JOINT STOCK COMPANY AIR BALTIC CORPORATION

(UNIFIED REGISTRATION NUMBER 40003245752)

CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2020

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	80.05% (96.14% as of August 2020)
	Aircraft Leasing 1 SIA	19.94% (3.86% as of August 2020)
	Other	0.001% (0.0002% as of August 2020)
Executive Board Members	Martin Gauss	Chairman of the Board
	Vitolds Jakovļevs	Member of the Board
	Martin Sedlacky	Member of the Board till 29 February.2020
	Pauls Juris Cālītis	Member of the Board since 1 March 2020
Supervisory Board Members	Nikolajs Sigurds Bulmanis	Chairman of the Supervisory Board
	Kaspars Āboliņš	Deputy Chairman of the Supervisory Board
	Lars Thuesen	Member of the Supervisory Board
	Toms Siliņš	Member of the Supervisory Board since 26 April 2020
	Kaspars Briškens	Deputy Chairman of the Supervisory Board till 25 April 2020
Financial period	1 January 2020 – 30 June 2020	

MANAGEMENT COMMENTARY

August 28, 2020

	Six months ended		
(EUR thousands, except where otherwise stated, unaudited)	30 June 2020	30 June 2019	Change
Operating revenue	82,523	219,465	(62.4%)
Passenger revenue	75,533	202,321	(62.7%)
Ancillary revenue	7,979	16,778	(52.4%)
EBITDAR	-115,547	37,834	(405.4%)
EBITDAR margin (%)	-140.0%	17.2%	(157.3) ppt
Net debt	758,572	615,155	23.3%
Airline operating statistics			
Number of aircraft at the period end	38	39	(2.6%)
Average fleet age (*years*)	6.2	7.3	(14.4%)
Destinations	70	87	(19.5%)
Flights	12,501	29,733	(58.0%)
Aircraft departures per day per aircraft	1.81	4.73	(61.8%)
Number of passengers ('000)	810	2,229	(63.7%)
Seat capacity ('000)	1,384	3,205	(56.8%)
Passenger Load factor (%)	60.8	71.6	(10.8) ppt
Yield (*€ cents*)	8.2	7.8	6.0%
RASK (*€ cents*)	5.8	6.4	(8.4%)
CASK (*€ cents*)	10.8	6.6	62.0%
CASK (ex-fuel)	9.0	5.2	74.1%
ASK (millions)	1,423	3,420	(58.4%)

KEY HIGHLIGHTS AND DRIVERS OF THE RESULTS

In January and February of 2020, the airline was on track to have another record year as the revenues were up 17% and passengers up 18% compared to 2019 levels and both revenues and operating profit margins were in line with airline's internal projections for the year. However, starting from early March as the COVID-19 pandemic reached Europe, the airline saw significant reduction in demand for air travel and by the middle of March, due to the government restrictions airBaltic temporarily stopped its scheduled operations for the period of two months, starting from March 17 and until May 18. During this period airBaltic continued operations performing a number of repatriation flights, special charters and cargo flights.

To counteract the crisis, the airline swiftly cut the capacity and costs which resulted in the layoffs of approximately 36% of its personnel. Taking into account various industry forecasts about the negative long term effects of the COVID-19 pandemic on the airline industry, airBaltic developed a new business plan - Destination 2025 CLEAN, based on which it sought financing from its shareholders and was successful in increasing its share capital by EUR 250 million. The shareholders approved share capital increase on July 15, based on which the Government of Latvia invested EUR 250 million and became a 96.14% shareholder of airBaltic. The European Commission found the investment compatible with the EU internal market pursuant to Article 107(3)(b) of the Treaty on the Functioning of the European Union (according to the European Commission decision in case SA.56943 dated 3 July 2020).

A key part of the new business plan is significant capacity reduction in 2020 and 2021 and subsequent immediate phase out of the Q400 fleet which was originally planned for the end of 2022 and early 2023. The management also decided to discontinue its Boeing 737 operation which were originally expected to end in November of 2020. Since the restart of scheduled flying in May 2020, the airline plans to operate a single type of aircraft – A220-300, thus benefiting from simplified operations. Due to the early phase out of twelve Q400s and four Boeing 737-300s, airBaltic currently has in total an operating fleet of 22 A220-300 aircraft which is expected to increase to 25 as three new aircraft are to be delivered from Airbus in the second half of 2020.

Overall during the first 6 months of 2020, the seat capacity decreased considerably, falling to 43% of seat capacity offered last year. The passenger number and revenues decreased by more than 60% compared to 2019 – 64% and 62% respectively. As the airline resumed its operations in May, it was operating only at a fraction of the capacity in 2019. In June the airline performed 1100 flights and carried approximately 60 thousand passengers which was, respectively, 81% and 88% reduction compared to 2019.

MANAGEMENT COMMENTARY

On the consolidated basis in the first half of 2020 the airline generated EUR 82.5 million in revenue and the net loss of EUR 184.77 million of which EUR 90.5 million were attributable to early phase out of Q400 fleet and the resulting asset impairment.

At the beginning of the COVID-19 pandemic, the airline had a total of 39% of the originally estimated 2020 jet fuel consumption hedged at the average price of $573 per tonne. The total exposure from the open hedged fuel positions at June 30, 2020 was approximately EUR 11 million. As the airline ramps up its capacity in the second half of 2020, it expects that its actual fuel consumption to reach and exceed the hedged volumes for the second half of 2020, therefore the airline did not recognise any ineffective hedges for future periods.

SUBSEQUENT EVENTS

The airline has increased its share capital by EUR 250 million due to the investment from the Government of Latvia, thus the total shareholding of the state increased from 80.05% to 96.14%. The capital increase has solved airBaltic's short term liquidity issues brought about by the pandemic and provided the airline with liquidity needed for the execution of its business plan Destination 2025 CLEAN.

The airline remains committed to significantly increase its fleet of A220-300 and has successfully negotiated with Airbus a mutually acceptable changes in the new aircraft delivery stream and expects its fleet to reach 50 aircraft by early 2024.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

After the airline resumed its operations in May and saw significant growth in the forward bookings in June, airBaltic increased its capacity and performed 2 thousand flights and carried approximately 150 thousand passengers during the month of July. This positive trend, however, had somewhat slowed down in the second half of July as a number of European countries experienced increase in new COVID-19 infections. This affected negatively the demand for near future travel and also resulted in airBaltic cancelling flights to the destinations which were deemed to be unsafe by the Latvian Center for Disease Prevention and Control.

Even though the airline is very flexible in opening new destinations and adjusting its schedule, the European air travel market environment remains uncertain and therefore any revenue projections and profitability projections for the second half of 2020 would be premature. However, when the market recovers, airBaltic will be in an excellent position to fully redeploy its fleet of A220-300 and benefit from improved operational efficiency.

Martin Gauss	Vitolds Jakovļevs	Pauls 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	6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
OPERATING REVENUE			
Revenue	5	78 713	216 267
Other revenue		3 810	3 198
		82 523	**219 465**
OPERATING EXPENSES			
Amortization and depreciation		(37 528)	(33 080)
Personnel expenses		(32 076)	(35 668)
Fuel		(24 768)	(49 994)
Airport, handling and en-route charges		(20 948)	(50 458)
Distribution and sales expenses		(11 041)	(22 009)
Aircraft maintenance		(9 341)	(10 266)
Other operating expenses		(7 393)	(10 583)
Aircraft lease		(5 079)	(11 403)
Passenger service		(2 135)	(3 185)
Expenses related to Q400 phase out	6	(90 478)	-
Claim compensation		110	814
Pilot lease		-	(282)
		(240 677)	**(226 114)**
FINANCE EXPENSES, NET			
Finance expenses	7	(25 424)	(17 608)
Foreign currency exchange loss, net		(265)	(2 443)
Finance income		50	86
		(25 639)	**(19 965)**
LOSS BEFORE TAX		**(183 793)**	**(26 614)**
Income tax expense		(977)	-
LOSS FOR THE HALF-YEAR		**(184 770)**	**(26 614)**

The notes on pages 11 to 16 form an integral part of these consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
LOSS FOR THE HALF-YEAR	**(184 770)**	**(26 614)**
ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS		
(Loss) / gains on cash flow hedges	(11 084)	370
Hedging loss reclassified to profit or loss	(920)	(288)
	(12 004)	**82**
Gain on revaluation of property, plant and equipment / depreciation of revaluation reserve	(119)	(113)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR	**(12 123)**	**(31)**
TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR	**(196 893)**	**(26 645)**

The notes on pages 11 to 16 form an integral part of this consolidated interim financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Note	30.06.2020 TEUR	31.12.2019 TEUR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	601 437	708 511
Intangible assets		18 425	18 886
Other investments		3	3
Trade and other receivables		83 672	66 183
		703 537	**793 583**
CURRENT ASSETS			
Inventories		7 432	6 863
Trade and other receivables		37 858	45 132
Derivative financial instruments		101	1 839
Cash		46 653	123 819
		92 044	**177 653**
TOTAL ASSETS		**795 581**	**971 236**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		256 473	256 473
Other contributions		2 511	2 511
Revaluation reserve		3 423	3 542
Cash flow hedging reserve		(10 165)	1 839
Accumulated loss:			
accumulated loss brought forward		(230 453)	(221 339)
loss for the period		(184 770)	(9 114)
TOTAL EQUITY		**(162 981)**	**33 912**
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities		504 078	520 826
Borrowings	9	232 903	234 743
Non-current tax liabilities		5 742	-
Provisions		37 537	20 007
Derivative financial instruments		560	-
		780 820	**775 576**
CURRENT LIABILITIES			
Trade and other payables		56 661	60 222
Lease liabilities		59 784	60 958
Borrowings	9	2 718	569
Contract liabilities - deferred income		45 314	38 209
Current tax liabilities		3 559	1 790
Derivative financial instruments		9 706	-
		177 742	**161 748**
TOTAL LIABILITIES		**958 562**	**937 324**
TOTAL EQUITY AND LIABILITIES		**795 581**	**971 236**

The notes on pages 11 to 16 form an integral part of this consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
CASH FLOWS FROM OPERATING ACTIVITIES		
LOSS BEFORE TAX	**(183 793)**	**(26 614)**
Adjustments for:		
Depreciation and impairment of assets	109 583	32 524
Net interest expenses	24 495	17 164
Foreign exchange loss / (gain), net	265	2 237
Amortization	852	555
Loss / (gain) from disposal of property, plant and equipment	793	(94)
Change in provisions and financial liabilities	17 530	(44)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**(30 275)**	**25 728**
(Increase) / decrease in receivables	7 926	(16 611)
Increase in deposits and restricted cash	344	(2 374)
Increase in inventories	(569)	(422)
(Decrease) / increase in payables	(10 784)	46 950
Corporate income tax paid	(5)	-
NET CASH FLOWS (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	**(33 363)**	**53 271**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment and intangible assets	(9 238)	(17 285)
Advances paid for aircraft	(6 496)	(15 172)
Proceeds from sale of property, plant and equipment	2 387	326
Interest received	13	1
Issued loans	-	(290)
Refund of advances paid for aircraft	-	4 158
Received repayment of the issued loans	-	153
NET CASH USED IN INVESTING ACTIVITIES	**(13 334)**	**(28 109)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance lease payments	(18 135)	(23 354)
Interest paid	(12 239)	(16 838)
Repayment of borrowings	(95)	(6 069)
Borrowings received	-	21 352
NET CASH USED IN FINANCING ACTIVITIES	**(30 469)**	**(24 909)**
(Decrease) / increase in cash	(77 166)	253
Cash at the beginning of the reporting period	123 819	6 734
CASH AT THE END OF THE REPORTING PERIOD	**46 653**	**6 987**

The notes on pages 11 to 16 form an integral part of this consolidated interim financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Share capital TEUR	Other contribu-tions TEUR	Revaluation reserve TEUR	Cash flow hedging reserve TEUR	Accumulated loss TEUR	Loss for the period TEUR	Total TEUR
Balance as at 1 January 2019	**256 473**	**2 463**	**3 775**	**288**	**(224 299)**	**2 960**	**41 660**
Comprehensive income							
Loss for the half-year	-	-	-	-	-	(26 614)	**(26 614)**
Other comprehensive income	-	-	(113)	82	-	-	**(31)**
Total comprehensive income for the half-year	-	-	**(113)**	**82**	-	**(26 614)**	**(26 645)**
Allocation of prior year result	-	-	-	-	2 960	(2 960)	-
Balance as at 30 June 2019	**256 473**	**2 463**	**3 662**	**370**	**(221 339)**	**(26 614)**	**15 015**

	Share capital TEUR	Other contribu-tions TEUR	Revaluation reserve TEUR	Cash flow hedging reserve TEUR	Accumulated loss TEUR	Loss for the period TEUR	Total TEUR
Balance as at 1 January 2020	**256 473**	**2 511**	**3 542**	**1 839**	**(221 339)**	**(9 114)**	**33 912**
Comprehensive income							
Loss for the half-year	-	-	-	-	-	(184 770)	**(184 770)**
Other comprehensive income	-	-	(119)	(12 004)	-	-	**(12 123)**
Total comprehensive income for the half-year	-	-	(119)	(12 004)	-	(184 770)	**(196 893)**
Allocation of prior year result	-	-	-	-	(9 114)	9 114	-
Balance as at 30 June 2020	**256 473**	**2 511**	**3 423**	**(10 165)**	**(230 453)**	**(184 770)**	**(162 981)**

The notes on pages 11 to 16 form an integral part of this consolidated interim financial statements.

NOTES

1. Corporate information

Air Baltic Corporation AS (hereinafter – airBaltic or the Parent company) was registered with the Republic of Latvia Enterprise Register on 8 February 1995. The registered office of the Parent company is at Tehnikas Street 3, Riga International airport, Marupe district, Latvia. As at the date of authorising these consolidated interim financial statements the main shareholder of the airBaltic is the Republic of Latvia - holding 96.14% shares of the Parent company.

The Parent company is an airline organizing passenger traffic to destinations in Europe and beyond from Riga, Vilnius and Tallinn. As of 30 June 2020, airBaltic had in its operations 22 Airbus A220-300 jet aircraft, 12 Bombardier Q400 turboprop aircraft and 4 Boeing 737 jet aircraft (30 June 2019: 19 Airbus A220-300 jet aircraft, 12 Bombardier Q400 turboprop aircraft and 8 Boeing 737 jet aircraft).

On 30 June 2020 the Parent company holds ownership in the following companies:

- 100% of the share capital of Baltijas Kravu Centrs SIA (31 December 2019: 100%),
- 93.29% of the share capital of Aviation Crew Resources AS (7% are issued in form of preference shares, thus by the substance of the arrangement, AirBaltic holds 100% of voting and participation rights. The 7% do not hold any economic interest.) (31 December 2019: 93,31%),
- 100% of the share capital of Air Baltic Training SIA (31 December 2019: 100%),
- 100% of the share capital of Loyalty Services SIA (31 December 2019: 100%).

2. 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 2019 and any public announcements made by airBaltic during the interim reporting period.

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

New and amended standards adopted

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Impact of standards issued but not yet applied by the Group

There are no new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group or airBaltic.

3. Financial risk management

There was no change in the risk management policies of the Group since the year end.

Hedge effectiveness

At the beginning of the COVID-19 pandemic, the airline had a total of 39% of the originally estimated 2020 jet fuel consumption hedged at the average price of $573 per tonne. The total exposure from the open hedged fuel positions at June 30, 2020 was approximately EUR 11 million. As the airline ramps up its capacity in the second half of 2020, it expects that its actual fuel consumption to reach and exceed the hedged volumes for the second half of 2020, therefore the airline did not recognise any ineffective hedges for future periods.

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).

NOTES

3. Financial risk management (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020.

	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	11 052	11 052
Derivative financial assets	-	101	-	101
Derivative financial liabilities	-	(10 266)	-	(10 266)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019.

	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	10 662	10 662
Derivative financial assets	-	1 839	-	1 839

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.

The Group obtains independent valuations for its buildings and investment property with sufficient regularity. At the end of each reporting period, the management updates the assessment of the fair value of each building, 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 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.

4. Segment information

Each company of the Group is considered as a separate segment. More than 90% of the Group's revenue comes from passenger transportation (ticket revenue and ancillary revenue) that is generated by the Parent company. Therefore only the Parent company is considered as a significant business unit for segment information purposes that provides airline related services, including scheduled services and other related services to third parties across European route network. All other segments - the management of frequent flyer program, provision of aviation related training services, cargo handling and outsourcing of aviation crew - are not reportable operating segments, and are not analysed as separate segments by the Parent company's Chief Operating Decision Maker (CODM). The results of these operations are included in the 'all other segments' column.

The Parent company and the Group determine and present operating segments based on the information that internally is provided to the senior management team that is the CODM. When making resource allocation decisions, the CODM evaluates route revenue and yield data, however resource allocation decisions are made based on the entire route network and the deployment of the entire aircraft fleet. The objective in making resource allocation decisions is to maximise financial results, rather than profit on individual routes within the network. Therefore the whole business of the Parent company is considered as one segment.

The CODM assesses the performance of the business based on the net result of the Parent company and the Group for the year.

The Parent company's and the Group's major revenue-generating asset class comprises its aircraft fleet, which is flexibly employed across the Parent company's route network and is directly attributable to its reportable segment operations. The assets of the Parent company and the Group are analysed for segment information purposes. The assets of the subsidiaries are not analysed as separate segments.

NOTES

4. Segment information (continued)

Reportable segment information is presented as follows:

		6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
Operating revenue of the Parent company		80 226	217 028
Revenue of other segments		19 143	20 324
Intersegment elimination arising from other segments		(16 846)	(17 887)
	TOTAL OPERATING REVENUE	**82 523**	**219 465**
Loss of the Parent company		(197 202)	(28 246)
Profit of other segments		994	1 668
Intersegment elimination		11 438	(36)
	TOTAL NET LOSS	**(184 770)**	**(26 614)**
Other segment information:			
Amortization and depreciation		37 528	33 080
Interest revenue		50	87
Interest expense		25 424	17 165

		30.06.2020	31.12.2019
Reportable segment of the Parent company's assets		791 870	981 202
Reportable segment of the other segments assets		19 631	14 848
Intersegment elimination arising from other segments		(15 920)	(24 814)
	TOTAL ASSETS	**795 581**	**971 236**
Reportable segment of the Parent company's liabilities		957 845	935 463
Reportable segment of the other segments liabilities		14 284	11 325
Intersegment elimination arising from other segments		(13 567)	(9 464)
	TOTAL LIABILITIES	**958 562**	**937 324**

All non-current assets are located in Latvia.

Entity-wide disclosures

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

		6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
Europe		79 129	210 922
Other		3 394	8 543
	TOTAL	**82 523**	**219 465**

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.

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5. Revenue

		6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
Tickets revenue		67 246	186 931
Ancillary revenue		7 593	15 811
Cargo revenue		2 319	3 915
Charter revenue		1 555	3 770
Aircraft lease revenue		-	5 840
	TOTAL	**78 713**	**216 267**

6. Other operating expenses

In 2020 the management of the Group announced the decision of phasing out the Bombardier Q400 NextGen fleet. The related costs (impairment of Right of use assets and other) in amount of EUR 90 million have been recognised as Other operating expenses.

7. Finance expenses

		6 months ended 30 June 2020 TEUR	6 months ended 30 June 2019 TEUR
Interest expense on borrowings and lease		24 551	17 165
Other interest and similar expenses		873	443
	TOTAL	**25 424**	**17 608**

8. Property, plant and equipment

	Buildings TEUR	Fixtures and fittings TEUR	Aircraft TEUR	Aircraft equipment TEUR	Total TEUR
Cost or revalued amount					
31.12.2019	29 574	20 391	737 616	61 497	849 078
Additions	814	793	385	3 808	5 800
Disposals	-	(42)	(4 329)	(799)	(5 170)
Phase-out Q400	-	-	(72 891)	-	(72 891)
30.06.2020	**30 388**	**21 142**	**660 781**	**64 506**	**776 817**
Accumulated depreciation					
31.12.2019	11 104	6 731	89 117	33 615	140 567
Charge for the half-year	1 142	877	30 717	4 075	36 811
Disposals		(38)	(1 662)	(298)	(1 998)
30.06.2020	**12 246**	**7 570**	**118 172**	**37 392**	**175 380**
Net book value 31.12.2019	**18 470**	**13 660**	**648 499**	**27 882**	**708 511**
including Right of use assets	**7 808**	**-**	**638 053**	**-**	**645 861**
Net book value 30.06.2020	**18 142**	**13 572**	**542 609**	**27 114**	**601 437**
including Right of use assets	**7 090**	**-**	**536 713**	**-**	**543 803**

NOTES

9. Borrowings

		30.06.2020 TEUR	31.12.2019 TEUR
Non-current			
Eurobond, net of transaction costs		196 762	196 365
Borrowings from the shareholders		36 141	36 141
Bank borrowings		2 718	2 237
	TOTAL	**235 621**	**234 743**

10. Related party transactions

The Group has related party relationships with Ministry of Transport of the Republic of Latvia (the holder of 96.14% of the Parent company's shares) and with other state-owned companies. There were no related party transactions in the period ended 30 June 2020 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 2019 annual report that could have a material effect on the financial position or performance of the Group in the same period.

11. 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.

12. 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 2019.

(b) Legal disputes

There have been positive judgements in two of the court cases disclosed in the financial statements for the year ended 31 December 2019. There has been no other significant update during the period in the legal disputes compared to what was disclosed in the financial statements for the year ended 31 December 2019, except the ones disclosed in these financial statements.

AB flyLAL-Lithuanian Airlines

On 30 March 2020, the Court of Appeal dismissed the claim of BAB FlyLAL-Lithuanian Airlines (hereinafter – flyLAL) against airBaltic entirely. In the judgment, the Court of Appeal dismissed allegations concerning the alleged anticompetitive agreement between airBaltic and RIGA International Airport. Furthermore, the said court did not find any abusive predatory prices or any other evidence that airBaltic had even an intention to drive FlyLAL out of the Vilnius airport market. Therefore, the Court of Appeal repealed the judgment of the Vilnius Regional Court by which FlyLAL was awarded EUR 16 million, 6% annual interest, and some litigation expenses from airBaltic. In turn, airBaltic was awarded a total of 1/3 of the litigation costs from FlyLAL and third parties in the case. The judgment came into force since 30 March 2020. The Supreme Court of Lithuania will review the judgment in the cassation procedure.

Latvian Aviation Trade Union and Latvian Aviation Trade Union Federation

Back in September 2018 Latvian Aviation Trade Union and Latvian Aviation Trade Union Federation brought a collective claim against airBaltic due to alleged unlawfulness of the airBaltic's meal compensation regulations. The claimants have requested the court to declare that their interpretation of the 12 October 2012 Cabinet of Ministers Regulation No.969 is correct and that airBaltic must recalculate the compensations paid to the crew members represented by the claimants from 1 April 2016. On 24 July 2020 the Court of Appeals has fully rejected the claim, previously rejected only in part at the First Instance Court in 2019, which confirmed that the aforementioned regulations have to be taken into account and applied accordingly. The trade unions are likely to appeal the judgement. If the appeal is unsuccessful, the Parent Company does not expect the damages it will be required to pay in respect of this case to be material to the Group.

(c) Commitments

There has been no significant change during the period in capital commitments compared to what was disclosed in the financial statements for the year ended 31 December 2019.

NOTES

13. Subsequent events

(a) COVID-19 impact

After the airline resumed its operations in May and saw significant growth in the forward bookings in June, airBaltic increased its capacity and performed 2 thousand flights and carried approximately 150 thousand passengers during the month of July. This positive trend, however, had somewhat slowed down in the second half of July as a number of European countries experienced increase in new COVID-19 infections. This affected negatively the demand for near future travel and also resulted in airBaltic cancelling flights to the destinations which were deemed to be unsafe by the Latvian Center for Disease Prevention and Control.

The full extent of the ongoing impact of COVID-19 on the Group's operational and financial performance will depend on future developments. The Group has limited control over many aspects, including the duration and spread of COVID-19 and related travel advisories and restrictions, the impact of COVID-19 on overall long-term demand for air travel, the impact of COVID-19 on the financial health and operations of the Group's partners ,all of which are highly uncertain and cannot be predicted.

(b) Increase of Share capital

Following approval from the European Commission of a EUR 250 million Latvian Government measure to recapitalise airBaltic in the context of the coronavirus outbreak, the Shareholders' Meeting increased the share capital of the Parent company in July 2020. The share capital was increased by issuing B and C category shares and the shareholders structure as of August 2020 after the capital increase is as follows:

	Participating interest %	A category shares	B category shares	C category shares	Share capital TEUR
Republic of Latvia	96.14	205 318 668	715 681 616	352 955 152	455 319
Aircraft Leasing 1 SIA	3.86	51 152 036	-	-	51 152
Other	0.0002	2 120	-	-	2.02
TOTAL	**100**	**256 472 824**	**715 681 616**	**352 955 152**	**506 473**

The Parent company has issued the following shares:

- A category shares with a nominal value of EUR 1;
- B category shares with a nominal value of EUR 0.3;
- C category shares with a nominal value of EUR 0.1.

Each of the new B and C category shares:

- grant its holder one vote at airBaltic's Shareholders' Meeting;
- entitle its holder to equal rights (regardless of the nominal value of the share) to receive a dividend and a liquidation quota as each A category share (i.e. airBaltic's existing remaining shares prior to the COVID-19 investment);
- give the same priority rights (regardless of the nominal value of the share) as each A category share to acquire newly issued shares in case of a share capital increase and to acquire convertible bonds in case of issue of convertible bonds.

All contributions to the share capital of the Parent company were made by the Republic of Latvia in the amount of EUR 250 million in the form of additional cash injection in July 2020 in accordance with Decree No 256 of the Cabinet of Ministers dated 8 May 2020 (with amendments made in accordance with Decree No 372 of the Cabinet of Ministers dated 15 May 2020), by which the Cabinet of Ministers approved the participation in the share capital increase of the Parent company. The share capital increase was also made in accordance with the decision of the European Commission in case SA.56943.

(c) Other

During the period between the last day of the reporting period and the date of signing this report, there have been no other events that could materially impact the financial position of the Group as of 30 June 2020 and should be reflected in this report