

JOINT STOCK COMPANY AIR BALTIC CORPORATION

(UNIFIED REGISTRATION NUMBER 40003245752)

SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS

To the shareholders of Air Baltic Corporation AS

Our Opinion

In our opinion, the accompanying summary financial statements set out on pages 11 to 14 of Air Baltic Corporation AS (the Company) are consistent, in all material respects, with the audited financial statements, on the basis described in note "Basis of preparation of summary financial statements".

The summary financial statements

The Company's summary financial statements derived from the audited financial statements for the year ended 31 December 2018 comprise:

- the balance sheet as at December 31, 2018;
- the income statement for the year then ended,
- the statement of comprehensive income for the year then ended;
- the related notes to the summary financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The audited financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 1 April 2019.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of the summary financial statements, on the basis described in note "Basis of preparation of summary financial statements".



Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

A handwritten signature in blue ink, appearing to read 'Ilejiņa'.

Ilandra Lejiņa
Member of the Board

A handwritten signature in blue ink, appearing to read 'Jana Smirnova', enclosed within a large blue oval.

Jana Smirnova
Certified auditor in charge
Certificate No.188

Riga, Latvia
29 May 2019

MANAGEMENT REPORT

In 2018 Air Baltic Corporation AS (hereinafter – airBaltic, airline or the Company) carried over 4.1 million passengers which is a new record and an 17% increase over 2017. The airline generated net income of EUR 5.4 million, which is 44% improvement over 2017 and the sixth year in a row of profitable operations. During 2018, the airline accepted seven Airbus A220-300 aircraft, thus increasing the total number of the new jet aircraft to 14. The airline also phased out three Boeing 737-500 aircraft, continuing its gradual shift to a single type fleet as envisaged by airBaltic's newly developed business plan Destination 2025. The new plan foresees phasing out all the Boeing 737 by the end of 2019 and all the Bombardier Q400 by the summer season of 2023 thus becoming a carrier with a single type fleet of Airbus A220-300. To lay the foundation for the plan, the airline made a new aircraft order of 30 firm deliveries and 30 purchase rights for Airbus A220-300 in May 2018. If all the purchase rights are exercised, airBaltic would grow its fleet from current 34 aircraft to 80 aircraft by the end of 2024.

Network & strategy

In 2018, the airline continued to strengthen its market position in the Riga airport where the airline's market share grew from 53% in 2017 to 54% in 2018. The airline increased its overall capacity by 17% and the number of carried passengers by 17%. In 2018 the airline conducted over 56 thousand flights to more than 75 destinations. A number of new flights were launched from Riga including Lisbon, Malaga, Bordeaux, Split, Gdansk, Kaliningrad, Sochi, Almaty, as well as Tallinn – Stockholm, London, Oslo. In 2019, the airline expects to increase its capacity by about 19% and further expand its network by launching flights to several new destinations, including Riga to Dublin, Dubrovnik, Kos, Lviv, Menorca, Stuttgart and Tallinn to Brussels, Copenhagen and Malaga.

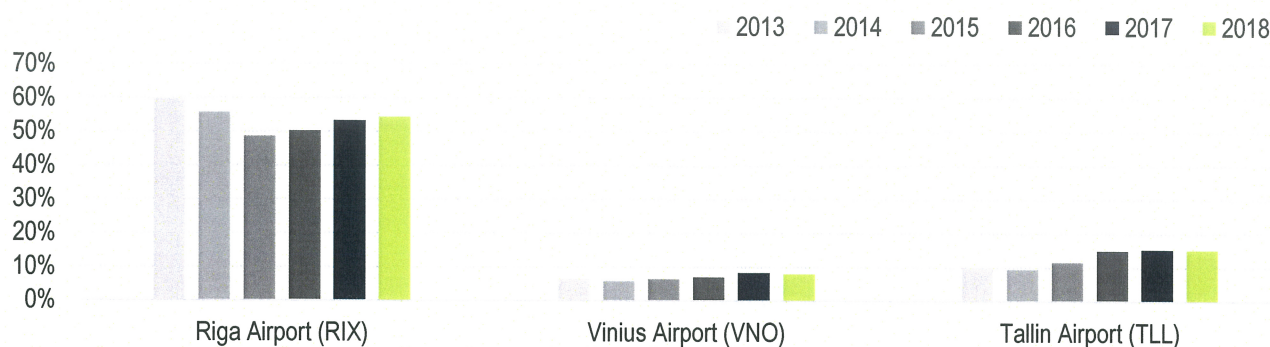


Number of routes operated from Baltic countries	2018 actual	2019 planned
Riga	67	69
Tallinn	7	10
Vilnius	5	5

MANAGEMENT REPORT

Market share development

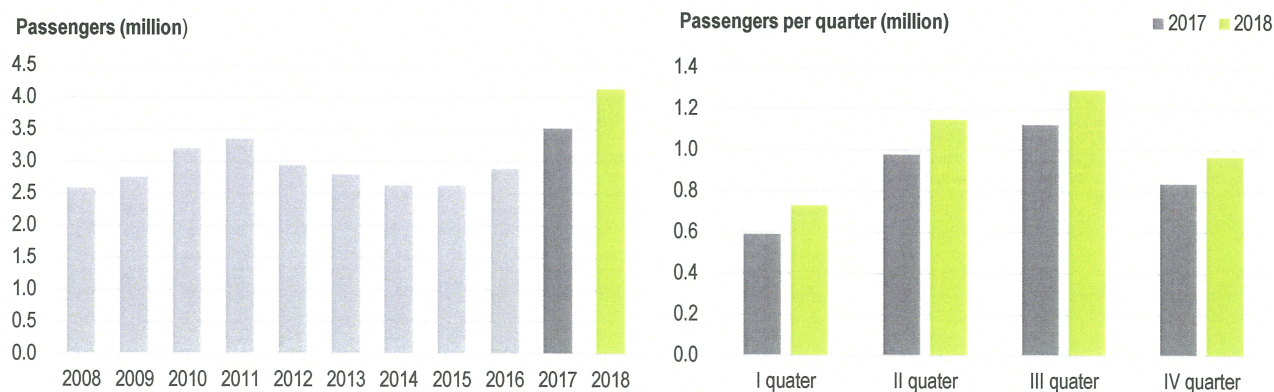
The airline's strategy is to become a true Baltic carrier significantly strengthening its positions in Estonia and Lithuania. The airline increased its market share in Riga from 53% in 2017 to 54% in 2018 while maintaining its 15% market share in Tallinn and 8% market share in Vilnius.



Operating performance

In 2018, the airline deployed in average 32 aircraft in scheduled and charter operations performing above 55 thousand flights. The airline had achieved a record number of passengers reaching 4.1 million, which was a 17% growth, compared to 2017. The airline increased its seat capacity by 17% and was able to match the increase with the passenger growth while sustaining some decline in the yields in the second half of 2018.

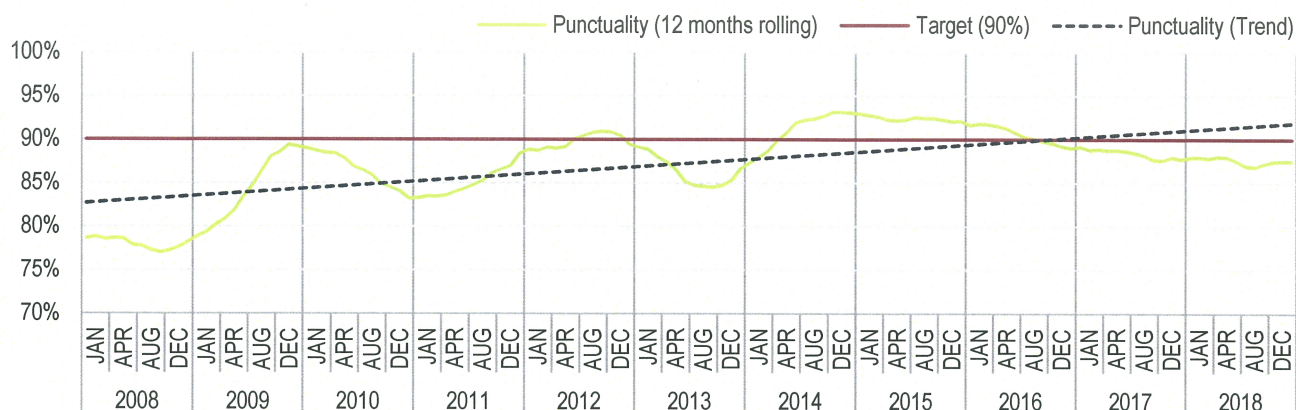
	2018	2017	Change
Capacity			
Number of aircraft at end of period	34	30	13%
Utilization (block hours per aircraft per day)	8.80	8.76	0.4%
Total block hours	102 500	88 468	16%
Total flight hours	85 603	74 169	15%
Flights	56 261	50 093	12%
Average departures per day per aircraft	4.83	5.09	-5%
Seat capacity	5 658 358	4 824 755	17%
Average aircraft stage length (km)	960	917	5%
Total ASKs ('000 km)	6 184 725	4 961 495	25%
Operating data			
RPKs (revenue passenger kilometres) ('000)	4 635 268	3 767 067	23%
Load factor (%)	74.9%	75.9%	-1.0pp
Number of passenger segments	4 135 711	3 523 300	17%



MANAGEMENT REPORT

Punctuality

For the 5th year in a row airBaltic has been ranked No 1 in Europe in punctuality by OAG analysts, who tracked the performance of over 50 million flight records. Globally airBaltic was ranked as the second most punctual airline in 2018 and has been on the top of the global on-time performance ranking for the past five consecutive years.



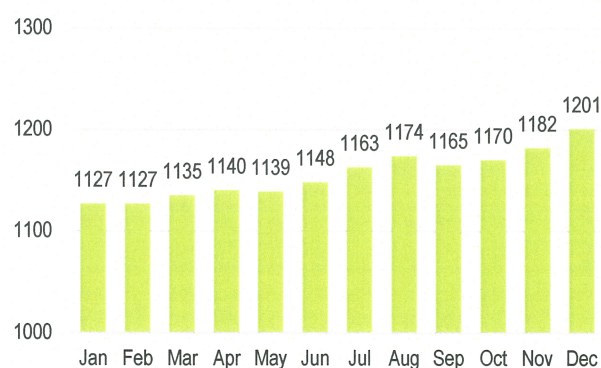
Personnel

In 2018, the Company employed over 1.2 thousand people, a 7% growth over previous year. During 2018 in total 231 employees had joined the Company and the voluntary turnover decreased by more than 2% in comparison with 2017.

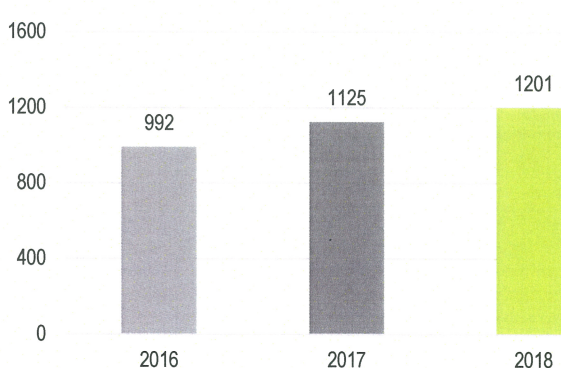
Currently airBaltic employs people of more than 30 different nationalities; average age of employees – 34; average length of employment in company – 6 years. Proportion between women men in Company is 60/40.

The Company has been considered as a Top Employer in Transport and Logistics industry in Latvia for 7 years in a row. airBaltic provides dynamic and modern working environment with established people management processes according to the best standards, and one of them – Ensuring Pilot resources during the fleet transition process – has received a special acknowledgment and prize from Latvian Association for People Management as innovative approach in HR field.

airBaltic Employee Headcount 2018



airBaltic Employee Headcount



Financial performance

In 2018, the Company generated EUR 409 million in revenues (18% above revenues in 2017) resulting EUR 5.4 million in net income. A significant portion of costs is attributable to transition process to the new Airbus A220-300 fleet. As the airline fully transits to the new fleet and gradually phases out the old Boeing 737 classic fleet, the operational efficiency and resulting profitability is expected to improve further.

In 2018, the airline paid in taxes EUR 16.8 million, which is 8%, increase over 2017.

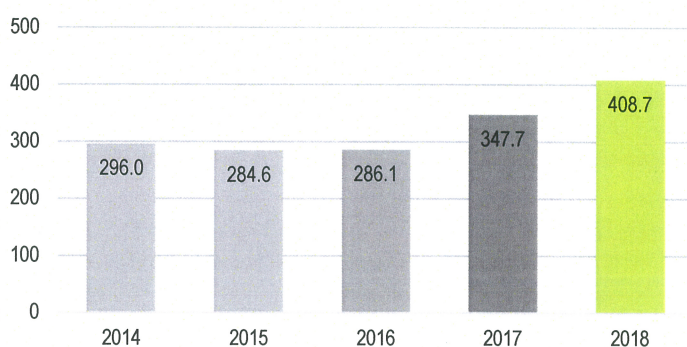
MANAGEMENT REPORT

Financial performance (continued)

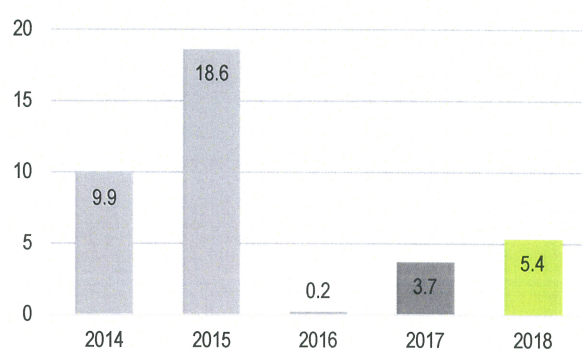
	2018 € million	2017 € million	Change
Total Revenue	408.7	347.7	18%
EBITDAR	90.6	80.9	12%
EBIT	6.5	19.3	- 66%
Net income	5.4	3.7	44%

	2018	2017	Change
Passengers (million)	4.1	3.5	17%
Year-end fleet	34	30	13%
Average number of employees	1 162	1 091	7%

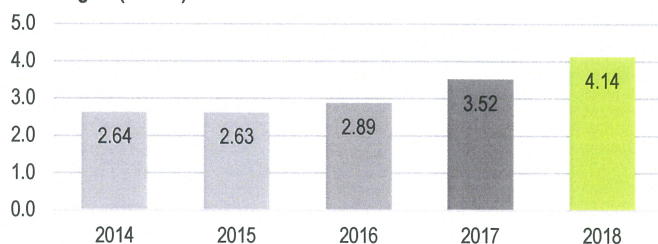
Total revenue (€ million)



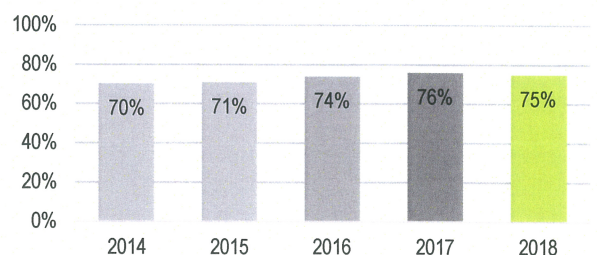
Net Income (€ million)



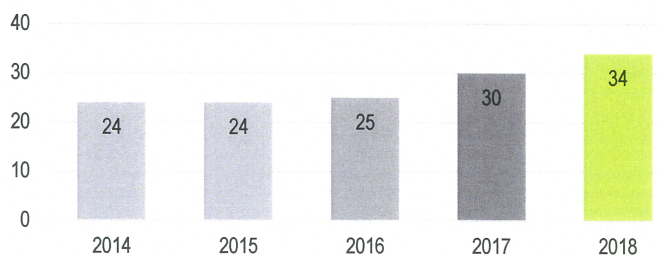
Passengers (million)



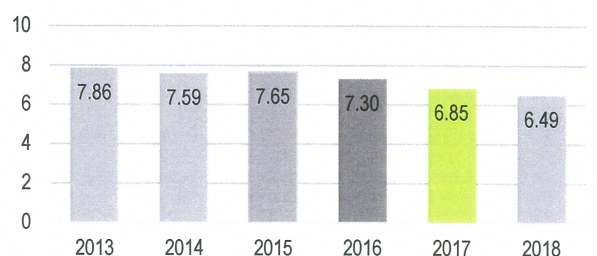
Load Factor



Year-end Fleet



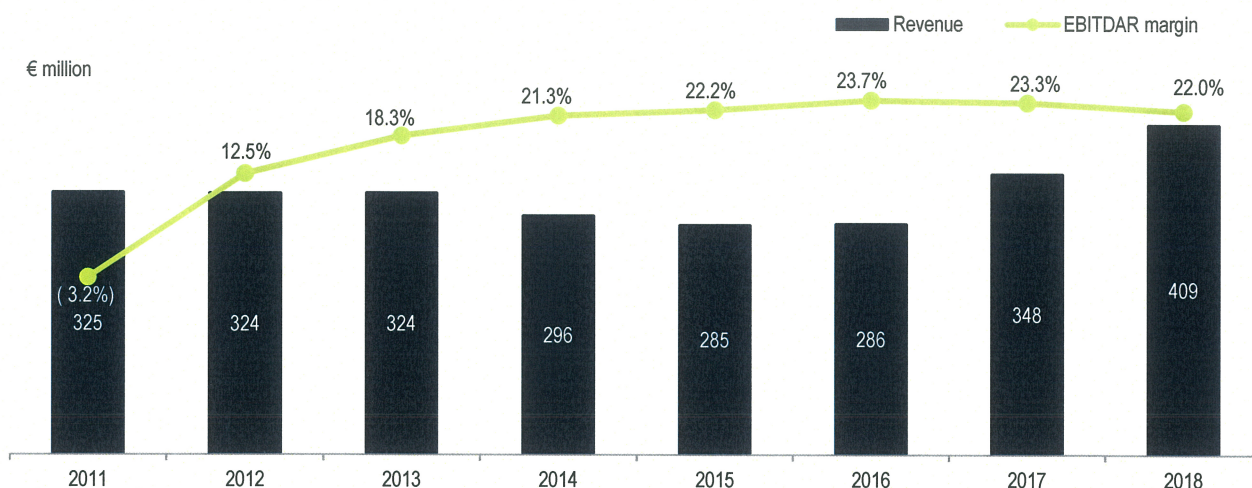
CASK (€ cents)



MANAGEMENT REPORT

Financial performance (continued)

Due to significant increase in fuel price, on average about 20% higher than in 2017, and somewhat weaker EUR vs USD, the EBITDAR margins have slightly deteriorated compared to 2017, however, in absolute terms EBITDAR had reached EUR 90.6 million which is the best result achieved to date.

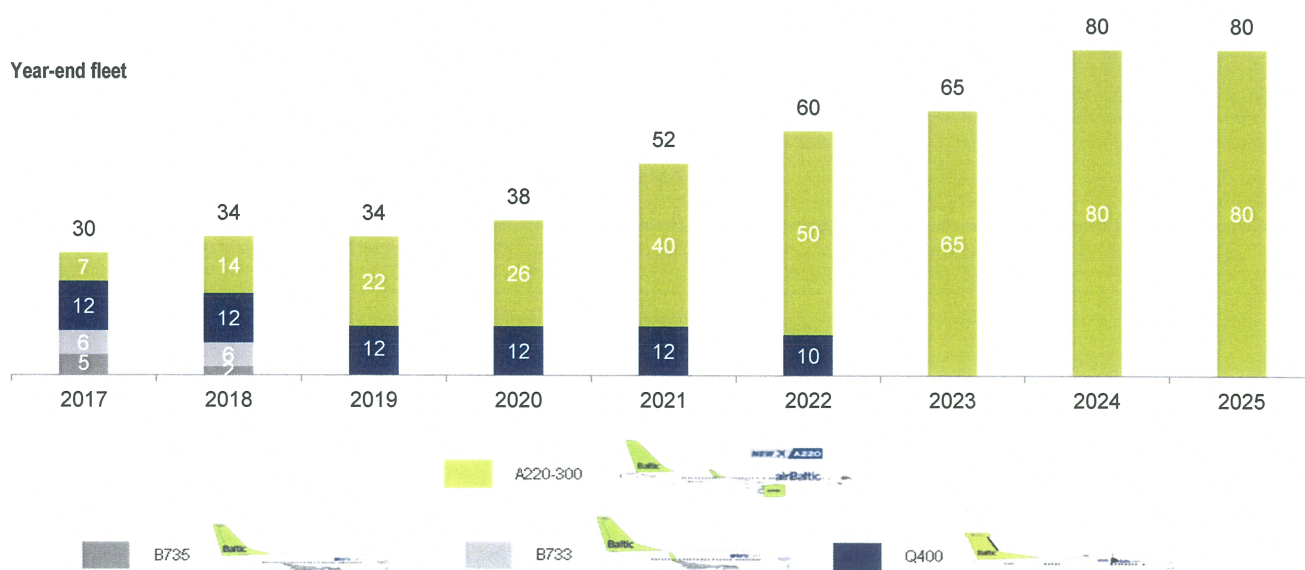


Fleet renewal

In 2018 one of the major events affecting the airline's fleet was Airbus taking over the CSeries program and renaming CS300 into Airbus A220. As a result, the interest from the outside parties to finance the acquisition of the aircraft significantly increased. This increased also airBaltic's confidence in A220 long-term success and resulted in our decision to more than double the number of ordered aircraft from 20 to 50 and on top of that acquire 30 purchase rights thus potentially increasing the A220-300 fleet to 80 aircraft. In 2018, the airline developed a new business plan with the name Destination 2025 which lays out our expansion strategy and foresees a gradual migration to a single type fleet by summer 2023 and overall increase in fleet from current 34 aircraft to 80 aircraft in 2024.

In 2018, the Company incorporated 7 additional Airbus A220-300 aircraft in its fleet thus the total number of A220s reaching 14 and the total number of aircraft reaching 34. One of the seven newly delivered aircraft was financed with long-term debt financing provided by the Export Development Canada and the other six were financed via operating lease by China Merchant Bank Leasing and Avation Plc. In the second half of 2018, the airline conducted a successful campaign of sale and lease back of six A220-300 to be deliver in 2019. Overall, the airline expects to accept eight new deliveries of A220-300 in 2019.

Year-end fleet



MANAGEMENT REPORT**Fleet renewal** (continued)

	December 2018 Actual	December 2019 Planned
Airbus A220-300 (145 seats)	14	22
Boeing 737-300 (142 seats)	6	-
Boeing 737-500 (120 seats)	2	-
Bombardier Q400 (76 seats)	12	12
Fleet size	34	34
Share of Airbus A220-300 fleet	41%	65%
Average seats per aircraft	119	121

To ensure that the airline has a stable source of highly skilled pilots, in 2018, airBaltic's subsidiary airBaltic Training SIA launched the pilot academy that was immediate success – we received on average 10 applications for one pilot training spot. The first 12 pilots from currently 34 cadets are expected to graduate and join the airline in 2019.

Shareholders' structure and equity

In 2018, the shareholder's structure remained unchanged. The airline has retained Greenhill, a highly reputable global investment bank, to attract a private investor and raise the necessary capital to finance the ambitious new business plan Destination 2025.

	Participating interest %
Republic of Latvia	80.054746
Aircraft Leasing 1 SIA	19.944427
OJSC Transaero Airlines	0.000602
Frontier Enterprises SIA	0.000188
Karl Gunther Sollinger	0.000035
Other	0.000002

Legal Risks

As of the date of this report airBaltic is a party in several lawsuits. Status and strategy in each of the litigation processes are closely monitored by the management of airBaltic with the assistance of its advisors and several reputable law firms. Management cannot guarantee the outcome of each single court case, however, a prudent approach has been taken to assess any hypothetical negative decisions and the necessary action steps have been taken in order to ensure that the assets and operations of the Company are not jeopardized.

Statement of Management Responsibility

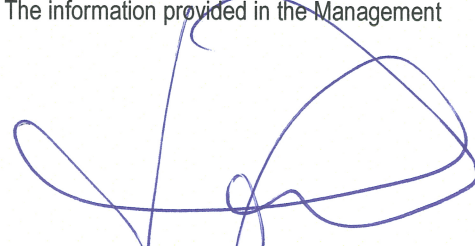
Based on the information available to the Executive Board, these Financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and in all material aspects present a true and fair view of the assets, liabilities, financial position,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



Martin Gauss
Chairman of the Executive Board



Vitolds Jakovļevs
Member of the Executive Board



Martin Sedlacký
Member of the Executive Board

INCOME STATEMENT

	2018 TEUR	2017 TEUR
OPERATING REVENUE		
Revenue	400 363	339 306
Other revenue	8 343	8 345
	408 706	347 651
OPERATING EXPENSES		
Fuel	(91 212)	(65 119)
Airport, handling and en-route charges	(89 154)	(74 950)
Aircraft lease	(49 630)	(53 399)
Personnel costs	(38 886)	(34 936)
Distribution and sales costs	(34 994)	(30 299)
Pilot lease	(27 795)	(19 883)
Amortization and depreciation	(27 272)	(17 862)
Aircraft maintenance	(17 519)	(19 195)
Passenger service	(5 881)	(4 123)
Other operating costs	(16 473)	(20 082)
	(398 816)	(339 848)
FINANCE EXPENSES, NET		
Finance costs	(21 955)	(14 968)
Finance income	404	1 100
Foreign currency exchange (loss) / gain, net	(9 464)	8 597
Other income, net	6 353	3 211
	(24 662)	(2 060)
OTHER INCOME / (EXPENSE), NET	20 150	(2 000)
PROFIT BEFORE TAX	5 378	3 743
PROFIT FOR THE YEAR	5 378	3 743

STATEMENT OF COMPREHENSIVE INCOME


	2018	2017
	TEUR	TEUR
PROFIT FOR THE YEAR	5 378	3 743
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS		
(Loss) / gains on cash flow hedges	(482)	3 027
Hedging gains reclassified to profit or loss	(2 257)	(221)
	(2 739)	2 806
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
Revaluation of property, plant and equipment	2 471	(363)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	(268)	2 443
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5 110	6 186

BALANCE SHEET

	31.12.2018 TEUR	31.12.2017 TEUR	01.01.2017 TEUR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	449 475	264 601	96 273
Investment properties	2 797	3 025	3 252
Intangible assets	16 092	14 852	15 010
Investments in subsidiaries and other investments	13 726	415	415
Trade and other receivables	51 591	62 928	84 835
Derivative financial instruments	-	770	-
Deferred tax assets	-	-	22 093
	533 681	346 591	221 878
CURRENT ASSETS			
Inventories	5 497	4 410	3 395
Trade and other receivables	24 451	32 395	24 606
Derivative financial instruments	1 116	2 257	221
Cash	5 774	12 348	44 142
	36 838	51 410	72 364
TOTAL ASSETS	570 519	398 001	294 242
EQUITY AND LIABILITIES			
EQUITY			
Share capital	256 473	256 473	256 473
Other contributions	2 463	2 352	2 676
Revaluation reserve	4 276	1 805	2 168
Reorganization reserve	1 932	1 932	1 932
Cash flow hedging reserve	288	3 027	221
Accumulated loss:			
accumulated loss brought forward	(218 632)	(222 375)	(200 135)
profit for the year	5 378	3 743	236
TOTAL EQUITY	52 178	46 957	63 571
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	382 196	237 847	142 493
Provisions	20 802	37 367	35 063
	402 998	275 214	177 556
CURRENT LIABILITIES			
Trade and other payables	52 507	41 310	32 996
Borrowings	34 934	7 951	2 743
Contract liabilities - deferred income	26 160	25 609	16 590
Current tax liabilities	914	960	786
Derivative financial instruments	828	-	-
	115 343	75 830	53 115
TOTAL LIABILITIES	518 341	351 044	230 671
TOTAL EQUITY AND LIABILITIES	570 519	398 001	294 242

Notes to the summary financial statements**Basis of preparation of summary financial statements**

These summary financial statements, which comprise the balance sheet as at 31 December 2018, the income statement and the statement of comprehensive income for the year then ended, are prepared based on the information presented within the audited financial statements of Air Baltic Corporation AS for the year ended 31 December 2018 without changes being made. Audited financial statements are available with the administration of Air Baltic Corporation AS. Consequently, these summary financial statements are consistent with full set of the financial statements.



Martin Gauss
Chairman of the Executive Board

Vitolds Jakovlevs
Member of the Executive Board

Martin Sedlacky
Member of the Executive Board

29 May 2019