AIR BALTIC CORPORATION AS

HALF-YEAR REPORT

1 JANUARY - 30 JUNE 2023

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

CONTENTS

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	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
	Dins Merirands	Member of the Supervisory Board from 26 April 2023 until 14 June 2023
	Baiba Vīlipa	Member of the Supervisory Board from 26 April 2023 until 14 June 2023
	Nikolajs Sigurds 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 period	1 January 2023 – 30 June 2023	

GLOSSARY

Aviation terminology

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
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ASK	available seat-kilometre refers to one seat offered flown for one kilometre
RPK	revenue passenger-kilometre refers to one paying passenger transported for one kilometre
CASK	refers to the operating expenses divided by available seat kilometres
RASK	refers to the revenue divided by available seat kilometres
Yield	average traffic revenue earned per unit of output; calculated passenger and charter revenue per revenue passenger kilometre flown
RNP AR	Required Navigation Performance with Authorization Required
SDG	Sustainable Development Goals
LV CAA	Latvian Civil Aviation Agency
SAF	Sustainable Aviation Fuel

Alternative performance measures (APM) that are not defined in IFRS

The Group uses alternative performance measures referred to in the European Securities Markets Authority (ESMA) guidelines to describe its operational and financial performance in order to enhance comparability between financial periods and to enable better comparability relative to its industry peers. The alternative performance measures do not replace IFRS indicators.

EBITDAR	earnings before interest, taxes, depreciation, amortization and rent costs, as well as before the release/charge of provisions for legal disputes and claims compensation
EBITDA	earnings before interest, taxes, depreciation, amortization as well as before the release/charge of provisions for legal disputes and claims compensation
EBIT	earnings before interest and taxes as well as before the release/charge of provisions for legal disputes
Operating profit / (loss)	operating revenue less operating expenses and claim compensation
Net debt	financial indicator calculated as borrowings, including lease liabilities less cash and cash equivalents

MANAGEMENT REPORT

August 9, 2023

(EUR thousands, except where otherwise stated, unaudited)	H1 2023	H1 2022	Change	H1 2019	Change
GROUP					
Operating revenue	291 300	191 482	52.1%	219 465	32.7%
Passenger revenue	234 933	154 075	52.5%	202 742	15.9%
Ticket revenue	214 490	139 314	54.0%	186 931	14.7%
Ancillary revenue	20 443	14 761	38.5%	15 811	29.3%
ACMI lease revenue	44 864	26 364	70.2%	5 839	668.3%
Comparable EBITDAR **	56 799	6 532	50 267	37 018	19 781
Comparable EBITDAR margin (%) **	19.5%	3.4%	16.1pp	16.9%	2.6pp
Comparable EBIT **	31 765	(24 750)	56 515	(9 093)	40 858
Profit / (loss) for the period	14 604	(91 048)	105 652	(26 614)	41 218
Comparable profit / (loss) for the period **	778	(54 038)	54 816	(26 614)	27 392
Net debt	1 058 805	951 085	11.3%	615 155	72.1%
Airline fleet statistics*					
Number of aircraft at the end of period	42	36	16.7%	39	7.7%
Average fleet age (*years*)	3.4	2.8	18.5%	7.3	(53.9%)
Airline operating statistics without ACMI-out operations					
Routes	108	101	6.9%	87	24.1%
Total block hours	43 410	34 795	24.8%	53 788	(19.3%)
Total flight hours	37 428	29 925	25.1%	44 780	(16.4%)
Flights	20 294	16 925	19.9%	29 733	(31.7%)
Utilization (block hours per aircraft per day)*	6.5	6.5	(0.1%)	8.6	(23.7%)
Number of passengers ('000)	1 991	1 313	51.7%	2 229	(10.7%)
Seat capacity ('000)	2 904	2 364	22.8%	3 205	(9.4%)
Average aircraft stage length (km)	1 246	1 203	3.6%	1 067	16.8%
Passenger Load factor (%)	74.5%	62.6%	11.9pp	71.6%	2.9pp
Yield (€ *cents*)	8.3	8.2	1.7%	7.9	5.5%
RASK (€ *cents*)	6.8	5.8	16.9%	6.2	9.4%
CASK (€ *cents*)	(7.7)	(7.5)	3.5%	(6.6)	17.7%
CASK, ex-fuel (€ *cents*)	(5.5)	(5.0)	10.8%	(5.1)	8.7%
ASK (millions)	3 619	2 845	27.2%	3 420	5.8%
Airline total operating statistics					
Total block hours	59 400	44 446	33.6%	55 774	6.5%
Total flight hours	50 195	38 139	31.6%	46 355	8.3%
Flights	30 525	21 644	41.0%	30 932	(1.3%)
Utilization (block hours per aircraft per day)*	7.2	7.0	2.8%	8.6	(16.0%)
ASK (millions)	4 742	3 635	30.5%	3 568	32.9%

* Excluding the phased out and grounded De Havilland Q400 fleet of 12 aircraft in Y2022 and one aircraft in Y2023.

** For Comparable result see the Management Report section Financial performance and profitability.

MANAGEMENT REPORT

(EUR thousands, except where otherwise stated, unaudited)	Q2 2023	Q2 2022	Change	Q2 2019	Change
GROUP					
Operating revenue	186 246	131 427	41.7%	143 843	29.5%
Passenger revenue	145 132	102 026	42.3%	130 133	11.5%
Ticket revenue	134 391	93 077	44.4%	120 814	11.2%
Ancillary revenue	10 741	8 949	20.0%	9 319	15.3%
ACMI lease revenue	33 827	22 161	52.6%	5 777	485.5%
Comparable EBITDAR **	53 827	15 172	38 655	37 214	16 613
Comparable EBITDAR margin (%) **	28.9%	11.5%	17.4pp	25.9%	3.0pp
Comparable EBIT **	37 195	(1 630)	38 826	11 787	25 408
Profit / (loss) for the period	25 960	(46 394)	72 354	2 651	23 309
Comparable profit / (loss) for the period **	21 757	(16 674)	38 432	2 651	19 106
Airline operating statistics without ACMI-out operations					
Routes	101	91	11.0%	84	20.2%
Total block hours	25 113	20 637	21.7%	31 022	(19.0%)
Total flight hours	21 726	17 831	21.8%	26 008	(16.5%)
Flights	11 598	10 133	14.5%	16 993	(31.7%)
Utilization (block hours per aircraft per day)*	7.3	8.0	(9.7%)	9.6	(24.5%)
Number of passengers ('000)	1 221	878	39.1%	1 411	(13.4%)
Seat capacity ('000)	1 687	1 412	19.4%	1 866	(9.6%)
Average aircraft stage length (km)	1 272	1 204	5.6%	1 097	15.9%
Passenger Load factor (%)	77.0%	68.8%	8.1pp	77.8%	(0.8pp)
Yield (€ *cents*)	8.4	8.2	3.0%	7.9	7.4%
RASK (€ *cents*)	7.1	6.4	10.0%	6.6	6.6%
CASK (€ *cents*)	(7.3)	(7.6)	(4.5%)	(6.1)	18.9%
CASK, ex-fuel (€ *cents*)	(5.5)	(4.7)	15.2%	(4.6)	19.0%
ASK (millions)	2 145	1 700	26.1%	2 048	4.7%
Airline total operating statistics					
Total block hours	37 042	28 690	29.1%	32 987	12.3%
Total flight hours	31 285	24 725	26.5%	27 565	13.5%
Flights	19 171	13 937	37.6%	18 179	5.5%
Utilization (block hours per aircraft per day)*	8.1	8.5	(5.2%)	9.6	(16.1%)
ASK (millions)	2 987	2 384	25.3%	2 194	36.1%

* Excluding the phased out and grounded De Havilland Q400 fleet of 12 aircraft in Y2022 and one aircraft in Y2023.

** For Comparable result see the Management Report section Financial performance and profitability.

MANAGEMENT REPORT

KEY HIGHLIGHTS

In Q2 of 2023, Air Baltic Corporation AS (hereinafter – airBaltic, airline or the Group) achieved its highest-ever Q2 net income of EUR 25.96 million as well as a record Comparable EBITDAR of EUR 53.8 million with the 28.9% EBITDAR margin which is the highest Q2 EBITDAR margin in airBaltic's history. The transition to single type fleet and airline's ACMI segment were significant contributors to the positive results while still relatively high fuel prices, inflationary pressures on the personnel costs and significant disruptions in airBaltic's operations related to the spare engine shortage and wet-leasing in additional capacity had negative impact on the EBITDAR margin.

The Group also achieved its highest ever Q2 revenue, generating over EUR 186 million, almost 42% increase compared to Q2 2022 and an 30% improvement over the previous Q2 high in 2019. Approximately 18% of total revenues came from ACMI services provided to Swiss International Airlines Ltd., Eurowings and SAS, with an average of 13 airBaltic aircraft operating on behalf of these carriers during Q2 2023.

A new Q2 milestone was reached in terms of capacity deployed, combining the airline's network operations with ACMI operations, registering a 36% increase compared to Q2 2019 capacity. However, challenges related to spare engine supply and engine reliability persisted, with an average of 12 aircraft grounded due to spare engine shortages.

Despite the challenges, especially related to replacing A220-300 capacity with primarily A320 capacity on short notice, airBaltic's commercial performance was strong, achieving solid Q2 load factors and healthy yields. As the airline adjusted its network in response to the Russia-Ukraine war, the share of transfer passengers is expected to remain significantly below the 2019 levels of 46% - in Q2 of 2023 the transfer share was 29%.

During Q2, the airline transported over 1.2 million passengers, a 39% increase compared to Q2 2022 but still 13.4% short of 2019 levels. Notably, in terms of its network seat capacity deployed, airBaltic had 9.6% fewer seats for sale in Q2 of 2023 than in Q2 of 2019.

Two non-operational items had material impact the Q2 IFRS result:

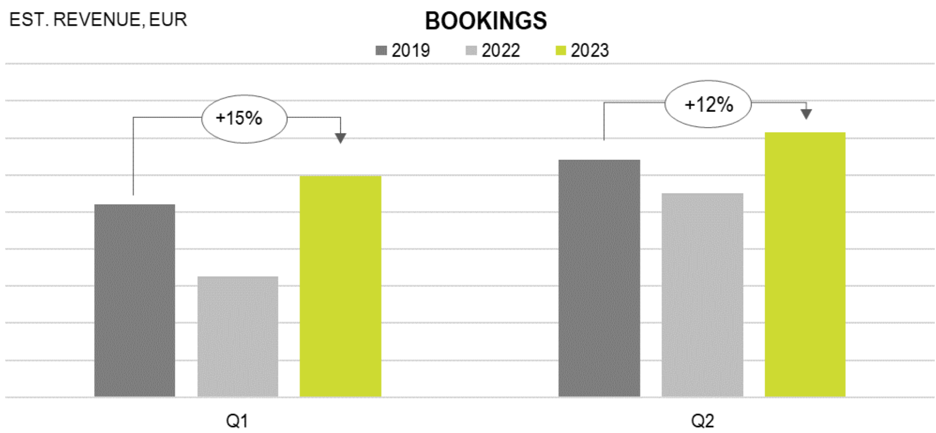
- the USD depreciated against the EUR, leading to an unrealised gain of EUR 0.4 million on USD liability revaluation,
- CO2 emission gain of EUR 4.6 million due to excess accruals in previous period.

airBaltic finished the first half with net income of EUR 14.6 million, a more than EUR 105.6 million improvement over the same period in 2022 when the total loss amounted to EUR 91 million.

COMMERCIAL PERFORMANCE AND REVENUES

The airline has significantly expanded its network for 2023 by launching 20 new routes from Riga, Vilnius, Tallinn and Tampere. As due to Russia-Ukraine war the airline has stopped serving many Eastern destinations, it has reduced transfer traffic and offers more point to point and leisure destinations. The changes in network in combination with the added capacity have also resulted in improved booked revenue patterns vs. 2022 and vs. 2019.

The booked revenue continued to improve – in Q2, the booked revenue was higher by 30% than in Q2 of 2022 and by 12% than in Q2 of 2019.



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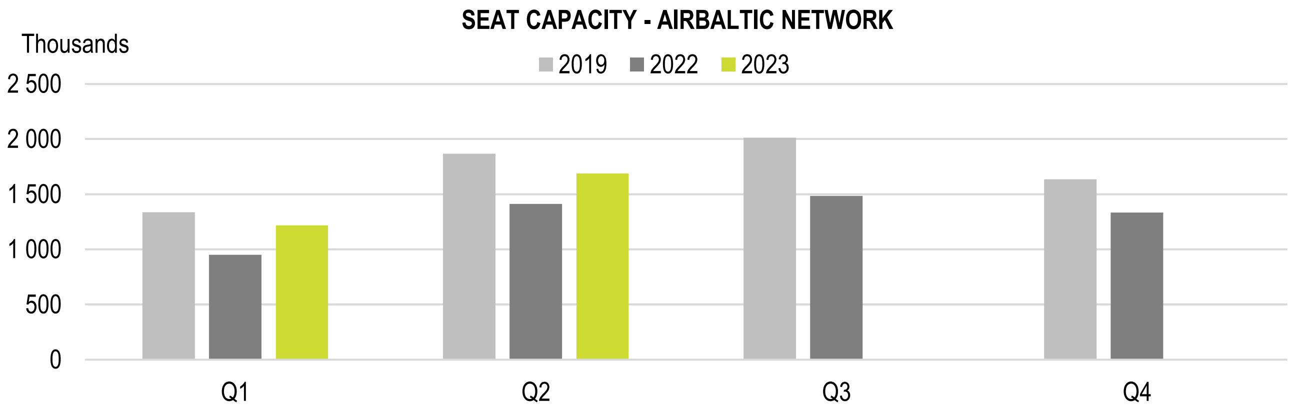
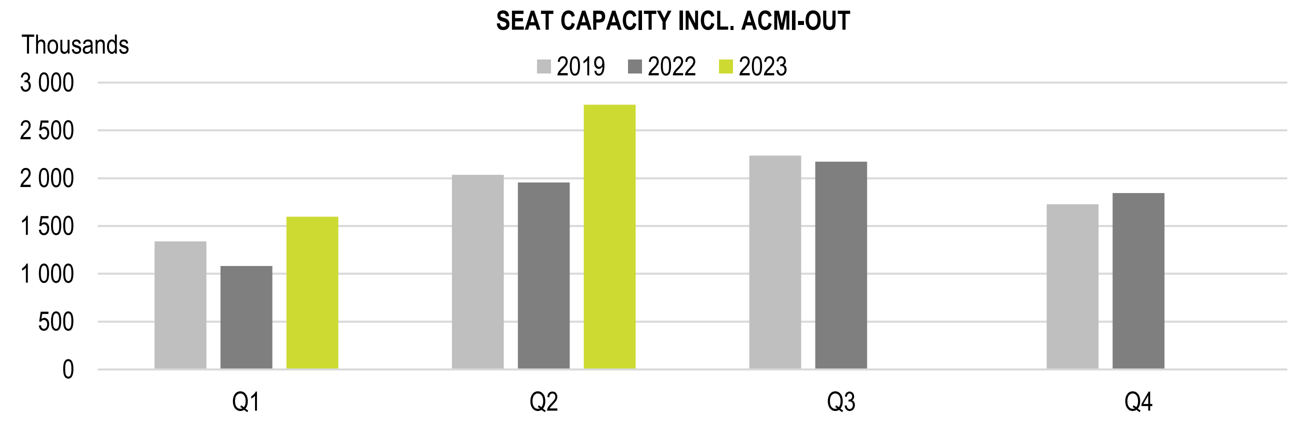
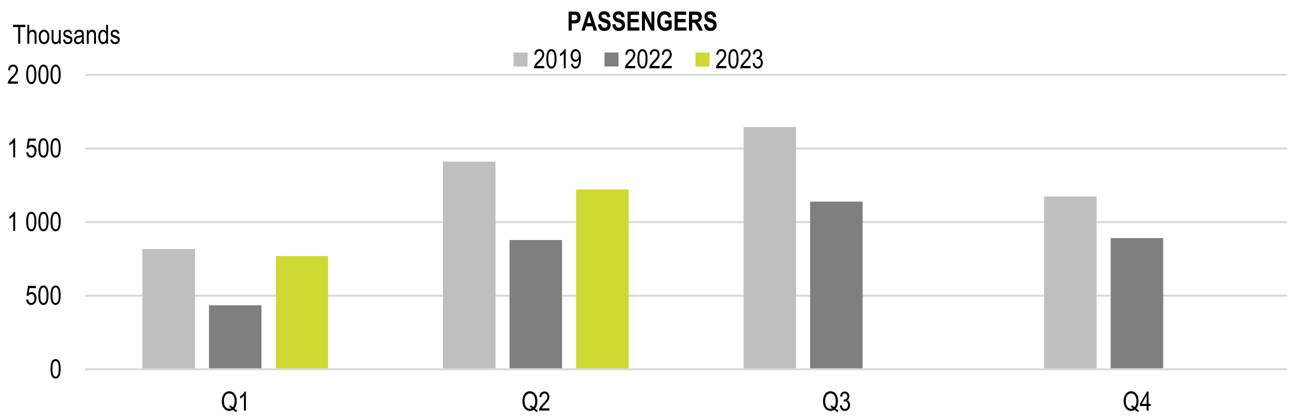
COMMERCIAL PERFORMANCE AND REVENUES (continued)

The seat capacity deployed in airBaltic's network grew by 23% vs. 2022 but was still 9% short of 2019 levels. However, the total seat capacity including the ACMI-out operations was above 2019 levels by 29%. As can be seen from the chart below, due to seasonality of demand, the lowest capacity is normally deployed during Q1 while the peak capacity is offered on sale during Q3 in any given year.





In Q2, the number of flown passengers went up 39% vs. Q2 2022, however it was short of 2019 levels by 13% partially reflecting lower seat capacity on sale and partially due to larger capacity aircraft being wet-leased on relatively short notice to replace A220-300 AOGs. As the airline continues adjusting its network to closure of Russian, Ukrainian and Belorussian markets, it is expected that the network seat capacity gap vs 2019 will continue to shrink.



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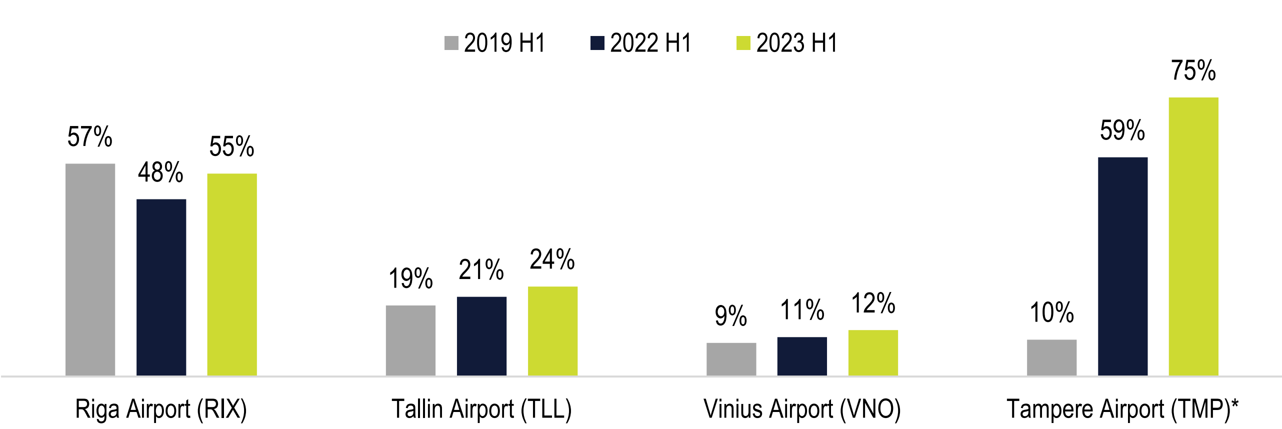
COMMERCIAL PERFORMANCE AND REVENUES (continued)

With the strong improvement of the load factors, the airline improved the market shares in all its bases vs 2022. If compared to 2019, the market share in Riga is lower by 2 percentage points which can be explained by significant reduction in transfer traffic due to closure of Russian, Ukrainian and Belorussian destinations.



* Tampere base opened in May 2022; Riga-Tampere route operated before May 2022.

During the H1 2023, airBaltic operated a total of 75 non-stop routes from Riga, 15 from Tallinn, 11 from Vilnius and 7 from Tampere. This was the first full year of operations in airBaltic's Tampere base established in May 2022. airBaltic's strategy in Tampere is to serve both business and leisure destinations and promote Tampere airport as the main gateway for the residents and visitors of Finland's second largest urban area.

The airline increased the number of routes it operated in H1 2023 to 108, growing from 101 in 2022 and 87 in 2019. Seat capacity grew by 23% in H1 2023, compared to H1 2022, however was still 9% lower than in H1 2019. There were 22 new routes operated, while 15 route were cancelled in H1 2023. With the demand for leisure flights being strong, growth focused on leisure destinations (for example, new routes from Riga to Bilbao, Porto, Burgas, Tivat), the airline also launched 10 new leisure routes from its bases in Tallinn, Vilnius and Tampere. To help increase the transfer traffic lost due to the Russia-Ukraine war, several destinations with significant transfer demand potential have been launched from Riga (Baku, Yerevan, Istanbul, Bucharest, and Belgrade). The airline sees potential to develop this segment further and utilize the strategic position of Riga to connect destinations in Northern Europe to destinations in the Balkans, the Middle East and the Caucasus region.

During the Q2 2023, the airline published the schedule for the upcoming winter season starting at the end of October. As of December, two aircraft will be based in Gran Canaria and connect nine destinations in the Baltic and Nordic countries. Gran Canaria was one of the most popular winter destinations for travellers in the Baltic and Nordic region, however seat capacity has not yet recovered to the pre-pandemic level. airBaltic will help fill this capacity gap, while also ensuring higher aircraft utilization during the winter season and increasing brand awareness in Norway and Denmark. The airline will also increase leisure flying during the winter season from Riga, Tallinn, Vilnius and Tampere with new routes (for example, all four bases will also be connected to Tenerife, in addition to other new routes), and also by extending the operating season to many of its most popular destinations, such as Malta, Catania, and Valencia.

In 2023 airBaltic has been actively pursuing its strategy of developing the ACMI-out services and as a result the ACMI 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.

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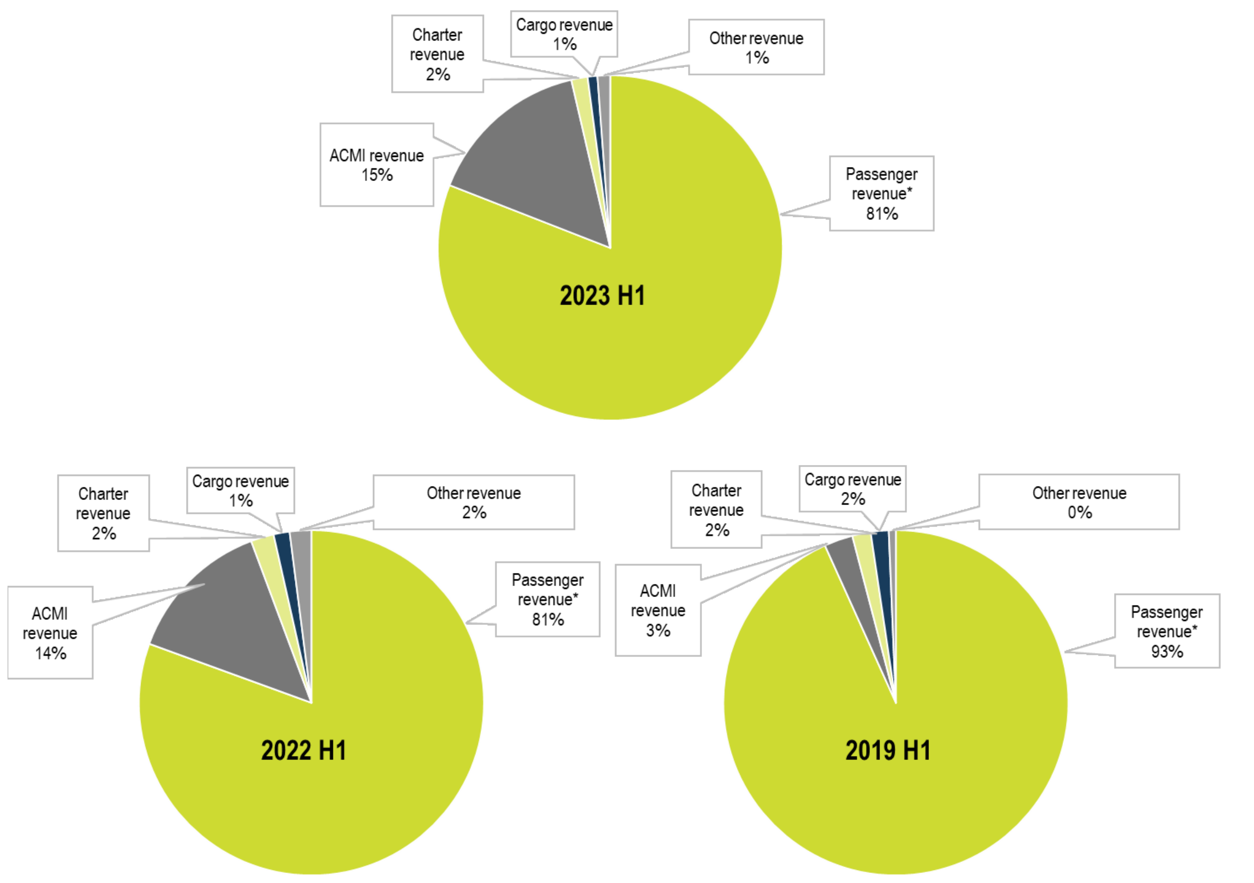
COMMERCIAL PERFORMANCE AND REVENUES (continued)



* Passenger revenue includes ticket, ancillary and other traffic revenue

OPERATIONAL PERFORMANCE AND COSTS

As in 2022, the reliability and shortage of spare engines was a significant factor affecting the Q2 2023 performance. During Q2 2023, on average airBaltic had 11 aircraft on the ground due to the shortage of spare engines and to replace this capacity the airline wet-leased in up to 11 aircraft throughout Q2. The negative impact of this can observed in:

- increase in fuel burn as the most 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 goals and historic standards and were caused by technical disruptions and complexity of operations when significant portion of the capacity is replaced with 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 70% of the ACMI-in flights were performed by aircraft which had at least 40 more seats compared to A220-300) were inserted into airBaltic's network on a 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 7.78 aircraft wet-leased throughout Q2,
- lower fleet utilization,
- Net Promoter Score, as significant number of passengers were affected by the disruptions.

Consequently, in Q2 the airline had EUR 26 million in wet lease costs and at least EUR 4 million in excess costs related to extra fuel burn as well as flight cancellations and irregularities. The Q2 punctuality was one of the lowest in airBaltic's history.

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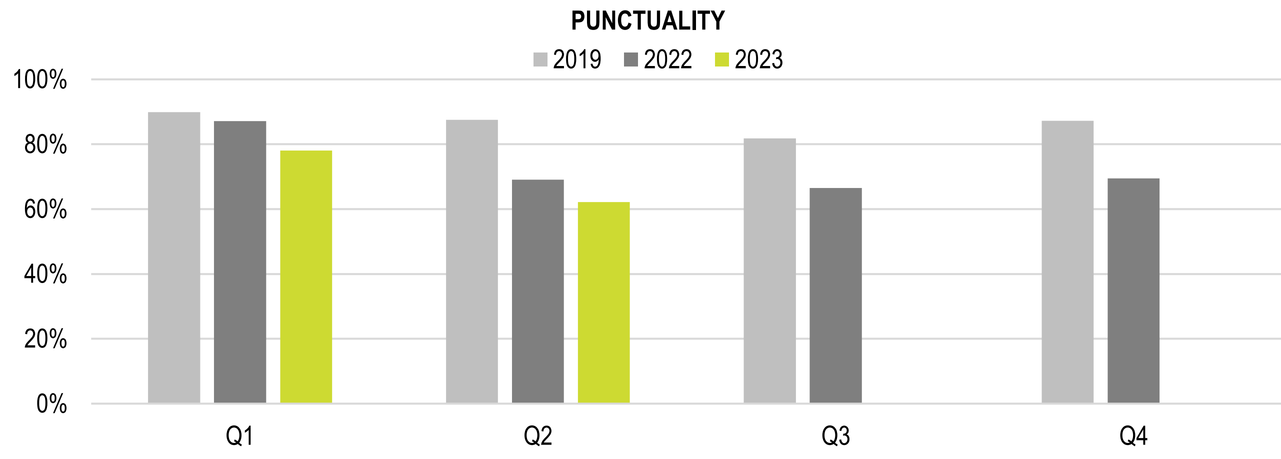
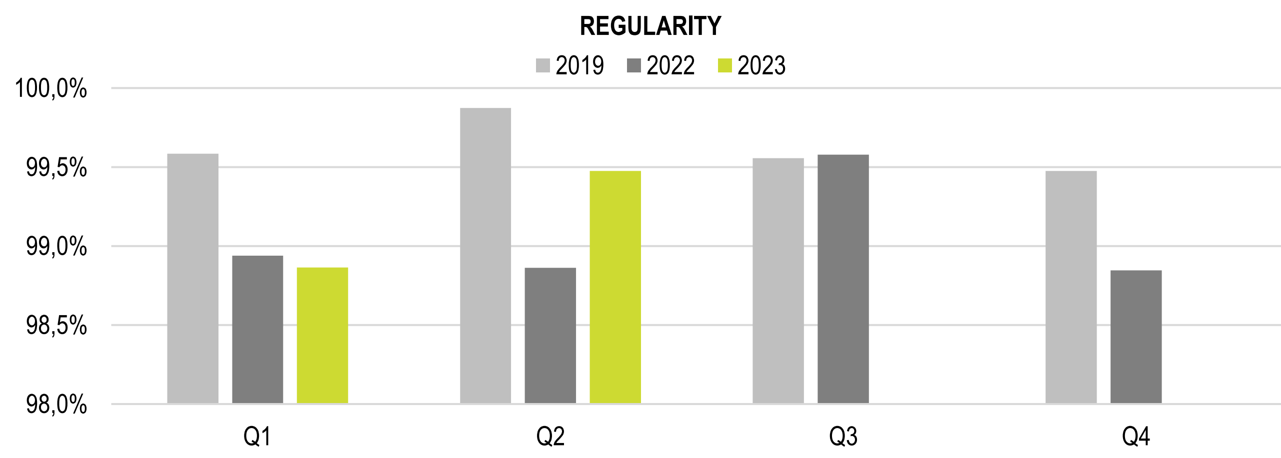
OPERATIONAL PERFORMANCE AND COSTS (continued)





As a result of disruptions in regularity and punctuality as well as replacement of airBaltic's fleet with ACMI-in capacity airBaltic's net promoter score fell to 49 compared to 65 in Q1 and 58 in Q2 of 2022.

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 significant number of airBaltic's network flights performed by the wet-leased aircraft the A220-300 fleet's actual utilization in Q2 was only 7.3 block hours per day. However, in the normal course of business when the supply of spare engines is not an issue and all the network flights are performed by airBaltic's own fleet, the Q2 utilization would have reached 10 block hours per day or 0.4 block hours better than during the same period as 2019.

AIRCRAFT UTILIZATION

	Q2					HALF YEAR				
Airline operations	**Q2 2023**	**Q2 2022**	**Change**	**Q2 2019**	**Change**	**H1 2023**	**H1 2022**	**Change**	**H1 2019**	**Change**
Utilization	7.3	8.0	(9.7%)	9.6	(24.5%)	6.5	6.5	(0.1%)	8.6	(23.7%)
Utilization normalized*	10.0	8.8	13.7%	9.6	4.1%	7.8	6.9	13.3%	8.6	(8.8%)

Total operations	**Q2 2023**	**Q2 2022**	**Change**	**Q2 2019**	**Change**	**H1 2023**	**H1 2022**	**Change**	**H1 2019**	**Change**
Utilization	8.1	8.5	(5.2%)	9.6	(16.1%)	7.2	7.0	2.8%	8.6	(16.0%)
Utilization normalized*	9.9	9.1	9.1%	9.6	3.0%	8.2	7.3	12.1%	8.6	(4.6%)

*ACMI-in block hours included

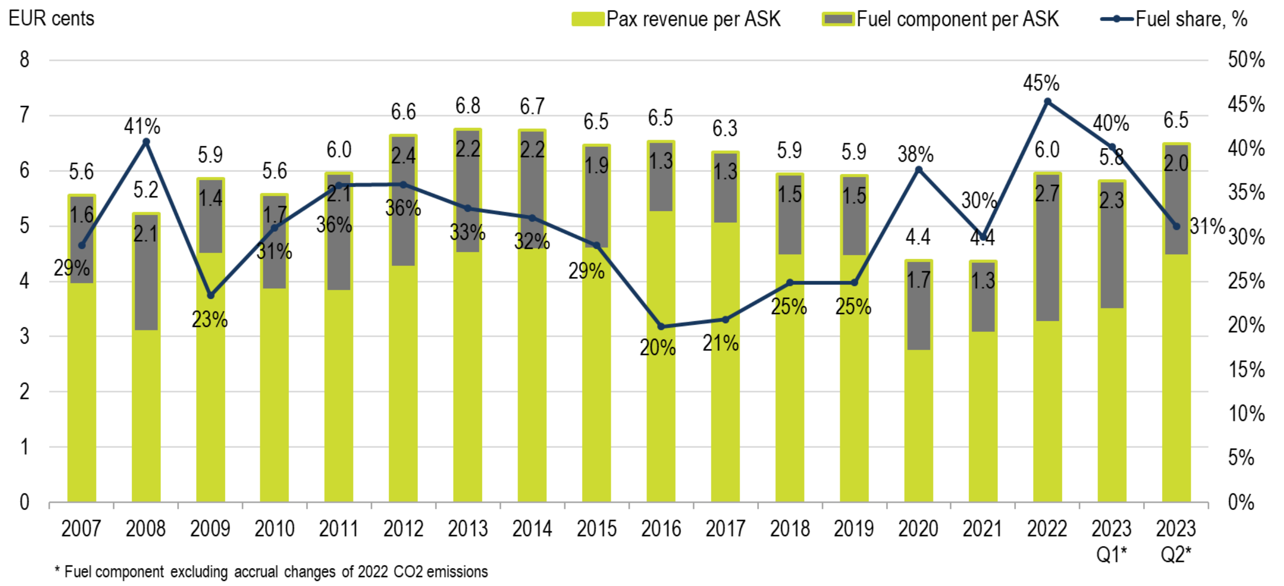
MANAGEMENT REPORT

OPERATIONAL PERFORMANCE AND COSTS (continued)

The fuel costs were the single largest cost item during Q2 and also were affected by airBaltic bringing in significant number of less fuel-efficient aircraft to support its operations. On the positive note, the fuel prices were below the high levels registered in 2022 and, even though, the fuel prices are still relatively high from historic perspective, during H1 the average price per ton of jet fuel was about 23% below H1 of 2022 with the prices per jet fuel ton on average being USD 844 and USD 1,101, respectively.

The below chart illustrates the fuel cost component in airBaltic's revenue per ASK over the course of the last 15 years and it shows that proportion of fuel costs in revenues per ASK had reached its highest level of 45% in 2022. In 2023, this proportion started to decrease due to both reduction of the jet fuel price and to airBaltic being able to increase yields and load factors.

The airline was able to fully benefit from lower fuel prices, as it did not have any fuel hedges for H1 of 2023. However, as airBaltic is gradually rebuilding its credit relationships with derivative trading partners, it closed its first jet fuel hedge post-COVID-19, securing 6,000 tons, which represents 6% of the anticipated fuel consumption for the second half of 2023, at a price of EUR 676 per ton. For the medium-term, airBaltic aims to hedge between 30% and 50% of its jet fuel exposure for a period of 18 months ahead.



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FINANCIAL PERFORMANCE AND PROFITABILTY

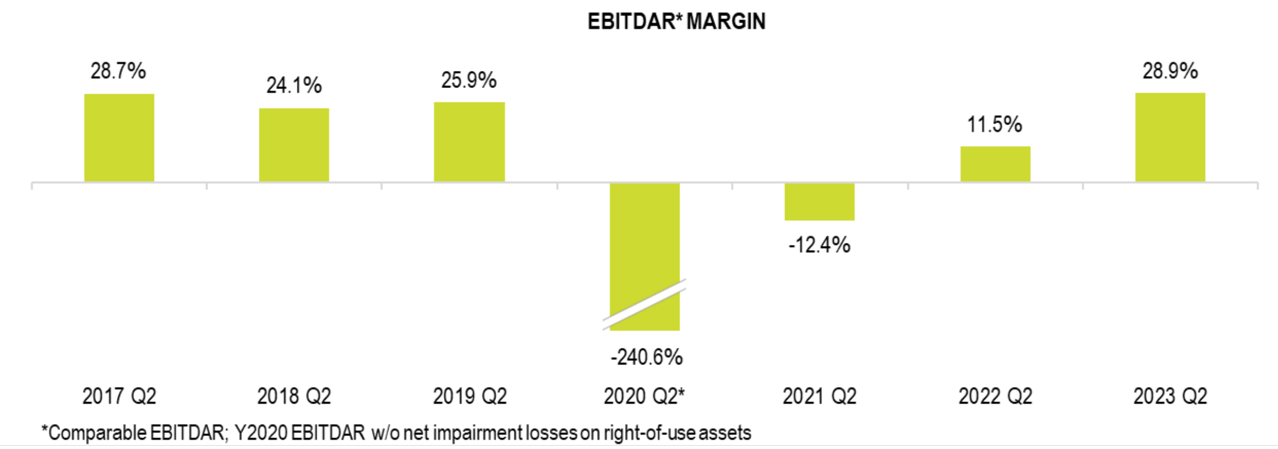
To enable the comparability of the business and financial performance development between the periods, the comparable Q2 2023 and H1 2023 results are shown below:

EUR thousand	Q2 2023	Q2 2022	H1 2023	H1 2022
EBITDAR	**58 394**	**15 172**	**54 980**	**6 532**
+ Provision of bad debt	-	-	1 002	-
+ Revaluation of the provision for carbon emissions	(4 567)	-	817	-
COMPARABLE EBITDAR	**53 827**	**15 172**	**56 799**	**6 532**
EBITDA	**63 157**	**9 527**	**71 703**	**2 064**
Items above	*(4 567)*	-	*1 819*	-
+ Claims compensation	-	6 435	-	6 435
COMPARABLE EBITDA	**58 590**	**15 962**	**73 522**	**8 499**
EBIT	**41 398**	**(32 542)**	**37 518**	**(62 952)**
Items above	*(4 567)*	*6 435*	*1 819*	*6 435*
+ Revaluation of liabilities in USD	364	24 477	(7 572)	31 767
COMPARABLE EBIT	**37 195**	**(1 630)**	**31 765**	**(24 750)**
PROFIT / (LOSS)	**25 960**	**(46 394)**	**14 604**	**(91 048)**
Items above	*(4 203)*	*30 912*	*(5 753)*	*38 202*
+ Release of provisions for legal disputes	-	(1 192)	(8 073)	(1 192)
COMPARABLE PROFIT / (LOSS)	**21 757**	**(16 674)**	**778**	**(54 038)**
TOTAL ITEMS AFFECTING COMPARABILITY	**(4 203)**	**29 720**	**(13 826)**	**37 010**

On the comparable basis, the Group finished Q2 with EUR 53.8 million EBITDAR which was about EUR 38.7 million improvement over Q2 2022 and EUR 16.1 million better than in 2019. On the comparable basis, the Group finished Q2 with a net profit of EUR 21.8 million compared to a net loss of 16.7 million the same period last year and a net profit of EUR 2.7 million in Q2 2019.

For Q2, the IFRS net result was positively affected by revaluation of the provision for carbon emissions in the amount of EUR 4.6 million and a negative impact of the unrealised foreign exchange loss of EUR 0.4 million that was booked based on the period-end EUR/USD exchange rate of 1.0866. At the end of June 2023, the Group had USD-denominated liabilities of USD 504 million, so a USD 0.01 change in the price of one EUR results in about EUR 4.3 million impact on airBaltic's net income.

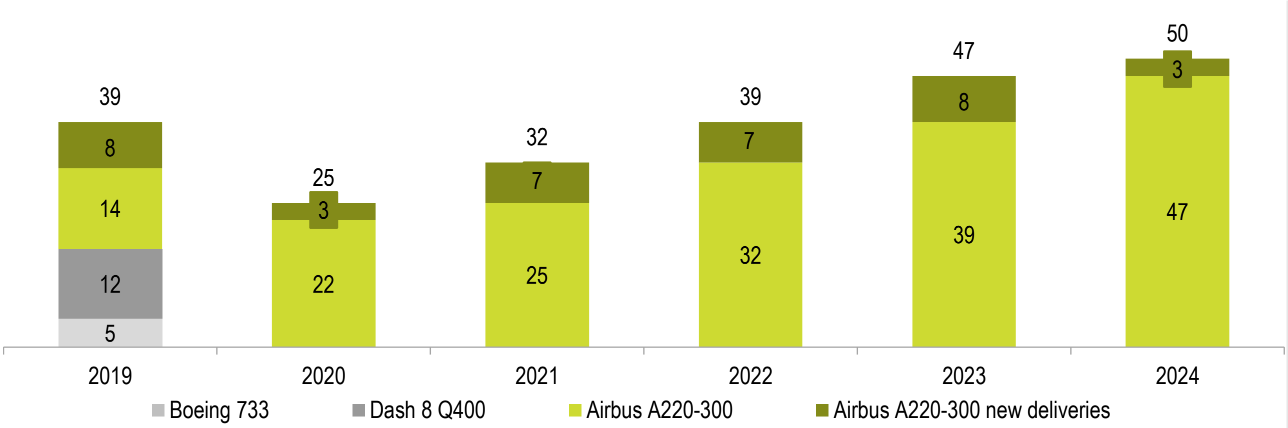
Despite significant fuel costs and disruptions related to the engine shortage, the airline still managed to post one of its highest Q2 EBITDAR margins in its history which is primarily driven by the high margin ACMI lease revenue and efficient sale of the network capacity.



MANAGEMENT REPORT

FLEET AND CAPITAL EXPENDITURE

By the end of Q2, the airline had 42 A220-300s in its fleet. The 43rd and 44th aircraft deliveries are expected in Q3 2023. By the end of 2023 the airline expects to take delivery of five additional aircraft with the remaining three to be delivered in 2024. In July, the airline has signed a term sheet for sale and lease back of its remaining 6 deliveries of the 50 aircraft ordered. The agreement related to the sale and lease back is expected to be signed by the end of Q3 and once it is signed, the existing firm order of 50 aircraft will be fully financed.



During Q2 the airline made a capital investment of EUR 18.4 million and it is expected to invest between EUR 20 million and EUR 25 million during the second half of the year. Most of the capex is related to aircraft maintenance of which majority is related to the engine maintenance.

OPERATING CASH FLOW AND LIQUIDITY

As of June 30, 2023, the airBaltic had EUR 39.8 million in cash and cash equivalents. The operating cash flow was EUR 62.3 million, however it was significantly below the normal operating performance due to 27% of airBaltic's A220-300s being on the ground and up to 11 aircraft wet-leases throughout Q2 to ensure that airBaltic can service its network.

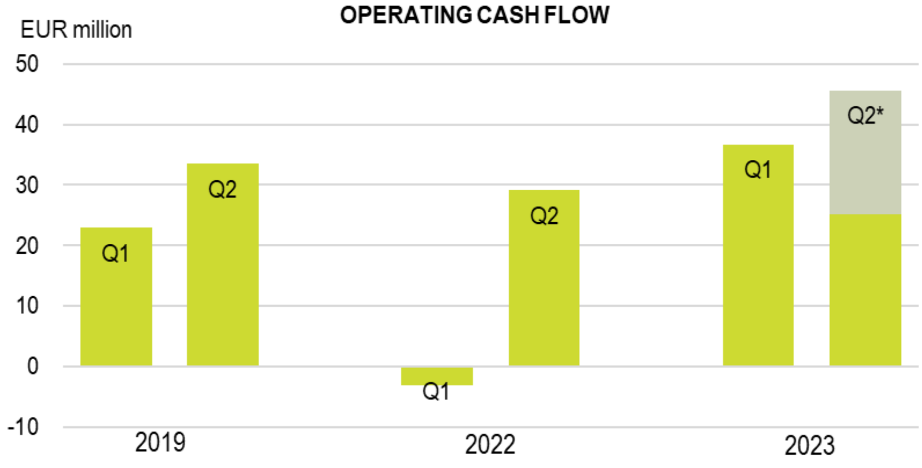
When wet-leasing in aircraft there are several drivers negatively affecting the costs and operating cash flow:

- wet-lease payments to ACMI-in providers are recorded in the operating cash outflow,
- normally the wet-lease services need to be prepaid at least one week in advance which negatively impacts working capital,
- none of the wet-leased aircraft are as fuel efficient as A220-300s which results in significantly higher average fuel consumption,
- typically, the ACMI providers have A320 and Boeing 737-800 in their fleet which are larger aircraft and therefore, in addition to higher fuel burn, they generate higher airport charges and ground handling fees,
- there is negative impact on punctuality and regularity as the complexity of operations with wet-leased aircraft significantly increases which results in extra claims by the passengers.

As the need for the wet-lease services is driven by the engine shortage the airline is continuously seeking support from the engine manufacturer to mitigate significant part of the costs described above. Such support was provided also for Q2 for EUR 20.4 million, however it was not booked in the Q2 operating cash flow statement due to being received only on July 5 (see the Subsequent Events section below). In Q2, if adjusted for this amount the airline had historically highest operating cash flow of EUR 46 million.

MANAGEMENT REPORT

OPERATING CASH FLOW AND LIQUIDITY (continued)



*Pro forma Q2 including support received due to shortage of engines

As of August 1, following the coupon payment on the EUR 200 million Eurobond, the airline had cash balance of EUR 46 million as compared to EUR 65 million cash balance after the coupon payment in 2022. Though, the current cash balance is less by EUR 19 million than it was in 2022, the management believes that the financial performance during the first half of 2023 and the current trends indicate that airline's financial performance and cash generating ability will be significantly better than it was during the second half of 2022 and, therefore, it should be able to close the cash gap vs. 2022.

GOING CONCERN

The management believes the use of the going concern assumption in the preparation of these financial statements is appropriate for the next 12 months. In management's view, based on the current market trends and considering projected growth in bookings and expected operating performance the airline has sufficient cash to maintain its operations over the next 12 months. As of August 1, following the coupon payment on the EUR 200 million Eurobond, the airline had cash balance of EUR 46 million as compared to EUR 65 million cash balance after the coupon payment in 2022. Though, the current cash balance is less by EUR 19 million than it was in 2022, the management believes that the financial performance during the first half of 2023 and the current trends indicate the airline's financial performance and cash generating ability to be significantly better than it was during the second half of 2022 and, therefore, it should be able to close the cash gap vs. 2022.

In addition, as part of the airline's ongoing efforts to ensure its financial stability and support its growth strategy, the management is exploring options to refinance EUR 200 million Eurobond which matures in July 2024. Management has engaged financial advisors to assist the airline in this process and is currently considering the possibility of issuing a USD 300 million bond and using the proceeds to repay the EUR 200 million bond. Whilst there can be no assurance that this initiative will be successful, management believes it has the potential to generate sufficient capital to support working capital requirements during the low season and enable the airline to pursue its growth plans. The airline is also exploring the possibility of exercising 30 options and purchase rights for A220-300 aircraft, which would support the goal of growing the fleet to 80 aircraft by 2030.

If the bond refinancing efforts fail in 2023 due to unfavourable market conditions, the airline is expected to approach the public debt market again in 2024 on the basis of 2023 full year results.

There is currently significant uncertainty related to the reliability and supply of spare engines. If the situation with the engines deteriorates, it may have negative impact on airline's operational performance and cash generating ability beyond management's current expectations. The management is in continuous talks with both the engine manufacturer Pratt & Whitney and Airbus Canada Limited Partnership to secure sufficient commercial support to address the engine shortage and potential aircraft delivery delays. While the management remains optimistic that these negotiations will yield a positive outcome for the airline, similar to the results in 2022 and similar to the results in H1 of 2023, there is still uncertainty regarding the extent of the commercial support that will be provided. The airline's liquidity would be negatively impacted if the support proves to be inadequate.

MANAGEMENT REPORT

SUBSEQUENT EVENTS

In the beginning of July 2023, the airline received EUR 20.4 million commercial support payment related to the engine shortage in Q2 of 2023. The support was extended to airBaltic in line with the signed agreement between airBaltic and Pratt & Whitney in June, 2023. This significantly improved the cash balance of the airline compared to the reported EUR 39.8 million at the end of June.

OUTLOOK FOR THE YEAR

Based on the H1 performance and the booking trends, the airline maintains its ambitious target of EUR 700 million in revenues for full 2023, however due to some softening in demand during the month of July, the probability that this target will be achieved has somewhat decreased compared to the expectations after the Q1 and therefore the updated revenue guidance is in the range from EUR 670 million to EUR 700 million. The total number of seats to be deployed in airBaltic's network is expected to reach 6.1 million for full 2023 with 3.2 million still to be deployed in H2 of 2023 as compared to 2.8 million in H2 of 2022.

Based on H1 achieved Comparable EBITDAR of EUR 56.8 million the management expects the full year EBITDAR to be in the range from EUR 145 million to EUR 160 million.

The expectations expressed above would be lowered if there were significant reduction in the demand for air travel during in the second half of 2023. As the airline has hedged only 6% of its expected fuel consumption in 2023, a significant increase in fuel price would negatively affect the EBITDAR. In addition, the potential shortage of the spare engines, beyond what the management has already projected, could negatively affect the deployed capacity, and thus, result in the reduced revenues and EBITDAR.

Martin Alexander Gauss	Vitolds Jakovļevs	Pauls Juris Cālītis
Chairman of the Executive Board	Member of the Executive Board	Member of the Executive Board

For further information, please contact Chief Financial Officer Vitolds Jakovļevs, vitolds.jakovlevs@airbaltic.lv

FORWARD-LOOKING STATEMENTS

This Report includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include, but are not limited to, statements regarding the intentions of the Group, and beliefs or current expectations concerning, among other things, the business, results of operations, financial position and/or prospects of the Group.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the financial position and results of operations of the Group, and the development of the markets and the industries in which the Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Report. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements.

These forward-looking statements are made only as at the date of this Report. Except to the extent required by law, the Group is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Report whether as a result of new information, future events or otherwise. As a result of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual results or otherwise.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Q2 2023 TEUR	Q2 2022 TEUR	Half-year 2023 TEUR	Half-year 2022 TEUR
OPERATING REVENUE					
Revenue and other income	4	184 565	128 907	289 619	188 493
Other revenue		1 681	2 520	1 681	2 989
		186 246	**131 427**	**291 300**	**191 482**
OPERATING EXPENSES AND CLAIM COMPENSATIONS					
Fuel		(36 803)	(43 591)	(66 151)	(61 487)
Airport, handling and en-route charges		(28 825)	(22 529)	(51 795)	(39 763)
Aircraft and similar lease		(27 785)	(6 899)	(28 736)	(8 112)
Personnel costs		(27 328)	(20 040)	(51 348)	(35 568)
Amortization and depreciation		(22 340)	(18 496)	(42 733)	(33 748)
Marketing and tickets sales costs		(10 792)	(8 750)	(20 540)	(14 332)
Aircraft maintenance		(9 951)	(5 123)	(12 553)	(8 465)
Other operating costs		(8 498)	(6 516)	(15 502)	(11 532)
Cost of carbon emission allowances		(2 124)	(5 319)	(12 639)	(8 435)
Passenger service		(3 531)	(4 387)	(5 792)	(5 368)
Claim compensations		32 548	1 254	45 459	3 644
Provisions for legal disputes	10	-	1 192	8 073	1 192
		(145 429)	**(139 204)**	**(254 257)**	**(221 974)**
FINANCE INCOME / (EXPENSES)					
Finance costs	6	(15 518)	(14 585)	(31 085)	(28 428)
Foreign currency exchange gain / (loss), net		581	(23 573)	8 548	(31 268)
Finance income		80	41	98	78
		(14 857)	**(38 117)**	**(22 439)**	**(59 618)**
PROFIT / (LOSS) BEFORE TAX		**25 960**	**(45 894)**	**14 604**	**(90 110)**
Corporate income tax		-	(500)	-	(938)
PROFIT / (LOSS) FOR THE PERIOD		**25 960**	**(46 394)**	**14 604**	**(91 048)**

The notes on pages 23 to 32 form an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Q2 2023 TEUR	Q2 2022 TEUR	Half-year 2023 TEUR	Half-year 2022 TEUR
PROFIT / (LOSS) FOR THE PERIOD	**25 960**	**(46 394)**	**14 604**	**(91 048)**
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS				
Hedging gain reclassified to profit or loss	61	-	61	-
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Depreciation of revaluation reserve	(91)	(101)	(183)	(177)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**(30)**	**(101)**	**(122)**	**(177)**
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD	**25 930**	**(46 495)**	**14 482**	**(91 225)**

The notes on pages 23 to 32 form an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Note	30.06.2023 TEUR	30.06.2022 TEUR	31.12.2022 TEUR
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	113 369	92 118	101 493
Right of use assets	8	851 254	762 520	810 845
Intangible assets		17 114	17 814	17 327
Investments in subsidiaries and other investments		3	3	3
Prepayments for maintenance		77 853	42 649	61 196
Prepayments for acquisition of property, plant and equipment		41 939	47 351	50 283
Trade and other receivables		17 101	13 919	15 525
		1 118 633	**976 374**	**1 056 672**
CURRENT ASSETS				
Inventories		13 454	9 378	10 913
Prepaid expenses		33 617	19 297	11 612
Trade and other receivables		62 596	50 369	41 726
Derivative financial instruments		61	-	-
Cash		39 733	85 933	37 999
		149 461	**164 977**	**102 250**
TOTAL ASSETS		**1 268 094**	**1 141 351**	**1 158 922**
EQUITY AND LIABILITIES				
EQUITY				
Share capital		596 473	596 473	596 473
Other contributions		2 596	2 490	2 644
Revaluation reserve		3 703	3 317	3 886
Cash flow hedging reserve		61	-	-
Accumulated loss:				
accumulated loss brought forward		(684 987)	(630 768)	(630 768)
profit / (loss) for the period		14 604	(91 048)	(54 219)
TOTAL EQUITY		**(67 550)**	**(119 536)**	**(81 984)**
LIABILITIES				
NON-CURRENT LIABILITIES				
Lease liabilities	9	745 032	683 413	718 012
Borrowings	9	256 952	251 434	254 464
Provisions	10	25 277	27 728	31 428
Tax liabilities		-	1 944	1 944
		1 027 261	**964 519**	**1 005 848**
CURRENT LIABILITIES				
Lease liabilities	9	79 186	85 161	77 565
Trade and other payables		57 086	45 837	48 533
Contract liabilities, airport taxes and other liabilities		119 238	88 972	56 478
Provisions	10	26 327	50 335	33 965
Tax liabilities		9 178	9 053	7 740
Borrowings	9	17 368	17 010	10 777
		308 383	**296 368**	**235 058**
TOTAL LIABILITIES		**1 335 644**	**1 260 887**	**1 240 906**
TOTAL EQUITY AND LIABILITIES		**1 268 094**	**1 141 351**	**1 158 922**

The notes on pages 23 to 32 form an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Half-year 2023	Half-year 2022
CASH FLOWS FROM OPERATING ACTIVITIES	**TEUR**	**TEUR**
PROFIT / (LOSS) BEFORE TAX	**14 604**	**(90 110)**
Adjustments for:		
Depreciation	41 683	32 804
Interest expenses	30 448	27 675
Change in provisions and financial liabilities	4 562	7 239
Amortization	1 051	943
Foreign exchange gain, net	(7 572)	31 268
Profit on sales and leaseback transactions	(1 681)	(2 989)
Profit on disposal of property, plant and equipment	(823)	(3 318)
Interest income	(99)	(78)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**82 173**	**3 434**
Increase in payables	44 164	54 536
Increase in receivables	(51 664)	(36 836)
Increase in inventories	(2 540)	(1 718)
(Increase) / decrease in deposits and restricted cash	(9 295)	2 142
Corporate income tax paid	(556)	(825)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**62 282**	**20 733**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(9 994)	(12 981)
Advances paid for aircraft	(4 154)	(15 078)
Issued loans	(129)	(314)
Refund of advances paid for aircraft	14 216	18 679
Received profit from sales and leaseback transactions	1 681	2 989
Proceeds from sale of property, plant and equipment	925	3 346
Interest received	99	4
Received repayment of the issued loans	55	19
NET CASH USED IN INVESTING ACTIVITIES	**2 699**	**(3 336)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease principal payments	(41 471)	(40 147)
Interest paid	(23 791)	(19 312)
Repayment of borrowings	(2 002)	(1 173)
Borrowings received	4 017	4 854
Proceeds from the issue of share capital	-	45 000
NET CASH USED IN FINANCING ACTIVITIES	**(63 247)**	**(10 778)**
Decrease in cash	1 734	6 619
Cash at the beginning of the reporting period	37 999	79 314
CASH AT THE END OF THE REPORTING PERIOD	**39 733**	**85 933**

The notes on pages 23 to 32 form an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Share capital TEUR	Other contributions TEUR	Revaluation reserve TEUR	Accumulated loss TEUR	Loss for the period TEUR	Total TEUR
1 JANUARY 2022	**506 473**	**2 490**	**3 494**	**(495 050)**	**(135 718)**	**(118 311)**
COMPREHENSIVE INCOME						
Loss for the period	-	-	-	-	(91 048)	(91 048)
Other comprehensive income	-	-	(177)	-	-	(177)
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**(177)**	**-**	**(91 048)**	**(91 225)**
Increase in share capital	90 000	-	-	-	-	90 000
Allocation of prior year result	-	-	-	(135 718)	135 718	-
30 JUNE 2022	**596 473**	**2 490**	**3 317**	**(630 768)**	**(91 048)**	**(119 536)**

	Share capital TEUR	Other contributions TEUR	Revaluation reserve TEUR	Cash flow hedging reserve TEUR	Accumulated loss TEUR	Profit for the period TEUR	Total TEUR
1 JANUARY 2023	**596 473**	**2 644**	**3 886**	**-**	**(630 768)**	**(54 219)**	**(81 984)**
Profit for the period	-	-	-	-	-	14 604	**14 604**
Other comprehensive income	-	-	(183)	61	-	-	**(122)**
TOTAL COMPREHENSIVE INCOME	**-**	**-**	**(183)**	**61**	**-**	**14 604**	**14 482**
Currency translation difference		**(48)**					**(48)**
Allocation of prior year result	-	-	-	-	(54 219)	54 219	**-**
30 JUNE 2023	**596 473**	**2 596**	**3 703**	**61**	**(684 987)**	**14 604**	**(67 550)**

The notes on pages 23 to 32 form an integral part of these consolidated interim financial statements.

NOTES

1. Summary of significant accounting policies

a) Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standard No. 34 Interim Financial reporting as adopted by EU (hereinafter – IAS 34).

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by airBaltic during the interim reporting period.

b) Accounting principles

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim period, except for the changes as set out below.

Change in presentation

During the period, the Group have changed its classification of prepaid expenses within the Balance sheet. The prepaid expenses representing prepayments for maintenance previously presented within current assets (as of 31 December 2022: EUR 61 196 thousand and 30 June 2022: EUR 42 649 thousand) have been reclassified to non-current assets. The management believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

New and amended accounting policies

New and amended IFRSs that entered force in January 2023 or later have not had any material effect on the consolidated financial statements. New or amended IFRSs that enter force in the coming fiscal years have not been applied in advance in the preparation of these financial statements and are not expected to have a significant effect on the Group's forthcoming financial reports.

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

The preparation of the half-year 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 recognized 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. In addition to what is described below, the critical assessments and sources of uncertainty in estimates are the same as those in the most recent annual report.

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 the airBaltic. The Latvian courts have also ruled in favor of the airline and the Latvian government in a similar case arising from the October 2011 Agreement against one of the airBaltic's creditors. The other party has filed the cassation appeal and the airBaltic will continue to monitor the case, although it strongly believes that there is no basis for this claim. Following a court ruling, the provisions made in December 2022 have been released.

d) Going concern and liquidity

The management believes the use of the going concern assumption in the preparation of these financial statements is appropriate for the next 12 months. In management's view, based on the current market trends and considering projected growth in bookings and expected operating performance the airline has sufficient cash to maintain its operations over the next 12 months. As of August 1, following the coupon payment on the EUR 200 million Eurobond, the airline had cash balance of EUR 46 million as compared to EUR 65 million cash balance after the coupon payment in 2022. Though, the current cash balance is less by EUR 19 million than it was in 2022, the management believes that the financial performance during the first half of 2023 and the current trends indicate the airline's financial performance and cash generating ability to be significantly better than it was during the second half of 2022 and, therefore, it should be able to close the cash gap vs. 2022.

In addition, as part of the airline's ongoing efforts to ensure its financial stability and support its growth strategy, the management is exploring options to refinance EUR 200 million Eurobond which matures in July 2024. Management has engaged financial advisors to assist the airline in this process and is currently considering the possibility of issuing a USD 300 million bond and using the proceeds to repay the EUR 200 million bond. Whilst there can be no assurance that this initiative will be successful, management believes it has the potential to generate sufficient capital to support working capital requirements during the low season and enable the airline to pursue its growth plans. The airline is also exploring the possibility of exercising 30 options and purchase rights for A220-300 aircraft, which would support the goal of growing the fleet to 80 aircraft by 2030.

If the bond refinancing efforts fail in 2023 due to unfavourable market conditions, the airline is expected to approach the public debt market again in 2024 on the basis of 2023 full year results.

NOTES

1. Summary of significant accounting policies (continued)

d) Going concern and liquidity (continued)

There is currently significant uncertainty related to the reliability and supply of spare engines. If the situation with the engines deteriorates, it may have negative impact on airline's operational performance and cash generating ability beyond management's current expectations. The management is in continuous talks with both the engine manufacturer Pratt & Whitney and Airbus Canada Limited Partnership to secure sufficient commercial support to address the engine shortage and potential aircraft delivery delays. While the management remains optimistic that these negotiations will yield a positive outcome for the airline, similar to the results in 2022 and similar to the results in H1 of 2023, there is still uncertainty regarding the extent of the commercial support that will be provided. The airline's liquidity would be negatively impacted if the support proves to be inadequate.

2. Financial risk management

Hedge effectiveness

The Group has resumed fuel hedging and as at 30 June 2023 6 000 jet fuel tonnes had been hedged for the H2 2023.

Fair value estimation

The Group classifies its 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 assets and liabilities that are measured at fair value at 30 June 2023.

	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	9 047	9 047
Diamond DA40NG aircraft	-	-	3 967	3 967
Derivative financial asset	-	61	-	61

The following table presents the Group’s assets and liabilities that are measured at fair value at 31 December 2022.

	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	9 531	9 531
Diamond DA40NG aircraft	-	-	4 054	4 054

The Group obtains independent valuations for its buildings 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, taking into account 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.

All other financial assets and financial liabilities are measured at amortized cost. The Group's financial assets measured at amortized cost are included in the level 3, except for cash and cash equivalents, which are included in the level 2. The Group estimates 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.

The fair values of other financial assets and other financial liabilities are based on discounted cash flows using a current borrowing rate.

Specific valuation techniques used to value financial instruments are based on the quoted market prices or dealer quotes for similar instruments. All of the resulting fair value estimates are included in level 2.

NOTES

3. Segment information

During the reporting period, there have been no changes in the segment information analysis performed by airBaltic's Chief Operating Decision Maker.

Reportable segment information is presented as follows:

	Q2 2023 TEUR	Q2 2022 TEUR	Half-year 2023 TEUR	Half-year 2022 TEUR
Operating revenue of the Parent company	185 518	131 482	289 836	191 006
Revenue of other segments	1 272	9 048	4 176	15 474
Intersegment elimination arising from other segments	(544)	(9 103)	(2 712)	(14 998)
TOTAL REVENUE	**186 246**	**131 427**	**291 300**	**191 482**
Profit / (loss) of the Parent company	26 029	(45 910)	14 584	(90 166)
Profit / (loss) of other segments	(18)	(400)	234	(780)
Intersegment elimination	(51)	(84)	(214)	(102)
TOTAL NET PROFIT / (LOSS)	**25 960**	**(46 394)**	**14 604**	**(91 048)**
Other segment information:				
Amortization and depreciation	(22 160)	(18 287)	(42 396)	(33 404)
Interest expense	(15 168)	(14 127)	(30 399)	(28 362)

	30.06.2023	30.06.2022	31.12.2022
Reportable segment of the Parent company's assets	1 268 066	1 140 325	1 155 777
Reportable segment of the other segments assets	10 101	11 705	14 243
Intersegment elimination arising from other segments	(10 073)	(10 679)	(11 098)
TOTAL ASSETS	**1 268 094**	**1 141 351**	**1 158 922**
Reportable segment of the Parent company's liabilities	1 335 446	1 259 330	1 237 598
Reportable segment of the other segments liabilities	7 987	10 147	12 218
Intersegment elimination arising from other segments	(7 789)	(8 590)	(8 910)
TOTAL LIABILITIES	**1 335 644**	**1 260 887**	**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.

Entity-wide disclosures

Revenue from external customers can be analysed by geographic area as follows:

	Q2 2023 TEUR	Q2 2022 TEUR	Half-year 2023 TEUR	Half-year 2022 TEUR
Europe	178 231	125 559	273 654	179 588
Other	8 015	5 868	17 646	11 894
TOTAL	**186 246**	**131 427**	**291 300**	**191 482**

Revenue was allocated to geographical areas based on the location of the destination airport. The Group does not perform a separate analyses of the revenues derived specifically to or from Riga as the routes are analysed on a segment level.

NOTES

4. Revenue and other income

	Q2 2023 TEUR	Q2 2022 TEUR	Half-year 2023 TEUR	Half-year 2022 TEUR
Tickets revenue	134 391	93 077	214 490	139 314
ACMI lease revenue (non-lease component)	20 973	13 740	27 816	16 346
Ancillary revenue	10 741	8 949	20 443	14 761
Cargo revenue	1 435	1 517	2 839	3 050
Charter revenue	2 681	2 627	4 435	4 115
Other revenue	1 490	576	2 548	889
Revenue from contracts with customers	***171 711***	***120 486***	***272 571***	***178 475***
ACMI lease revenue (lease component)	12 854	8 421	17 048	10 018
TOTAL	**184 565**	**128 907**	**289 619**	**188 493**

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.

5. Seasonality of operations

The Group's results of operations have varied significantly from quarter to quarter, and management expects these variations to continue. Among the factors causing these variations are the airline industry's sensitivity to general economic conditions and the seasonal nature of air travel. Passenger revenues in the first and fourth quarters are generally lower as people travel less, while the second and third quarters typically generate higher revenues and results. The COVID-19 pandemic and related travel restrictions, as well as the recovery from the pandemic crisis, had a significant impact on trends in 2022.

EUR thousand	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Passenger revenue	137 892	85 448	98 281	129 548	94 654	49 346	98 647	144 930	122 412	68 582
% from annual passenger revenue	n/a	n/a	26%	35%	25%	13%	23%	33%	28%	16%

6. Finance costs

	Q2 2023	Q2 2022	Half-year 2023 TEUR	Half-year 2022 TEUR
Interest expense on lease	11 273	10 428	22 403	20 265
Interest expense on borrowings	3 924	3 725	8 045	7 410
Other interest and similar expenses	321	432	637	753
TOTAL	**15 518**	**14 585**	**31 085**	**28 428**

NOTES

7. Property, plant and equipment

	Buildings TEUR	Fixtures and fittings TEUR	Aircraft TEUR	Aircraft equipment TEUR	Total TEUR
Cost or revalued amount					
31.12.2022	**22 093**	**21 972**	**5 263**	**98 272**	**147 600**
Additions	17	549	122	17 757	18 445
Disposals	-	(1 544)	(77)	(225)	(1 846)
30.06.2023	**22 110**	**20 977**	**5 308**	**115 804**	**164 199**
Accumulated depreciation					
31.12.2022	**12 562**	**9 858**	**1 209**	**22 478**	**46 107**
Charge for the period	350	944	174	4 878	6 346
Charge on revalued amount	151	-	32	-	183
Disposals	-	(1 535)	(74)	(197)	(1 806)
30.06.2023	**13 063**	**9 267**	**1 341**	**27 159**	**50 830**
Net book value 31.12.2022	**9 531**	**12 114**	**4 054**	**75 794**	**101 493**
Net book value 30.06.2023	**9 047**	**11 710**	**3 967**	**88 645**	**113 369**

8. Right of use assets

	Buildings and land TEUR	Aircraft TEUR	Total TEUR
Cost or revalued amount			
31.12.2022	18 314	993 447	1 011 761
Additions	299	75 447	75 746
Terminated contracts	(27)	(9 772)	(9 799)
30.06.2023	**18 586**	**1 059 122**	**1 077 708**
Accumulated depreciation			
31.12.2022	6 226	188 290	194 516
Charge for the period	908	34 429	35 337
Terminated contracts	(27)	(3 372)	(3 399)
30.06.2023	**7 107**	**219 347**	**226 454**
Impairment loss charge			
31.12.2022	-	(6 400)	(6 400)
Reversal of charge for the period	-	6 400	6 400
30.06.2023	-	-	-
Net book value 31.12.2022	**12 088**	**798 757**	**810 845**
Net book value 30.06.2023	**11 479**	**839 775**	**851 254**

NOTES

9. Borrowings and lease liabilities

Borrowings

	30.06.2023 TEUR	31.12.2022 TEUR
Non-current		
Eurobond, net of transaction costs	199 209	198 812
Borrowings from the shareholders	36 141	36 141
Other borrowings	21 506	19 511
Bank borrowings	96	-
	256 952	**254 464**
Current		
Eurobond, net of transaction costs	12 390	5 696
Other borrowings	3 650	3 187
Bank borrowings	1 150	1 761
Borrowings from the shareholders	178	133
	17 368	**10 777**
TOTAL	**274 320**	**265 241**

Lease liabilities

	30.06.2023 TEUR	31.12.2022 TEUR
Non-current	**745 032**	**718 012**
Current	**79 186**	**77 565**

The tables below shows the contractual undiscounted (including estimated future interest payments on debt) non-derivative financial liabilities:

	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 30.06.2023						
Borrowings	1 926	19 501	269 194	11 095	301 716	274 320
Lease liabilities	31 148	93 621	370 826	565 633	1 061 228	824 218
Contractual maturities of financial liabilities at 31.12.2022						
Borrowings	1 371	17 804	270 855	6 721	296 751	265 241
Lease liabilities	31 539	88 311	455 381	438 010	1 013 241	795 577

NOTES

9. Borrowings and lease liabilities (continued)

The table below shows the movements in major class of borrowings and lease liabilities during the financial period.

	Lease liabilities TEUR	Borrowings from the shareholder TEUR	Other borrowings TEUR	Loan from bank TEUR	Total TEUR
01.01.2023	**795 577**	**36 274**	**227 206**	**1 761**	**1 060 818**
New lease contracts	77 779	-	-	-	77 779
New contracts	-	-	4 017	-	4 017
Interest calculated	22 403	970	7 016	59	30 448
Currency translation difference	(7 774)	-	-	-	(7 774)
Amortisation of transaction costs and similar expenses	157	-	397	-	554
Repayment, net of interest	(41 471)	-	(1 488)	(514)	(43 473)
Interest paid	(22 453)	(925)	(353)	(60)	(23 791)
Transaction costs and similar expenses	-	-	(40)	-	(40)
30.06.2023	**824 218**	**36 319**	**236 755**	**1 246**	**1 098 538**

10. Provisions

	30.06.2023 TEUR	31.12.2022 TEUR
Non-current		
Aircraft redelivery provision	21 037	19 115
Provision for legal disputes (see Note 13 b))	4 240	12 313
	25 277	**31 428**
Current		
Provision for carbon emissions	26 327	30 534
Provision for onerous contracts (Q400 fleet)	-	3 431
	26 327	**33 965**
TOTAL	**51 604**	**65 393**

The table below shows the movements in each class of provision during the financial period.

	Provision for onerous contracts TEUR	Aircraft redelivery provision TEUR	Provision for legal disputes TEUR	Provision for carbon emissions TEUR	Total TEUR
31.12.2022	**3 431**	**19 115**	**12 313**	**30 534**	**65 393**
Additional provision charged to Right-of-use assets	-	1 922	-	-	1 922
Additional charged/credited to Income statement:					
- additional amounts charged				12 635	12 635
- unused amounts reversed	-	-	(8 073)		(8 073)
Amounts used during the year	(3 431)	-	-	(16 842)	(20 273)
30.06.2023	**-**	**21 037**	**4 240**	**26 327**	**51 604**

NOTES

11. Related party transactions

The Group has related party relationships 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. There were no related party transactions in the period ended 30 June 2023 that materially affected the financial position or the performance of the Group during that period and there were no changes to the related party positions described in the 2022 annual report that could have a material effect on the financial position or performance of the Group in the same period.

12. State aid received by airBaltic

On 23 and 24 May 2022 the European Commission adopted decisions regarding Second Recapitalisation of airBaltic and Damage compensation to airBaltic, approving additional state aid in the total amount of EUR 45 million. These decisions supplement the decision adopted by the Commission on 21 December 2021, approving aid to airBaltic in the form of a recapitalisation of EUR 45 million under Article 107(2)(b) TFEU. Consequently, the European Commission has now approved the entire aid of EUR 90 million granted by the Cabinet of Ministers of the Republic of Latvia to the Company on 23 August 2021.

The state aid provided to airBaltic has been used to restore airBaltic's equity and its access to liquidity in the context of the COVID-19 outbreak that led to severe disturbances of the real economy of Latvia. The main cost items for which the state aid has been used are fleet operating costs, which make up the largest part of the used state aid.

In addition to the above, airBaltic has used the aid in support of the EU objectives and national obligations linked to the green and digital transformation, including the EU objective of climate neutrality by 2050. Detailed information on airBaltic's activities in this area is provided in the airBaltic 2022 Sustainability Report.

The monitoring of the use of the allocated funds is based on the control processes developed (documented in writing) and implemented by airBaltic in the pre-crisis period. During the crisis situation, airBaltic introduced additional steps (for example, more regular and detailed reporting of cash flow changes and budget deviations, introduction of cash flow forecasting).

13. Commitments and contingencies

(a) Guarantees and pledges

There has been no significant change during the period in guarantees and pledges compared to those disclosed in the financial statements for the year ended 31 December 2022.

(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 Baltijas Aviācijas Sistēmas SIA ("BAS"), the former shareholder of the Parent company, have been involved in a dispute with the now bankrupt Russian AKB Investbank ("Investbank") since March 2012. Investbank claimed EUR 18.4 million for repayment of three loans it had given to BAS. Investbank also claimed that the Parent company was a guarantor under guarantee agreements for the amounts owed under the loan agreements. While there have been some Russian court decisions in favour of the Parent company and some decisions against the Parent company, the Russian courts have also held that these negative recovery decisions cannot be enforced against BAS and the Parent company in the Russian Federation.

In 2019 an action was brought against the Parent company by the administrators of Investbank on the basis that the Parent company (and not BAS) was the real debtor under the loan agreements with Investbank. In accordance with the decision of the Commercial Court of the City of Moscow dated 6 February 2020, the court dismissed Investbank's claim. On 30 January 2023, the Court of Appeal changed the decision, granted the claim and decided to annul the loan and guarantee agreements (non-material claim). Although Investbank never made a material claim in this case, the Court of Appeal decided that the loan amounts totalling EUR 31.78 million should be recovered from the Parent company.

The Parent company and its lawyers are of the opinion that the claim mentioned in the Court of Appeal's decision is unfounded and an appeal in cassation is being prepared. The cassation of this claim is expected to be considered by the Court of Cassation in the third quarter of 2023.

NOTES

13. Commitments and contingencies (continued)

(b) Legal disputes (continued)

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 further cases brought by Havas against the Parent company. The total amount of three cases is EUR 4.6 million. One of the cases concerns a claim by Havas for payment of €0.4 million that was withheld even though Havas itself had not performed the contract. The other two cases, for a total amount of EUR 4.2 million, relate to Havas' claim to receive a guaranteed amount of revenue for the years 2020 and 2021, irrespective of the number of turnarounds handled. Based on advice from its legal advisors, the airline believes that these claims are unfounded.

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 ("Taurus"), a company incorporated in the Bahamas, which owns 50% of the shares of BAS. The dispute relates to funding of €5 million provided by Taurus to the Parent company in 2011. Taurus entered into an agreement with the Latvian Government 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 Taurus' failure to fulfil its contractual obligations under the October 2011 Agreement, Taurus lost its right to repayment of the EUR 5 million financing it provided to the Parent Company.

SIA Eurobalt Junipro claims that it took over the claim from Taurus in 2012 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 decision. On 16 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 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 has been filed by the other party and the Parent company will continue to monitor the case, although it strongly believes that there is no basis for this claim.

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 is one of a series of cases brought by Ryanair before the Court of First Instance challenging public support granted to its competitors. While Ryanair has been successful in a few cases at first instance, which are now being appealed to the European Court of Justice, the majority of cases have been dismissed by the court and the European Commission's decisions approving state aid to airlines during the COVID-19 outbreak have remained in force or have been revised accordingly.

RemPro litigations

SIA REM PRO has filed a lawsuit against the Parent company seeking to have the termination of the Hangar Design Contract declared null and void and to recover the sum of EUR 0.81 million. The Parent company considers the claims to be unfounded and has also filed a counterclaim against SIA REM PRO for EUR 1.1 million for non-performance and breach of contract. SIA REM PRO also sought to freeze the payment of the performance bond and bank guarantee issued by the co-defendants in the action: Compensa Vienna Insurance Group and BluOr Bank AS. 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 performance bond and bank 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, but is currently suspended while the Court of Appeal considers an appeal by SIA REM PRO regarding the refusal of the Economic Court to admit amendments to the original claim.

NOTES

13. 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 2023 and in 2024 is about EUR 670 million.

As at 30 June 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.

14. Subsequent events

In the beginning of July 2023, the airline received EUR 20.4 million commercial support payment related to the engine shortage in Q2 of 2023. The support was extended to airBaltic in line with the signed agreement between airBaltic and P&W in June 2023. This significantly improved the cash balance of the airline compared the reported EUR 39.8 million at the end of June.

During the period between the last day of the reporting year 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 30 June 2023 and should be reflected in this report.