, including knowledge of the aviation sector, to perform its tasks. Upon announcing a selection process for the post of Supervisory Board Member, the Ministry of Transport requested candidates to apply for specific areas of competence, such as finance, corporate governance, and aviation. Detailed information on the Supervisory Board Members is available at: investors.airbaltic.com/en/corporate-governance/supervisory-board .
Orange	The principles of diversity are observed when forming the supervisory board.	The Supervisory Board consists of four male Members. During the selection process of the new Supervisory Board in 2023, both female and male candidates applied, but after a thorough evaluation process, the selection commission chose four male candidates. As the Company's goal is to ensure gender equality, it remains hopeful that at the next selection of the Supervisory Board, the diversity principle can be fully complied with.
Red	Both sexes are represented in the supervisory board.	All Members of the Supervisory Board are male.
Green	The management board develops an induction training programme and provides new supervisory board members with induction training	New Supervisory Board Members are always introduced by the Secretariat of the Supervisory Board with procedural items and requirements within the Company and the Human Resources Department regarding administrative items; the Executive Board Members provide guidance on the Company's everyday operations, history, the current situation and strategic goals. The introduction to the Company is the first step for the newly appointed Supervisory Board Members so that they can complete their tasks.

Principle #9

The company's supervisory board has independent supervisory board members

Compliance	Criteria	Facts
Grey	The company evaluates and the shareholders determine the proportion of independent supervisory board members.	Not applicable due to the following reasons: the selection process of the Supervisory Board is organised and the proportion of independent Members is determined by the majority shareholder according to the law ¹⁶ applicable to the state authorities, and the Company has no influence over the process or amount of independent Members due to the current law requirements. Nevertheless, the respective law provides that the majority of the Supervisory Board Members has to be independent.
Green	At least half of the supervisory board members are independent.	According to the law ¹⁷ , the majority of the Supervisory Board Members have to be independent, and the criteria for independence are set in the applicable law; they are almost the same as those defined in the Code, with some criteria being stricter and some slightly different. The Company has four Supervisory Board Members, out of which at least half are independent Members. The minority shareholder has delegated its own Supervisory Board Member, who has certain rights under the Shareholders Agreement. One Supervisory Board Member nominated by the state is not an independent Member. The Supervisory Board Members as nominated by the Ministry of Transport, the majority shareholder, have a reporting obligation to the Ministry of Transport, and once per quarter they provide information on the decisions taken and any achievements completed.
Green	Independent candidates for supervisory board membership make a declaration that they meet the independence criteria.	Separate declarations are requested and received from the Supervisory Board Members nominated by the state.
Grey	Prior to the election of the supervisory board, the company evaluates the independence of supervisory board members in accordance with the available information.	Not applicable due to the following reasons: the selection process of the Supervisory Board is organised and the proportion of independent Members is determined by the majority shareholder according to the law ¹⁸ applicable to the state authorities, and the Company has no influence over the process or amount of independent Members due to the current law requirements.

¹⁶ The selection process for the candidates on the post of the Supervisory Board Member is organised according to requirements of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Article 31, and the Company has no influence of the process. Similarly with the principles of the Code, the said law also provides for establishment of the nomination committee and nomination procedure to select the Supervisory Board.

¹⁷ The selection process for the candidates for the post of the Supervisory Board Member is organised according to the requirements of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Article 31, and the Company has no influence of the process. Similarly with the principles of the Code, the said law also provides for establishment of the nomination committee and nomination procedure to select the Supervisory Board.

¹⁸ The selection process for the candidates on the post for the Supervisory Board Member is organised according to the requirements of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof, Article 31, and the Company has no influence of the process. Similarly with the principles of the Code, the said law also provides for establishment of the nomination committee and nomination procedure to select the Supervisory Board.

PRINCIPLES OF DETERMINING THE REMUNERATION FOR THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

Principle #10

The company has introduced a remuneration policy

Compliance	Criteria	Facts
Red	The company has introduced a remuneration policy that has been developed by the management board, reviewed by the supervisory board, and approved by the shareholders' meeting.	As of the date of this Report, the Company does not have a remuneration policy as a separate document, and the Company intends to draft and approve one in 2024. Currently the principles of remuneration for the Executive Board Members are set forth in their contracts and remuneration for the Supervisory Board Members is set and approved by the Shareholders Meeting upon their appointment.
Orange	Once a year, the supervisory board determines the financial and non-financial goals to be achieved by the management board, their impact on the variable part of remuneration, and controls their fulfilment.	The Supervisory Board determines the financial and non-financial goals to be achieved by the Executive Board once a year and controls fulfilment thereof. But there is no impact of the non-financial goals on the variable part of remuneration for the Executive Board (due to the applicable EU Covid-19 state aid restrictions).
Green	No variable part of remuneration is determined for supervisory board members, and no compensation is paid in case of removal or resignation from office.	The remuneration for Supervisory Board Members is set and approved by the Shareholders Meeting as a fixed salary with no compensation mechanisms in case of removal or resignation from office.
Orange	Once a year, the management board prepares a report on the remuneration granted to each current and former management board and supervisory board member.	The Executive and Supervisory Board Members who represent the interests of the state are state officials and according to legal requirements, must report their salary to the State Revenue Service once a year. The declarations of public officials are available publicly.

ORGANISATION OF THE SUPERVISORY BOARD'S WORK AND DECISION-MAKING

Principle #11

The company's supervisory board work organisation is clear and understandable

Compliance	Criteria	Facts
Green	The supervisory board organises its work in accordance with regulations of the supervisory board and the work calendar.	The Supervisory Board acts in accordance with the Company's Articles of Association and the Supervisory Board's Regulations. On certain questions that are within the competence of the Supervisory Board, the Supervisory Board must observe the Shareholders Agreement and the procedure established therein. In 2023, the Supervisory Board held 13 ordinary monthly meetings and 25 extraordinary meetings. Ordinary meetings are scheduled for the whole year in advance and all relevant materials are provided at least 7 days in advance. Extraordinary meetings are held in order to address <i>ad hoc</i> operational items, which cannot be postponed in the meantime in-between ordinary meetings (usually related to approval of transactions where prior Supervisory Board approval is required).
Green	The supervisory board holds at least one separate supervisory board meeting per year to discuss the company's strategy and its implementation.	In 2023, the Company's Supervisory Board held five separate discussions on the revision and implementation of the Company's strategic objectives. Given that the Company had three Supervisory Boards during 2023, each of the Supervisory Boards had the ability to discuss the Company's long-term strategy. Once a year, usually prior to the Ordinary Shareholders Meeting, the Supervisory Board conducts an annual assessment of the Executive Board for the performance during the previous financial year. At the same time, new independent KPIs are approved for the next year. The Executive Board's KPIs include the Company's impact on the economy, environment and people. The previous and new KPIs are also presented at the Ordinary Shareholders Meeting for them to acknowledge. Over the past few years, the performance of the Company's Executive Board has been evaluated as good.
Green	The company's budget provides the financing necessary to ensure the operation of the supervisory board.	The Company's annual budget provides the necessary financing to ensure full functioning of the Company's Supervisory Board.
Green	Once a year the supervisory board conducts a self-assessment of the work of the supervisory board and reviews its results at the supervisory board meeting.	The Supervisory Board conducts its annual self-assessment each year, and the results are reviewed at the Supervisory Board Meeting and presented at the Shareholders Meeting for them to acknowledge.
Grey	The supervisory board has evaluated the need to set up committees (if a committee has been set up, see principle # 12.1).	In 2023, the Supervisory Board did not establish any committees. The Company has an independent Audit Committee, established by the Shareholders Meeting and operative since 2019. However, on 15 February 2024, the Supervisory Board established a Remuneration Committee.

Principle #12

The supervisory board takes informed and well-balanced decisions

Compliance	Criteria	Facts
Green	The supervisory board has access to information prepared by the management board necessary for decision-making in a timely manner and in sufficient amount.	The Regulations of the Executive Board provide that the Executive Board provides the Supervisory Board in a timely manner with all information necessary for the exercise of their duties. Hence, all materials and information regarding issues to be discussed at the Supervisory Board's meeting are sent out a week prior to the scheduled meeting.
Green	The supervisory board determines the procedure for the circulation of information, including the right of the supervisory board to request from the management board information that the supervisory board needs to make decisions.	The Supervisory Board regulations stipulate the procedure for requesting and circulating necessary information for enabling the Supervisory Board to make informed decisions.
Green	A supervisory board member analyses information and prepares proposals for decisions to be adopted by the supervisory board.	Members of the Supervisory Board are provided with meeting materials a week in advance, thereby providing time to analyse the information and to make informed decisions.
Green	When making decisions, the supervisory board assesses the risks, short-term and long-term impact on the company's value, sustainability, and responsible development.	The Company's Supervisory Board adopts decisions considering both the short-term and long-term strategic impacts on the Company's value, sustainability and development.

Principle #12.1

A committee prepares proposals for supervisory board decision making

Compliance	Criteria	Facts
Green	The supervisory board determines the tasks of the committee and the procedure for organising its activities.	The Regulations of the Company's Audit Committee define the tasks of the committee and the procedure for organising its activities as approved by the Shareholders Meeting.
Green	The supervisory board establishes a committee of at least 3 supervisory board members with appropriate experience and expertise in the field of work of the committee (remuneration, nomination, audit or other field).	The Regulations of the Company's Audit Committee stipulate that the committee consist of three members, of which one is also a Supervisory Board Member and the remaining two are independent members ¹⁹ .
Green	The committee analyses the information and makes proposals for decisions by the supervisory board, as well as informs the supervisory board of the work of the committee.	The Company's Audit Committee analyses the information and makes proposals for decisions to the Company, including the Supervisory Board, as well as informs the Supervisory Board of the work of the committee.

¹⁹ Listed companies form the Audit Committee in accordance with the requirements of Chapter II1 of the Financial Instruments Market Law. See likumi.lv/ta/id/81995

PREVENTION OF CONFLICT OF INTERESTS

Principle #13

Management board and supervisory board members are clearly aware of the manifestations of conflicts of interest and are informed of the action to be taken in the event of a conflict of interest

Compliance	Criteria	Facts
Green	The supervisory board defines the indications of a conflict of interest and determines the procedures for the prevention and management of conflicts of interest.	<p>The Personnel Handbook stipulates that employees must report, in writing, to the head of their department and HR department any situations or transactions that may result in or cause a conflict of interest.</p> <p>The Regulations of the Supervisory Board determine that in the performance of their duties and in the exercise of their powers, the members of the Supervisory Board shall comply with the provisions of the Law on Prevention of Conflict of Interest in the Activities of Public Officials and other legal acts.</p> <p>The Regulations of the Executive Board stipulate what constitutes a conflict of interest involving Executive Board Members.</p> <p>Decisions to enter into transactions in which there are conflicts of interest with members of the Executive Board that are of material significance to the Company and/or the relevant members of the Board require the approval of the Supervisory Board and such transactions shall be published in the Annual Report, together with a statement of the conflict of interest and a declaration that the provisions of the relevant Regulations have been complied with.</p>
Green	Supervisory board or management board members do not participate in decision-making on matters in which the company's interests conflict with the interests of the supervisory board, management board members or persons related to them.	<p>The Regulations of the Supervisory Board stipulate that a member of the Supervisory Board who has a personal interest in a contract or decision to be decided by the supervisory board shall disclose such personal interest to the Supervisory Board before the item on the agenda is discussed and shall have no vote on the adoption of such decision.</p> <p>The same principle is laid down in the Regulations of the Executive Board.</p>
Green	Persons subject to the obligation to prevent a conflict of interest regularly participate in training on dealing with conflicts of interest	<p>Employees have an obligation to read and comply with the conflict of interest policy as defined in the Personnel Handbook and any updates thereto. Annual update training is held for high-level Company officials (Executive and Supervisory Board Members, as well as Top Management) regarding conflict of interest questions.</p>

SHAREHOLDER'S MEETING

Principle #14

The company provides shareholders with timely information on conduction of shareholders' meetings providing all the information necessary for decision-making

Compliance	Criteria	Facts
Green	The company informs shareholders in a timely manner about the agenda, course and voting procedures of the shareholders' meeting, as well as about any related changes.	<p>The Company informs its shareholders regarding the agenda, course of action, voting procedures and any other relevant items of the Shareholders Meeting within the legally required deadlines. Until 1 July 2023, the announcement on convening the Ordinary and Extraordinary Shareholders Meetings was to be sent to the shareholders no later than 30 days prior to the planned meeting and the documents to be reviewed at least 14 days prior to the planned meeting.</p> <p>On 1 July 2023 new regulations entered into force according to which the announcement on convening the Ordinary and Extraordinary Shareholders Meetings is sent out to shareholders no later than 21 days prior to the planned meeting and the Company shall ensure electronic access to documents to be reviewed at the Shareholders Meeting from the date of sending the announcement.</p>
Green	Simultaneously with the announcement of the meeting, the company provides an opportunity for the shareholders to get acquainted with the draft decisions, which are initially planned to be voted on at the meeting. The company immediately informs the shareholders of any additional draft decisions submitted.	Simultaneously with announcing the Shareholders Meeting, the Company provides shareholders with draft decisions. The Company informs shareholders immediately of any additional draft decisions.
Green	The company provides shareholders with an opportunity to submit questions on the matters included in the agenda and draft decisions before the shareholders' meeting.	Shareholders have the right to ask questions in accordance with the provisions of the Commercial Law.
Green	The draft decisions and the documents attached to them provide detailed, clear and complete information on the matter under consideration.	The draft decisions and the attached materials thereto provide detailed, clear and complete information on the matter to be reviewed at the Shareholders Meeting.

Principle #15

The company promotes effective involvement of shareholders in decision-making and the largest possible participation of shareholders in shareholder meetings

Compliance	Criteria	Facts
Green	The shareholders' meeting is convened and held at a place and time easily accessible to the shareholders.	Shareholders Meetings are held in a hybrid mode, i.e. at the registered address in-person with the option of joining the meeting online, enabling shareholders to choose either of the two options. Until 1 July 2023, the date and time of the Shareholders Meeting was announced no later than 30 days prior to the planned meeting. Since 1 July 2023 the announcement is sent no later than 21 days prior to the planned meeting.
Green	The company provides shareholders with the opportunity to participate in the shareholders' meeting remotely.	The Company provides shareholders with the opportunity to participate in the meeting remotely/online.
Green	The company determines the appropriate duration of the shareholders' meeting and provides the shareholders with the opportunity to express their opinions during the meeting and obtain the necessary information for decision-making.	The duration of the Shareholders Meeting is planned taking into account the agenda items, but shareholders are not limited in the number of questions per agenda item and are always invited to ask questions.
Green	The company announces a new shareholders' meeting if the matters included on the agenda of the meeting cannot be considered at the expected time	In 2023 there were no Shareholders Meeting at which all agenda items could not be reviewed due to a lack of time.
Green	The company invites management board and supervisory board members, candidates for supervisory board members, auditors and internal auditors, as well as other persons to participate in the shareholders' meeting in accordance with the matters to be considered at the meeting.	The Company invites Executive Board and Supervisory Board Members, candidates to the post of Supervisory Board Member, external auditors, as well as other persons to participate in the Shareholders Meeting according to the agenda items to be reviewed. In 2023, no agenda item required the Internal Auditor to participate.
Green	The shareholders' meeting makes decisions in accordance with the previously announced draft decisions.	All Shareholders Meetings of 2023 reviewed agenda items as announced ahead of the meeting.

Principle #16

The company develops and discusses the dividend policy with shareholders

Compliance	Criteria	Facts
Red	The company has developed and published an up-to-date dividend policy.	The Company has not developed a separate dividend policy. Meanwhile, the Company is under Covid-19-related state aid restrictions and currently cannot pay out dividends.
Red	The dividend policy has been discussed with the shareholders during the shareholders' meeting.	The Company has not developed a separate dividend policy.

TRANSPARENCY OF COMPANY OPERATIONS

Principle #17

The company informs shareholders and other stakeholders on a regular basis and in a timely manner of business operations, financial results, management and other relevant issues of the company

Compliance	Criteria	Facts
Green	The company discloses complete, accurate, objective, up-to-date and true information in a timely manner.	The Executive Board is responsible for the accuracy, completeness and timely presentation of information. The Company does its utmost to ensure that the information published is verified, accurate, unambiguous and prepared in accordance with high and globally recognised standards of quality.
Green	The company discloses information to all shareholders at the same time and to the same extent.	The Company discloses information to all shareholders at the same time and to the same extent. In addition, the Company informs about available financial figures and statements on the announcements page of Euronext Dublin, the stock exchange where the Company's bonds are traded, as well as publishes the information on its website. Meanwhile, the Supervisory Board Members as nominated by the majority shareholder have a reporting obligation to the Ministry of Transport and once per quarter they provide information on decisions taken and achievements completed.
Orange	The company discloses information about the company's management, strategy or lines of business on the website and publishes financial statements as well as other information in accordance with Annex No. 1.	The Company has established an Investor Relations section on its website which provides information to any third party interested in reviewing the Company's business performance. The section includes a subsection on Financial information with quarterly operational financial statements, half-yearly financial statements, and annual audited consolidated financial statements, which are published in a timely manner to provide comprehensive information on all Company material developments, including its financial position, results, ownership structure, etc. The Company has also published its values, but has not published its strategy nor business trends.
Green	The company provides information both in Latvian and at least one other language that is understandable to most of the company's foreign shareholders and other stakeholders.	Information is published in Latvian and English. The Company has also indicated contact details in the Press Releases section of its website to ensure the distribution of reliable information.

INFORMATION TO BE PUBLISHED ON THE COMPANY'S WEBSITE

Annex No. 1

Category/ criteria	Complied with	Not applicable	Not complied with	Explanation
Company				
Information about the company	X			
Information about the company's strategic objectives	X			The Company's strategic objectives are published as part of the annual accounts.
Articles of association of the company	X			
Information on the corporate governance structure of the company	X			investors.airbaltic.com/lv/korporativa-parvaldiba
Company Code of Internal Culture and Ethics	X			
Key company policies			X	The Company's intention is to publish the key policies after their update.
Shareholders and beneficial owners				
Information on the company's shareholders holding at least 5% of the company's share capital	X			
Information on the beneficial owners of the company		X		The Company's majority shareholder is the state, and it is indicated thereon, no beneficial owners are applicable.
Number of company's issued, paid-up and voting shares, bonds or other financial instruments		X		Information on bonds (including a prospectus and other details) is published on the website. Information on shares is not published as the Company is not stock listed.
Supervisory board and management board				
Regulations of the management board and the supervisory board or another similar document	X			The Regulations of the Executive Board and the Supervisory Board are not published. However, a summary of the essential information is provided on the website.
Information on each supervisory board and management board member	X			
Information on independent supervisory board members			X	Information on the independence of the Supervisory Board Members is published in the Corporate Governance Statement – with explanations.

CORPORATE GOVERNANCE STATEMENT OF AIR BALTIC CORPORATION AS OF YEAR 2023

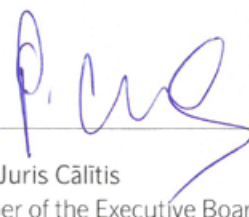
Remuneration policy of the management board and supervisory board, and remuneration report		X	The policy is in the process of elaboration.
Information on the selection (nomination) process of the management board and the supervisory board		X	
Information on supervisory board committees and the Audit committee	X		The Company only has an independent Audit Committee, no other committees.
Financial and non-financial reports and information			
Financial statements and reports of the company for at least the last 3 financial years	X		
Non-financial reports of the company	X		
Corporate governance reports	X		
The company's financial calendar or other calendar of significant and planned communication events	X		
Information for shareholders and investors			
Information on the planned shareholder's meetings	X		
Information on held shareholder's meetings		X	The Company is not stock listed, therefore the approved decisions are not published.
Company's dividend policy and information on dividends paid		X	Dividends are not paid out at the moment.
Information on transactions of related parties		X	
Announcements published by the company and relevant information for investors	X		
Contacts of the Investor Relations Officer	X		



Martin Alexander Gauss
Chairman of the Executive Board



Vitolds Jakovļevs
Member of the Executive Board



Pauls Juris Cālītis
Member of the Executive Board

GRI CONTENT INDEX

Statement of use Air Baltic Corporation AS has reported in accordance with the GRI Standards for the period January 1, 2023 until December 31, 2023

GRI 1 used GRI 1: Foundation 2021

GRI STANDARD /OTHER SOURCE	DISCLOSURE	LOCATION	REQUIRE- MENT(S) OMITTED	OMISSION	
				REASON	EXPLANATION
GRI 2: General Disclosures 2021	Organizational profile				
	2-1 Organizational details	General information on the Group's parent Com- pany, p. 4 About the report, p. 9			
	2-2 Entities included in the organization's sustainability reporting	About the report, p. 9			
	2-3 Reporting period, frequency and contact point	About the report, p. 9			
	2-4 Restatements of information	About the report, p. 9 Environment and Climate Impact, p. 34, 38-39, 41 Service and Customer Experience, p. 66			
	2-5 External assurance	About the report, p. 6			
	Activities and workers				
	2-6 Activities, value chain and other business relationships	Connecting Baltics with Abroad and Impact to Local economy, p. 22 Responsible Gover- nance, p. 72-73			

2-7 Employees	Employment, p. 49-50	<i>b. i; ii; iii</i>	Information unavailable	Currently HR system where all employee information is registered, does not provide an opportunity to register temporary contracts and thus it is not possible to list count of employees working temporary at the Group. Employees of the Group cover all business functions.
2-8 Workers who are not employees		2-8	Not applicable	The Group does not rely on workers who are not employees, and whose work is controlled by the Group.

Governance

2-9 Governance structure and composition	Responsible Governance, p. 70 Corporate Governance Statement, p. 78-80, 87-88		
2-10 Nomination and selection of the highest governance body	Corporate Governance Statement, p. 87		
2-11 Chair of the highest governance body	Corporate Governance Statement, p. 79		
2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Statement, p. 81, 91-92		
2-13 Delegation of responsibility for managing impacts	Sustainability at <i>airBaltic</i> , p.29 Corporate Governance Statement, p. 92		
2-14 Role of the highest governance body in sustainability reporting	Sustainability at <i>airBaltic</i> , p. 29		
2-15 Conflicts of interests	Corporate Governance Statement, p. 79		
2-16 Communication of critical concerns	Stakeholder engagement, p. 75 Corporate Governance Statement, p. 79, 84, 91-92		
2-17 Collective knowledge of the highest governance body	Sustainability at <i>airBaltic</i> , p. 30		

2-18 Evaluation of the performance of the highest governance body	Corporate Governance Statement, p. 79, 87, 91		
2-19 Remuneration policies	Employment, p. 55 Corporate Governance Statement, p. 90		
2-20 Process to determine remuneration	Employment, p. 55		
2-21 Annual total compensation ratio	Employment, p. 55		
Strategy, policies and practices			
2-22 Statement on sustainable development strategy	Foreword, p. 10 Sustainability at <i>airBaltic</i> , p. 29		
2-23 Policy commitments	Sustainability at <i>airBaltic</i> , p. 27-29 Responsible Governance, p. 70		
2-24 Embedding policy commitment	Sustainability at <i>airBaltic</i> , p. 28-30		
2-25 Processes to remediate negative impacts	Sustainability at <i>airBaltic</i> , p. 28-30 Responsible Governance, p. 70 Corporate Governance Statement, p. 82		
2-26 Mechanisms for seeking advice and raising concerns	Responsible Governance, p. 70		
2-27 Compliance with laws and regulations	Environment and Climate Impact, p. 40 Responsible Governance, p. 70-71		
2-28 Membership associations	<i>airBaltic</i> at a Glance, p. 15		
Stakeholder engagement			
2-29 Approach to stakeholder engagement	Responsible Governance, p. 74		
2-30 Collective bargaining agreements	Employment, p. 56		

GRI STANDARD / OTHER SOURCE	DISCLOSURE	LOCATION
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability at <i>airBaltic</i> , p. 29
	3-2 List of material topics	Sustainability at <i>airBaltic</i> , p. 29
	3-3 Management of material topics	Sustainability at <i>airBaltic</i> , p. 29
GRI 201: Economic Performance 2016		
	201-1 Direct economic value generated and distributed	<i>airBaltic</i> at a Glance, p. 11 Connecting Baltics with Abroad and Impact to Local economy, p. 22
GRI 206: Anti-Competitive Behavior		
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Responsible Governance, p. 72
GRI 305: Emissions 2016		
	305-1 Direct (Scope 1) GHG emissions	Environment and Climate Impact, p. 34-35
	305-2 Energy indirect (Scope 2) GHG emissions	Environment and Climate Impact, p. 38-39
	305-5 Reduction of GHG emissions	Environment and Climate Impact, p. 35, 37
GRI 306: Waste 2020		
	306-1 Waste generation and significant waste-related impacts	Environment and Climate Impact, p. 40-41
	306-2 Management of significant waste-related impacts	Environment and Climate Impact, p. 40-41
GRI 401: employment 2016		
	401-1 New employee hires and employee turnover	Employment, p. 50-51
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment, p. 50
GRI 402: Labor/ Management relations 2016		
	402-1 Minimum notice periods regarding operational changes	Employment, p. 56
GRI 403: Occupational Health and Safety 2018		
	403-1 Occupational health and safety management system	Flight Safety and Security, p. 44-45 Employment, p. 59
	403-2 Hazard identification, risk assessment, and incident investigation	Employment, p. 59-60
	403-3 Occupational health services	Flight Safety and Security, p. 45 Employment, p. 59

403-4 Worker participation, consultation, and communication on occupational health and safety	Flight Safety and Security, p. 45 Employment, p. 60
403-5 Worker training on occupational health and safety	Employment, p. 61-62
403-6 Promotion of worker health	Employment, p. 62
403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employment, p. 59
403-8 Workers covered by an occupational health and safety management system	Employment, p. 59
403-9 Work-related injuries	Employment, p. 60-61
GRI 404: Training and education 2016	
404-1 Average hours of training per year per employee	<i>airBaltic</i> at a Glance, p. 14 Employment, p. 57-58
404-2 Programs for upgrading employee skills and transition assistance programs	Employment, p. 57
GRI 405: Diversity and equal opportunity 2016	
405-1 Diversity of governance bodies and employees	Employment, p. 53-54
405-2 Ratio of basic salary and remuneration of women to men	Employment, p. 56
GRI 406: Non-discrimination 2016	
406-1 Incidents of discrimination and corrective actions taken	Employment, p. 53
GRI 416: Customer health and safety 2016	
416-1 Assessment of the health and safety impacts of product and service categories	Flight Safety and Security, p. 45
GRI 417: Marketing and labelling 2016	
417-2 Incidents of non-compliance concerning product and service information and labelling	Service and Customer Experience, p. 65
GRI 418: customer privacy 2016	
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Service and Customer Experience, p. 68

TAXONOMY STATEMENT

Applicability of the EU Taxonomy Regulation (EU) 2020/852 (Regulation)

The European Commission²⁰ defines the EU Taxonomy as a classification system that helps companies and investors identify 'environmentally sustainable' economic activities to make sustainable investment decisions. Environmentally sustainable economic activities are described as those which *'make a substantial contribution to at least one of the EU's climate and environmental objectives, while at the same time not significantly harming any of the six environmental objectives and meeting minimum safeguards.'*

The Taxonomy regulation sets six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems.

According to the Regulation, *airBaltic* must report on the proportion of its revenue, capital expenditure (CAPEX) and operating expenditure (OPEX) in each case indicating the share of:

- taxonomy-aligned activities,
- taxonomy-eligible but not aligned activities, and
- non-taxonomy-eligible activities.

The 'Passenger and freight transport segment' has the potential to play a significant role in reducing carbon emissions and thus could, in future, make a substantial contri-

bution to the environmental objective of climate change mitigation ([Regulation \(EU\) 2020/852](#), Article 9 (a)).

The Group operates in the sector of 'Passenger and freight air transport.' The taxonomy-eligible actions for this activity are outlined in the Commission Delegated Regulation (EU) 2021/2139 technical screening criteria. No *airBaltic* or Air Baltic Training SIA aircraft meet the specified criteria outlined in Article 3.21 of the technical screening criteria. As current aircraft technology is still progressing towards achieving zero or low-emission flying, the company cannot assert taxonomy-eligible revenues yet.

airBaltic has assessed the capital expenditures and operating expenditures related to assets or processes associated with economic activities that qualify as environmentally sustainable. In 2023, the BREEAM assessment for real estate design was deemed taxonomy-eligible but not aligned with environmentally sustainable activities (not Taxonomy-aligned activities).

airBaltic provides an overview of taxonomy-related Key Performance Indicators (KPIs): turnover proportion, capital expenditures (CAPEX) (including property, plant, equipment and intangible assets) proportion, and operating expenditures (OPEX) proportion.

²⁰ Source: ec.europa.eu/sustainable-finance-taxonomy/home

TAXONOMY STATEMENT

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year	2023			Substantial contribution criteria					Does Not Significantly Harm' (DNSH) criteria					Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
Economic Activities (1)	Code	"Turnover (TEUR)"	Proportion of Turnover (%)	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity		
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1. Environmentally sustainable activities (taxonomy-aligned)																	
n/a	–	–	–	–	–												
Turnover (A1)		–	–	–	–												
of which enabling		–	–	–	–												
of which transitional		–	–	–	–												
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
n/a	–	–	–	–	–												
Turnover (A.2)		–	–	–	–												
Turnover of Taxonomy-eligible activities (A.1+A.2)		–	–	–	–												
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
Turnover (B)		667 982	100%														
TOTAL		667 982	100%														

TAXONOMY STATEMENT

Proportion of CAPEX from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year	2023			Substantial contribution criteria					Does Not Significantly Harm' (DNSH) criteria					Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
Economic Activities	Code	CAPEX (TEUR)	Proportion of CAPEX (%)	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity		
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1. Environmentally sustainable activities (taxonomy-aligned)																	
n/a	–	–	–	–	–												
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–												
of which enabling		–	–	–	–												
of which transitional		–	–	–	–												
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
n/a	–	–	–	–	–												
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	–	–	–												
CAPEX of Taxonomy-eligible activities (A.1+A.2)		–	–	–	–												
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
CAPEX of Taxonomy-non-eligible activities		242 100	100%														
TOTAL		242 100	100%														

TAXONOMY STATEMENT

Proportion of OPEX from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year	2023			Substantial contribution criteria					Does Not Significantly Harm' (DNSH) criteria					Minimum Safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022	Category enabling activity	Category transitional activity
Economic Activities	Code	OPEX (TEUR)	Proportion of OPEX (%)	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity		
A. TAXONOMY-ELIGIBLE ACTIVITIES																	
A.1. Environmentally sustainable activities (taxonomy-aligned)																	
n/a	–	–	–	–	–												
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		–	–	–	–												
of which enabling		–	–	–	–												
of which transitional		–	–	–	–												
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																	
Building design assessment	CCM	70	0.01%	70	–												
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		70	0.01%														
OPEX of Taxonomy-eligible activities (A.1+A.2)																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																	
OPEX of Taxonomy-non-eligible activities		511 385	99.99%														
TOTAL		511 385	100%														



Independent Auditor's Report

To the Shareholders of Air Baltic Corporation AS

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Air Baltic Corporation AS (the "Company") and its subsidiaries (together - "the Group") as at 31 December 2023, and of the Company's and Group's separate and consolidated financial performance and the Company's and Group's separate and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Our opinion is consistent with our additional report to the Audit Committee dated 29 February 2024.

What we have audited

The Company's separate and the Group's consolidated financial statements (together the "financial statements") comprise:

- the separate and consolidated income statements for the year ended on 31 December 2023;
- the separate and consolidated statements of comprehensive income for the year ended on 31 December 2023;
- the separate and consolidated balance sheets as at 31 December 2023;
- the separate and consolidated cash flow statements for the year ended on 31 December 2023;
- the separate and consolidated statements of changes in equity for the year ended on 31 December 2023; and
- the notes to the separate and consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the Company and the Group 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Company and the Group are in accordance with the applicable law and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited under Article 37.⁶ of the Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2023 to 31 December 2023, are disclosed in Note 11 to the financial statements.

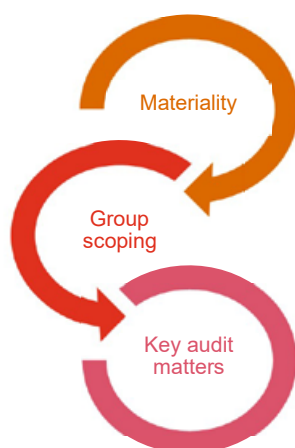
Material uncertainty related to going concern – Company and Group

We draw attention to note 2(b) ‘Going Concern’ to the financial statements, which discusses the management’s plans and needs to secure the funding to i) repay the existing bonds which mature in July 2024 and ii) to be able to meet the Group’s ongoing financing requirements.

This indicates that a material uncertainty exists that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- Overall Company materiality: EUR 6,640 thousand
 - Overall Group materiality: EUR 6,670 thousand
-
- Full scope audits were conducted for four Group entities.
 - The Group audit team performed the work on all four entities.
-
- Impairment assessment of property, plant and equipment, right of use assets and intangible assets (Company and Group)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company and Group materiality separately for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Company and Group materiality	Overall materiality applied to the Company was EUR 6,640 thousand and to the Group was EUR 6,670 thousand.
How we determined it	Approximately 1% of revenue for 2023.
Rationale for the materiality benchmark applied	<p>We chose revenue as the benchmark because revenue is the key performance indicator that determines the Company's and the Group's performance and is actively monitored by the management and investors.</p> <p>In determining this benchmark, we also considered other approaches to materiality which could have reasonably been applied including the use of thresholds based on net result or net asset measures. We concluded that the level of materiality applied remained appropriate when considering these possible alternative approaches. For revenue we have chosen 1%, which, based on our judgement, is within the range of acceptable quantitative materiality thresholds for this benchmark for a public interest entity.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 664 thousand for the Company and above EUR 667 thousand for the Group, as well as the misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern – Company and Group section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 342 836 436">Impairment assessment of property, plant and equipment, right of use assets and intangible assets (Company and Group)</p> <p data-bbox="277 465 836 922">As outlined in Notes 17, 18 and 20 to the financial statements, in the balance sheet as at 31 December 2023, property, plant and equipment of the Company and the Group amount to EUR 135,310 thousand and EUR 142,026 thousand, respectively, right of use assets of the Company and the Group amount to EUR 920,584 thousand, and intangible assets of the Company and the Group amount to EUR 18,283 thousand and EUR 17,362 thousand, respectively. Property, plant and equipment, right of use assets and intangible assets together represent 81% of the total assets of the Company and 82% of the total assets of the Group.</p> <p data-bbox="277 925 836 1043">The intangible assets include non-depreciable assets (trademark) and as such are required to be tested by Management for impairment every year.</p> <p data-bbox="277 1046 836 1534">In respect of the cash generating unit (CGU) represented primarily by the ongoing business of the Airbus 220 fleet and given the ongoing impact on the operations of the business arising from the geopolitical and economic situation in 2023 and going forward, management have undertaken an impairment assessment of the carrying value of this CGU. The key assumptions underlying this assessment are underpinned by the approved business plan “IPO & BEYOND”. In undertaking an impairment assessment management should determine if the carrying value is higher than the recoverable amount which is the higher of fair value and value in use (“VIU”). Management used VIU to determine recoverable amount.</p> <p data-bbox="277 1536 836 1778">We focused on the risk of impairment as the assets are significant to the financial statements, the value in use estimation involves a number of subjective judgements and estimates by management, many of which are forward-looking, including the assumptions related to cash flow forecasts of the CGU, selection of discount rate and growth rates.</p>	<p data-bbox="868 342 1455 524">We obtained the impairment assessment prepared by the management and gained an understanding of the process of the management’s evaluation of the recoverable amount of property, plant and equipment, right of use assets and intangible assets.</p> <p data-bbox="868 526 1455 676">Our audit procedures included, among others, assessment of the methodologies and assumptions used by the management, in particular those related to the forecasted growth rate estimates, fuel costs and discount rates.</p> <p data-bbox="868 678 1455 1167">We evaluated and challenged the future cash flow forecasts of the CGU, and the process and the assumptions used from which the cash flow forecasts were drawn up, and we checked the mathematical accuracy of the resulting VIU calculations. In doing this, we compared the forecast used for the impairment test to the latest approved budget and plans and assessed their reasonableness by comparing those to recent years’ (2019 – 2023) actual results and the recent past track record of the management’s accuracy in forecasting. We reviewed the key assumptions for short-term flying (in particular leasing out of excess capacity and supply chain issues) and long-term growth rates in the forecasts by comparing them to third party economic and industry forecasts.</p> <p data-bbox="868 1169 1455 1288">For the discount rate applied by management to discount the future cashflows in their model we reviewed management’s methodology and inputs used, involving auditor’s valuation specialists.</p> <p data-bbox="868 1290 1455 1534">We recalculated management’s own sensitivity analysis of key assumptions used in the VIU assessment and performed our own sensitivity analysis by replacing key assumptions with alternative scenarios in order to ascertain the extent of change in those assumptions that either individually or collectively would be required for assets to be impaired.</p> <p data-bbox="868 1536 1455 1655">We analysed the changes in the assumptions over time to assess whether the current assumptions appropriately reflect the observed changes and uncertainty in the current operating environment.</p> <p data-bbox="868 1657 1455 1809">We challenged management on inclusion of cash flows from all appropriate assets and liabilities and operations in the cash-generating unit, including the ability to safely defer any capital expenditures previously expected to be undertaken earlier.</p> <p data-bbox="868 1812 1455 1930">We reviewed the disclosures on impairment in the financial statements included in Notes 17, 18 and 20 to determine whether they meet the disclosure requirements of IFRS.</p>



How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We are the statutory auditors of the Company and all its three subsidiaries. We covered 100% of the Group's revenues and 100% of the Group's total assets.

Reporting on other information

Management is responsible for the other information which is included in the accompanying Sustainability and Annual Report 2023. The other information comprises in particular:

- General information on the Group's Parent company, as set out on page 4 of the accompanying Sustainability and Annual Report 2023;
- Glossary, as set out on page 5 of the accompanying Sustainability and Annual Report 2023;
- the Management report, as set out on pages 118 to 136 of the accompanying Sustainability and Annual Report 2023;
- the Statement of Management Responsibility, as set out on page 136 of the accompanying Sustainability and Annual Report 2023;
- the Consolidated non-financial report, as set out on page 136 of the accompanying Sustainability and Annual Report 2023;
- Taxonomy Statement, as set out on pages 106 to 109;

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

Our opinion on the financial statements does not cover the other information identified above. However, information included on pages 9 to 105 of the accompanying Sustainability and Annual Report 2023 was subject of our verification to which we have issued a separate limited assurance report on pages 6 to 8.

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 of the Republic of Latvia. Those procedures include considering whether the Management report is prepared in accordance with the requirements of the applicable legislation.

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Corporate Governance Statement, our responsibility is to consider whether the Corporate Governance Statement includes the information required by section (3) of Article 56.² of the Financial Instruments Market Law.

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

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Management report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia; and



- the Corporate Governance Statement includes the information required by section (3) of Article 56.² of the Financial Instruments Market Law.

Furthermore, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Consolidated non-financial report, our responsibility is to report whether the Company and the Group have prepared the Consolidated non-financial report and whether the Consolidated non-financial report is included in the Management Report or prepared as a separate element of the Annual Report.

We hereby report that the Company and the Group have prepared a Consolidated non-financial report, and it is included in the Management report.

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. 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 IFRS Accounting Standards as adopted by the EU 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 and the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 and the Group'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 and the Group'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 or the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Company and the Group on 14 April 2015. Our appointment has been renewed annually, since then, by shareholder resolution. On 23 July 2019 the Company listed Euro denominated bonds on the Euronext Dublin stock exchange and accordingly the first financial year the Company qualified as an EU PIE was the year ended 31 December 2019. Since then, the total period of uninterrupted engagement appointment was 5 years.

The engagement partner on the audit resulting in this independent auditor's report is Eva Jansen-Diener.

Eva Jansen-Diener
Persona per Procura

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Certified auditor in charge
Certificate No. 168

Riga, Latvia
29 February 2024

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29 February 2024

AIR BALTIC CORPORATION AS GROUP KEY FIGURES

Consolidated financial figures (EUR thousand)	2023	2022	Changes
Revenue and other income	667 982	500 170	34%
Passenger revenue	539 198	399 811	35%
Ticket revenue	496 599	367 422	35%
Ancillary revenue	42 599	32 389	32%
ACMI lease revenue	100 701	77 140	31%
Adjusted EBITDAR	158 938	82 916	76 022
Adjusted EBITDAR margin (%)	23.8%	16.6%	7.2pp
Operating profit	80 338	32 004	48 334
Adjusted EBIT	88 929	7 125	81 804
Profit / (loss) for the year	33 652	(54 219)	87 871
Total assets	1 324 707	1 158 922	14%
Non-current assets	1 212 618	1 056 672	15%
Total equity	(48 307)	(81 984)	(41%)
Borrowings, including lease liabilities	1 150 534	1 060 818	8%
Net debt	1 121 476	1 022 819	10%
Cash and cash equivalents	29 058	37 999	(24%)

Air Baltic Corporation AS (hereinafter – airBaltic, airline, the Company or the Parent company) along with its subsidiaries – Air Baltic Training SIA, Baltijas Kravu Centrs SIA and Aviation Crew Resources AS (altogether hereinafter – the Group), on the consolidated basis earned record revenue in 2023 of EUR 668 million, which is a 34% increase compared to 2022, and 31% above the 2019 level. The Group has posted positive net income for the first time during the post pandemic period which reached EUR 33.7 million, while the adjusted EBITDAR reached EUR 158.9 million and operating profit reached EUR 80.3 million all of which were record setting results for airBaltic.

The results were achieved despite significant headwinds both related to the industry and specifically to airBaltic. Among the challenges were:

- as in 2022, a significant shortage of spare aircraft engines persisted throughout 2023 which prevented airBaltic from flying at full capacity and forced the airline to wet-lease capacity from other operators to support its operations during the peak summer months,
- as in 2022, the markets in Ukraine, Russia and Belarus remained closed due to the Russia – Ukraine war,
- fuel prices remained very high compared to historic averages.

Despite the difficult circumstances, the airline was able to grow its revenues for both its own network and its ACMI operations where 14 aircraft flew for other European carriers throughout the Summer season.

TAXES

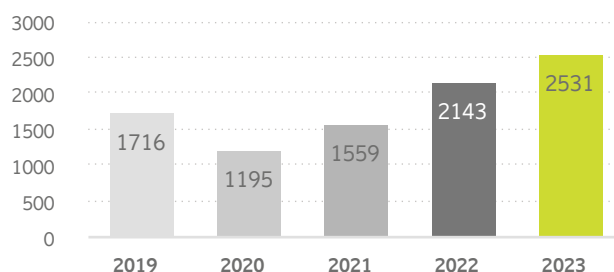
In 2023, the Group and its employees contributed over EUR 42 million in taxes to the Republic of Latvia. This amount included:

- EUR 27 million in social security contributions (employer and employee),
- EUR 14.5 million in employee personal income tax,
- EUR 0.5 million in corporate income tax, and
- EUR 0.2 million in other taxes.

PERSONNEL

At the end of 2023, the Group employed more than 2.5 thousand people, which is 18% growth over the previous year. The increase in headcount was mainly driven by increased aircraft capacity throughout 2023 and production plans of 2024, which due to significant lead times for hiring and training crew and technical personnel affected the number of personnel in 2022 and 2023 accordingly.

GROUP EMPLOYEE HEADCOUNT (YEAR END)



Currently the Group employs more than 30 different nationalities; average age of employees – 33.8; average length of employment in the Group – 5.3 years. Proportion between male and female is 54/46.

In 2023 the Group allocated a significant budget for the Employees remuneration review considering salary market dynamics.

The primary driver behind the increase in personnel costs was the strategic decision to cease operations and liquidate Aviation Crew Resources AS (hereinafter – ACR), a subsidiary of Air Baltic Corporation AS. Given that ACR had been leasing personnel to Air Baltic Corporation AS, the liquidation of ACR also had implications for its employees. Recognizing the value of the ACR workforce, airBaltic sought to maintain collaboration with ACR employees. Consequently, a new remuneration package was developed as part of an offer extended to pilots, aiming to incentivize attraction to join Air Baltic Corporation AS effective February 1, 2023.

In 2021 the Group initiated a negotiation process with four trade unions representing the Group employees to revise the collective agreement which was effective since 2009. Representatives of the Group and the trade unions acknowledged the necessity to review the previously agreed terms of the Collective Agreement and to update it in accordance with evolving needs of employees and business operations. In January 2023 an agreement on enhancement of current Collective Agreement was reached with three of the trade unions for one year period. The mentioned Collective Labour Agreement amendment has been in force throughout 2023, and the Group has agreed with trade unions to prolong it to another year until 31 January 2025.

The airline has been named as a Top Employer in Transport and Logistics industry in Latvia yearly since 2012 and a Top 3 Employer in Latvia in 2023.

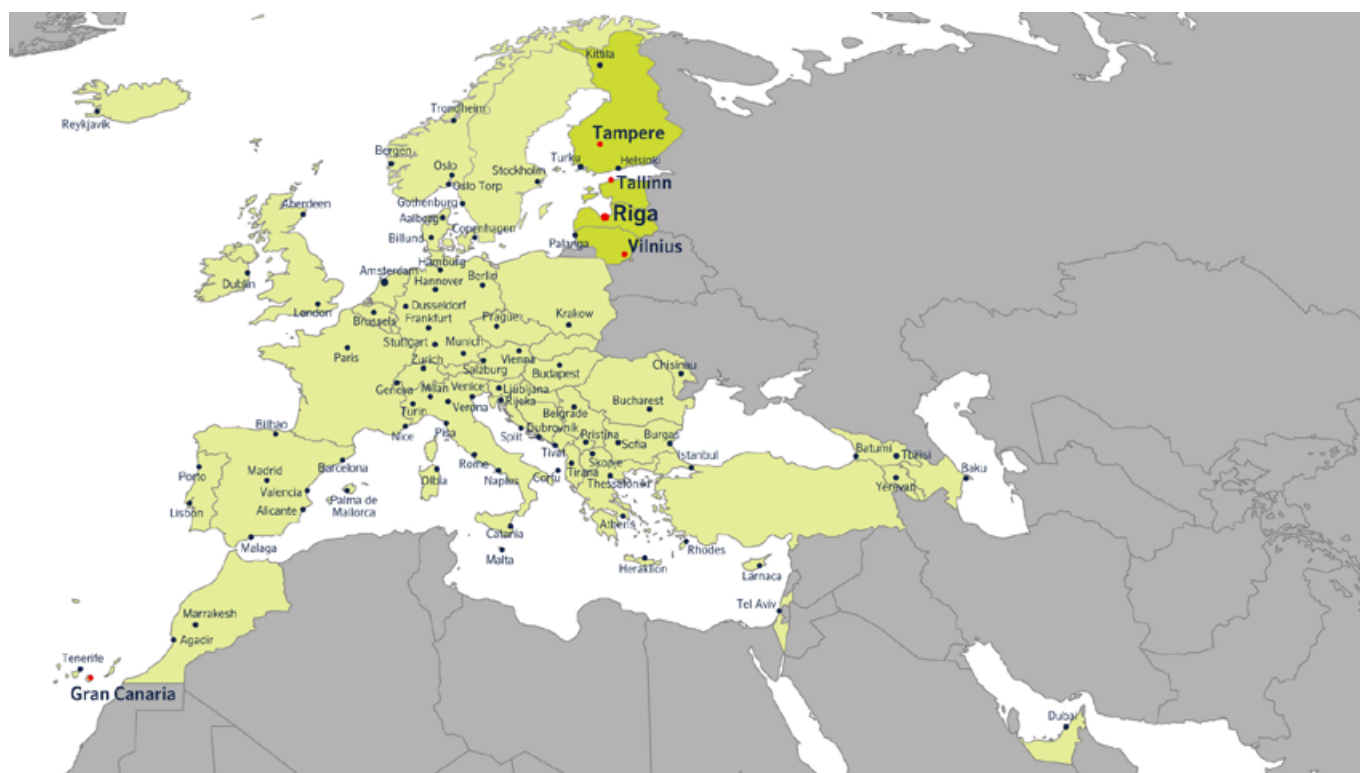
AIR BALTIC CORPORATION AS

Key events and milestones in 2023

- In October the airline signed a new purchase agreement with Airbus by converting its 30 options and purchase rights for A220-300 aircraft into firm orders with first delivery coming in Q4 of 2026 and on top of that signed up for another 20 purchase rights.
- The airline continued the expansion of its fleet accepting seven new A220-300 aircraft.
- The airline operated a record 14 aircraft on ACMI contracts with European flag carriers throughout the summer season.
- AirBaltic opened a new base in Gran-Canaria for the 2023/24 winter season.
- AirBaltic operated a record 126 routes, including 38 new routes (11 from Riga, 8 from Tallinn, 8 from Vilnius, 5 from Tampere, and 6 from Gran Canaria).
- Two significant codeshare agreements were signed with Delta Airlines and Turkish Airlines.
- The airline fully transitioned to a single type A220-300 fleet as it returned the last De Havilland Q400s in February of 2023 thus completing the phase out of Q400s from its fleet. Q400 operations were already discontinued in April 2020.
- airBaltic signed an agreement with SpaceX to equip its entire Airbus A220-300 fleet with SpaceX's Starlink internet connectivity system.
- The airline reached a milestone of 2 500 employees and was named the best employer in transport and logistics sector in Latvia.
- In Q4 of 2023, the airline engaged several advisors and kicked off its journey towards the IPO.

Network and strategy

2023 was marked by significant expansion in scheduled flying across all bases, with 38 new routes launched throughout the year. Riga hub was strengthened with new routes to the South-Eastern part of Europe and Caucasus region (Istanbul, Bucharest, Belgrade, Tivat, Baku and Yerevan). This expanded the number of geographically advantageous connections available via Riga, in some part compensated for the lost transfer traffic to Ukraine and Russia. In Tallinn, Vilnius and Tampere the leisure portfolio was further strengthened with new destinations such as Heraklion, Nice and Dubrovnik in Summer 2023, and Tenerife, Dubai and Turin in Winter 2023/2024. In December 2023, a new seasonal base in Gran Canaria was launched with two Airbus A220-300 serving non-stop routes to Norway (Oslo, Oslo Torp, Bergen), Denmark (Aalborg, Billund, Copenhagen), Finland (Tampere), Estonia (Tallinn) and Lithuania (Vilnius). Gran Canaria historically has been one of the most popular winter destinations in the Nordic countries with close to 950 thousand visitors in 2019, and 736 thousand in 2022. Operating the base in Gran Canaria increases aircraft utilization during the less active winter season, while increasing airBaltic's brand recognition in the Nordic countries.



Number of routes operated	2022 actual	2023 actual	2024 planned
Riga	73	76	78
Tallinn	12	19	22
Vilnius	11	15	15
Tampere	7	10	8
Gran Canaria	-	6	6
Other*	-	-	2

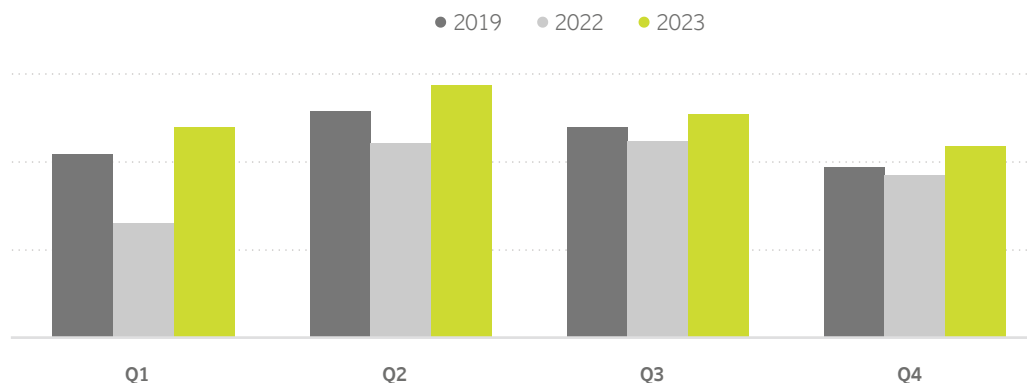
* New routes: Palanga – Amsterdam, Copenhagen – Oslo Torp

MANAGEMENT REPORT

Air Baltic Corporation AS (continued) Network and strategy (continued)

The booked revenue continued to improve throughout the year – in Q4 the booked revenue also improved and was higher by 19% than in Q4 of 2022 and by 13% than in Q4 of 2019.

ESTIMATED REVENUE FROM BOOKINGS, EUR



Market development

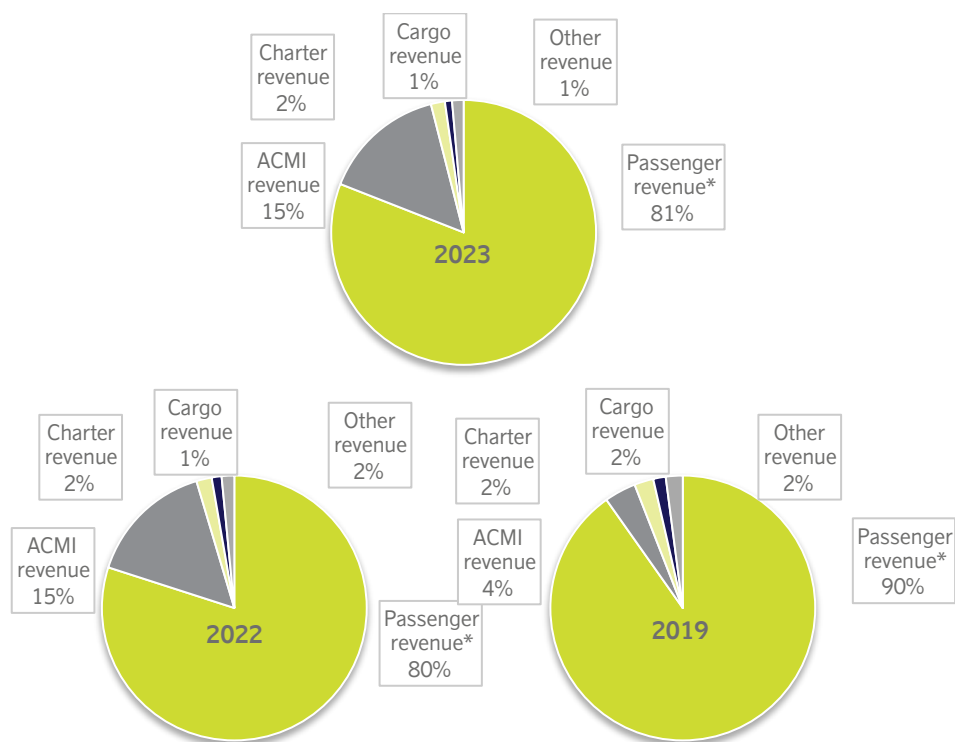
The Baltic markets continued their post-pandemic recovery in 2023 which led to increased demand for leisure, business and VFR (visiting friends and relatives) trips than in 2022. Average fares were significantly higher in 2023 compared to 2019 due to the overall inflationary environment, high fuel price environment, pent-up demand for travel and slow ramp-up of capacity in Europe due to supply chain issues. The main drivers in 2023 were:

- increasing demand for leisure travel, leading to unprecedented offering of leisure and holiday routes,
- business related travel showed much stronger recovery throughout 2023 compared to 2022 which enabled airBaltic to grow on regional and trunk routes,
- strong focus on increasing hub connectivity in Riga, including new destinations in the South-Eastern part of Europe. Transfer flows from Estonia and Lithuania were also increasing,
- steady growth in Tallinn and Vilnius, where airBaltic enjoys a strong position on key European hub connections (Amsterdam, Paris, Munich), combined with a strong leisure portfolio in summer and winter,
- increasing flying outside of the Baltic countries, with new routes in Tampere, and a new seasonal base in Gran Canaria which helped increase the Q4 revenues.

In 2022, the airline started developing a new strategic direction of selling a significant part of its capacity on ACMI contracts to reputable EU flag carriers. In 2023 this trend continued as AirBaltic successfully deployed 14 aircraft on ACMI contracts to Lufthansa group and SAS during the summer season and 4 aircraft to Lufthansa group during Q4 of 2023. The average number of aircraft dedicated to the ACMI-out business line increased from 7.4 to 9.8 and is expected to increase further in 2024. In 2023 the ACMI-out revenues reached 15% of the total revenues. The ACMI lease revenue contributes significantly higher EBITDAR margins than the passenger revenue thus improving the average EBITDAR margins for the Group.

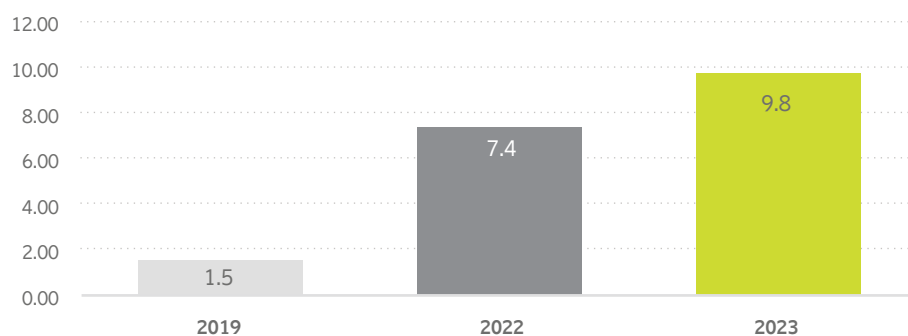
MANAGEMENT REPORT

Air Baltic Corporation AS (continued)
Market development (continued)



* Passenger revenue includes ticket, ancillary and other traffic revenue

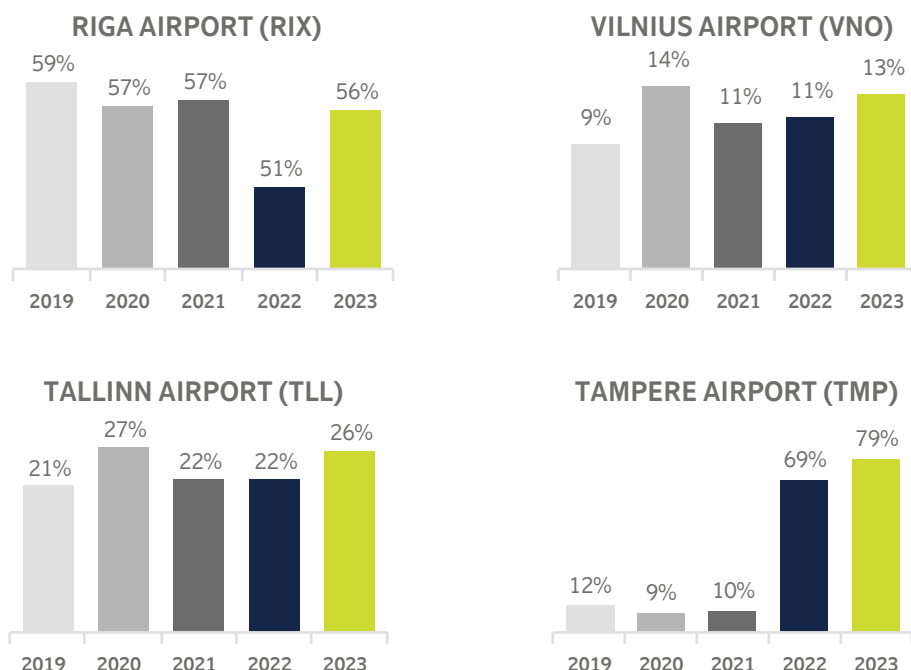
AVERAGE ACMI-OUT FLEET



MANAGEMENT REPORT

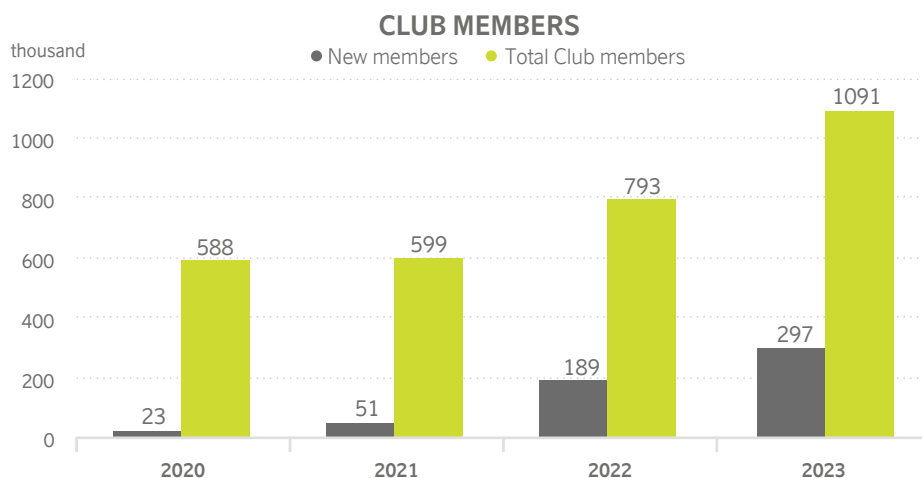
Air Baltic Corporation AS (continued) Market development (continued)

Despite the Eastern destinations remaining closed and continuous shortage of its own capacity due to spare engine supply issues, the airline was able to increase its market share in Riga by 5 percentage points to a total of 56% as well as growing market shares in Tallinn, Vilnius and Tampere. In Tallinn and Vilnius, except for 2020 which was an abnormal year due to pandemic, the airline achieved its highest ever market shares.



Loyalty Program

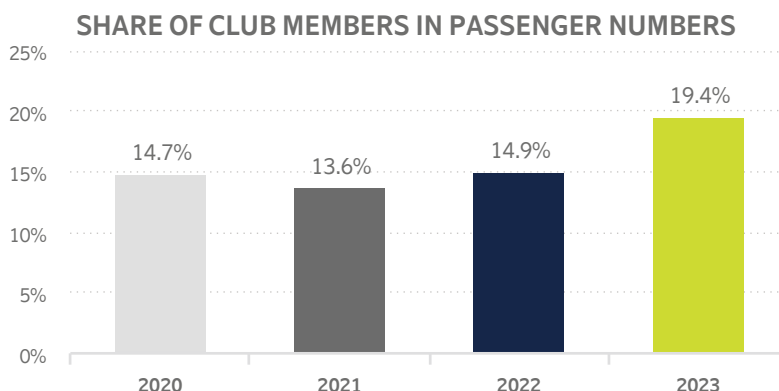
To nurture long-term relationships with customers, airBaltic continually enhances its loyalty program, airBaltic Club. This program enables clients to earn points while traveling, which can be exchanged for various compelling rewards. Focusing exclusively on the travel industry, airBaltic Club attracts travel-related partners, including hotels, car rentals, and insurance providers. The total number of Club members in 2023 reached 1 million, a remarkable 38% increase from 2022. In total 297 thousand new members have joined airBaltic Club in 2023.



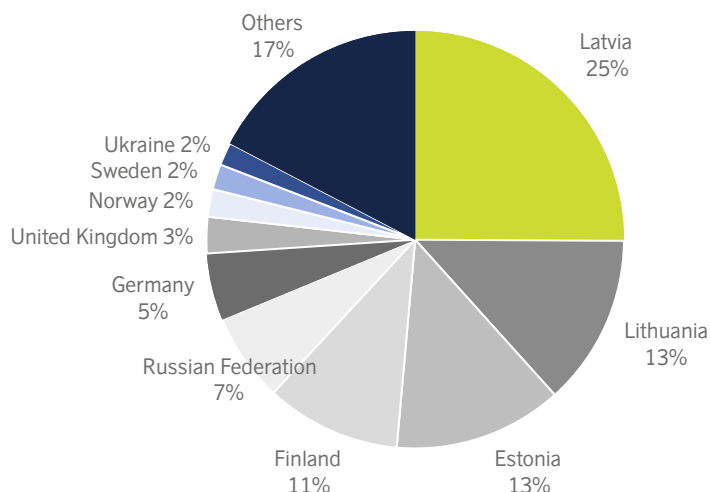
MANAGEMENT REPORT

Air Baltic Corporation AS (continued) Loyalty Program (continued)

In 2023 the average penetration (program members' flown flights from all airBaltic flights) of the program has reached 19.4% (vs. 14.9% in 2022) and is the highest in the program's history.



The majority of members, exceeding 51%, come from the Baltic States, with substantial numbers also originating from Finland, Russia, Germany, the United Kingdom, Norway, and Sweden.



Operating Performance

In 2023, the airline closed the seat capacity gap to pre-COVID-19 levels of 2019 to 7% with the trend to continually narrow the gap towards the end of the year when in Q4 the gap decreased to 3%.

Quarterly seat capacity ('000)	Q1	Q2	Q3	Q4	Total
2023	1 218	1 687	1 856	1 586	6 346
2022	952	1 412	1 484	1 335	5 183
Change	28%	19%	25%	19%	22%
2019	1 338	1 866	2 014	1 636	6 855
Change	(9%)	(10%)	(8%)	(3%)	(7%)

MANAGEMENT REPORT

Air Baltic Corporation AS (continued) Operating Performance (continued)

The seat capacity deployed in 2023 was 22% above 2022 levels. The airline was able to successfully fill the extra seats as evidenced by the load factor growth from 71.2% in 2022 to 76.7% in 2023. Furthermore, the airline was able to set a new all-time load factor record of 76.7% which is 0.9 percentage points better than 2019. This trend is even more remarkable considering that average seat density per flight in 2019 due operation of 12 De Havilland Q400s was 109 seats while the average seat density per flight in 2023 was 144 due to significant number of flights being carried out by wet-leased A320s.

Quarterly airBaltic flights	Q1	Q2	Q3	Q4	Total
2023	8 696	11 598	12 679	11 140	44 113
2022	6 792	10 133	10 788	9 589	37 302
Change	28%	14%	18%	16%	18%
2019	12 740	16 993	18 046	14 969	62 748
Change vs 2023	(32%)	(32%)	(30%)	(26%)	(30%)

Flights including ACMI-out

2023	11 354	19 171	20 074	14 908	65 507
2019	12 753	18 179	19 617	15 616	66 165
Change	(11%)	5%	2%	(5%)	(1%)

The total number of flights including the ACMI-out operation reached 65.5 thousand which was 30% above the 2022 levels and still 1% short of 2019 levels, however in terms of total seat capacity the airline has set new record of 9.4 million seats which was 33% more than in 2022 and 28% more than in 2019. Total number of passengers transported by airBaltic (including ACMI-out passengers) reaches 6.9 million.

	2023	2022	Change
Airline fleet statistics			
Number of aircraft at end of period*	46	39	18%
Fleet age (years)	3.1	2.6	17%

Airline operating statistics without ACMI-out operations

Block hours	97 259	77 098	26%
Flight hours	83 906	66 444	26%
Flights	44 113	37 302	18%
Utilization (block hours per aircraft per day)	6.9	7.1	(2%)
Number of passenger segments ('000)	4 536	3 342	36%
Seat capacity ('000)	6 346	5 183	22%
Average aircraft stage length (km)	1 289	1 210	7%
ASKs (million km)	8 213	6 299	30%
RPKs (revenue passenger kilometres) (millions)	6 300	4 483	41%
Load factor (%)	76.7%	71.2%	5.5pp

Airline total operating statistics

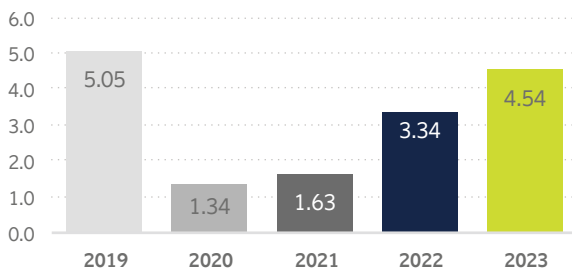
Block hours	132 943	103 923	28%
Flight hours	112 641	89 275	26%
Flights	65 507	50 385	30%
Utilization (block hours per aircraft per day)	7.6	7.7	(0.4%)
ASKs (million km)	10 781	8 516	27%

* Excluding the phased out and grounded De Havilland Q400 fleet of 1 aircraft at end of FY2022

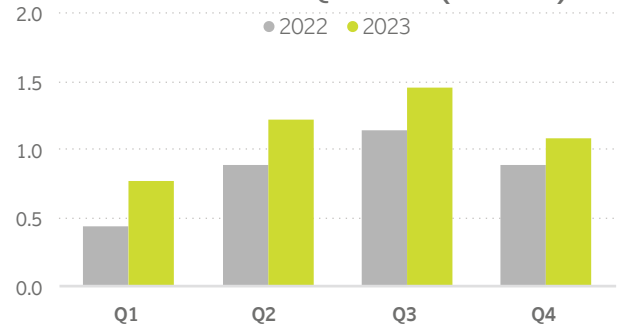
MANAGEMENT REPORT

Air Baltic Corporation AS (continued)
Operating Performance (continued)

PASSENGERS (MILLION)



PASSENGERS PER QUARTER (MILLION)



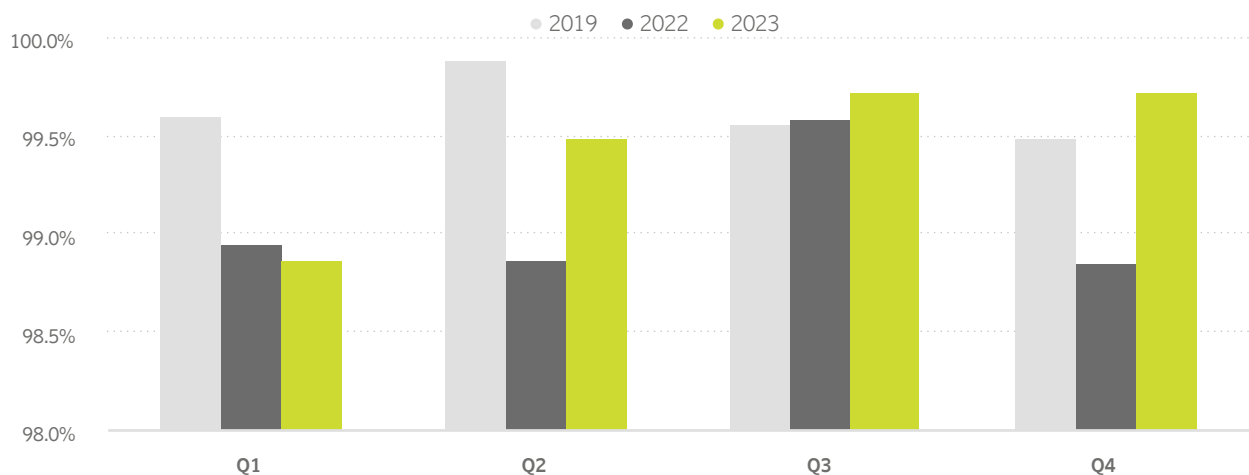
Regularity, Punctuality and Customer Service

In 2023, airBaltic's flight regularity rate was 99.5% (in 2022: 99.1%). Regularity rate was stable throughout the year.

In 2023, airBaltic's 15 minute punctuality rate reached 71.2% (in 2022: 71.7%). The punctuality levels were significantly below airBaltic's internal targets and were primarily driven by the following factors:

- Air Traffic Control (ATC) restrictions,
- restrictions at airport of destination,
- ground handling caused delays – lack of staff, loading and unloading issues,
- various operational knock-on effects from having shortage of operational spare capacity due to engine shortage.

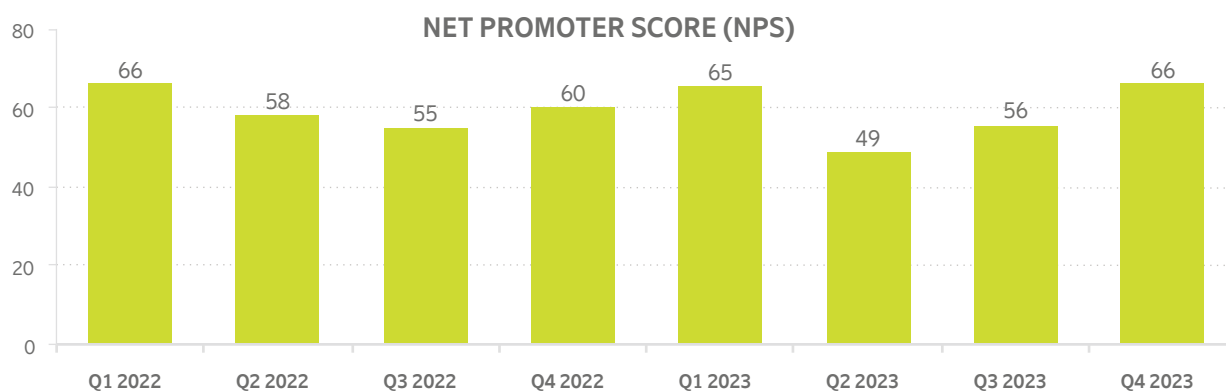
REGULARITY



MANAGEMENT REPORT

Air Baltic Corporation AS (continued) Regularity, Punctuality and Customer Service (continued)

Despite the operational disruptions in regularity and punctuality and replacement of airBaltic's fleet with ACMI-in capacity, airBaltic's net promoter score improved both vs. Q2 of 2023 and Q3 of 2022. As the airline was able to fully operate its own fleet during most of Q4, the NPS increased to its peak level of 66.



In 2023 Skytrax had named airBaltic the winner of the Best Airline in Eastern Europe award for the second year in a row.

Engine Issues and Related Disruptions

The spare engine supply issues which started in 2022 persisted throughout 2023 and had a major impact on airBaltic's operations. This once again prevented the airline from flying its own fleet at full capacity. During the Summer season airBaltic had on average 9 aircraft on the ground due to the shortage of spare engines. To mitigate the situation the airline was forced to wet-lease in aircraft from other ACMI providers, and often at short notice. Shortage of spare engines adversely affected multiple areas:

- increase in fuel burn as the more modern and fuel efficient A220-300 were replaced with typically 10 to 20 years old aircraft with larger seat capacity and previous generation engines,
- punctuality and regularity were significantly below airBaltic's internal targets and historic standards. This situation was caused by technical disruptions and operational complexity, with a significant portion of the capacity being replaced by ACMI-in from several different operators. In addition, there were cases when sourcing of ACMI-in capacity was impossible due to no suitable aircraft being available in the market on short notice,
- reduced load factors – as significant number of ACMI-in aircraft (almost 65% of the ACMI-in flights during peak summer were performed by aircraft which had at least 30-40 more seats compared to A220-300) were inserted into airBaltic's network at short notice, airBaltic did not have enough lead time to sell the extra seats resulting in lower load factors than planned,
- airport charges and ground handling fees were on average higher due to larger aircraft replacing A220-300s,
- ACMI-in costs reached record levels as on average there were 7 aircraft wet-leased throughout the summer season compared to 3 during 2022 summer,
- lower fleet utilization,
- Net Promoter Score, as a significant number of passengers were negatively affected by the disruptions.

To mitigate the issues caused by the unprecedented shortage of the engines, the airline signed a supplemental commercial support agreement with its engine manufacturer. The supplemental commercial support agreement specifies the support the airline will receive in case its aircraft are unavailable for operations due to defined engine operational issues and if there are no replacement engines available. The management expects the engine shortage to continue in 2024 but to a lesser extent compared to 2023. The overall performance of the engine is improving, as indicated by a reduced removal rate and less problems with the previous trouble issues, such as bearing oil leakages. However, a continued engine shortage in 2024 is expected and will be driven primarily by a new issue – powdered metal. Unlike the previous issues, which were driven by immature new technology, the powdered metal issue is a production quality issue. It was announced by Pratt & Whitney to also affect the PW1500 series engine in October 2023. A quality escape during the production process resulted in parts not meeting the desired specification. As a result, these engines will be subject to more frequent inspections and removals. The total number of affected engines for airBaltic exceeds 45 and planning mitigations have been introduced to minimize the impact. The most significant impact for removals will occur in 2024, while by P&W estimates it may take a number of years to fully eliminate all relevant parts from existing engines and the supply chain.

MANAGEMENT REPORT

Air Baltic Corporation AS (continued)

Utilization

As the airline gradually shifts away from hub and spoke model out of Riga towards more point to point, the average network utilization is expected to improve. Due to a significant number of airBaltic's network flights performed by the wet-leased aircraft the A220-300 fleet's actual utilization in 2023 was 6.9 block hours per day. However, in the normal course of business, assuming normal availability of the engines, and assuming all the network flights were performed by airBaltic's own fleet, the 2023 utilization would have reached 8.3 block hours per day or 0.6 block hours better than during the same period in 2022. The normalized utilization for total operations would have been 8.7 block hours per day which is just 1.5% short of 2019 levels.

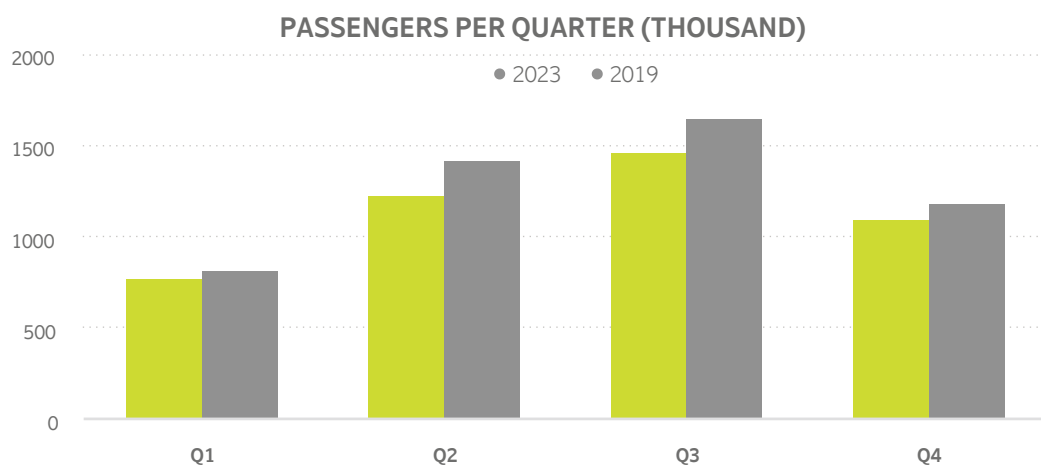
Aircraft utilization, block hours

Airline operations	2023	2022	Change	2019	Change
Utilization	6.9	7.1	(2.1%)	8.8	(21.0%)
Utilization normalized*	8.3	7.7	8.5%	8.8	(5.1%)
Total operations	2023	2022	Change	2019	Change
Utilization	7.6	7.7	(0.4%)	8.9	(13.6%)
Utilization normalized*	8.7	8.2	7.0%	8.9	(1.5%)

*ACMI-in block hours included and assumed to be flown by A220-300 aircraft which were AOG

Financial Performance

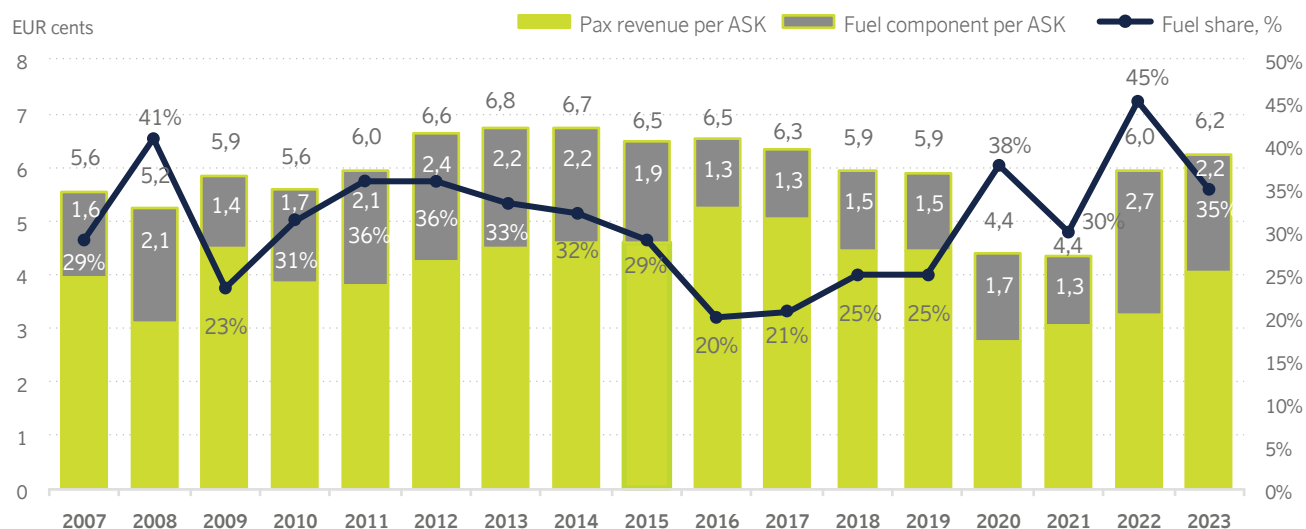
In 2023, the airline continued its path to recovery to pre-COVID-19 levels, reducing the gap on the capacity, passenger volumes and total revenues vs. 2019. The airline transported 4.5 million passengers in 2023 which is still short of the 2019 level of 5 million, however, considering closure of the Eastern markets and operational disruptions due to aircraft availability, the recovery trajectory is viewed very positively by the management. The passenger gap between 2023 and 2019 narrowed to 7% in Q4 and the airline expects to exceed 2019 passenger levels in 2024.



MANAGEMENT REPORT

Air Baltic Corporation AS (continued) Financial Performance (continued)

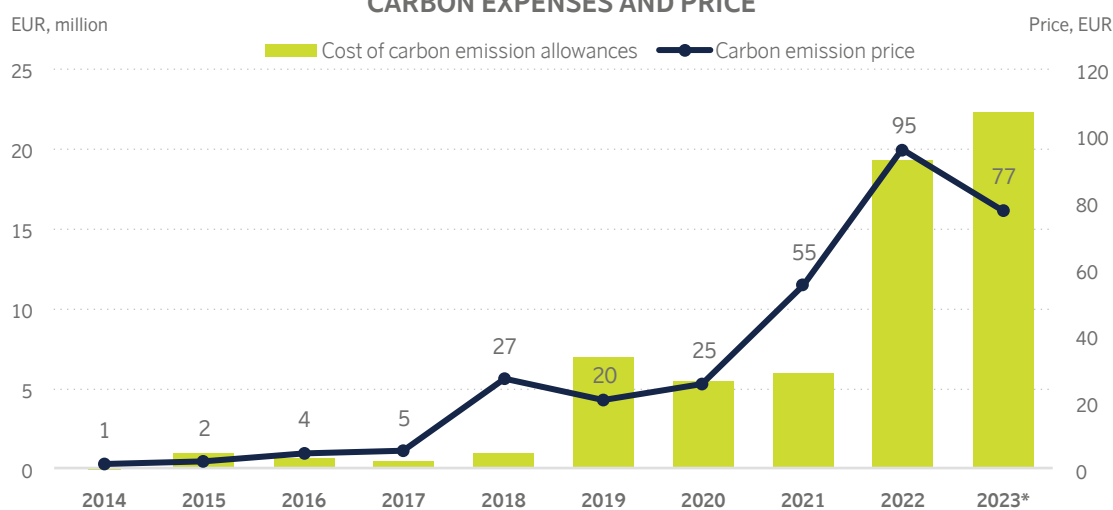
The average passenger yield in 2023 was EUR 8.1 cents which was 3% less than EUR 8.4 cents in 2022 and 4% increase vs. the yield in 2019. The yield is primarily affected by the market competition, purchasing power of the population and indirectly by the fuel prices which affect the overall prices in the market. If the fuel prices continue to remain high the yields are expected to increase. Even though there was improvement in yields, the fuel costs were still significantly above historical averages.



The average fuel market price in 2023 was USD 887 per ton which was 19% lower than 2022 and 41% above the 2019 levels. With the outbreak of COVID-19 the airline had suspended its hedging activities primarily due to loss of credit capacity with the commodity hedging counterparties therefore it had only 3.4% of its fuel exposure hedged for 2023. As of the date of this report the airline has hedged 13.1% at the price of EUR 732.5 per ton of its expected fuel consumption for 2024 and will continue to gradually increase its hedged position as the credit relationships with the hedging counterparties are restored.

An increasingly significant part of the total costs can be attributed to the costs of the carbon emission allowances which are part of the EU, CH and UK Emission Trading System requirements. In 2023, the airline made accruals for the total of EUR 22 million which was a 16% increase on 2022. The EU ETS carbon prices have significantly increased over the past 3 years and so have the total carbon costs for the airline. The airline will have to submit the carbon emission allowances under EU ETS in September of 2024 and as of the date of this report the airline had 22% hedged at the average price of EUR 75 per ton.

CARBON EXPENSES AND PRICE

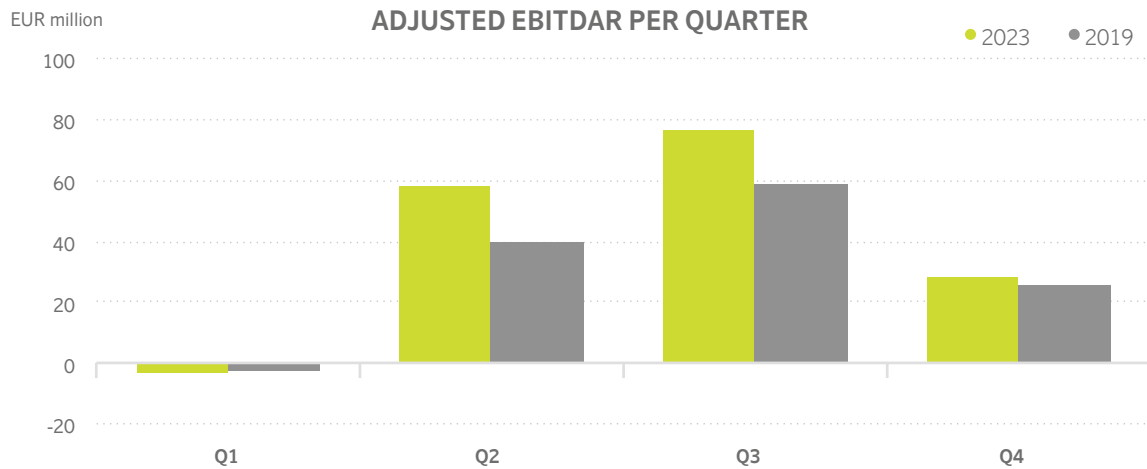


*FY2023 based on 31st Dec 2023 emission price
Note: Carbon emission price based on settlement

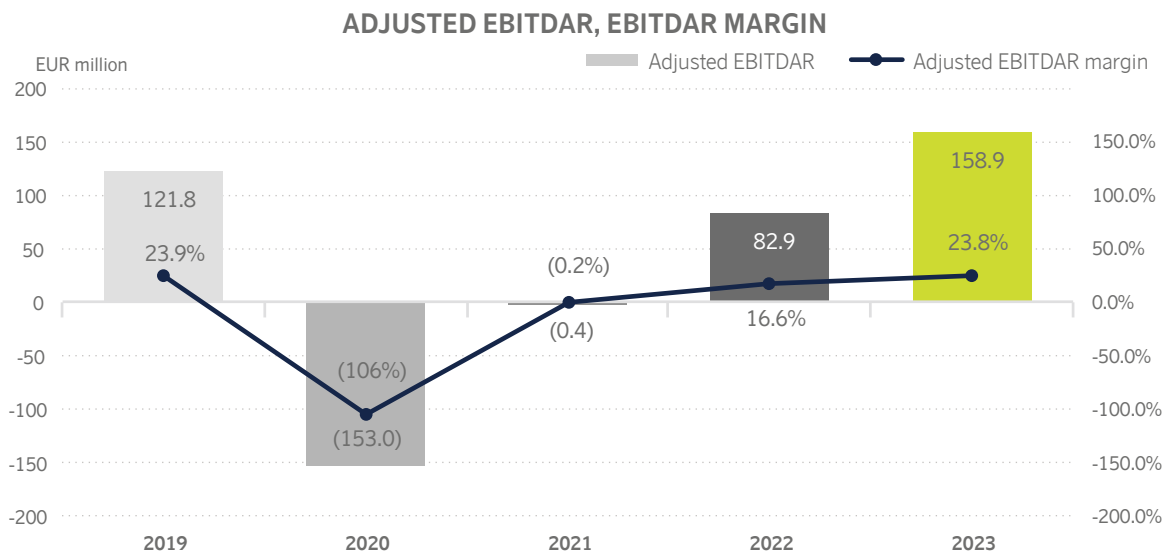
MANAGEMENT REPORT

Air Baltic Corporation AS (continued) Financial Performance (continued)

In 2023, the airline continued to improve its margins – adjusted EBITDAR margin reached 23.8% which is below 2019 while in absolute terms the adjusted EBITDAR grew to record levels of EUR 158.9 million.



The table below shows overall Group's adjusted EBITDAR and adjusted EBITDAR margins in 2023.



2023 was the first post pandemic year during which the airline posted positive net income. For 2023, the Group reported a net income of EUR 33.7 million. This figure included EUR 16.5 million gained from the revaluation of USD-denominated liabilities and EUR 8 million resulting from the release of provisions for legal disputes. Even considering the non-operational one-offs the airline operated with a positive net income of EUR 10.1 million on a comparable basis.

The unrealized foreign exchange non-cash net income from the revaluation of USD and other foreign currency denominated assets and liabilities of EUR 16.5 million was booked based on the year-end EUR/USD exchange rate of 1.11 (31 December 2022 rate was EUR/USD 1.07). At the end of 2023 the airline had USD 592 million in long term and short-term US dollar liabilities which means that EUR appreciation or depreciation vs. USD by 1 US cent results in an additional gain or loss of about EUR 4.8 million.

MANAGEMENT REPORT

Air Baltic Corporation AS (continued)
Financial Performance (continued)

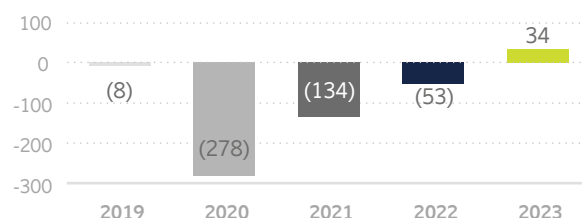
(EUR thousands, except where otherwise stated)

	2023	2022	Change
Airline financial metrics			
Total revenue	664 289	498 547	33%
Passenger revenue	539 198	399 811	35%
Ticket revenue	496 599	367 422	35%
Ancillary revenue	42 599	32 389	32%
ACMI lease revenue	100 701	77 140	31%
Adjusted EBITDAR	158 198	80 873	77 325
Adjusted EBITDAR margin	23.8%	16.2%	7.6pp
Adjusted EBIT	88 889	5 780	83 109
Profit / (loss) for the period	33 852	(53 007)	86 859
Net Debt	1 121 069	1 021 446	10%
Cash and cash equivalents	28 794	37 611	(23%)
KPI without ACMI-out operations			
Ticket yield (€)	102.4	101.1	1%
Ancillary yield (€)	9.8	10.0	(3%)
Yield (€ cents)	8.1	8.4	(3%)
RASK (€ cents)	6.89	6.72	3%
CASK (€ cents)	(7.48)	(7.45)	0.4%
CASK ex fuel (€ cents)	(5.31)	(4.75)	12%

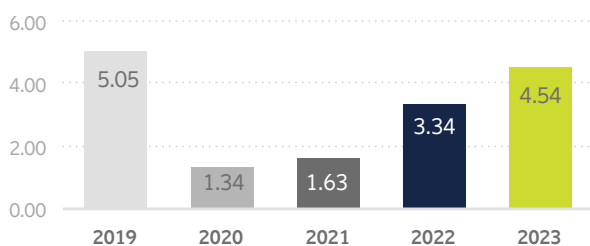
TOTAL REVENUE (EUR MILLION)



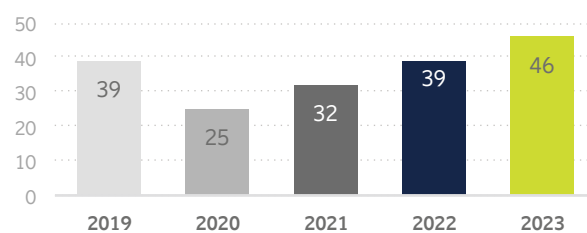
PROFIT / (LOSS) FOR THE YEAR (EUR MILLION)



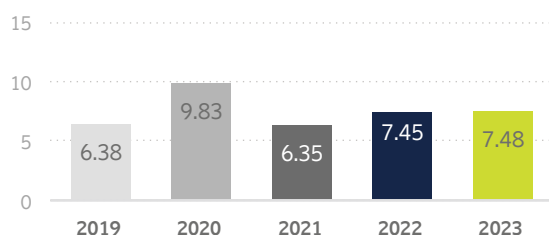
PASSENGERS (MILLION)



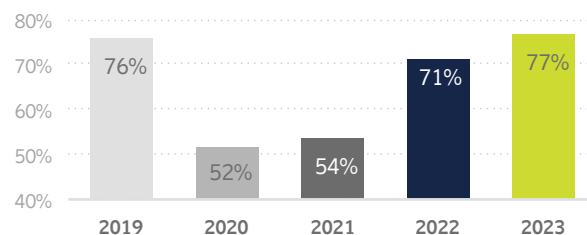
OPERATING YEAR-END FLEET



CASK (EUR CENTS)



LOAD FACTOR



MANAGEMENT REPORT

Air Baltic Corporation AS (continued)

Fleet Renewal

During 2023, the Company added 7 Airbus A220-300 aircraft to its fleet, thus the total number of A220s reached 46. The airline used sale and lease back financing to finance all seven A220-300 deliveries.

In Q4 2023, the airline and Airbus signed a contract change order that converted its options and purchase rights into 30 firm orders to be delivered over the IPO & Beyond business plan period to 2030. The airline also acquired 20 new purchase rights. This has positioned airBaltic to deliver further growth in line with the approved IPO & Beyond strategic plan. In addition, the airline is seeking new A220-300 capacity directly from leasing companies to secure delivery positions in 2025 and 2026. As of this report's date, the airline has signed two letters of intent with two lessors in relation to aircraft deliveries in 2025 and 2026. Based on current firm order from Airbus airBaltic's fleet could potentially reach 50 aircraft by the end of 2024.

In 2023, the airline also took delivery of one PW1521G aircraft spare engine which was financed by Export Development Canada, thus increasing the total number of its spare engines to seven.



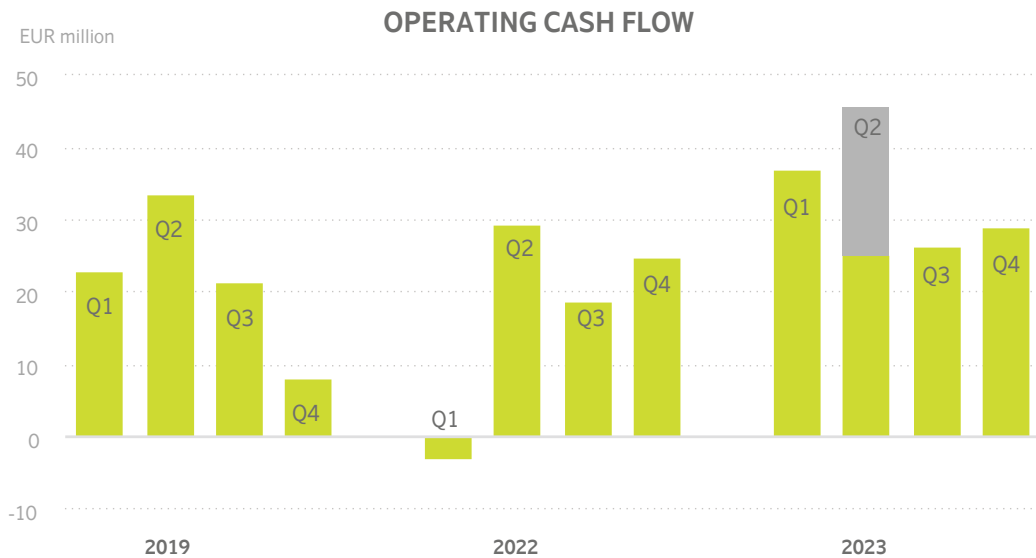
Cash Flow and Liquidity

In 2023, airBaltic achieved positive cash flow of EUR 137 million from its operating activities – EUR 67 million improvement compared to 2022. The airline ended 2023 with a cash balance of EUR 28.8 million. In 2023, the airline successfully controlled its cash burn as the cash balance over 12 months decreased only by EUR 8.8 million.

EUR thousand	2023	2022	Change
Cash and cash equivalents at the beginning of the year	37 611	79 155	(41 544)
Net cash generated from / (used in) operating activities	136 866	69 381	67 485
Net cash used in investing activities	(1 886)	(20 026)	18 140
Net cash used in financing activities	(143 797)	(90 899)	(52 898)
Cash and cash equivalents at the end of the year	28 794	37 611	(8 817)

MANAGEMENT REPORT

Air Baltic Corporation AS (continued)
Cash Flow and Liquidity (continued)



* Support related to engine shortage in Q2 received in Jul'23, the amount included in Q2 2023

As the EUR 200 million bond matures in July of 2024, the airline will seek external funding to refinance the bond and plans to raise about EUR 100 million in additional funding. The airline has engaged reputable international investment banks and financial advisors and is working on various refinancing options in parallel, including potential options in raising funds in public debt market and private debt markets. The management believes that the airline is well positioned to successfully refinance the bond before its maturity. In 2023, the airline has engaged several advisors to help prepare for the potential IPO with the aim to strengthen airBaltic's liquidity and equity capital.

Shareholders' structure and equity

The shareholders structure as at 31 December 2023 was as follows:

	Participating interest, %	A category shares	B category shares	C category shares	D category shares	Share capital, TEUR
Republic of Latvia	97.97	20 531 867	74 323 152	113 164 518	38 660 300	545 319
Aircraft Leasing 1 SIA	2.03	5 115 204	-	-	-	51 152
Other	0.000084	211	-	-	-	2
TOTAL	100	25 647 282	74 323 152	113 164 518	38 660 300	596 473

Legal Risks

As of the date of this report airBaltic is a party in several lawsuits described in detail in Note 33 (b) of the Financial statements. The status and strategy in each of the litigation processes are closely monitored by the Management of airBaltic with the assistance of its advisors including various reputable law firms. The Management cannot be certain of the outcome of each single court case. However, management believe they have taken a prudent approach in assessing any potential negative decisions and the necessary action steps have been taken to ensure that the assets and operations of the Company are not jeopardized.

Allocation of profit

The profit generated this year will be allocated towards covering the accumulated loss.

ALTERNATIVE PERFORMANCE MEASURES AND ITEMS AFFECTING COMPARABILITY

The Group uses alternative performance measures in its internal reporting. The figures are referred to in the European Securities Markets Authority (ESMA) Guidelines on Alternative Performance Measures (APM), which airBaltic uses to describe its business and financial performance development between periods. The alternative performance measures do not replace IFRS indicators, but shall be read in conjunction with key figures in accordance with IFRS financial statements. APMs presented below follow definitions adopted or revised by the Company in 2023 (and reflecting the way the Company communicates its results and performance to investors). Management data for 2019-2022 provided below is presented on a consistent and comparable basis.

GROUP

EUR thousand	2023	2022	2021	2020	2019
PROFIT / (LOSS) FOR THE YEAR	33 652	(54 219)	(135 718)	(264 597)	(9 114)
Corporate income tax	17	1 995	1 528	1 729	1 876
Finance costs	63 855	58 961	51 519	49 727	41 348
Finance income	(522)	(112)	(153)	(108)	(122)
Provision for legal disputes	(8 073)	500	312	11 500	(6 755)
ADJUSTED EBIT	88 929	7 125	(82 512)	(201 749)	27 233
Foreign currency exchange (gain) / loss, net	(16 664)	25 379	26 855	(22 775)	5 397
Amortization and depreciation	91 070	74 280	51 604	64 624	70 938
ADJUSTED EBITDA	163 335	106 784	(4 053)	(159 900)	103 568
Aircraft and similar lease	76 189	22 921	4 365	7 595	22 804
Claims compensation	(80 586)	(46 789)	(691)	(687)	(4 542)
ADJUSTED EBITDAR	158 938	82 916	(379)	(152 992)	121 830

ITEMS AFFECTING COMPARABILITY

PROFIT / (LOSS) FOR THE YEAR	33 652	(54 219)	(135 718)	(264 597)	(9 114)
Revaluation of liabilities in USD	(16 475)	26 546	24 738	(22 998)	6 769
Provisions for legal disputes	(8 073)	500	312	11 500	(6 755)
Provision of bad debt	1 002	-	-	-	-
Net impairment losses on right-of-use assets	-	-	-	72 891	-
MANAGEMENT PROFIT / (LOSS)	10 106	(27 173)	(110 668)	(203 204)	(9 100)
ADJUSTED EBIT	88 929	7 125	(82 512)	(201 749)	27 233
Revaluation of liabilities in USD	(16 475)	26 546	24 738	(22 998)	6 769
Provision of bad debt	1 002	-	-	-	-
Net impairment losses on right-of-use assets	-	-	-	72 891	-
MANAGEMENT EBIT	73 456	33 671	(57 774)	(151 856)	34 002
ADJUSTED EBITDA	163 335	106 784	(4 053)	(159 900)	103 568
Provision of bad debt	1 002	-	-	-	-
Net impairment losses on right-of-use assets	-	-	-	72 891	-
MANAGEMENT EBITDA	164 337	106 784	(4 053)	(87 009)	103 568
ADJUSTED EBITDAR	158 938	82 916	(379)	(152 992)	121 830
Provision of bad debt	1 002	-	-	-	-
Net impairment losses on right-of-use assets	-	-	-	72 891	-
MANAGEMENT EBITDAR	159 940	82 916	(379)	(80 101)	121 830

MANAGEMENT REPORT

Air Baltic Corporation AS (continued)
Alternative performance measures and items Affecting Comparability (continued)

GROUP

EUR thousand	2023	2022	2021	2020	2019
PROFIT / (LOSS) FOR THE YEAR	33 652	(54 219)	(135 718)	(264 597)	(9 114)
Corporate income tax	17	1 995	1 528	1 729	1 876
Finance (income) / expenses	46 669	84 228	78 221	26 844	46 623
OPERATING PROFIT / (LOSS)	80 338	32 004	(55 969)	(236 024)	39 385
Non-current borrowings	55 838	254 464	247 767	233 300	234 743
Non-current lease liabilities	797 258	718 012	602 083	500 052	520 826
Current borrowings	209 947	10 777	9 915	8 342	6 312
Current lease liabilities	87 491	77 565	77 329	60 690	61 343
Cash	(29 058)	(37 999)	(79 314)	(148 305)	(123 819)
NET DEBT	1 121 476	1 022 819	857 780	654 079	699 405

AIR BALTIC TRAINING SIA

Air Baltic Training SIA (hereinafter also – the ABT) was established in 2010. The main operation of the ABT is the provision of aviation related training services.

In 2023, the Pilot Academy achieved an optimal enrolment of approximately 100 students, fully rebounding from the disruptions caused by the COVID-19 pandemic and the Ukraine conflict. The delivery of the final Diamond DA40NG aircraft has been rescheduled to the first half of 2024, facilitating an expansion of training capacity to accommodate up to 120 students.

The ABT's partnership with Liepājas Valsts Tehnikums in the maintenance mechanics education program maintained a targeted enrolment of 75 students in September 2023. This collaborative effort is designed to guarantee a steady stream of skilled aviation technicians, providing mutual advantages to both SIA Air Baltic Training and its parent company, Air Baltic Corporation AS.

ABT remains committed to excellence, adapting to market dynamics, and fostering growth in both its training services and aviation maintenance offerings.

The Company's net result for the financial year is positive at TEUR 982 resulting from effective management and strategic decision-making.

BALTIJAS KRAVU CENTRS SIA

Baltijas Kravu Centrs SIA operates at Riga International Airport since 1 February 2001. The subsidiary is the largest cargo handling company at Riga International Airport in terms of cargo turnover and the number of flights handled.

During the reporting year, the Company's operations were significantly affected by the war continued by Russia in Ukraine and the resulting restrictions on air transport – air traffic to Ukraine and Russia remained suspended. Despite the negative market conditions during the reporting year the Company handled 9 920 tons of cargo and mail, 7% less than in 2022. The total revenue increased to EUR 1 049 802, and the Company managed to close the reporting year with a profit of TEUR 22.

In 2021 the Company together with its parent company airBaltic won the tender organized by International Airport Riga for the rights to build a new cargo handling terminal. In the reporting year, active work was carried out on the design of the cargo terminal and related technical solutions. Commissioning of the building is planned for the beginning of 2025.

AVIATION CREW RESOURCES AS

Aviation Crew Resources AS (hereafter ACR) was established in 2012 to meet the growing demand for highly skilled pilots in the aviation market. The main activities of the subsidiary were related to the outsourcing of aviation crew. Due to changing market conditions, the liquidation of the subsidiary was initiated in 2023. All employees of the subsidiary received job offers from and signed employment contracts with Air Baltic Corporation.

GOING CONCERN

The Executive Board of the Parent company is of the opinion that the use of the going concern assumption in the preparation of these financial statements is appropriate.

Further considerations and an analysis of the applicability of the going concern principle are described in Note 2 (b) to the Financial statements.

SUBSEQUENT EVENTS

One additional aircraft has been received by the airline up to the date of this report. This brings the total number of aircraft in the airline's fleet to 47.

During the period between the last day of the reporting period and the date of signing this report, there have been no other events that could materially impact the financial position of the Parent Company and the Group as of 31 December 2023 and should be reflected in this report.

NON-FINANCIAL REPORT

Air Baltic Corporation AS has prepared a non-financial report in accordance with the Law on the Financial Instruments Market (Article 56(4) prim).

The non-financial report (hereinafter – the Sustainability Report) is prepared in accordance with the Global Reporting Initiative (GRI) Standards and contains detailed information about corporate social responsibility (CSR), environmental, social and governance (ESG) aspects, description of the policies and procedures in relation to those matters, the outcome of the policies, and non-financial key performance indicators. The Sustainability Report 2023 is available on the airBaltic website: investors.airbaltic.com/en/.

STATEMENT OF MANAGEMENT RESPONSIBILITY

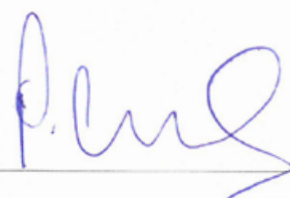
Based on the information available to the Executive Board, these financial statements for 2023 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and in all material aspects present a true and fair view of the financial position, profit and loss and cash flows of the Parent company and the Group. The information provided in the Management report is accurate.



Martin Alexander Gauss
Chairman of the Executive Board



Vitolds Jakovļevs
Member of the Executive Board



Pauls Juris Cālītis
Member of the Executive Board

29 February 2024

INCOME STATEMENT

		AIR BALTIC		GROUP	
		2023	2022	2023	2022
	Note	TEUR	TEUR	TEUR	TEUR
OPERATING REVENUE					
Revenue	5	660 493	493 832	664 186	495 455
Other income	6	3 796	4 715	3 796	4 715
		664 289	498 547	667 982	500 170
OPERATING EXPENSES AND CLAIM COMPENSATIONS					
Fuel		(156 084)	(150 678)	(156 084)	(150 678)
Airport, handling and en route charges		(115 051)	(86 760)	(114 413)	(86 192)
Personnel costs	7	(103 442)	(75 412)	(107 249)	(76 704)
Amortization and depreciation	17, 18, 20	(90 372)	(73 585)	(91 070)	(74 280)
Aircraft and similar lease costs	8	(76 189)	(22 921)	(76 189)	(22 921)
Marketing and tickets sales costs	9	(41 915)	(30 950)	(41 915)	(30 950)
Other operating costs	10	(32 035)	(27 049)	(31 819)	(25 904)
Cost of carbon emission allowances		(22 259)	(19 249)	(22 259)	(19 249)
Aircraft maintenance		(24 798)	(15 003)	(24 798)	(15 004)
Passenger service		(10 507)	(12 573)	(10 507)	(12 573)
Provision for legal disputes		8 073	(500)	8 073	(500)
Claim compensations	12	80 586	46 789	80 586	46 789
		(583 993)	(467 891)	(587 644)	(468 166)
FINANCE INCOME / (EXPENSES)					
Finance costs	13	(63 744)	(58 824)	(63 855)	(58 961)
Foreign currency exchange gain / (loss), net	14	16 666	(25 376)	16 664	(25 379)
Finance income	15	634	537	522	112
		(46 444)	(83 663)	(46 669)	(84 228)
PROFIT / (LOSS) BEFORE TAX		33 852	(53 007)	33 669	(52 224)
Corporate income tax	16	-	-	(17)	(1 995)
PROFIT / (LOSS) FOR THE YEAR		33 852	(53 007)	33 652	(54 219)

The notes on pages 143-182 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
PROFIT / (LOSS) FOR THE YEAR	33 852	(53 007)	33 652	(54 219)
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS				
Gain on cash flow hedges	482	-	482	-
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Depreciation of revaluation reserve	(310)	(310)	(366)	392
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	172	(310)	116	392
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR	34 024	(53 317)	33 768	(53 827)

The notes on pages 143-182 form an integral part of these financial statements.

BALANCE SHEET

		AIR BALTIC		GROUP	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
ASSETS	Note	TEUR	TEUR	TEUR	TEUR
NON-CURRENT ASSETS					
Property, plant and equipment	17	135 310	94 189	142 026	101 493
Right-of-use assets	18	920 584	810 845	920 584	810 845
Investment properties	19	2 850	2 850	-	-
Intangible assets	20	18 283	18 386	17 362	17 327
Investments in subsidiaries and other investments	21	410	410	3	3
Prepayments for maintenance		74 043	61 196	74 043	61 196
Prepayments for acquisition of property, plant and equipment		38 628	50 133	38 778	50 283
Trade and other receivables	23	19 820	14 930	19 822	15 525
		1 209 928	1 052 939	1 212 618	1 056 672
CURRENT ASSETS					
Inventories	24	15 891	10 813	16 027	10 913
Prepayments for maintenance		20 945	-	20 945	-
Prepaid expenses		8 898	11 544	8 978	11 612
Trade and other receivables	23	39 020	42 870	36 599	41 726
Derivative financial instruments		482	-	482	-
Cash	25	28 794	37 611	29 058	37 999
		114 030	102 838	112 089	102 250
TOTAL ASSETS		1 323 958	1 155 777	1 324 707	1 158 922
EQUITY AND LIABILITIES					
EQUITY					
Share capital	26	596 473	596 473	596 473	596 473
Other contributions	26	2 553	2 644	2 553	2 644
Revaluation reserve		2 727	3 037	3 520	3 886
Reorganization reserve	26	1 932	1 932	-	-
Cash flow hedging reserve		482	-	482	-
Accumulated loss:					
accumulated loss brought forward		(685 908)	(632 901)	(684 987)	(630 768)
profit / (loss) for the year		33 852	(53 007)	33 652	(54 219)
TOTAL EQUITY		(47 889)	(81 822)	(48 307)	(81 984)
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liabilities	27	797 258	718 012	797 258	718 012
Borrowings	27	55 838	254 464	55 838	254 464
Provisions	28	27 858	31 428	27 858	31 428
Employee related tax liabilities	30	-	1 944	-	1 944
		880 954	1 005 848	880 954	1 005 848
CURRENT LIABILITIES					
Borrowings	27	209 276	9 016	209 947	10 777
Lease liabilities	27	87 491	77 565	87 491	77 565
Contract liabilities, airport taxes and other liabilities	31	69 815	56 289	70 301	56 478
Trade and other payables	29	73 921	48 335	73 828	48 533
Provisions	28	35 950	33 965	35 950	33 965
Employee related tax liabilities	30	14 440	6 581	14 543	7 740
		490 893	231 751	492 060	235 058
TOTAL LIABILITIES		1 371 847	1 237 599	1 373 014	1 240 906
TOTAL EQUITY AND LIABILITIES		1 323 958	1 155 777	1 324 707	1 158 922

The notes on pages 143-182 form an integral part of these financial statements.

CASH FLOW STATEMENT

		AIRBALTIC		GROUP	
		2023	2022	2023	2022
	Note	TEUR	TEUR	TEUR	TEUR
CASH FLOWS FROM OPERATING ACTIVITIES					
PROFIT / (LOSS) BEFORE TAX		33 852	(53 007)	33 669	(52 224)
Adjustments for:					
Depreciation and amortization	17, 18, 20	90 372	73 585	91 070	74 280
Interest expense	13	62 419	57 425	62 522	57 530
Foreign exchange (gain) / loss	14	(16 475)	26 695	(16 475)	26 695
Change in provisions	28	(2 657)	31 034	(2 657)	31 034
Profit on sale and leaseback transactions	6	(3 796)	(4 715)	(3 796)	(4 715)
Profit on disposal of property, plant and equipment		(1 638)	(1 669)	(1 636)	(1 646)
Interest income		(521)	(112)	(521)	(112)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		161 556	129 236	162 176	130 842
Increase / (decrease) in payables		11 153	(17 642)	11 696	(16 116)
Increase in receivables		(27 434)	(36 680)	(26 620)	(36 792)
Increase in deposits		(3 331)	(2 295)	(3 331)	(2 507)
Increase in inventories		(5 078)	(3 238)	(5 113)	(3 254)
Corporate income tax paid		-	-	(566)	(1 826)
NET CASH FLOWS FROM OPERATING ACTIVITIES		136 866	69 381	138 242	70 347
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances paid for aircraft		(8 354)	(29 111)	(8 354)	(29 111)
Acquisition of property, plant and equipment and intangible assets		(33 266)	(31 048)	(33 572)	(31 265)
Refund of advances paid for aircraft		33 424	33 222	33 424	33 222
Profit received from sales and leaseback transactions		3 796	4 715	3 796	4 715
Proceeds from sale of property, plant and equipment		1 993	1 721	1 993	1 721
Interest received		521	475	521	475
NET CASH USED IN INVESTING ACTIVITIES		(1 886)	(20 026)	(2 192)	(20 243)
CASH FLOWS FROM FINANCING ACTIVITIES					
Lease principal payments	27	(82 169)	(88 705)	(82 169)	(88 705)
Interest paid	27	(62 440)	(54 290)	(62 544)	(54 396)
Repayment of borrowings	27	(3 207)	(2 198)	(4 297)	(2 612)
Financial injections from the shareholders (with the intention to capitalize)	26	-	45 000	-	45 000
Borrowings received	27	4 019	9 294	4 019	9 294
NET CASH USED IN FINANCING ACTIVITIES		(143 797)	(90 899)	(144 991)	(91 419)
Decrease in cash		(8 817)	(41 544)	(8 941)	(41 315)
Cash at the beginning of the reporting year		37 611	79 155	37 999	79 314
CASH AT THE END OF THE REPORTING YEAR		25	28 794	37 611	29 058
			37 611	29 058	37 999

The notes on pages 143-182 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – AIRBALTIC

	Share capital	Other contri- butions	Reval- uation reserve	Reorga- nization reserve	Cash flow hedging reserve	Accumu- lated loss	Profit/ (loss) for the year	TOTAL
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
31.12. 2021	506 473	2 490	3 347	1 932	-	(499 250)	(133 651)	(118 659)
COMPREHENSIVE INCOME								
Loss for the year	-	-	-	-	-	-	(53 007)	(53 007)
Other comprehensive income	-	-	(310)	-	-	-	-	(310)
TOTAL COMPREHENSIVE LOSS	-	-	(310)	-	-	-	(53 007)	(53 317)
Increase in share capital (see Note 26)	90 000	-	-	-	-	-	-	90 000
Currency translation difference	-	154	-	-	-	-	-	154
Allocation of prior year result	-	-	-	-	-	(133 651)	133 651	-
31.12.2022	596 473	2 644	3 037	1 932	-	(632 901)	(53 007)	(81 822)
COMPREHENSIVE INCOME								
Profit for the year	-	-	-	-	-	-	33 852	33 852
Other comprehensive income	-	-	(310)	-	482	-	-	172
TOTAL COMPREHENSIVE INCOME	-	-	(310)	-	482	-	33 852	34 024
Currency translation difference	-	(91)	-	-	-	-	-	(91)
Allocation of prior year result	-	-	-	-	-	(53 007)	53 007	-
31.12.2023	596 473	2 553	2 727	1 932	482	(685 908)	33 852	(47 889)

The notes on pages 143-182 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY – GROUP

	Share capital	Other contri- butions	Reval- uation reserve	Cash flow hedging reserve	Accumu- lated loss	Profit/ (loss) for the year	TOTAL
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
31.12.2021	506 473	2 490	3 494	-	(495 050)	(135 718)	(118 311)
COMPREHENSIVE INCOME							
Loss for the year	-	-	-	-	-	(54 219)	(54 219)
Other comprehensive income	-	-	392	-	-	-	392
TOTAL COMPREHENSIVE LOSS	-	-	392	-	-	(54 219)	(53 827)
Increase in share capital (see Note 26)	90 000	-	-	-	-	-	90 000
Currency translation difference	-	154	-	-	-	-	154
Allocation of prior year result	-	-	-	-	(135 718)	135 718	-
31.12.2022	596 473	2 644	3 886	-	(630 768)	(54 219)	(81 984)
COMPREHENSIVE INCOME							
Profit for the year	-	-	-	-	-	33 652	33 652
Other comprehensive income	-	-	(366)	482	-	-	116
TOTAL COMPREHENSIVE INCOME	-	-	(366)	482	-	33 652	33 768
Currency translation difference	-	(91)	-	-	-	-	(91)
Allocation of prior year result	-	-	-	-	(54 219)	54 219	-
31.12.2023	596 473	2 553	3 520	482	(684 987)	35 082	(48 307)

The notes on pages 143-182 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Air Baltic Corporation AS (hereinafter also – airBaltic, the airline, the Company or the Parent company) was registered with the Republic of Latvia Enterprise Register on 8 February 1995. The registered office of the Parent company is at Tehnikas Street 3, Riga International airport, Marupe district, Latvia. The main shareholders of the airBaltic are the Republic of Latvia holding 97.97% shares of the Parent company and Aircraft Leasing 1 SIA – holding 2.03% shares of the Parent company.

Air Baltic Corporation AS is the flag carrier of Latvia. Air Baltic Corporation AS is a Parent company of the airBaltic group (hereinafter – the Group) that includes the following entities (hereinafter together with airBaltic – the Group companies) (see Note 21):

- Baltijas Kravu Centrs SIA,
- Air Baltic Training SIA,
- Aviation Crew Resources AS (under liquidation process).

The separate financial statements and the consolidated financial statements (hereinafter together – the financial statements) for the year ended 31 December 2023 were approved by a resolution of the Parent company's Executive Board on 29 February 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards as issued by IASB as adopted for use in the European Union (IFRS Accounting Standards).

The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and investment property that are stated at fair value and certain classes of property, plant and equipment carried at revalued amount. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments that are stated at fair value and certain classes of property, plant and equipment carried at revalued amounts. The monetary unit used in the financial statements is thousands of euro (TEUR), if not stated otherwise.

Changes in presentation

Presentation of Cost of carbon emission allowances

In these financial statements, the Cost of carbon allowances is presented as a separate line item in the Income statement. In the financial statements for 2022 and before, this item has been part of the item Fuel. The table below shows the historical cost of carbon emission allowances.

Period	Cost of carbon emission allowances TEUR	Originally presented within line item
2019	6 937	Fuel
2020	5 412	Fuel
2021	5 874	Fuel
2022	19 249	Fuel

Reclassification of Cost of pilot services

In 2023, airBaltic recruited pilots previously working for its subsidiary Aircraft Crew Resources A/S (under liquidation). In order to improve comparability, a reclassification has been made in the comparative information – the costs of Pilot services in 2022 have been reclassified and distributed between the Other operating costs and Personnel costs categories (see Note 7).

Period	Reclassified to Other Operating costs TEUR	Reclassified to Personnel expenses TEUR	Originally classified within Pilot services TEUR
2021	1 445	18 731	(20 176)
2022	1 614	28 152	(29 766)
2023	162	1 476	(1 638)

2. Material accounting policy information (*continued*)

a) Basis of preparation (*continued*)

Standards or interpretations effective for the first time for the annual periods beginning 1 January 2023

- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2 "Making Materiality Judgements" was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments to these Financial statements by disclosing the material accounting policy information rather than the significant accounting policies.
- **Amendments to IAS 8: Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12** (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules** (effective for annual periods beginning on or after 1 January 2023). In May 2023 the International Accounting Standards Board IASB issued narrow-scope amendments to IAS 12 "Income Taxes". This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2024 or not yet endorsed by the EU

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate. The Company has analysed the impact of the amended standard and concluded that there are no such effective leases where this amendment would have impact as there are no variable payments which do not depend on an index or a rate.

2. Material accounting policy information (continued)

a) Basis of preparation (continued)

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2024 or not yet endorsed by the EU

- **Classification of liabilities as current or non-current – Amendments to IAS 1** (effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023 the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.
- **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). In August 2023 the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

The Company and the Group are currently assessing the impact of the amendments on its financial statements.

2. Material accounting policy information (continued)

b) Going concern

As of 31 December 2023, airBaltic had negative equity of nearly EUR 48 million (31 December 2022: EUR 82 million), the Company's current liabilities exceeded its current assets by EUR 377 million and the cash balance at the end of the year was EUR 28.8 million (31 December 2022: EUR 37.6 million).

Despite the challenging operating environment due to Pratt&Whitney engines not being available in sufficient quantity throughout the summer season, the airline was able to achieve its revenue projections that it set at the beginning of 2023: *"Based on the latest booking trends and assuming that the post COVID-19 market recovery continues in 2023, the airline estimates its revenues to be in the range from EUR 650 million to EUR 700 million (2022: EUR 494 million)."*

The airline continues to increase its capacity and expects to generate higher revenues in 2024. Depending on the market conditions and aircraft availability the Executive Board of the Parent company expects the revenues to be between EUR 750 million to EUR 800 million for 2024. At the date of this report, the Company has secured firm ACMI out agreements to lease up to 17 aircraft in 2024, with projected revenues estimated at around EUR 129 million. This increase in total revenue should positively improve operating cash flow performance. Furthermore, the airline finished 2023 with EUR 33.8 million in net income and EUR 10.1 million net income on a comparable basis (deducting EUR 16.5 million gain from currency revaluation, EUR 8 million release of legal provisions and other non-operational one-offs), which was the first profitable year since the beginning of the pandemic and the management expects to maintain profitable operations in 2024. The Executive Board of the Parent company expects the engine shortage to continue in 2024 but to a lesser extent compared to 2023, reducing the adverse impact on the airline's profitability.

The Executive Board of the Parent company, considering the improved performance in 2024 and the conditions in airBaltic's core markets, is of the opinion that the use of the going concern assumption in the preparation of these financial statements is appropriate.

There are still operational challenges related to the ongoing war between Russia and Ukraine and the continued knock-on effects such as impact on demand for travel. There remain significant travel restrictions that came into effect after the Russian invasion of Ukraine in February 2022. Because of those restrictions airBaltic had to cease its operations in Russia and Ukraine and re-deploy the capacity towards other destinations and additional ACMI business. For the foreseeable future, the airline assumes that Ukrainian, Belorussian and Russian markets will remain closed and has adjusted its network accordingly.

There is still uncertainty related to the refinancing of the EUR 200 million Eurobond which matures in July of 2024. The uncertainty is related to the amount of debt financing that the airline will be able to raise during H1 of 2024 and the related financing cost. The Company has contracted a group of international investment banks to assist with the bond refinancing efforts. The airline intends not only to refinance EUR 200 million but also to raise an additional EUR 100 million to strengthen its cash balance and support its funding of further capital expenditures related to growth in its capacity. As of this report's date, the airline is pursuing two refinancing tracks in parallel: public and private debt track. If the private debt solution proves to be too costly for the airline, the airline expects to proceed with a public debt issuance with the aim to finalize the transaction by the end of April 2024.

The airline has the option to reduce the related cost of new debt financing by securing the new debt with all its unencumbered assets. Additionally, it is exploring the option to use second liens or similar structures on several of its financed aircraft and engines as collateral. These aircraft and engines are anticipated to possess a market value exceeding the current liabilities linked to them, thereby offering greater financial security for the debt. The airline has also engaged in discussions with its shareholders, including the government of Latvia, to explore their readiness to finance a portion of the new debt on market terms alongside private investors.

If due to some external shock the EU high yield debt markets become inaccessible to airBaltic throughout H1 of 2024, the airline may seek debt financing from its shareholders, including the Government of Latvia.

Considering the improvements in operating performance of the airline, the Executive Board of Parent Company is of the opinion that private and/or public sources of funding should be accessible to the airline in H1 of 2024, and therefore assume that airBaltic will be able to successfully refinance its current bond and raise additional finance and hence continue its operations as a going concern.

Summarising the above, there exists a material uncertainty about the successful refinancing of the current Eurobond and raising additional finance to fund further committed expansion of the fleet and overall business, which may cast significant doubt upon the Parent company's and the Group's ability to continue as a going concern. Therefore, the Parent company and the Group may be unable to realise their assets and discharge their liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Parent company and the Group were unable to continue as a going concern in the foreseeable future.

2. Material accounting policy information *(continued)*

c) Consolidation (Group)

The financial statements of the Group comprise the financial statements of Air Baltic Corporation AS, Baltijas Kravu Centrs SIA, Air Baltic Training SIA and Aviation Crew Resources AS.

d) Use of estimates and judgements in the preparation of the financial statements

The preparation of the financial statements in conformity with IFRS requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Although these estimates are based on the Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Changes in the Management's estimates are recognised in the income statement of the period of the change. The Management has applied reasonable and prudent estimates and judgments in preparing these financial statements. The significant areas of estimation used in the preparation of the accompanying financial statements are described below.

Recoverable amount of property, plant and equipment, right of use assets and intangible assets

The Company and the Group companies undertake an impairment test for its depreciable intangible assets and property, plant and equipment and right of use assets, if there is any indication that those assets may be impaired. The Company and the Group undertake an impairment test for their intangible assets with indefinite useful life on an annual basis. When carrying out impairment tests, the Management uses various estimates for the cash flows arising from the use of the assets, revenue growth rate and the future level of costs. The estimates are based on forecasts of the general economic environment, demand, inflation and others. To test impairment of the indefinite intangible asset held by the Company and the Group requires the test to be done at the relevant Cash Generating Unit (CGU) level where the intangible asset is held. This CGU is the Company itself and as such the impairment test considers the depreciable intangible assets and property, plant and equipment and right of use assets held by the Company including the fleet. The recoverable amount is thus most sensitive to the assumptions of ticket yield, volume of scheduled passengers, USD/EUR exchange rate, discount rate and the growth rate used for extrapolation purposes. The impairment test involves estimating the future cash flows based on the business plan IPO & BEYOND. See Notes 17, 18 and 20 for more information.

Recognition and revaluation of provisions

As at 31 December 2023, airBaltic has set up provisions for aircraft redelivery costs (see Note 28). The amount and / or timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure.

As at 31 December 2022, airBaltic had set up a provision for potential costs related to legal disputes for historic claims related to ex-shareholders and their creditors about their obligations towards airBaltic and the Republic of Latvia back in 2011 and 2012. In March 2023 the Court of Appeal overturned the decision of the first instance court and confirmed that there were no grounds for any claims against airBaltic. The Latvian courts have also ruled in favour of the airline and the Latvian government in a similar case arising from the October 2011 Agreement against one of airBaltic's creditors. The other party has filed the cassation appeal and airBaltic will continue to monitor the case, although it strongly believes that there is no basis for this claim. Following a court ruling by Court of Appeal, the provisions held at December 2022 have been released.

As at 31 December 2023, airBaltic has set up provision for carbon emissions. The provision represents the costs of the industry carbon dioxide (CO₂) emissions scheme. A number of assumptions and estimates have been used to determine the present value of provisions, including the future outflow of resources, inflation rates, and the timing of settlement of the expenditure.

The actual ultimate expenditure may differ from the provisions recognised due to the uncertainty of the above estimates as well as for example future changes in industry practice and legislative changes.

Classification of long-term cash deposit

The cash deposit with the initial term of more than 3 month has been classified within the balance sheet item Cash and cash equivalents. The cash deposit is held to meet short term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

Recognition of Sales and leaseback transactions

The Parent company enters into transactions whereby it immediately sells the newly acquired aircraft and immediately leases them back from the same party. The Management applies the requirements of IFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset and whether the initial acquisition has taken place. The Company accounts for the transaction as a sale and leaseback.

NOTES

2. Material accounting policy information (continued)

d) Use of estimates and judgements in the preparation of the financial statements (continued)

Recognition of Sales and leaseback transactions (continued)

The factors that influence the Management's decision as to whether or not airBaltic has acquired the aircraft are related to the fact that airBaltic assumes all risks associated with the acquisition of the aircraft, including acquisition risk and fair value risk. In addition, airBaltic also benefits from the transaction by obtaining the discounts on the aircraft market price. This along with other factors (like whether the buyer obtains physical control, whether the buyer is entitled to payment, obtains a legal title, etc.) leads the Management to the conclusion that the original buyer of the aircraft is airBaltic. The purchase and sale of aircraft occurs within a short period of time, thus these transactions are not presented within movements of property, plant and equipment. The gain from a sales and leaseback transactions is recognised only to the extent of the part of asset not being retained. It is calculated taking into account the proportion of the book value and fair value of the asset at the date of transaction and the present value of the expected lease payments to determine the amount of the gain being recognised.

In 2023 the Parent company has recognised a profit of EUR 3 796 thousand (2022: EUR 4 715 thousand) from sale and lease-back transactions.

Determination of lease term

Extension and termination options are included in a number of aircraft leases. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, the Management considers all facts and circumstances that create economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (extension option) or not terminated (termination option). The assessment of whether the company is reasonably certain to exercise an extension option or not to exercise a termination option is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and is within the control of the company.

The Management has applied judgement that:

- even though the airline intends to develop its business on the basis of the A220 fleet, the Management is not certain if it will exercise any options to extend the leases embedded in some of the lease contracts as the majority of the contracts expire in more than 5 years' time and both the extension terms at that time and the market conditions at that time are at present highly unpredictable;
- no extension option is expected to be exercised for any other lease as the Management concludes that there are currently no economic incentives to exercise such option.

e) Foreign currency translation

The functional and presentation currency of the Company is the Euro (EUR), the monetary unit of the Republic of Latvia. Transactions in foreign currencies are translated into euro at the reference exchange rate fixed by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro applying the reference exchange rate established by the European Central Bank at the last day of the reporting year.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement within Foreign currency exchange loss, net.

	31.12.2023	31.12.2022
	USD	USD
1 EUR	1.1050	1.0666
The average EUR/USD rate in the year	1.0813	1.0530

f) Revenue recognition

Revenue is income arising in the ordinary course of the activities of the Company and the Group. Revenues comprise the invoiced value of airline and other services, net of government taxes. The Company and the Group act as an agent in collecting the air travel related tax from customers, and pay it to the government, therefore revenue is recognized net of tax levied on the customers. Transaction price is the amount of consideration to which the Company and the Group expect to be entitled in exchange of transferring control over services to a customer or promised goods, excluding the amounts collected on behalf of third parties. The Company and the Group recognizes revenue when it transfers control of a good or service to a customer.

Passenger revenue comprises the invoiced value of sold ticket price and ancillary revenue. The rule of non-refundability is for economy Green class, Green Plus and for Business Light tickets only, but economy Classic and Business class tickets are fully refundable at any time before departure.

The value of tickets sold and still valid, but not used by the balance sheet date is reported as contract liabilities. Scheduled revenues are recognized within the income statement at the point in time when the flight service is provided (i.e. when the flight takes place).

2. Material accounting policy information *(continued)*

f) Revenue recognition *(continued)*

If a flight is cancelled, a passenger is entitled to a cash refund, a voucher for a future flight, or to re-schedule the cancelled flight. Additionally, gift vouchers may be purchased by passengers. Where a voucher is issued, a liability for the amount paid by the passenger is recognized in full and held within unearned revenue until the voucher is utilized against a future flight, when it expires, or when it is probable that it will expire unexercised.

Accordingly, unearned revenue, which is presented as contract liabilities within the balance sheet, represents flight seats sold but not yet flown and vouchers issued for future flights. If the Company expects to refund some or all of the amount paid for a flight service, for instance where a flight is cancelled, a refund liability is recognized for the full amount payable. This is recognized within unearned revenue and is presented as contract liabilities.

The loyalty customers can earn the currency of loyalty program – Pins – from tickets or services purchased from the Parent company and other cooperation partners, and use the earned pins to buy services and products offered by airBaltic or other cooperation partners. The points earned are valued according to IFRS 15, and they are recognised as a decrease of revenue and contract liabilities at the time when the points-earning event (for example, flight is flown) is recognised as revenue. Fair value is measured by taking into account the fair value of those awards that can be purchased with the Pins and the customer selection between different awards based on historical customer behaviour. The balance of the contract liabilities is decreased when pins are redeemed or expire.

Ancillary revenue includes sale of ticket related services, like advance seat reservations, baggage fees as well as different service fees, and income on inflight service. The service revenue is recognized when the flight is flown in accordance with the flight traffic program. Cargo revenue is recognized when the cargo has been delivered to the customer, usually delivery in one day, i.e. over time. Charter revenue includes sale of flights that are recognized when the service is delivered.

Aircraft lease revenue include sale of short-term aircraft lease to other airlines and it is recognised over the period when the service is delivered. No significant future lease payments or commitments are attributable to the aircraft lease. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. There are non-lease components attributable to rent of crew, maintenance and insurance. Revenue for non-lease components is recognised over the lease term similarly to lease income. Average lease term is 6 months. As the aircraft are leased under ACMI contracts, airBaltic is responsible for the costs associated with aircraft leasing, crew, maintenance and insurance and these costs are recognized in accordance with the relevant accounting policies.

Other revenue includes different revenue streams of individually insignificant amounts. All these revenues arise from contracts with customers.

Claim compensations received under the supplemental commercial support agreement that is signed to compensate the loss from the engine shortages and other compensations are recognised in the Income statement as they compensate additional operating expenses incurred by the Parent company. Compensations are recognised when they have been received or have become receivable by the Group.

Financing component

The Company and the Group do not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Company and the Group do not adjust any of the transaction prices for the time value of money.

g) Aircraft maintenance costs

Aircraft maintenance costs involve routine maintenance costs like short cycle engineering checks, component checks, monthly checks, annual airframe checks and periodic heavy maintenance and engine checks.

Aircraft maintenance costs also involve significant modifications engines. Such modifications may be performed to engines for a variety of reasons, including rule changes, mandatory actions, product improvements or other. Significant modifications of engines are capitalised as separate items and depreciated over their expected useful life, which in the case of leased engine cannot exceed the lease period.

Routine maintenance costs are expensed as incurred.

The cost of heavy maintenance and engine checks is capitalized and recognized as property, plant and equipment when maintenance is carried out. Such assets are depreciated over their expected useful life which is the shorter of the period to the next check or the remaining life of the aircraft.

Spare parts held by the Company are classified as property, plant and equipment if they are expected to be used over more than one period.

In most cases, additional maintenance costs are incurred in order to satisfy the criteria set by the lessor regarding technical condition of the aircraft at the end of the period of lease. Provisions for the redelivery of the aircraft are set up to cover the estimated costs relating to the future redelivery of aircraft. At the commencement date, the present value of the estimated redelivery costs is included within the cost of right-of-use assets and depreciated over the shorter of the end of the useful life of the aircraft or the end of the lease term. This provision is re-evaluated at the end of each period to account for any changes in the expected redelivery costs.

2. Material accounting policy information *(continued)***g) Aircraft maintenance costs** *(continued)*

Payments for aircraft and engine maintenance, as stipulated in the respective lease agreements, are made to certain lessors as a security for the performance of future heavy maintenance works. The payments are recorded as Prepayments for maintenance until the respective maintenance event occurs and the reimbursement with the lessor is finalised. In the event that, for any reason, the works planned and prepaid are not executed within the lease term, the accumulated prepayments shall be expensed in the Income statement upon the disclosure of this circumstance. Prepayments are classified as current if the maintenance for which they are made is expected to be carried out within the next 12 months.

h) Financial assets and liabilities*Financial assets*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's and the Group's business model for managing the financial assets and the contractual terms of the cash flows. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company and the Group companies commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the companies have transferred substantially all the risks and rewards of ownership. At initial recognition, the Company and the Group companies measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), at transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Company's and the Group's business model for managing the asset and the cash flow characteristics of the asset. All Company's and the Group's debt instruments are classified in amortised cost measurement category.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in Finance income/ (expense). Foreign exchange gains and losses are presented as finance cost or finance income in Income statement. Impairment losses are presented as other operating costs.

As at 31 December 2023 the following financial assets of the Company and the Group were classified in this category: trade receivables, loans granted, bank deposits, cash and cash equivalents. The Company and the Group have no investments in equity instruments. Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

Financial liabilities

All financial liabilities are measured at amortised cost unless they are measured at fair value. The Company's and the Group's financial liabilities that are measured at amortised cost comprise trade and other payables and interest-bearing loans and leases. They are carried as current liabilities or non-current liabilities. Derivatives are measured at fair value.

i) Intangible assets and property, plant and equipment

Intangible assets are recorded at historical cost net of accumulated amortisation and accumulated impairment loss. Property, plant and equipment (hereinafter – PPE) are recorded at historical cost less accumulated depreciation and accumulated impairment losses (Fixtures and fittings, Aircraft equipment) or revalued amount less accumulated depreciation and accumulated impairment losses (Buildings, Aircraft). Historical cost includes expenditure that is directly attributable to the acquisition of the intangible assets and PPE. The cost of software licenses includes the purchase cost and costs related to their implementation in use.

Depreciation for the following categories of assets is calculated using the straight-line method to allocate the cost or revalued amount to the residual values over the estimated useful lives using the following rates set by the Management.

	% per annum
Licences and software	20
Buildings	2 – 5
Aircraft equipment	16 – 50
Fixtures and fittings	20 – 50

As the components of aircraft and engines have varying useful lives, the Company and the Group have separated the components for depreciation purposes. The depreciation method used for each type of component is based on the characteristics of the type (straight line or units of production method). The Company and the Group have determined the rate of depreciation per hour of usage for some aircraft component types, by dividing the depreciable amount of an aircraft by its estimated total service capability measured in terms of hours. The residual values of the aircraft are determined based on independent external valuations.

2. Material accounting policy information *(continued)*

i) Intangible assets and property, plant and equipment *(continued)*

Intangible assets include trademarks acquired by the Parent company. The trademarks are with indefinite useful life and are not subject to amortization, but are tested for impairment annually. It is assumed that an intangible asset has indefinite useful life if, based on an analysis of relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company and the Group.

Buildings and training aircraft are accounted by applying the revaluation method. Revaluation is made with sufficient regularity that the carrying value does not differ materially from that which would be determined using fair value at the balance sheet date. Increase in the carrying amount arising on revaluation is credited to "Revaluation reserve" in shareholders' equity and is subsequently depreciated.

Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the current year's income statement. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after the revaluation equals its revalued amount.

Costs of borrowing to finance PPE under construction and other direct charges related to the particular PPE under construction are capitalized, during the period of time that is required to prepare the asset for its intended use, as part of the cost of the asset. Capitalization of the borrowing costs is suspended during extended periods in which active developments are interrupted.

When a third party is constructing an asset, the borrowing costs incurred by the Company and the Group are capitalized. The capitalization starts when all three conditions are met: expenditures are incurred, borrowing costs are incurred and the activities necessary to prepare the asset for its intended use or sale are in progress. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. Such costs are depreciated over the remaining useful life of the related asset. Costs for routine aircraft maintenance, as well as repair costs are expensed as incurred.

Extensive modifications, including the obligatory major overhauls of engines, and improvements to PPE are capitalized and depreciated over its remaining useful life. Repairs and maintenance are charged to the income statement during the period in which they are incurred (for more details see Note 2 g) Aircraft maintenance costs).

Gains or losses on disposal are determined by comparing carrying amount with proceeds and gains from related asset's revaluation reserve write-off and are charged to the income statement during the period in which they are incurred.

j) Impairment of financial assets

The Company and the Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company and the Group use low credit risk exemption, i.e. the Company and the Group assume that the credit risk on a financial assets have not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. The Company and the Group companies measure ECL and recognise credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. For trade receivables without a significant financing component, the Company and the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which expected credit losses are calculated for trade receivables falling into different ageing or overdue periods.

k) Trade and other receivables

Trade and other receivables are initially recognized at fair value, which approximates original invoice amount and subsequently measured at their amortised cost less impairment losses.

The security deposits represent the deposits provided by airBaltic to lessors as security in relation to the lease contracts and to the funding of future maintenance costs. These deposits are refunded at the end of the lease term if airBaltic as the lessee has fully performed all the provisions in the lease contract. The deposits can be used for the settlement of current lease payments. The deposits are measured at amortised cost using the effective interest rate method and are presented as current or non-current assets based on the remaining term of the lease.

Issued loans are recognized when cash is advanced to the borrowers. Loans are carried at amortized cost, net of expected credit losses. Gains and losses are recognised in the income statement when loans are derecognised or impaired.

2. Material accounting policy information *(continued)***l) Leases and right-of-use assets**

The leases (other than short term leases and leases of low value assets (assets with value below EUR 5 thousand)) are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company and the Group. At the commencement date, lease liabilities are measured at an amount equal to the present value of the following lease payments for the underlying right-of-use assets during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the Company and the Group companies under residual value guarantees;
- the exercise price of a purchase option if the Company and the Group are reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Company and the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the incremental borrowing rate of the Company and each Group's company.

Each lease payment is allocated between the liability and finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of the lease liability is remeasured to reflect any reassessment, lease modification or revised in-substance fixed payments. The lease term is the non-cancellable period of the lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs.

Subsequently, the right of use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or lease modifications. The depreciation of right-of-use assets occurs over the shorter of the asset's useful life or the lease term, applying either a straight-line method or a usage-based approach, depending on the nature of the asset, except when the useful life exceeds the lease term and the asset is expected to be acquired using the purchase option. The following depreciation rates are set by the Management for the right of use assets:

	Estimated useful life, years
Land and buildings	3 – 30
Aircraft component	12 – 25

Headquarter building with an estimated useful life of 13 years and maintenance hangars with an estimated useful life of 3-5 years are classified within the 'Land and buildings'. The majority of land leased by the Group is allocated for maintenance hangars or training facilities, with lease terms extending up to 30 years.

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computers, tablets, mobile phones and small items of office furniture.

m) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are recognised based on the Management's estimates.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision may be recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be low.

2. Material accounting policy information *(continued)*

m) Provisions *(continued)*

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. The costs related to setting up provisions are charged to operating expenses or are included within the acquisition cost of an item of right-of-use assets when the provision is related to the dismantlement, removal or restoration or other obligation, incurred either when the item is acquired or as a consequence of use of the item during a particular period. Provisions are used only to cover the expenses for which they were set up. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the Company and the Group settle the obligation. The reimbursement shall be treated as a separate asset. The amount of the reimbursement may not exceed the amount of the provision. Once the uncertainty is removed, the provision is classified as creditor or reversed and recognized in the income statement within the same line item in which the original expenditure was initially disclosed. Onerous contract provisions comprise the unavoidable costs under a contract that is the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Provisions for aircraft maintenance costs related to the future redelivery of aircraft

As evidenced by industry practice, additional maintenance costs are frequently incurred in order to satisfy the criteria set by the lessor regarding technical condition of the aircraft at the end of the period of lease. Provisions for redelivery of the aircraft are set up to cover the estimated costs relating to the future redelivery of aircraft. At the commencement date, the present value of the estimated redelivery costs is included within the cost of right-of-use assets and depreciated over the shorter of the end of the useful life of the aircraft or the end of the lease term. Every balance sheet date the present value of estimated future redelivery costs are re-evaluated for changes arising from the usage and the provisions for expected future necessary aircraft maintenance costs are adjusted through adjusting the respective asset and redelivery provision.

n) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the Management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company and the Group companies make a decision about profit distribution.

The Company and the Group companies calculate and pay corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the income statement in the year for which it is assessed.

There are no differences between the tax bases and carrying amount of assets and liabilities and hence, deferred income tax assets and liabilities do not arise. Deferred tax liabilities relating to taxable temporary differences arising on investments in subsidiaries (from retained earnings after 1 January 2018 in subsidiaries) are not recognized in the Group's consolidated financial statements as management has decided that the subsidiaries' 2018-2022 profit for the foreseeable future will not be distributed. Pillar Two is a tax scheme that will be applied in the EU and OECD countries in addition to their national corporate tax systems. The multinational enterprises (MNEs) pay a minimum 15% tax in their home country on income arising in each country they operate in. The global minimum tax applies to MNEs with consolidated revenues of more than EUR 750 million a year. Latvia has elected to delay its full application up to 31 December 2029.

o) Emissions trading scheme

The Group is required to formally report its annual actual emissions to the relevant authorities and surrender emissions allowances (EUAs) equivalent to the emissions made during the year. Surrendered allowances are a combination of the free allowances granted by the authorities and allowances purchased by the Group from other parties. The free allowances are measured initially and subsequently at cost which for allowances awarded is a nominal value (usually nil). Allowances purchased are recognised when the Group is able to exercise control and are measured initially at market value at the date of initial recognition. At the balance sheet date the provision is measured at market value, except for the hedged portion, which is valued at forward rate. The cost of allowances purchased and to be purchased are recognised as costs in the Income statement under "Cost of carbon emission allowances".

p) Prepayments

Prepayments represent payments made in advance for goods or services that will be received or consumed in future periods. These are typically recorded as assets on the balance sheet until the related goods or services are received or consumed. Prepayments are classified as current or non-current assets based on the period in which the benefit is expected to be realized. Prepayments expected to be utilized or consumed within twelve months of the reporting date are classified as current assets, while those expected to provide benefits beyond twelve months are classified as non-current assets.

3. FINANCIAL RISK MANAGEMENT

a) Financial risk factors

The Parent company and the Group companies are exposed to a variety of financial risks: market risk (relating to fluctuations in commodity prices, interest rates and currency exchange rates), credit risk and liquidity risk. The Company's and the Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Company's and the Group's financial performance. The Parent company and the Group companies use financial instruments to manage exposures arising from these risks. These instruments include borrowings, cash deposits and derivatives (principally jet fuel derivatives). It is the Company's and the Group's policy that no speculative trading in financial instruments takes place.

Risk management is carried out by the Risk Management Committee under policies approved by the Executive and Supervisory Board. The Executive Board of airBaltic provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, fuel price risk, credit risk, use of derivative financial instruments, adherence to hedge accounting, and hedge coverage levels.

b) Risk analysis

Market risks

Foreign currency risk

The Parent company and the Group are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. Foreign exchange risk arises when commercial transactions and recognized assets or liabilities are denominated in a currency that is not the functional currency of the Company. Most of the Group's revenues is denominated in euros, while a significant portion of the Company's and the Group's expenses are US Dollar denominated, including fuel, aircraft lease, maintenance, insurance and capital expenditure costs.

During the year the Company has not used financial derivatives to hedge its foreign currency risk and there were no open hedges as at 31 December 2023. The Executive Board may in the future consider hedging foreign currency risk to reduce the potential Company's and the Group's earnings and cash flow volatility arising from foreign currency fluctuations.

The Group's and airBaltic's exposure to EUR/USD exchange risk at the end of the reporting year and the respective equivalent in euros, was as follows:

AIR BALTIC	31.12.2023		31.12.2022	
	TUSD	equivalent to TEUR	TUSD	equivalent to TEUR
Trade and other receivables	19 067	17 255	20 171	18 911
Borrowings and lease payments	591 829	535 592	490 956	460 300
Trade and other payables	12 150	10 995	6 979	6 543
GROUP	31.12.2023		31.12.2022	
	TUSD	equivalent to TEUR	TUSD	equivalent to TEUR
Trade and other receivables	19 067	17 255	20 171	18 911
Borrowings and lease payments	591 829	535 592	490 956	460 300
Trade and other payables	12 150	10 995	6 979	6 543

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments or cash flows will fluctuate in the future due to changes in market interest rates. Cash flow interest rate risk arises from floating interest rate borrowings and lies in the danger that financial expenses increase when interest rates increase.

However, the majority of interest rates charged on borrowings are not sensitive to interest rate movements as they are fixed until maturity. The Parent company and the Group analyse its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, alternative financing and hedging. The Group is exposed to fair value risk of interest.

The Company and the Group have not used financial derivatives to hedge its interest rate risk during the year.

NOTES

3. Financial risk management (continued)

b) Risk analysis (continued)

Market risks (continued)

Commodity price risk

One of the most significant costs for the Company and the Group is jet fuel. The price of jet fuel can be volatile and can have direct impact on the Company's and the Group's financial performance. In previous years airBaltic has partly hedged against jet fuel price fluctuations using jet fuel swap contracts. The average hedge coverage in 2023 was 3.4%. As at 31 December 2023, 12 000 jet fuel tonnes had been hedged for the year 2024 (31 December 2022: no open jet fuel hedge agreements).

In addition to jet fuel, significant attention will be directed towards the carbon market, which also represents a substantial expense. In order to mitigate the impact of carbon market volatility, as of December 31, 2023, the airline has hedged 100 thousand tonnes (22%) at an average price of EUR 75 per ton.

Sensitivity analysis

The table below shows the sensitivity on the net result of the Parent company and the Group to various market risks for the current and prior years:

AIR BALTIC AND THE GROUP	31.12.2023 Difference in equity TEUR	31.12.2022 Difference in equity TEUR	2023 Difference in result for the year TEUR	2022 Difference in result for the year TEUR
USD/EUR rate sensitivity				
USD/EUR rate increase 5%	(26 880)	(21 927)	(26 880)	(21 927)
USD/EUR rate decrease 5%	29 709	24 235	29 709	24 235
Interest rate sensitivity				
Interest rate is higher by 0.5 pp	(4)	(10)	(4)	(10)
Interest rate is lower by 0.5 pp	4	10	4	10

The interest rate sensitivity calculation considers the effects of the varying interest rates on the borrowings.

Liquidity risk

Liquidity risk is the risk that the Parent company and the Group are unable to meet their financial obligations due to insufficient cash inflows. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The airline ended 2023 with the cash balance of EUR 28.7 million. The airlines liquidity position and needs are discussed in more detail in Note 2 (b).

The tables below analyse the airBaltic's and the Group's contractual undiscounted (including estimated future interest payments on debt) non-derivative financial liabilities.

AIR BALTIC	Within 3 months TEUR	Between 3 months and 1 year TEUR	Between 1 and 5 years TEUR	More than 5 years TEUR	Total contractual cash flows TEUR	Carrying amount of liabilities TEUR
Contractual maturities of financial liabilities at 31.12.2023						
Trade payables	31 212	-	-	-	31 212	31 212
Accrued liabilities	42 678	-	-	-	42 678	42 678
Borrowings and lease	35 084	318 608	584 143	459 940	1 397 775	1 149 863
Contractual maturities of financial liabilities at 31.12.2022						
Trade payables	24 730	-	-	-	24 730	24 730
Accrued liabilities	23 586	-	-	-	23 586	23 586
Borrowings and lease	32 911	106 115	726 236	444 729	1 309 991	1 059 057

NOTES

3. Financial risk management (continued)

b) Risk analysis (continued)

Liquidity risk (continued)

GROUP	Within 3 months TEUR	Between 3 months and 1 year TEUR	Between 1 and 5 years TEUR	More than 5 years TEUR	Total con- tractual cash flows TEUR	Carrying amount of liabilities TEUR
Contractual maturities of financial liabilities at 31.12.2023						
Trade payables	30 800	-	-	-	30 800	30 800
Accrued liabilities	42 996	-	-	-	42 996	42 996
Borrowings and lease	35 385	318 999	584 143	459 940	1 398 467	1 150 534
Contractual maturities of financial liabilities at 31.12.2022						
Trade payables	20 819	-	-	-	20 819	20 819
Accrued liabilities	27 588	-	-	-	27 588	27 588
Borrowings and lease	34 693	106 115	726 236	444 729	1 311 773	1 060 818

Credit risk

Credit risk is the risk that the Parent company and the Group companies will incur a monetary loss caused by the other party to a financial instrument because of that party's inability to meet its obligations. The Parent company and the Group companies are exposed to credit risk through its trade receivables, deposits and cash. The exposure to credit risk from individual customers is limited as a large majority of the payments for flight tickets are collected before the service is provided. The Parent company and the Group have no significant concentration of credit risk with any customer. The Parent company and the Group analyse and evaluate partners before commercial transactions are initiated. Further, trade receivable balances are monitored on an ongoing basis to ensure that the Company's and the Group's exposure to bad debts is minimized. Accounts receivable are presented net of allowances for doubtful accounts receivable. Although the collection of receivables can be impacted by economic factors, the Management believes that there is no significant risk of loss beyond the credit loss allowances already recorded. The other receivables do not contain any impaired assets.

The credit risk is also managed by only signing contracts with financially sound domestic and foreign banks, financial institutions and brokers within the framework of risk management policy. According to the estimate of the Management the receivables and accrued income without a credit rating from an independent party do not involve material credit risk, as there is no evidence of circumstances that would indicate impairment loss. The Parent company and the Group have no significant concentration of credit risk with any bank.

The Parent company and the Group also have hedging and aircraft manufacturer relationships that represent counterparty credit risk. The Parent company and the Group analysed the creditworthiness of the relevant business partners in order to assess the likelihood of non-performance of liabilities due to the Company and the Group. The credit quality of the Company's and the Group's financial assets is assessed by reference to external credit ratings of the counterparties as follows:

AIR BALTIC	A+	B+	BBB+	Other	Unrated	Total
31.12.2023	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Financial instruments						
Trade receivables, security deposits and other receivables	2 974	2 500	500	7 911	42 450	56 335
Cash	10 513	-	17 319	-	963	28 795
Derivative financial instruments	482	-	-	-	-	482
TOTAL FINANCIAL ASSETS	13 969	2 500	17 819	7 911	43 413	85 612
31.12.2022						
Financial instruments						
Trade receivables, security deposits and other receivables	-	-	2 839	12 532	33 622	48 993
Cash	18 782	-	-	18 095	734	37 611
TOTAL FINANCIAL ASSETS	18 782	-	2 839	30 627	34 356	86 604

NOTES

3. Financial risk management (continued)

b) Risk analysis (continued)

GROUP	A+	B+	BBB+	Other	Unrated	Total
31.12.2023	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Financial instruments						
Trade receivables, security deposits and other receivables	2 974	2 500	500	7 912	37 518	51 404
Cash	10 771	-	17 319	-	968	29 058
Derivative financial instruments	482	-	-	-	-	482
TOTAL FINANCIAL ASSETS	14 227	2 500	17 819	7 912	38 486	80 944

31.12.2022

Financial instruments

Trade receivables, security deposits and other receivables	-	-	2 839	12 532	32 492	47 863
Cash	19 169	-	-	18 096	734	37 999
TOTAL FINANCIAL ASSETS	19 169	-	2 839	30 628	33 226	85 862

Based on the information above the Management does not consider the counterparty risk of any party being material and therefore no credit loss allowance was recognised for the respective cash balances.

For more detailed information on accounting policy for accounts receivable and their impairment, see Notes 2 (j) and 2 (k). Detailed analysis of trade accounts receivable is shown in Note 23.

Capital management risk

The Parent company's and the Group's policy is to preserve an optimal capital base to keep investor, creditor and market confidence and to maintain sufficient financial resources to mitigate against risks and unforeseen events.

According to the previous decision of the European Commission in the case No.SA.56943 as of July 03, 2020, the state is encouraged to exit from its COVID-19 shareholding down to at least 80% by 2027. Therefore, the airline will most probably seek to conduct an initial public offering of its shares, at some time over the next three years, to provide the avenue for such divestment.

Fair value estimation

The Company and the Group classify their assets and liabilities based on the technique used for determining fair value into the following categories:

Level 1: Fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is determined based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value is determined based on inputs that are not based on observable market data (that is, on unobservable inputs).

The following table presents the Group's and airBaltic's assets and liabilities that are measured at fair value at 31 December 2023

	Level 1	Level 2	Level 3	Total
AIR BALTIC	TEUR	TEUR	TEUR	TEUR
Buildings	-	-	6 608	6 608
Investment property	-	-	2 850	2 850
Derivative financial instruments	-	482	-	482
GROUP				
Buildings	-	-	8 547	8 547
Diamond DA40NG aircraft	-	-	3 831	3 831
Derivative financial instruments	-	482	-	482

NOTES

3. Financial risk management (continued)

b) Risk analysis (continued)

Fair value estimation (continued)

The following table presents airBaltic's and the Group's assets and liabilities that are measured at fair value at 31 December 2022.

	Level 1	Level 2	Level 3	Total
	TEUR	TEUR	TEUR	TEUR
AIR BALTIC				
Buildings	-	-	6 633	6 633
Investment property	-	-	2 850	2 850
GROUP				
Buildings	-	-	9 531	9 531
Diamond DA40NG aircraft	-	-	4 054	4 054

The Group and airBaltic obtain independent valuations for its buildings, investment property and aircraft with sufficient regularity. At the end of each reporting period, the Management updates the assessment of the fair value of each building and aircraft, considering the most recent independent valuations. The Management determine a property's value within a range of reasonable fair value estimates. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Management considers information from a variety of other sources. Please see Note 17 and Note 18 on the principles of setting the fair value of buildings and Note 17 on the revaluation of the aircraft.

All financial assets and financial liabilities except for derivatives are measured at amortized cost. The Group's and airBaltic's financial assets measured at amortized cost are included in level 3, except for cash and cash equivalents, which are included in level 2. The Group and airBaltic estimate that the fair values of assets and liabilities reported at amortised cost do not materially differ from the carrying amounts reported in the financial statements, except for bond, for which assessment of the fair value was performed as of 31 December 2023. The valuation was performed by discounting the remaining cash flow with the market rate of 9.2% as at 31 December 2023. According to the calculations performed the fair value of the bonds at 31 December 2023 – EUR 202 814 thousand – was lower than their carrying amount of EUR 205 696 thousand.

The fair values of other financial assets and other financial liabilities are based on discounted cash flows using a current borrowing rate.

4. SEGMENT INFORMATION

Each company of the Group is considered as a separate segment. More than 96% of the Group's revenue comes from passenger aviation transportation (ticket revenue, ancillary revenue and ACMI lease revenue) that is generated by the Parent company. Therefore, only the Parent company is considered as a significant business unit for segment information purposes that provides airline related services, including scheduled services and other related services to third parties across European route network. All other segments – provision of aviation related training services and cargo handling – are not reportable operating segments, and are not analysed as separate segments by airBaltic's Chief Operating Decision Maker (CODM). The results of these operations are included in the 'other segments' line.

The airline and the Group determine and present operating segments based on the information that internally is provided to the senior management team that is the CODM. When making resource allocation decisions, the CODM evaluates passenger aviation revenue, however resource allocation decisions are made based on the entire traffic area and the deployment of the entire aircraft fleet. The objective in making resource allocation decisions is to maximise financial results, rather than focusing solely on profit generated from individual traffic areas. Therefore, the whole business of the Parent company is considered as one segment.

The CODM assesses the performance of the business based on the net result of airBaltic and the Group for the year.

The Parent company's and the Group's major revenue-generating asset class comprises its aircraft fleet, which is flexibly employed across the different traffic areas and is directly attributable to its reportable segment operations. The assets of the Parent company and the Group are analysed for segment information purposes. The assets of the subsidiaries are not analysed as separate segments.

NOTES

4. Segment information (continued)

Entity-wide disclosures

Revenue from external customers can be analysed by geographic area as follows:

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Europe	625 421	469 983	628 841	471 557
Other	38 868	28 564	39 141	28 613
TOTAL	664 289	498 547	667 982	500 170

Revenue was allocated to geographical areas based on the location of the destination airport.

Reportable segment information is presented as follows:

	2023	2022
	TEUR	TEUR
Operating revenue of the Parent company	664 289	498 547
Revenue of other segments	5 913	33 816
Intersegment elimination arising from other segments	(2 220)	(32 193)
TOTAL REVENUE	667 982	500 170
Profit / (loss) of the Parent company	33 852	(53 007)
Loss of other segments	(353)	(1 008)
Intersegment elimination	153	(204)
TOTAL NET PROFIT / (LOSS)	33 652	(54 219)
Other segment information:		
Amortization and depreciation	(90 372)	(73 585)
Interest revenue	521	112
Interest expense	62 419	(57 425)
	31.12.2023	31.12.2022
	TEUR	TEUR
Reportable segment of the Parent company's assets	1 323 958	1 155 777
Reportable segment of the other segments' assets	8 240	14 243
Intersegment elimination arising from other segments	(7 491)	(11 098)
TOTAL ASSETS	1 324 707	1 158 922
Reportable segment of the Parent company's liabilities	1 371 847	1 237 598
Reportable segment of the other segments' liabilities	6 744	12 218
Intersegment elimination arising from other segments	(5 577)	(8 910)
TOTAL LIABILITIES	1 373 014	1 240 906

All non-current assets, other than the fleet, are located in Latvia. Depending on the assigned capacity of the particular base airport, the aircraft are based at one of the airline's base airports.

NOTES

5. REVENUE

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Ticket revenue	496 599	367 422	496 599	367 422
ACMI lease revenue (non-lease component)	61 407	47 827	61 407	47 827
Ancillary revenue	42 559	32 389	42 559	32 389
Charter revenue	11 399	9 367	11 399	9 367
Cargo revenue	5 808	6 043	6 220	6 457
Other revenue	3 427	1 471	6 708	2 680
Revenue from contracts with customers	621 199	464 519	624 892	466 142
ACMI lease revenue (lease component)	39 294	29 313	39 294	29 313
TOTAL	660 493	493 832	664 186	495 455

The Group allocates the consideration in the ACMI contract to the lease and non-lease components based on the internal assessment of their relative stand-alone prices. The lease revenues are neither priced nor invoiced separately and are separated for the disclosure purposes of these financial statements only.

6. OTHER INCOME

Other income represents profit from sale and leaseback transactions.

7. PERSONNEL COSTS

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Remuneration	82 642	60 204	85 839	61 591
State social insurance contributions	19 575	14 225	20 180	14 552
Other personnel expense	1 225	983	1 230	561
TOTAL	103 442	75 412	107 249	76 704

In 2023, airBaltic recruited pilots previously working for its subsidiary Aircraft Crew Resources A/S. In order to improve comparability, a reclassification has been made in the comparative information by combining the income statement item Pilot services with the item Personnel costs.

Remuneration of the members of the Executive Board and Supervisory Board for the current year

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Executive Board members				
Remuneration	1 482	1 549	1 482	1 549
State social insurance contributions	349	377	349	377
Supervisory Board members				
Remuneration	158	129	158	129
State social insurance contributions	36	30	36	30
TOTAL	2 025	2 085	2 025	2 085
Average number of employees during the reporting year, including:				
Executive Board members	3	3	3	3
Supervisory Board members	4	4	4	4

8. AIRCRAFT AND SIMILAR LEASE COSTS

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
ACMI-in lease costs	63 958	17 153	63 958	17 153
Short term engine lease	12 231	5 768	12 231	5 768
TOTAL	76 189	22 921	76 189	22 921

ACMI-in lease costs include leasing payments for lease, related maintenance, insurance, and crew.

9. MARKETING AND TICKETS SALES COSTS

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Tickets sales costs	21 289	17 225	21 289	17 225
Marketing costs and agents' commissions	15 129	9 661	15 129	9 661
Other sales costs	5 497	4 064	5 497	4 064
TOTAL	41 915	30 950	41 915	30 950

10. OTHER OPERATING COSTS

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Crew duty trip expenses	10 292	6 940	10 292	7 578
Professional costs	6 664	6 542	6 590	6 380
IT maintenance services	5 737	4 442	5 693	4 398
Other costs	4 699	3 739	4 763	3 776
Insurances	2 731	2 947	2 731	2 947
Utilities	1 750	825	1 750	825
Pilot services	162	1 614	-	-
TOTAL	32 035	27 049	31 819	25 904

11. AUDITOR'S REMUNERATION

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Audit fees	190	118	207	135
Tax and other consulting services	44	28	44	28
Other audit related services	235	190	235	190
TOTAL	469	336	486	353

12 CLAIM COMPENSATION

Claim compensation reflects the various compensations received under the Supplemental Commercial Support Agreement concluded in 2022 with the engine manufacturer, insurance indemnities as well as various indemnities under guarantee contracts. The costs which are compensated under claim compensation include engine downtime compensation, short-time lease costs, and other associated costs of flight operations incurred during the year. It is the management board's judgment that the compensation is not a rebate or a discount for any purchased goods or services or future purchases of goods or services, rather it is a compensation for expenses incurred in connections with the delay in delivery causing before mentioned expenses to occur.

13. FINANCE COSTS

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Interest expense on lease	46 023	42 347	46 023	42 347
Interest expense on borrowings	16 396	15 078	16 499	15 183
Other interest and similar expenses	1 325	1 399	1 333	1 431
TOTAL	63 744	58 824	63 855	58 961

14. FOREIGN CURRENCY EXCHANGE GAIN / (LOSS), NET

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Exchange gain/(losses) on assets and liabilities, net	16 475	(26 695)	16 475	(26 695)
Exchange gain on foreign currency settlements, net	191	1 319	189	1 316
TOTAL	16 666	(25 376)	16 664	(25 379)

15. FINANCE INCOME

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Interest income on bank deposits	522	112	522	112
Other financial income	112	425	-	-
TOTAL	634	537	522	112

16. CORPORATE INCOME TAX

	AIR BALTIC		GROUP	
	2023 TEUR	2022 TEUR	2023 TEUR	2022 TEUR
Corporate income tax on dividends	-	-	-	(1 995)
Corporate income tax on conditionally distributed profit	-	-	(17)	-
TOTAL	-	-	(17)	(1 995)

Corporate income tax is recognized on an accrual basis and the liability is settled over the period of the distribution of the share dividend. During 2023 the Group has paid Corporate income tax for the amount of EUR 556 thousand that was accrued in 2022.

17. PROPERTY, PLANT AND EQUIPMENT

The following two tables reflect the reconciliation of the carrying amount at the beginning and the end of the period for airBaltic and the Group.

AIR BALTIC	Buildings (revalued amount) TEUR	Fixtures and fittings (at cost) TEUR	Aircraft equipment (at cost) TEUR	Total TEUR
Cost or revalued amount				
31.12.2021	16 151	20 222	72 121	108 494
Additions	87	1 131	29 200	30 418
Disposals	-	(461)	(3 065)	(3 526)
31.12.2022	16 238	20 892	98 256	135 386
Accumulated depreciation				
31.12.2021	8 977	7 857	17 188	34 022
Charge for 2022	318	1 698	8 334	10 350
Charge on revalued amount	310	-	-	310
Disposals	-	(425)	(3 060)	(3 485)
31.12.2022	9 605	9 130	22 462	41 197
Cost or revalued amount				
31.12.2022	16 238	20 892	98 256	135 386
Additions	20	1 110	56 308	57 438
Disposals	-	(1 714)	(2 527)	(4 241)
31.12.2023	16 258	20 288	152 037	188 583
Accumulated depreciation				
31.12.2022	9 605	9 130	22 462	41 197
Charge for 2023	335	1 850	13 528	15 713
Charge on revalued amount	310	-	-	310
Disposals	-	(1 686)	(2 261)	(3 947)
31.12.2023	10 250	9 294	33 729	53 273
Net book value 31.12.2023	6 008	10 994	118 308	135 310
Net book value 31.12.2022	6 633	11 762	75 794	94 189

NOTES

17. Property, plant and equipment (continued)

GROUP	Buildings (revalued amount) TEUR	Fixtures and fittings (at cost) TEUR	Aircraft (revalued amount) TEUR	Aircraft equipment (at cost) TEUR	Total TEUR
Cost or revalued amount					
31.12.2021	22 006	21 282	4 561	72 121	119 970
Additions	87	1 160	125	29 202	30 574
Disposals	-	(470)	(118)	(3 051)	(3 639)
Revaluation	-	-	695	-	695
31.12.2022	22 093	21 972	5 263	98 272	147 600
Accumulated depreciation					
31.12.2021	11 578	8 523	929	17 188	38 218
Charge for 2022	681	1 764	378	8 335	11 158
Charge on revalued amount	303	-	-	-	303
Disposals	-	(429)	(98)	(3 045)	(3 572)
31.12.2022	12 562	9 858	1 209	22 478	46 107
Cost or revalued amount					
31.12.2022	22 093	21 972	5 263	98 272	147 600
Additions	19	1 172	213	56 310	57 714
Disposals	-	(1 760)	(77)	(2 543)	(4 380)
31.12.2023	22 112	21 384	5 399	152 039	200 934
Accumulated depreciation					
31.12.2022	12 562	9 858	1 209	22 478	46 107
Charge for 2023	701	1 920	369	13 529	16 519
Charge on revalued amount	302	-	64	-	366
Disposals	-	(1 733)	(74)	(2 277)	(4 084)
31.12.2023	13 565	10 045	1 568	33 730	58 908
Net book value 31.12.2023	8 547	11 339	3 831	118 309	142 026
Net book value 31.12.2022	9 531	12 114	4 054	75 794	101 493

Impairment test

At the end of 2023, the Management of the Parent company and the Group performed the impairment test of property, plant and equipment (including right of use assets) and intangible assets. The potential triggers of impairment considered particularly in the context of the war in Ukraine and supply chain issues. For impairment test purposes the business of each separate Group company was considered as separate cash generating units. The Parent company is the only significant cash generating unit. The recoverable amount of the assets is estimated based on their value in use.

In 2023 the impairment test of the property, plant and equipment (including right-of-use assets) and intangible assets that were treated as a separate cash generating unit did not reflect the need for recognizing an impairment provision because the assets' value in use exceeds their carrying amount.

The recoverable amount was based on discounted future cash flow for the period of 2024 – 2028 of the current aircraft fleet of the Parent company. The expected future cash flows were discounted using a discount rate of 11.5% (2022: 9.5%). Several key assumptions used in impairment test are sensitive to changes, which might affect the estimated recoverable value of assets:

- unit revenue per revenue passenger kilometre (ticket yield),
- volume of scheduled passengers,
- USD/EUR exchange rate,
- Weighted Average Cost of Capital (WACC).

NOTES

17. Property, plant and equipment (continued) Impairment test (continued)

In conducting the impairment test the near term yield was forecasted based on the current industry trends as well as on experts' forecasts. It was assumed that the yield in 2024 would increase by 4% compared to 2023 (6% in 2022 impairment test, adjustment driven by improved USD exchange rate and increased passenger volume) and 3% in 2025 compared to 2024. Further assumed 1% to 2% yield increase year-over-year. As for the impairment test purposes the model considered only the current fleet of the airline. Such assumption of constant fleet and hence limited seat capacity offered may potentially affect yield towards further increase.

The model assumes that more than 16% of the total revenue is generated by ACMI operations in 2024 and 2025 (decline compared to 2022 is attributed to increased focus on airBaltic's own network, consequently forecasting increased passenger volumes within the scheduled network), and then declines gradually to 15% in 2028. The total number of assumed passengers in 2024 is 4% above 2019. Passenger growth assumed 15% in 2024 compared to 2023. Compounded annual passenger increase from 2024 to 2028 assumed 6%.

The EUR/USD exchange rate forecasted based on relevant forward prices until 2028 and in the model exchange rate reduced by 2% to use conservative assumption. Rates vary from EUR/USD 1.07 to 1.14.

The market price of jet fuel forecasted based on relevant forward prices and for the impairment test purpose increased by 2%. Rates vary from 850 to 671 USD/MT.

The table below represents change in each key assumption that would cause the cash generating unit's carrying amount to be equal to its recoverable amount, while other assumptions unchanged.

Assumption	Change
Scheduled passengers	Decrease 5.5%
Ticket yield	Decrease 5.5%
USD exchange rate	Decrease 16.8%
WACC	Increase 34.5%

The management does not consider the changes in the WACC and exchange rate presented above to be reasonably possible changes in the current environment, but for the consistency the sensitivity is presented.

The Company and the Group are continuously monitoring potential threats to core business activities such as new variants of COVID-19 outbreak, developments around war in Ukraine and the Parent company's supply chain issues related to aircraft engine maintenance and amending where necessary short term operating plans accordingly. The Company's and the Group's short term performance will depend largely on the strength of the European economy in 2024, any further spill over effects from the war in Ukraine, and development of aircraft engine supply chain issues which may temporarily ground affected aircraft.

Fully depreciated assets

Property, plant and equipment at 31 December 2023 include fully depreciated assets with a total cost of EUR 3.5 million (31 December 2022: EUR 7.5 million) for the Group and EUR 4.2 million (31 December 2022: EUR 8 million) for airBaltic.

Pledged assets

Information on pledged assets is disclosed in the Note 33 (a).

Revalued assets

In 2022 the revaluation of the Parent company's and the Group's buildings was performed by certified independent estate valuers using the income approach. According to the Group's accounting policy, the net book value of buildings was adjusted to the valuation by recognising the gain in Revaluation reserve. In 2022 one of the Group's subsidiaries performed the revaluation of the training aircraft. The valuation of the property was performed by the independent professionals using the comparable market price approach. The management considers that there are no significant changes in 2023 in the market values of the buildings and training aircraft compared to 2022.

If assets were recorded at cost less accumulated depreciation, their net book value would be as follows:

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Buildings				
Cost	6 763	6 739	9 756	9 732
Accumulated depreciation	(2 304)	(1 964)	(3 972)	(3 631)
NET BOOK VALUE	4 459	4 775	5 784	6 101
Aircraft Diamond				
Cost	-	-	4 703	4 568
Accumulated depreciation	-	-	(1 503)	(1 209)
NET BOOK VALUE	-	-	3 200	3 359

18. RIGHT-OF-USE ASSETS

The table below shows the movement in each class of right-of-use assets for airBaltic and the Group:

AIR BALTIC AND THE GROUP	Buildings and land TEUR	Aircraft TEUR	Total TEUR
Cost			
31.12.2021	16 505	922 606	939 111
Additions – new lease contracts	2 022	173 109	175 131
Terminated contracts	(213)	(102 268)	(102 481)
31.12.2022	18 314	993 447	1 011 761
Accumulated depreciation			
31.12.2021	4 457	164 842	169 299
Charge for 2022	1 975	59 225	61 200
Terminated contracts	(206)	(35 777)	(35 983)
31.12.2022	6 226	188 290	194 516
Impairment loss provision			
31.12.2021	-	(72 891)	(72 891)
Terminated contracts	-	66 491	66 491
31.12.2022	-	(6 400)	(6 400)
Cost			
31.12.2022	18 314	993 447	1 011 761
Additions – new lease contracts	1 855	180 305	182 160
Terminated contracts	(37)	(9 772)	(9 809)
31.12.2023	20 132	1 163 980	1 184 112
Accumulated depreciation			
31.12.2022	6 226	188 290	194 516
Charge for 2023	1 874	70 547	72 421
Terminated contracts	(37)	(3 372)	(3 409)
31.12.2023	8 063	255 465	263 528
Impairment loss provision			
31.12.2022	-	(6 400)	(6 400)
Terminated contracts	-	6 400	6 400
31.12.2023	-	-	-
Net book value 31.12.2023	12 069	908 515	920 584
Net book value 31.12.2022	12 088	798 757	810 845

NOTES

18. Right-of-use assets (continued)

The weighted average incremental borrowing rate applied to measure lease liabilities is 5% for aircraft and 1.7% – 2.6% for other assets.

The following amounts related to the right-of-use assets are recognized in the Income statement:

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Depreciation charge for the right-of-use assets by class of assets				
<i>Aircraft</i>	70 547	59 225	70 547	59 225
<i>Land and buildings</i>	1 874	1 975	1 874	1 975
Total depreciation charge	72 421	61 200	72 421	61 200
Interest expense on lease liabilities (Finance cost)	46 023	42 347	46 023	42 347
Expense relating to short-term leases (Aircraft and similar lease expenses)	76 189	22 921	76 189	22 921
TOTAL EXPENSES RELATED TO LEASES	194 633	126 468	194 633	126 468

The following amounts related to the right-of-use assets are recognized in the cash flow statement:

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Principal	82 169	88 705	82 169	88 705
Interest paid	46 033	39 336	46 033	39 336
TOTAL CASH OUTFLOWS	128 202	128 041	128 202	128 041

Even though the airline intends to develop its business on the basis of its A220 fleet, the Management is not certain if it will exercise any options to extend the leases embedded in some of the lease contracts as both the extension terms at the time and the market conditions at the time are highly unpredictable. No extension option will be exercised for any other lease as the Management concludes that there are no economic incentives to exercise the option.

Neither airBaltic nor the Group provide any residual value guarantees.

19. INVESTMENT PROPERTIES (THE PARENT COMPANY)

	TEUR
Fair value	
31.12.2022	2 850
31.12.2023	2 850

Information on pledged assets is disclosed in Note 33 (a).

In 2023, the revaluation of the Company's buildings was performed by the certified independent estate valuers using the income approach. No material changes in the fair values were found compared to previous years.

The investment property is primarily leased out to the Group companies.

The following amounts related to the Investment properties are recognized in the Income statement:

	2023	2022
	TEUR	TEUR
Rental income	613	449
Direct operating expenses of the Investment property	(471)	(307)

20. INTANGIBLE ASSETS

	AIR BALTIC			GROUP		
	Trademarks TEUR	Licences, software and other TEUR	Total TEUR	Trademarks TEUR	Licences, software and other TEUR	Total TEUR
Cost						
31.12.2021	13 000	18 050	31 050	13 000	16 874	29 874
Additions	-	1 164	1 164	-	1 225	1 225
Disposals	-	(57)	(57)	-	(59)	(59)
31.12.2022	13 000	19 157	32 157	13 000	18 040	31 040
Accumulated amortization						
31.12.2021	-	11 789	11 789	-	11 847	11 847
Charge for 2022	-	2 036	2 036	-	1 921	1 921
Disposals	-	(54)	(54)	-	(55)	(55)
31.12.2022	-	13 771	13 771	-	13 713	13 713
Cost						
31.12.2022	13 000	19 157	32 157	13 000	18 040	31 040
Additions	-	2 196	2 196	-	2 226	2 226
Disposals	-	(596)	(596)	-	(596)	(596)
31.12.2023	13 000	20 757	33 757	13 000	19 670	32 670
Accumulated amortization						
31.12.2022	-	13 771	13 771	-	13 713	13 713
Charge for 2023	-	2 238	2 238	-	2 130	2 130
Disposals	-	(535)	(535)	-	(535)	(535)
31.12.2023	-	15 474	15 474	-	15 308	15 308
Net book value 31.12.2023	13 000	5 283	18 283	13 000	4 362	17 362
Net book value 31.12.2022	13 000	5 386	18 386	13 000	4 327	17 327

Information on pledged assets is disclosed in the Note 33 (a).

Intangible assets at 31 December 2023 include fully amortized assets with a total cost of EUR 10.5 million (31 December 2022: EUR 8.7 million) for Parent company and EUR 10.5 million (31 December 2022: EUR 8.8 million) for the Group.

Several trademarks of the Parent company are with indefinite useful life. As at 31 December 2023 the net book value of such trademarks was EUR 13 million (31 December 2022: EUR 13 million). The Parent company and the Group places great importance on its brand and the Parent company relies on positive brand recognition to attract customers. In order to legally protect its brand the Parent company has among other things registered its brand as a trademark. The Parent company has registered not only its name airBaltic but also various other word and colour combinations that could be associated with the airBaltic brand or the airBaltic business activities (that includes the green colour associated with airBaltic brand when used in transport services in Latvia). Most of the trademarks are registered in Latvia while some key trademarks (like firm name and brand of the Company) are registered also as EU trademarks (at EUIPO register) and international trademarks (at WIPO register). An analysis performed by the Parent company and the Group provides evidence that the net cash inflows from using the trademarks will flow to the Parent company and the Group for an indefinite period. Therefore, the trademarks are carried at cost without amortisation, but are tested annually for impairment (Note 17).

21. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS (THE PARENT COMPANY)

	Investments in subsidiary undertakings TEUR	Other investments TEUR	Total TEUR
31.12.2021	406	3	409
Increase in the share capital of subsidiary	1	-	1
31.12.2022	407	3	410
31.12.2023	407	3	410

Financial information on subsidiary undertakings

Name	Address	Equity		(Loss) / Profit	
		31.12.2023 TEUR	31.12.2022 TEUR	2023 TEUR	2022 TEUR
Aviation Crew Resources AS (under liquidation)	Pilotu Street 6, Riga, Latvia, LV-1053	116	1 463	(1 347)	(22)
Air Baltic Training SIA	Pilotu Street 6, Riga, Latvia, LV-1053	1 682	765	982	(1 043)
Baltijas Kravu centrs SIA	Ziemeļu Street 18, Riga, Latvia, LV-1053	(190)	(212)	22	46

Name	Carrying value of investments in subsidiary undertakings		Participating interest in share capital of subsidiary undertakings	
	31.12.2023 TEUR	31.12.2022 TEUR	31.12.2023 %	31.12.2022 %
Air Baltic Training SIA	3	3	100	100
Aviation Crew Resources AS (under liquidation)	124	124	100	100
Baltijas Kravu centrs SIA	280	280	100	100
TOTAL	407	407		

22. DIVISION OF FINANCIAL INSTRUMENTS BY CATEGORY

		AIR BALTIC		GROUP	
	Note	Fair Value	Amortised cost	Fair Value	Amortised cost
		TEUR	TEUR	TEUR	TEUR
As at 31.12.2023					
Trade receivables, security deposits and other receivables	23	-	56 336	-	51 874
Cash	25	-	28 794	-	29 058
Derivative financial instruments		482	-	482	-
TOTAL FINANCIAL ASSETS		482	85 130	482	80 932
As at 31.12.2022					
Trade receivables, security deposits and other receivables	23	-	48 992	-	47 863
Cash	25	-	37 611	-	37 999
TOTAL FINANCIAL ASSETS		-	86 603	-	85 862
As at 31.12.2023					
Borrowings and lease	27	-	1 149 863	-	1 150 534
Trade and other payables	29	-	73 921	-	73 828
TOTAL FINANCIAL LIABILITIES		-	1 223 784	-	1 224 362
As at 31.12.2022					
Borrowings and lease	27	-	1 059 057	-	1 060 818
Trade and other payables	29	-	48 335	-	48 533
TOTAL FINANCIAL LIABILITIES		-	1 107 392	-	1 109 351

23. TRADE AND OTHER RECEIVABLES

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Non-current				
Security deposits	17 512	14 424	17 514	14 425
Other receivables	1 503	228	1 503	822
Financial assets	19 015	14 652	19 017	15 247
Prepayments for acquisition of intangible assets	805	278	805	278
Non-financial assets	805	278	805	278
TOTAL	19 820	14 930	19 822	15 525
Current				
Trade receivables	19 154	14 885	15 166	11 517
Security deposits	10 477	10 346	10 477	10 346
Other receivables	7 690	9 109	7 214	10 753
Financial assets	37 321	34 340	32 857	32 616
Accrued revenue	1 699	8 530	3 742	9 110
Non-financial assets	1 699	8 530	3 742	9 110
TOTAL	39 020	42 870	36 599	41 726

Security deposits are interest free deposits paid to aircraft lessors, airports and credit card acquirers. Majority of other receivables are balances with the aircraft engine manufacturer under the supplementary business support agreement.

The Parent company and the Group have analysed the creditworthiness of the relevant business partners in order to assess the likelihood of non-performance of liabilities due to the Parent company and the Group. There has been no material expected credit loss identified at the end of the reporting year (31 December 2022: no material impairment loss identified).

The fair values of receivables and prepayments do not significantly differ from their carrying amounts. Most of the Parent company's and the Group's trade receivables are in euros.

The table below shows the analysis of Trade receivables.

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Trade receivables, gross	21 465	15 927	17 062	12 625
Expected credit loss allowance	(2 311)	(1 042)	(1 896)	(1 108)
TRADE RECEIVABLES, NET	19 154	14 885	15 166	11 517
Current	12 101	8 262	12 171	8 170
1 – 30 days past due	3 046	2 712	2 883	2 615
31 – 60 days past due	289	74	223	15
61 – 90 days past due	180	124	45	1
3 – 6 months past due	363	1 337	20	1 066
More than 6 months past due	5 486	3 418	1 720	758
TRADE RECEIVABLES, GROSS	21 465	15 927	17 062	12 625
Credit loss allowance made				
Current	(196)	(163)	(195)	(163)
1 – 30 days past due	(104)	(91)	(102)	(91)
31 – 60 days past due	(16)	(3)	(24)	(2)
61 – 90 days past due	(10)	(5)	(2)	-
3 – 6 months past due	(21)	(58)	(4)	(94)
More than 6 months past due	(1 964)	(722)	(1 569)	(758)
TRADE RECEIVABLES, NET	19 154	14 885	15 166	11 517

NOTES

23. Trade and other receivables (continued)

The Company and the Group apply the IFRS 9 simplified approach to measure the expected credit loss by using a lifetime expected loss allowance for all trade and other receivables. On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows:

AIR BALTIC	Not yet due	1 – 30 days past due	31 – 60 days past due	61 – 90 days past due	3-6 months past due	more than 6 months past due
As at 31.12.2023	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Expected loss rate	1.62%	3.41%	5.54%	5.56%	5.79%	35.80%
Gross carrying amount	12 101	3 046	289	180	363	5 486
Loss allowance	196	104	16	10	21	1 964
As at 31.12.2022						
Expected loss rate	1.97%	3.36%	4.05%	4.03%	4.34%	21.12%
Gross carrying amount	8 262	2 712	74	124	1 337	3 418
Loss allowance	163	91	3	5	58	722
GROUP	Not yet due	1 – 30 days past due	31 – 60 days past due	61 – 90 days past due	3-6 months past due	more than 90 days past due
As at 31.12.2023	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Expected loss rate	1.60%	3.54%	10.76%	4.44%	20.00%	91.22%
Gross carrying amount	12 171	2 883	223	45	20	1 720
Loss allowance	195	102	24	2	4	1 569
As at 31.12.2022						
Expected loss rate	2.00%	3.48%	13.33%	0.00%	8.82%	100%
Gross carrying amount	8 170	2 615	15	1	1 066	758
Loss allowance	163	91	2	-	94	758

24. INVENTORIES

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Spare parts	18 800	13 626	18 936	13 726
Allowance for slow moving and obsolete inventory	(2 909)	(2 813)	(2 909)	(2 813)
TOTAL	15 891	10 813	16 027	10 913

Cost is determined using the FIFO (first in, first out) method.

25. CASH

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Cash at bank and on hand	12 294	21 111	12 558	21 499
Cash deposit	16 500	16 500	16 500	16 500
TOTAL	28 794	37 611	29 058	37 999

There has been no credit loss allowance provided at the end of the reporting year due to its insignificance (31 December 2022: no credit loss allowance).

NOTES

25. Cash (continued)

The long term cash deposits with the term of more than 3 month is held to meet short term liquidity needs and there is no significant risk of a change in value as a result of an early withdrawal. The deposits earn the market interest rate. Deposits are available for withdrawal at any time; such early withdrawal would have an effect on the amount of accrued interest. Deposits are classified as short term and readily available also in the daily management liquidity planning reports.

The Parent company has established a financial collateral for the benefit of the Ministry of Finance – short term deposit with a bank incorporated in Latvia in the amount of EUR 16.5 million (see Note 33 (a)).

26. SHARE CAPITAL

The shareholders structure on 31 December 2023 is as follows:

	Participating interest*, %	A category shares	B category shares	C category shares	D category shares	Share capital TEUR
Republic of Latvia	97.97	20 531 867	74 323 152	113 164 518	38 660 300	545 319
Aircraft Leasing 1 SIA	2.03	5 115 204	-	-	-	51 152
Other	0.000084	211	-	-	-	2
TOTAL	100	25 647 282	74 323 152	113 164 518	38 660 300	596 473

* The share capital of the Company is divided into 4 categories of shares (A, B, C and D) with different nominal values (EUR 10, EUR 3, EUR 1 and EUR 0.10 respectively). Taking into account that each share of each category (regardless of the nominal value of the share) (a) grants one vote at the shareholders' meeting, (b) has the same rights to receive dividends and a share in the liquidation and (c) has the same priority rights to acquire newly issued shares in the event of a capital increase and to acquire convertible bonds in the event of a convertible bond issue, the participating interest of each shareholder is calculated on the basis of the total number of category A shares, category B shares, category C shares and category D shares.

Reorganisation reserve

In October 2015 the Parent company completed the reorganization by merging two fully owned subsidiaries and the second reorganisation by spin-off, where its fully owned subsidiary transferred the real estate and related business activities. The fair value of the assets, liabilities and the net assets merged and transferred during the reorganization resulted in the reorganization reserve recognized in the accounts of the Parent company.

Other contributions

According to the agreement signed on 27 October 1997, the former shareholders (private founders of the Parent company) paid in cash, in proportion to each shareholder's shareholding in the Parent company, as conditional contribution to the Parent company of USD 2.8 million (EUR 2.6 million). The purpose of the conditional contribution was to financially support and ensure that airBaltic was able to operate scheduled flights to and from Russia. The conditional contribution is repayable to the former shareholders as soon as airBaltic has distributable earnings subject to the approval of the shareholders. The contribution referred to above is repayable only if and when airBaltic has distributable earnings. According to the Commercial Law distributable earnings can only be defined by the shareholders (e.g. by current shareholders meeting), after they have approved the annual report. Distribution of earnings, if any, should be subject to the shareholders' decision only. Due to the above conditions, its substance is considered to be similar to equity, and the contribution is, therefore, recorded as a part of the Parent company's equity. No shareholders' decisions have been taken until authorization of these financial statements that would indicate that the contribution would have to be classified differently.

27. BORROWINGS AND LEASE LIABILITIES

BORROWINGS	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Non-current				
Borrowings from the shareholders	36 141	36 141	36 141	36 141
Facility credit agreement	19 697	19 511	19 697	19 511
Eurobond	-	198 812	-	198 812
TOTAL	55 838	254 464	55 838	254 464
Current				
Eurobond and related interest	205 301	5 696	205 301	5 696
Facility credit agreement	3 769	3 187	3 769	3 187
Borrowings from the shareholders	206	133	206	133
Bank borrowings	-	-	671	1 761
TOTAL	209 276	9 016	209 947	10 777

Eurobond

On 23 July 2019 airBaltic placed a 200 million euro issue 6.75 percent 5-year bonds. The bonds are listed on Euronext Dublin stock exchange. The annual interest charge is EUR 13.5 million payable in July each year. The unpaid amount of interest charge at the end of each year is accrued and classified within current borrowing. One of the covenants of the EUR 200 million Eurobond due to mature in July 2024 is an obligation for the airline to maintain a minimum liquidity of EUR 25 million measured on a quarterly basis. If the airline fails to comply with this requirement, it is obliged to remedy the situation within 60 days of the respective notice. See Note 2 b) for more details.

Borrowings from the shareholders

The loan is repayable on 31 December 2026 and is issued on market terms. The calculated and unpaid interest expense is accrued and classified within current borrowing.

Borrowings from A/S Swedbank

In 2018 a subsidiary of the Group received a loan for the total initial amount of EUR 3 266 thousand with an original maturity of 3 years. Since then the loan has been partially repaid and the initial term of repayment has been prolonged based on the basis of the agreement with the bank.

Facility credit agreement

The loan is repayable on the airline industry leasing terms over 8 years. The calculated and unpaid interest expense is accrued and classified within current borrowing.

LEASE LIABILITIES	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Non-current	797 258	718 012	797 258	718 012
Current	87 491	77 565	87 491	77 565

NOTES

27. Borrowings and lease liabilities (continued)

The tables below show the movements in major class of borrowings and lease liabilities during the financial year.

AIR BALTIC	Lease liabilities	Borrowings from the shareholder	Other borrowings	Total
	TEUR	TEUR	TEUR	TEUR
01.01.2022	679 412	36 225	219 281	934 918
New lease contracts	178 450	-	-	178 450
New contracts	-	-	9 294	9 294
Repayment, excluding interest payments	(88 705)	-	(2 198)	(90 903)
Interest paid	(39 336)	(1 030)	(13 924)	(54 290)
Interest calculated	42 347	1 079	13 999	57 425
Currency translation difference	26 134	-	-	26 134
Amortisation of transaction costs and similar expenses	310	-	882	1 192
Set-off transactions with counterparties	(3 035)	-	-	(3 035)
Transaction costs and similar expenses	-	-	(128)	(128)
31.12.2022	795 577	36 274	227 206	1 059 057
New lease contracts	188 069	-	-	188 069
New contracts	-	-	4 019	4 019
Repayment, excluding interest payments	(82 169)	-	(3 207)	(85 376)
Interest paid	(46 033)	(2 092)	(14 315)	(62 440)
Interest calculated	46 023	2 165	14 231	62 419
Currency translation difference	(17 003)	-	-	(17 003)
Amortisation of transaction costs and similar expenses	299	-	833	1 132
Transaction costs and similar expenses	(14)	-	-	(14)
31.12.2023	884 749	36 347	228 767	1 149 863

GROUP	Lease liabilities	Borrowings from the shareholder	Other borrowings	Loan from bank	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
01.01.2022	679 412	36 225	219 281	2 176	937 094
New lease contracts	178 450	-	-	-	178 450
New contracts	-	-	9 294	-	9 294
Repayment, excluding interest payments	(88 705)	-	(2 198)	(414)	(91 317)
Interest paid	(39 336)	(1 030)	(13 924)	(106)	(54 396)
Interest calculated	42 347	1 079	13 999	105	57 530
Currency translation difference	26 134	-	-	-	26 134
Amortisation of transaction costs and similar expenses	310	-	882	-	1 192
Set-off transactions with counterparties	(3 035)	-	-	-	(3 035)
Transaction costs and similar expenses	-	-	(128)	-	(128)
31.12.2022	795 577	36 274	227 206	1 761	1 060 818
New lease contracts	188 069	-	-	-	188 069
New contracts	-	-	4 019	-	4 019
Repayment, excluding interest payments	(82 169)	-	(3 207)	(1 090)	(86 466)
Interest paid	(46 033)	(2 092)	(14 315)	(104)	(62 544)
Interest calculated	46 023	2 165	14 231	103	62 522
Currency translation difference	(17 003)	-	-	-	(17 003)
Amortisation of transaction costs and similar expenses	299	-	833	1	1 133
Transaction costs and similar expenses	(14)	-	-	-	(14)
31.12.2023	884 749	36 347	228 767	671	1 150 534

NOTES

27. Borrowings and lease liabilities (continued)

The table below shows borrowings and lease liabilities by period that interest rates are fixed for (period until earlier of next interest rate repricing date and maturity date).

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Less than 1 year	296 768	86 581	297 439	88 342
Later than 1 year but not later than 5 years	446 710	578 971	446 710	578 971
Later than 5 years	406 385	393 505	406 385	393 505
TOTAL	1 149 863	1 059 057	1 150 534	1 060 818

Leases are payable as follows:

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Within one year	133 312	119 851	133 312	119 851
Later than 1 year but not later than 5 years	525 229	455 381	525 229	455 381
Later than 5 years	455 526	438 009	455 526	438 009
MINIMUM LEASE PAYMENTS	1 114 067	1 013 241	1 114 067	1 013 241
Future finance charges	(229 318)	(217 664)	(229 318)	(217 664)
RECOGNISED AS A LIABILITY	884 749	795 577	884 749	795 577

The present value of lease liabilities is as follows:

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Within one year	87 492	77 565	87 492	77 565
Later than 1 year but not later than 5 years	394 863	330 754	394 863	330 754
Later than 5 years	402 394	387 258	402 394	387 258
MINIMUM LEASE PAYMENTS	884 749	795 577	884 749	795 577

During 2023 and 2022 the Group has complied with the financial covenants of its borrowing facilities. Information on pledged assets is disclosed in the Note 33 (a).

28. PROVISIONS

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Non-current				
Aircraft redelivery provision (see Note 2l)	23 618	19 115	23 618	19 115
Provision for legal disputes (see Note 33 (b))	4 240	12 313	4 240	12 313
	27 858	31 428	27 858	31 428
Current				
Provision for carbon emissions	35 950	30 534	35 950	30 534
Provision for onerous contracts	-	3 431	-	3 431
	35 950	33 965	35 950	33 965
TOTAL	63 808	65 393	63 808	65 393

NOTES

28. Provisions (continued)

The table below shows the movements in each class of provision during the financial year.

AIR BALTIC AND THE GROUP	Provision for onerous contracts	Aircraft redelivery provision	Provision for legal disputes	Provision for carbon emissions	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
31.12.2021	32 986	14 527	11 813	11 287	70 613
Additional provision charged to Right-of-use assets	-	4 588	-	-	4 588
Additional charged/credited to Income statement:					
– additional provisions recognised	-	-	1 692	19 247	20 939
– unused amounts reversed	(4 805)	-	(1 192)	-	(5 997)
Amounts used during the year	(24 750)	-	-	-	(24 750)
31.12.2022	3 431	19 115	12 313	30 534	65 393
Additional provision charged to Right-of-use assets	-	4 503	-	-	4 503
Additional charged/credited to Income statement:					
– additional provisions recognised	-	-	-	22 257	22 257
– unused amounts reversed	-	-	(8 073)	-	(8 073)
Amounts used/settled during the year	(3 431)	-	-	(16 841)	(20 272)
31.12.2023	-	23 618	4 240	35 950	63 808

Provision for onerous contracts

Following the Management decision of phasing out the Bombardier Q400 aircraft the provision for onerous lease contracts was established. The provision is made by discounting the unavoidable costs related to the lease contracts, such as redelivery costs, maintenance costs and other. The airline returned 11 of 12 Q400s by the end of 2022 and the last one in February of 2023 thus completing the phase out of Q400s from its fleet.

Aircraft redelivery provision

Long-term aircraft redelivery provisions are expected to be settled in 2030 – 2033.

Provision for legal disputes

The Parent company has created a provision for historic claims related to ex-shareholders and their creditors about their obligations towards the Parent company and the Republic of Latvia back in 2011 and 2012. These provisions have been made due to prolonged procedural complexities triggering the restart one of the cases. Legal advisors are of the opinion that there are strong grounds that the airline can successfully defend its position.

The airline after taking advice from its legal advisors has also created provision for potential cost of ultimate settlement with some of its suppliers.

Provision for carbon emissions

The provision represents the expenses associated with the industry carbon dioxide (CO₂) emissions scheme. In 2023 the Parent company emitted 468 291 (2022: 383 240) CO₂ emissions and received and used 173 190 free credits (2022: 177 270). The airline is obliged to submit and settle the carbon emission allowances under the EU Emissions Trading System (ETS) in September of 2024.

As of the reporting date, the airline has hedged 22% of its outstanding 2023 liability at an average price of EUR 75 per tonne. The provision for carbon emissions has been calculated using the average hedge price for the hedged portion of CO₂ emissions and the market rate as of December 31, 2023, for the unhedged portion. The final cost of the settlement will depend upon the market price of the remaining emission credits the airline will need to purchase in 2024 to settle its obligations in respect of 2023.

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29. TRADE AND OTHER PAYABLES

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Trade payables	31 212	24 730	30 800	20 819
Accrued liabilities	42 678	23 586	42 996	27 588
Other payables	31	19	32	126
TOTAL	73 921	48 335	73 828	48 533

30. TAX LIABILITIES

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Non-current				
State social insurance contributions	-	1 263	-	1 263
Personal income tax	-	681	-	681
TOTAL	-	1 944	-	1 944
Current				
State social insurance contributions	9 214	4 374	9 245	5 106
Personal income tax	5 200	2 207	5 262	2 634
Other	26	-	36	-
TOTAL	14 440	6 581	14 543	7 740

31. CONTRACT LIABILITIES, AIRPORT TAXES AND OTHER LIABILITIES

	AIR BALTIC		GROUP	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	TEUR	TEUR	TEUR	TEUR
Contract liabilities (unearned revenue) from ticket revenue, travel vouchers and ACMI contracts	51 908	36 326	51 908	36 326
Airport taxes collected and still payable	14 400	11 021	14 400	11 021
Amounts collected on behalf of other airlines	2 381	8 054	2 381	8 054
Deferred income from loyalty program revenue	979	888	979	888
Other	147	-	633	189
TOTAL	69 815	56 289	70 301	56 478

Contract liabilities represent the value of tickets and airport taxes paid by passengers for which the flight service is yet to be performed. It also includes the value of loyalty program points sold, but not yet redeemed and the value of travel vouchers (see Note 2 f). The balance is classified short-term, as it either expires within the next 12 months or it is at the discretion of the customer to decide when it is used (for the remaining balances carried forward from the beginning of previous period). Based on experience, the portion typically unused within next year represents 4% of tickets sold. Amounts collected on behalf of other airlines include the value of unflown tickets sold to customers on behalf of other airlines which are usually settled between the airlines within a few months after the flight.

The following table shows how much of the revenue recognised by airBaltic and the Group relates to carried-forward contract liabilities balance at the beginning of the year:

	AIR BALTIC		GROUP	
	2023	2022	2023	2022
	TEUR	TEUR	TEUR	TEUR
Passenger revenue	31 898	21 736	31 898	21 736
Revenue from ACMI contracts	3 676	2 052	3 676	2 052
Revenue from loyalty program	226	245	226	245

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32. RELATED PARTY AND GOVERNMENT RELATED PARTY TRANSACTIONS

The Parent company has received a loan from its shareholders. Please see Note 27.

During 2023 the Parent company has performed the following transactions with its 100% owned subsidiaries:

		Services provided TEUR	Services received TEUR	Amounts owed by related parties TEUR	Amounts owed to related parties TEUR
Related party					
Aviation Crew Resources AS (under liquidation)	2023 /31.12.2023	8	1 679	-	51
	2022 /31.12.2022	43	29 770	235	3 574
Baltijas Kravu Centrs SIA	2023 /31.12.2023	167	638	157	142
	2022 /31.12.2022	153	569	66	67
Air Baltic Training SIA	2023 /31.12.2023	718	689	4 606	302
	2022 /31.12.2022	604	572	3 405	404
TOTAL 2023 /31.12.2023		893	3 006	4 763	495
TOTAL 2022 /31.12.2022		800	30 911	3 706	4 045

In 2022 Aviation Crew Resources AS (under liquidation) provided pilots lease services to the Parent company. The liquidation of the subsidiary was initiated in January 2023.

The following table provides the information on dividends received and receivable:

		Dividends received TEUR	Amounts owed by related parties TEUR
Related party			
Aviation Crew Resources AS (under liquidation)	2023 /31.12.2023	112	-
	2022 /31.12.2022	425	8
Baltijas Kravu Centrs SIA	2023 /31.12.2023	-	284
	2022 /31.12.2022	-	284
TOTAL 2023 /31.12.2023		112	284
TOTAL 2022 /31.12.2022		425	292

The Parent company has entered into transactions with Ministry of Transport of the Republic of Latvia (the holder of 97.97% of the Parent company's shares) and with other state-owned companies. The major transactions were carried out with RIGA International airport (purchase of airport infrastructure capacity and collection of passenger duty payments) amounting to EUR 25 million (2022: EUR 19 million) and VAS Latvijas Gaisa Satiksme (purchase of navigation service) amounting to EUR 2.8 million (2022: EUR 2.2 million). The agreements with both companies for the services described were effective at the end of each reporting year. The nature of transactions with other government related entities are related to the operating activities of the Group companies, e.g. sale of tickets, purchase of electricity, etc.

The following balances are outstanding at the end of the reporting years in relation to transactions with the Government related parties:

	AIR BALTIC		GROUP	
	31.12.2023 TEUR	31.12.2022 TEUR	31.12.2023 TEUR	31.12.2022 TEUR
Payables to RIGA International airport	5 033	3 125	5 033	3 125
Payables to VAS Latvijas Gaisa Satiksme	324	197	324	197

The Group applies IAS 24 exemption and discloses only the material transactions with the Government related parties.

All transactions with related parties are related to the operating activities of the Parent company and the Group companies and are carried at arm's length.

33. COMMITMENTS AND CONTINGENCIES

a) Guarantees and pledges

The Parent company has pledged its current and future trademarks and its current and future rights for claims to the Ministry of Finance as security for the loans received (see Note 27). The book value of assets pledged as at 31 December 2023 was EUR 50 million (31 December 2022: EUR 34.3 million). Additionally, the Parent company has registered a mortgage on its aircraft maintenance hangar in favour of the Ministry of Finance. The book value of the maintenance hangar as at 31 December 2023 was EUR 4.5 million (31 December 2022: EUR 4.7 million). The Parent company has also established a financial collateral for the benefit of the Ministry of Finance – short term deposit with a bank incorporated in Latvia in the amount of EUR 16.5 million (see Note 25).

The aircraft leased by the Parent company are used as a collateral to secure the rights of aircraft financiers and/or lessors. That is a standard element of the asset based financing transactions common in aviation worldwide. The book value of such aircraft as at 31 December 2023 was EUR 909 million (31 December 2022: 799 million).

A Group company has pledged its Property, plant and equipment and intangible assets for the total amount of EUR 4 572 thousand to a bank incorporated in Latvia as security for the loan received (see Note 27). The pledge agreement is effective until complete fulfilment of the loan agreement. The Parent company has issued a guarantee for the full amount of the loan.

b) Legal disputes

The Parent company is involved in a number of legal proceedings in Latvia and in other countries. Typical lawsuits relate to claims arising in the ordinary course of the Parent company's business. The most common of these claims relate to disruptions to air services, including flight delays, cancellations, lost or damaged baggage, etc. In addition, the Parent company and the Group are involved in a number of legal proceedings relating to employment matters. Material legal claims are described below. The cases below comprise those for which legal provisions have been made to cover any expected future expenditure and others where it is considered that there is only a contingent liability and no provisions have been made.

AKB Investbank

The Parent company and its former shareholder Baltijas Aviācijas Sistēmas ("BAS") have been in dispute with the now bankrupt AKB Investbank ("Investbank") since March 2012. Investbank sought repayment of EUR 18.4 million in relation to three loans it had entered into with BAS, which Investbank claimed were guaranteed by the Parent company. When BAS failed to repay the loans, three lawsuits were brought in Russia against the Parent company as guarantor. Two judgments were made in favour of Investbank, but the recovery was not enforceable in the Russian Federation. After several years of litigation and several unsuccessful attempts to reinstate the time limits or reopen the proceedings, the administrators of Investbank filed a claim in Russia against the Parent company, claiming that the Parent company, and not BAS, was the real debtor under the loan agreements. This claim was rejected in the first instance, but was appealed and on 30 January 2022 the Court of Appeal overturned the decision, granted the claim and decided to annul the loan and guarantee agreements. In addition, the Court of Appeal ruled that the loan amounts totalling EUR 31.78 million should be recovered from the Parent company.

On 5 September 2023, the Court of Cassation agreed with the position of the Court of Appeal regarding the invalidity of the loan agreement between BAS and Investbank, but the Court also stated that the material part of the Court of Appeal's decision had no legal basis and dismissed part of the decision. The Parent company and its lawyers are currently considering the next procedural steps in this litigation. Although the administrators of Investbank have filed a new substantive claim in order to recover the amounts, this claim can be considered only after the court reconsiders and overturns all the judgements which were previously made in favour of Investbank in 6 cases against the Parent company and BAS. The Parent company and its lawyers consider that this creates uncertainty and substantial legal obstacles which together with expiration of the limitation period make the prospects of the new claim quite vague. In addition, in order to enforce the judgment in Latvia, the administrator of Investbank will have to file an action for recognition of the judgment in Latvia.

Havas litigations

In April 2022, SIA Havas Latvia ("Havas"), a former provider of ground handling services to the Parent company at Riga airport, filed a lawsuit against the Parent company. This case was followed in August 2022 by two additional cases brought by Havas against the Parent company. The total amount claimed in these cases is EUR 4.6 million. Based on advice from its legal advisors, the Parent company considers that the claims are unfounded.

One of the cases involves a claim by Havas for payment of EUR 0.4 million that was withheld, despite Havas itself not fulfilling the contract. The amounts were withheld by the Parent company in line with the respective contractual provisions due to the failure of Havas to provide the agreed ground handling services in 2021. Non-fulfilment resulted in the Parent company having to deploy its own personnel to carry out the services contractually entrusted to Havas.

The other two cases, with claims totalling EUR 4.2 million, pertain to Havas' demand for a guaranteed amount of revenue for the years 2020 and 2021, irrespective of the number of turnarounds handled. In 2020, the Parent company did not achieve the number of turnarounds projected in the ground handling agreement (dated 2016) due to flight bans stemming from the Covid-19 pandemic. The contractual provisions do not permit Havas to claim a minimum total amount of revenue. In the case which concerns 2021, Havas also argues that the Parent company could not terminate the ground handling agreement one month early due to unremedied non-performance by Havas.

All three cases are pending before a first instance court.

33. Commitments and contingencies (continued)

b) Legal disputes (continued)

Ryanair v. European Commission

In response to the COVID-19 pandemic, many European governments provided state aid to airlines in the form of recapitalisation, loans, loan guarantees and other measures. The support was provided in line with the Temporary Framework on State aid measures to support the economy during the COVID-19 outbreak (the “Temporary Framework”) adopted by the European Commission, and in accordance with Article 107(2) (b) of the Treaty on the Functioning of the European Union.

On 3 July 2020, the European Commission approved a Latvian measure of EUR 250 million to recapitalise airBaltic in the context of the coronavirus outbreak. The aid was approved under the Temporary Framework. The Commission found that the recapitalisation measure will address the economic impact of the coronavirus outbreak in Latvia and is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3) (b) TFEU and the conditions set out in the Temporary Framework. On 16 December 2020, Ryanair brought an action for annulment of this decision before the General Court of the European Union (Case T-737/20). The case was published in the Official Journal of the European Union on 29 January 2021. The Latvian Government and airBaltic have intervened in support of the Commission’s decision. This case was one of a series of cases brought by Ryanair before the Court of First Instance challenging public support granted to its competitors.

On 18 October 2023 the General Court of the European Union dismissed the Ryanair claim in the case.

RemPro litigations

SIA REM PRO has filed a claim against the Parent Company challenging the termination of the Hangar Design Contract and seeking recovery in total of the sum of EUR 1.27 million. The Parent Company considers the claim to be unfounded and has also filed a counterclaim seeking recovery from SIA REM PRO of EUR 1.1 million for breach of contract. SIA REM PRO also sought to freeze the payment of the Performance Guarantee and Guarantee Insurance Policy issued by the co-defendants in the action, BluOr Bank and Compensa Vienna Insurance Group respectively. However, on 23 February 2023, the court issued a decision on these interim measures confirming that the Parent Company’s claim for payment of the guarantee could not be frozen. In its decision on the interim measures, the court also ruled that the Parent Company’s position on merits was prima facie well founded. The case on the merits is pending before the Economic Court.

In addition, SIA REM PRO has filed a claim against the Parent Company seeking prohibition to use the construction design documents prepared by SIA REM PRO. On 13 October 2023 Riga City Court dismissed the application of SIA REM PRO for interim measures, and on 7 December 2023 Riga Regional Court dismissed the appeal of SIA REM PRO regarding the decision of the court of first instance. The case on the merits is pending before Riga City Court.

Litigation proceedings with Taurus Asset Management Fund Limited and SIA Eurobalt Junipro

The Parent company is involved in a dispute with Taurus Asset Management Fund Limited, a company incorporated in the Bahamian Islands (“Taurus”) and SIA Eurobalt Junipro, since 2012. The dispute relates to payment of EUR 5 million provided by Taurus to the Parent company in 2011. Taurus entered into an agreement with the Latvian Government and creditors dated 3 October 2011 regarding the restructuring and refinancing of the Parent company (the “October 2011 Agreement”). The Latvian Government claims that as a result of SIA Baltijas Aviācijas Sistēmas and Taurus’ failure to fulfil its contractual obligations under the October 2011 Agreement, Taurus lost its right to claim the EUR 5 million it provided to the Parent Company.

SIA Eurobalt Junipro claims that it took over the claim from Taurus in 2012 based on assignment agreement and claimed the original EUR 5 million plus statutory default interest of EUR 3.07 million. In 2020, the Latvian court of first instance ruled against the Parent company, which appealed the judgement. On 16 March 2023, the Court of Appeal rejected the claim of SIA Eurobalt Junipro and confirmed that the claimant had no claims against the Parent company (the Latvian courts have also ruled in favour of the Parent company and the Latvian government in a similar case arising from the October 2011 Agreement against one of the Parent company’s creditors). The cassation appeal was filed by the other party. By decision of 8 September 2023, the Supreme Court refused to initiate cassation proceedings against the cassation complaint of Eurobalt Junipro SIA. Consequently, the proceedings in this case are terminated in their entirety.

NOTES

33. Commitments and contingencies (continued)

c) Commitments

In May 2018, airBaltic ordered 30 firm deliveries for Airbus A220-300. The aggregate list price for the aircraft to be delivered in 2024 is about EUR 380 million.

In 2023, airBaltic ordered 30 firm deliveries for Airbus A220-300. The aggregate list price for the aircraft to be delivered in future years is about EUR 2.9 billion.


As at 31 December 2023 Air Baltic Training SIA had a contractual liability relating to the acquisition of 1 Diamond DA40NG aircraft. The aggregate list price for the aircraft is around EUR 0.5 million.

34. SUBSEQUENT EVENTS

One additional aircraft has been received by the airline up to the date of this report. This brings the total number of aircraft in the airline's fleet to 47.

During the period between the last day of the reporting period and the date of signing this report, there have been no other events that could materially impact the financial position of the Group as of 31 December 2023 and should be reflected in this report.

The financial statements set out on pages 137 to 182 were approved on 29 February 2024 by:

		
Martin Alexander Gauss Chairman of the Executive Board	Vitolds Jakovļevs Member of the Executive Board	Pauls Juris Cālis Member of the Executive Board

The Annual Report was prepared by the Chief accountant Anda Lice.


Anda Lice Chief Accountant