

# SUSTAINABILITY AND ANNUAL REPORT

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2022



**THINK GREEN, FLY GREEN!**

**airBaltic**

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# GENERAL INFORMATION ON THE GROUP'S PARENT COMPANY

Name of the Parent company	Air Baltic Corporation	
Legal status of the Parent company	Joint stock company	
Registration number, place and date	40003245752 Riga, 8 February 1995	
Main activities	Passenger and cargo aviation transportation	
Registered office	Riga International airport, Tehnikas Street 3, Marupe municipality, Latvia, LV-1053	
Shareholders	Republic of Latvia Aircraft Leasing 1 SIA Other	97.97% since 27 June 2022 2.03% since 27 June 2022 0.000084% since 27 June 2022
Executive Board Members	Martin Alexander Gauss Vitolds Jakovļevs Pauls Juris Cālītis	Chairman of the Board Member of the Board Member of the Board
Supervisory Board Members	Nikolajs Sigurds Bulmanis Kaspars Āboliņš Lars Thuesen Toms Siliņš	Chairman of the Supervisory Board Deputy Chairman of the Supervisory Board Member of the Supervisory Board Member of the Supervisory Board
Financial year	1 January 2022 – 31 December 2022	
Auditors	Certified auditor company: PricewaterhouseCoopers SIA Certified auditor license No. 5 Kr. Valdemāra Street 21 – 21 Riga, LV-1010, Latvia	Certified auditor in charge: Ilandra Lejiņa Latvian Certified auditor Certificate No. 168

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# 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)

**IATA** International Air Transport Association

**ICAO** International Civil Aviation Organization

**ASK** available seat-kilometre denotes one seat offered flown for one kilometre

**RPK** revenue passenger-kilometre denotes one paying passenger transported for one kilometre

**CASK** denotes the operating expenses divided by available seat kilometres.

**RASK** denotes 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

## FINANCIAL TERMINOLOGY

**EBITDAR** earnings before interest, taxes, depreciation, amortization and rent costs, as well as before the release/charge of provisions for legal disputes

**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 denoting borrowings, including lease liabilities less cash and cash equivalents



## Independent Limited Assurance Report

To the Management of Air Baltic Corporation AS:

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### Introduction

We have been engaged by the Management of Air Baltic Corporation AS (the “Company”) to provide limited assurance on the selected information described below and included in the Sustainability report of the Company for the year ended 31 December 2022 on pages 9 to 86 of the Sustainability and Annual report 2022 of Air Baltic Corporation AS (“the Sustainability report 2022”). The Sustainability report 2022 represents information related to the Company and its subsidiaries (together the “Air Baltic Corporation Group”).

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### Selected information and Reporting criteria

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability report 2022 and referred to and included in the GRI Content Index (hereinafter – the “Selected Information”). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (hereinafter – the “GRI Standards”), published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2022. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability report 2022 and, therefore, do not express any conclusion thereon.

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

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### Responsibilities of the management of the Company

The Management of the Company is responsible for:

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

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## Our Responsibilities

We are responsible for:

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

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

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

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## Our independence and quality control

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

Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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## Summary of the Work Performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. It also included an assessment of the significant estimates and judgements made by the Management in the preparation of the Sustainability report 2022 in accordance with the GRI Standards.

Our work consisted of:

- interviewing the management and senior executives to evaluate the application of the GRI Standards and to obtain an understanding of the control environment related to sustainability reporting;
- obtaining an understanding of the relevant processes for collecting, processing and presenting data included in the Sustainability report 2022;

- comparing data from Selected information to internal documentation and corroborate statements of management and senior executives in the interviews;
- comparing the financial data included in the Sustainability report 2022 to the financial statements 2022 of Air Baltic Corporation Group; and
- evaluating the overall format and content of the Sustainability report 2022, taking into account the compliance of the disclosed information with the Reporting Criteria.

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### Reporting and measurement methodologies

Under the Reporting criteria there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by the Management as described in the Sustainability report 2022, and for which the Company is solely responsible.

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### Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

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### Restriction of Use and Distribution

This report, including our conclusion, has been prepared solely for the Company's Management in accordance with the agreement between us, to assist the Management in reporting on the Air Baltic Corporation Group sustainability performance and activities. We permit this report to be disclosed in the Sustainability report 2022, which will be published on the Company's website<sup>1</sup>, to assist the Management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.



Eva Jansen-Diener  
Persona per procura

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5



Ilandra Lejiņa  
Certified auditor in charge  
Certificate No. 168

Riga, Latvia  
28 February 2023

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



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## ABOUT THE REPORT

Air Baltic Corporation AS, registration number 40003245752, is a joint stock company registered in Latvia, and its transferable securities in the form of bonds are traded on a regulated market (*Euronext Dublin*).

The Sustainability Report, which is part of the Air Baltic Corporation AS Group Consolidated Annual Report and the Air Baltic Corporation AS Annual Report, covers the time period from January 1 to December 31, 2022. It supplements the Management Report in the Annual Report and involves the Corporate Governance Statement. The report provides insight into the key aspects of the company's non-financial performance, including its environmental, social, and employment impact, anti-corruption and anti-bribery practices, community involvement and support, and other relevant non-financial information.

The Sustainability Report discloses information about Air Baltic Corporation AS along with its subsidiaries: Air Baltic Training SIA, Baltijas Kravu Centrs SIA, and Aviation Crew Resources AS in liquidation (altogether hereinafter – airBaltic, the Group, the Company, the airline). The annual reporting of non-financial and sustainability topics has been in place since 2019. The reporting method and material topics are the same and are described in the chapter “Sustainability Material Topics”.

This report contains restatement of information about energy consumption data (chapters Direct Greenhouse Gas Emissions (Scope1), Indirect Greenhouse Gas Emissions (Scope2)) and waste data (chapter Waste).

This Sustainability Report 2022 (hereinafter – the Sustainability Report) is prepared in accordance with GRI Standards.

All questions or suggestions regarding the Sustainability Report should be sent via e-mail to [sustainability@airbaltic.lv](mailto:sustainability@airbaltic.lv).

The report is made public on 3<sup>rd</sup> of March, 2023. The previous report was made public on April 15, 2022.

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## FOREWORD



airBaltic is well-recognised for its efforts and contribution in regard to innovation, diversity, inclusion, and sustainability. Particularly, sustainability has been an integral part of the company's culture and business for many years. Moreover, it is a part of the airline's vision – to become a sustainable carrier in the EU aviation market, while maintaining a non-stop growth path, constantly improving the passenger experience, and supporting the development of the Baltic States as one of the key European business centres.

2022 proved to be another turbulent year for the aviation industry. It was marked by the war in Ukraine on the one hand, and by the continuation of the post-pandemic recovery in air travel on the other. Fortunately, most of the travel restrictions related to Covid-19 were discontinued across the EU countries, and travel has again become possible without any significant limitations.

Following commitments of the aviation industry towards comprehensive sustainability operations and goals, in 2022 airBaltic approved the company's environmental, social, governance, and sustainability strategic priorities. But most importantly, it approved a commitment to reach carbon neutrality by 2050. This complies with the airline's overall business policy and combines with the airline's already existing actions towards sustainability, for example, flying the most efficient and greenest aircraft, the Airbus A220-300; optimising operations and increasing the usage of sustainable aviation fuel; continuously electrifying its car fleet; offsetting net CO<sub>2</sub> emissions from intra-EU flights by 55% by 2030; and other actions.

One of the main directions towards maintaining the sustainability of an airline is its fleet. Last year, airBaltic welcomed seven new Airbus A220-300 aircraft and won the Europe's Youngest Aircraft Fleet Award with an average fleet age of 2.87 years, which proved that we have chosen the right path.

Additionally, airBaltic promoted and advocated gender equality, reaching a proportion of 47% women to 53% men among its employees across all areas and departments at the airline. This input was recognised by the receiving of IATA's Diversity & Inclusion Team Award. Likewise, the airline's efforts in implementing openness and transparency by purposefully planning and implementing a responsible attitude towards its employees, customers, and the environment were rewarded with achieving Gold Category status on the Sustainable Brand Index Latvia.

At airBaltic, we firmly believe in the goal of facilitating a more sustainable and greener society. With more electric and hybrid cars taking to the roads, airBaltic has also embarked on its journey towards electrification. Twenty-one new and fully electric vehicles joined the airline's fleet during the previous year, thus marking another bold step taken towards reducing the airline's carbon footprint and leading to a greener planet.

In 2022, airBaltic recruited close to a thousand motivated professionals. Going forward, we will attract even more employees to support the company's sustainable growth path. On this matter, I am very thankful to our team of 2 200 (and growing) employees, who put our sustainability commitments into practice in their daily lives and environments both at work and outside of work.

In conclusion, we are pleased to observe that the Latvian state has also demonstrated a strong commitment towards bringing issues of climate and energy into focus at institutional levels. As a result, we are looking forward to such a decision leading to new dimensions of cooperation between the country and airBaltic on paying even more attention to sustainability both locally and internationally.

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

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# AIRBALTIC AT A GLANCE

airBaltic is the leading airline in Latvia and Estonia and one of the largest carriers in Lithuania. It operates direct flights from all Baltic state capitals: Riga (Latvia), Tallinn (Estonia), Vilnius (Lithuania), and since May 2022 also Tampere (Finland). The Company provides the best connectivity to and from the Baltic region and performs direct flights to more than 100 destinations in Europe and beyond. airBaltic is a part of the airline industry and offers air transport services, including passenger transportation on regular and charter flights, cargo transportation, and Aircraft, Crew, Maintenance, and Insurance (ACMI) services. Being a hybrid airline, airBaltic takes the best practices from both traditional network airlines and low-cost carriers. Also, being a network airline allows airBaltic to establish Riga as a connecting hub. The Company has a significant direct and indirect impact on the Latvian economy. The Company's services are available to different types of customers and beneficiaries: business, passengers, VFR (visiting family and friends) passengers, charter, ACMI, and cargo customers.

airBaltic is a joint stock company established in 1995, and its headquarters are located at Tehnikas iela 3, Riga International Airport, Latvia. As of December 31, 2022, the Company's primary shareholder is the Latvian State, which holds 97.97% of the stock. Lars Thuesen, through his fully-owned SIA "Aircraft Leasing 1," and the other minority shareholders collectively own 2.03%.

The Company employs over 2 200 people. In 2022, the Company carried 3.34 million passengers on 37,3 thousand flights and had EUR 498.5 million of revenue. The equity of airBaltic reaches a negative result of EUR 82 million, while its net debt is EUR 1 021 million.

Last year the Company received seven new Airbus A220-300 aircraft, becoming the largest operator of this aircraft type in Europe and one of the largest operators globally. The Company currently has 39 aircraft of this type in its fleet, and eight more are expected to join it in 2023.

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

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

## VALUES



### We deliver

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



### We care

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



### We grow

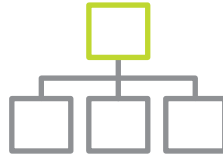
We see challenges as opportunities to develop. We innovate, improve, and move forward to be ahead of the industry. We are a team of the best professionals in the field who are constantly working to stay on top. We believe in the balance of thinking fast and smart – true leaders are flexible visionaries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

airBaltic re-evaluated its core values through a series of employee workshops and surveys of airBaltic customers and stakeholders in 2020. These values remain unchanged and continue to define the company in 2022.

## BACKGROUND:

1995

FOUNDED: in 1995



### Subsidiaries:

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

RIGA

HEADQUARTERS:  
in Riga (Latvia)

## SCOPE AND ACHIEVEMENTS IN 2022

(At the end of the year):

74

destinations in 31 country,  
served in 2022  
(73 in 30 countries in 2021)

31%

MARKET SHARE in the capitals  
of the Baltics, including  
51 % in Riga (2021: 57%),  
22% in Tallinn (2021: 22%),  
11% in Vilnius (2021: 11%).

39

aircraft in service  
(2021: 32)

5 183 M

SEAT CAPACITY  
(2021: 3 319 M)

0.8 M

792 846 airBaltic Club  
Loyalty Programme members  
(2021: 0.6 M)

2 143

employees  
(2021: 1 559)

## SUSTAINABILITY FOOTPRINT IN 2022

(not covered by GRI)



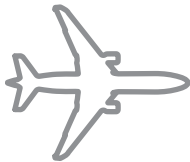
**3.34 million**  
passengers carried  
(1.63 million in 2021)



**103**  
routes operated in 2022  
(94 in 2021)



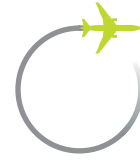
**10.1 million kg**  
of freight transported  
(9.0 million kg in 2021)



**37 302**  
flights performed  
(23 444 in 2021)



**71.2 %**  
load factor  
(53.6 % in 2021)



**99.1 %**  
regularity rate  
(98.6 % in 2021)



**54.5 %**  
3 min punctuality rate  
(66.3 % in 2021)



**71.7 %**  
15 min punctuality rate  
(84.9 % in 2021)



**74 M**  
EUR 74 million paid in salaries  
(45 million in 2021)



**EUR 38 million**  
taxes paid in Latvia  
(13.5 in 2021)



**58**  
Net promoter score: index points  
retention rate among private customers  
expressing customer satisfaction and  
loyalty, based on surveys with 31 556  
respondents (65 points with 12 351  
respondents in 2021)



**133 627**  
tons of fuel consumed  
(78 869 tons in 2021)

## AIRBALTIC AT A GLANCE

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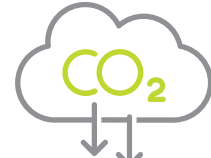
**6 150**

tons of fuel containing SAF  
consumed (202 tons in 2021)



**420 924**

tons of flight CO<sub>2</sub> emissions  
(Scope 1)  
(248 437 tons in 2021)



**94 grams**

carbon emissions  
per passenger km  
(115 in 2021)



**293 m<sup>3</sup>**

of waste, mixed packaging  
(135 m<sup>3</sup> in 2021)



**1.23**

tons of waste, paper  
(4.36 tons in 2021)



**0**

serious occupational  
accidents / fatalities  
(0 in 2021)



**115**

hours of training provided for  
employees (flight deck, cabin  
crew, and technicians)  
(47 in 2021)



**53% / 47%**

share of men/women in the  
Group (54%/46% in 2021)



**37**

employee net promoter score  
in Q3 2022 (35 in Q3 2021)

# KEY SUSTAINABILITY MILESTONES IN 2022

## MONTH BY MONTH

### JANUARY



The fleet of A220-300 aircraft is one of the core assets of airBaltic. For the second year in a row, airBaltic was recognised as the winner of the [Europe's Youngest Aircraft Fleet Award 2022](#) by the web-based service provider ch-aviation, with an average fleet age of 2.87 years. The Airbus A220-300 is defined as one of the most efficient and greenest aircraft in the world. As of the end of 2022, airBaltic has 39 Airbus A220-300 aircraft in its fleet.

### FEBRUARY



The war in Ukraine marked the beginning of 2022. airBaltic exited the Russian market and suspended flights to Ukraine in 2022 until safety can be ensured.

The Company remains committed to providing safe and reliable network connectivity in the region by rescheduling routes and taking care of its employees.

### MARCH



airBaltic continued its support to Ukraine, providing information online about support, accommodation, employment, and relocation opportunities, which led to Ukrainian hires in 2022.



Customers recognised airBaltic's sustainability efforts by giving it the highest ranking among Latvian brands in **the highest ranking among Latvian brands in the European Sustainable Brand Index** in the transport sector. The study, conducted from Dec 2021 to Feb 2022, evaluated how society's attitudes towards sustainability impact brands, communication, and business development, and airBaltic came out on top.



In cooperation with the President of the Republic of Latvia, **airBaltic delivered humanitarian cargo and transported refugees** from a Ukrainian refugee centre in Chisinau, Moldova. Support to Ukraine continued throughout 2022.



Participants of a nationwide survey conducted by the CV-Online Latvia recruitment agency recognised airBaltic as **the best employer in the transport and logistics sector for the 10<sup>th</sup> year in a row.**



In May 2022, airBaltic opened a new **base in Tampere, Finland**, offering convenient connections with other Scandinavian and European destinations. The base offers seven direct flights from Tampere and ongoing service to Riga, providing new travel opportunities for passengers.



JUNE



airBaltic's efforts in implementing various sustainability practices were appreciated by receiving **gold category status in the Sustainability Index 2022**. This category is characterised by openness and transparency by purposefully planning and implementing responsible attitudes not only towards a company's employees and customers, but also environmental sustainability. This was the second time that airBaltic participated in this evaluation procedure.

JULY



airBaltic received the **Diversity and Inclusion Team Award from IATA** for its advocacy of gender balance in the aviation industry, highlighting airBaltic's ongoing commitment to diversity and inclusion.



airBaltic launched its first "Office in the Sky" project, allowing selected office employees to train as part of the cabin crew. Fourteen dedicated employees embraced this opportunity, combining their office roles with those of the cabin crew.

AUGUST



airBaltic adjusted its **uniform regulations**, allowing tattoos, hairstyles, and piercings to be visible among its cabin crew and pilots while they wear company uniforms.

## AIRBALTIC AT A GLANCE

SEPTEMBER



The third season of airBaltic's "Leaders for Future (ALFA)" programme was launched, aimed at supporting employees in reaching career goals and driving the company's success. One hundred ninety leaders and high potential employees have enrolled since its inception in October 2020.

Passengers voted airBaltic the Best Airline in Eastern Europe in the 2022 Skytrax Awards, demonstrating their satisfaction with the airline's product and experience.

OCTOBER



The International Trade Council, in partnership with the Estonian Business and Innovation Agency, honoured airBaltic with the Go Global Award 2022 in the Travel and Hospitality category. The award acknowledged airBaltic's innovative technologies and strategies in driving the economy forward amidst challenges.

airBaltic partnered with Riga International Airport and the Ministry of Foreign Affairs to raise awareness about human trafficking at airports and to support human rights.

NOVEMBER



airBaltic continued its journey towards full electrification of its ground vehicles, moving towards zero-emission mobility. In 2022, the company purchased 21 electric vehicles and installed 18 charging stations for its technical and administrative needs, further reducing its carbon footprint.

DECEMBER



The Supervisory Board of airBaltic has approved a set of strategic priorities related to sustainability that align with the aviation industry's and the EU's commitments towards comprehensive sustainability operations and goals. One of the company's key objectives is to achieve carbon neutrality by the year 2050.

## IMPACT ON ECONOMY

Over the last 27 years, airBaltic has developed as a strong, profitable, and internationally respected airline. It is by far the most internationally recognised brand of Latvia, responsible for more than 2.5% of Latvia's GDP. Moreover, the aviation industry indirectly provides close to 30 000 jobs in Latvia, while millions of people from all over the world transfer through Riga, yet many more arrive in Latvia. Each year, tourists spend more than 750 million euros in Latvia.

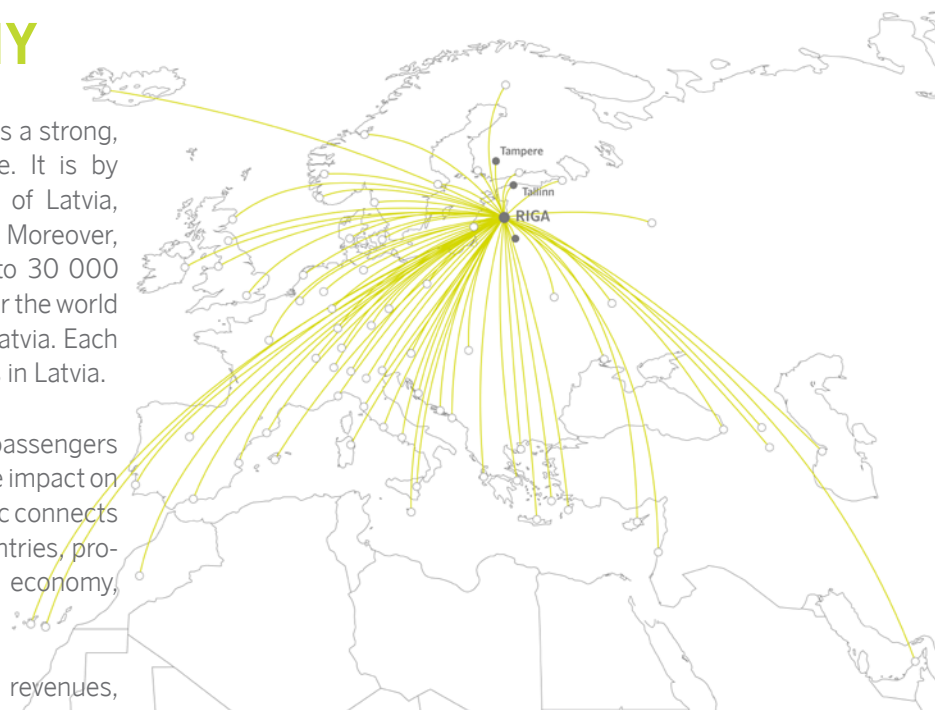
By 2025, the Company plans to carry 6.2 million passengers per year, thereby making an even greater positive impact on the local economy. However, the fact that airBaltic connects people and businesses from many different countries, providing an indirect warming effect on the global economy, also should be considered.

The full economic profile of airBaltic, including revenues, operating costs, payments to providers of capital, taxes, and investments are enclosed in the Management Report. Detailed information about employee wages and benefits is enclosed in the Employment chapter. Information about donation possibilities is enclosed in the Responsible Governance chapter. In addition, airBaltic provides an overview about other significant impacts to society.

### CONNECTING THE BALTICS WITH THE WORLD

The Baltic states are geographically remote. Significant, functioning railway connections to the rest of Europe will be available only after the Rail Baltica project is completed in 2026. The Baltic Sea separates the Baltic states from the Nordic countries, and it takes anywhere from 10 to 20 hours to drive to the closest capitals of Central Europe. With its extensive and broad route network, airBaltic connects Latvia, Estonia, and Lithuania to the rest of the world. Every year, airBaltic brings hundreds of thousands of visitors to the Baltic states, enables business connections, and unites families living abroad. airBaltic also serves many different market segments, from business to leisure/VFR as well as charter and cargo flights, and in doing so provides opportunities for the local travel industry.

Globalisation has expanded supply chains across the world, and air travel plays a crucial role in supporting essential travel for these chains. The COVID-19 pandemic highlighted the value of having a large fleet based in the Baltic states, as airBaltic was able to quickly respond to sudden demand for goods and services. Its ability to rapidly adjust capacity makes airBaltic a valuable asset.



In 2022, airBaltic served 74 destinations and operated 103 routes from Riga, Tallinn, Vilnius, and Tampere. This is a significant increase over 2021, when 73 destinations and 94 routes were served. The key milestones of the year can be summarized as follows:

- in May 2022, airBaltic reached a significant milestone by opening its first base outside of the Baltic countries, in Tampere, Finland;
- airBaltic launched a total of 12 new routes, including new leisure routes to Batumi, Gran Canaria, Malta and Marrakesh. Seven routes were launched in the new base in Tampere. These included business-oriented routes (Amsterdam, Copenhagen, Frankfurt, Munich, Oslo) as well as leisure routes (Malaga and Rhodes). Leisure demand was particularly strong. A record 28 seasonal sun-and-beach routes were operated to nine countries in 2022 (23 routes in six countries in 2021);
- three routes to Minsk, Lviv and Kos were no longer served in 2022;
- the route network of airBaltic was significantly affected by the war in Ukraine, resulting in sanctions and airspace closures. As of February 2022, routes to Russia have been cancelled, and for the time being, the airline has left the market completely. Routes to Ukraine have been suspended until it is safe to fly again. Routes that usually overfly Russia and Ukraine were replanned and rescheduled to account for longer flight times.

INVESTMENT IN EDUCATION

PILOT ACADEMY

airBaltic continued ramping up frequencies on key business routes following the gradual return of demand. The airline offered convenient morning and evening flights between Riga and Amsterdam, London, Frankfurt, Paris, Munich, Vienna, Brussels, Berlin, Helsinki, Copenhagen, Stockholm, and Oslo, and also between Vilnius and Tallinn. There were daily connections to the Amsterdam hub from Vilnius and Tallinn, and a new daily connection was launched between Tampere and Amsterdam in November 2022.

airBaltic continued to provide excellent worldwide connectivity with its codeshare partners via European hubs (such as Amsterdam, Paris, Munich, London, Copenhagen, Dubai, and others).



In 2022, airBaltic’s Pilot Academy continued training for 67 active students of ten different nationalities, including eight female cadets. During the reporting year, 49 new students, including three females, joined the Pilot Academy. There were 52 graduates of the Pilot Academy at the end of 2022, out of which 48 graduates joined airBaltic as first officers and began their professional careers in aviation.

	2022	2021
<b>Total number of cadets</b>	<b>67</b>	<b>70</b>
Female cadets	8 (12%)	9 (13%)
<b>New cadets enrolled</b>	<b>49</b>	<b>21</b>
New female cadets	3 (6%)	2 (10%)
<b>Graduates</b>	<b>52</b>	<b>34</b>

COOPERATION WITH LIEPĀJA STATE TECHNICAL SCHOOL

In 2020, the airBaltic Training Centre partnered with the Vocational Education Competence Centre (VECC) Liepāja State Technical School to create a new educational programme for aircraft mechanics, which is unique in Latvia. Two study programmes were created in 2022:

- 1) 1.5-year programme for high school graduates providing professional maintenance technician education only;
- 2) 4-year programme for students having completed 9<sup>th</sup> grade, offering both high school education and professional maintenance technician education.

In 2022, 64 students participated in the training.

REPRESENTATION AT ASSOCIATIONS,  
ORGANISATIONS AND UNIONS

INTERNATIONAL ORGANISATIONS AND ASSOCIATIONS

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



NATIONAL ASSOCIATIONS AND PROFESSIONAL ORGANISATIONS

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



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

Throughout the year, airBaltic's team participated in various industry events, such as the [World Aviation Festival](#), the air shows in [Farnborough](#) and [Istanbul](#), the [IATA Annual General Meeting](#), the [CAPA Airline Leaders Summit](#), and more. The Company continued sharing airBaltic's story and experience in other local and international events, as well as in the media.



### ENGAGEMENT IN DISRUPTIVE INNOVATIONS

In 2014, airBaltic became the first airline in the world to accept Bitcoin for airline ticket payments. airBaltic accepts Bitcoin (BTC), Bitcoin Cash (BCH), Ethereum (ETH), Dogecoin (DOGE), four USD-pegged cryptocurrencies (stable coins), and many other payments for tickets sold on airbaltic.com. This was the first step airBaltic took to get into Web3 technologies, later continuing with other cryptocurrency-related projects.

In 2021, airBaltic became the first airline in the world to issue a non-fungible blockchain token (NFT) collection, called the “airBaltic City Collection” ([opensea.io/collection/airbaltic-city-collection](https://opensea.io/collection/airbaltic-city-collection)).

The airline released limited edition NFTs featuring an Airbus A220-300 and landmarks in the popular Latvian town of Kuldīga to promote tourism opportunities in Latvia. After the initial release in 2021, airBaltic produced six more digital art pieces showcasing the charming Latvian towns of Cēsis, Alūksne, Liepāja, Bauska, Sigulda, and Jelgava. All airBaltic NFTs have been issued on the OpenSea marketplace, and since November all of the NFTs have been placed in the Metaverse 3D gallery. Although the City Collection initially served as digital artwork and brand awareness marketing, these NFTs had the strategic potential to promote not only NFT product development but also tourism in Latvia.

airBaltic has received various invitations to share its experience as the first airline to seriously engage in the creation of a brand-new loyalty programme for its consumers. airBaltic has participated as one of the main speakers at conferences related to NFTs worldwide, such as Plug And Play in Silicon Valley (USA), thus supporting the community of NFT developers. airBaltic has become an informal leader in the field of aviation NFTs, promoting recognition, new collaborations, and customer interest, which has developed directly under the influence of the Planies NFTs.



[planiesnft.com](https://planiesnft.com) or [mint.planiesnft.com](https://mint.planiesnft.com).



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Developing and moving further in blockchain and NFT technologies, in October 2022 airBaltic launched an NFT collection called “Planies”. All owners of Planies collectibles enjoy various travel-related benefits of the airBaltic Club loyalty programme, including loyalty points, discount coupons that can be exchanged for free flights, and other privileges. This was the first step in preparing the airBaltic Club loyalty programme for crypto tokenization in the future.

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## SUSTAINABILITY AT AIRBALTIC

airBaltic has always been committed to minimising its impact on the environment and the climate by implementing socially sustainable practices in its operations and adhering to sustainable corporate governance principles. The Company has also aligned itself with the sustainability goals set by organisations such as the ICAO, IATA, and A4E, and, as a resident of a member state of the European Union, it is dedicated to be a part of a sustainable aviation community.

airBaltic is a responsible member of the global aviation community and proudly undertakes its commitments to work together with the industry in order to limit global warming to below 2, and preferably 1.5, degrees Celsius, compared to pre-industrial levels, as stated in the 2015 Paris Agreement.

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

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

Airlines for Europe (A4E), the united voice of 16 of Europe's leading airlines (including airBaltic) and aircraft manufacturers, has laid out a joint long-term vision called **Destination 2050**, which focuses on reaching net zero CO<sub>2</sub> emissions from all flights departing the European Union, the United Kingdom and the European Free Trade Association (EFTA). It also aims for an interim goal of reducing net CO<sub>2</sub> emissions from intra-EU flights by 55% by 2030, compared to 1 990 levels.



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**The international aviation community is not the only one undertaking measures towards climate neutrality. European Union Member States have also agreed on the EU Green Deal and Fit for 55 policies, thus aiming to become the first climate neutral continent by 2050.**

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Climate neutrality and the impact on the environment are not the only sustainability commitments that the international community has undertaken. IATA has committed to reach gender balance by increasing the number of women in senior positions and under-represented areas by 25%, or up to a minimum of 25%, by 2025 (**the 25by2025 policy**). airBaltic has joined IATA's global 25by2025 gender diversity pledge, aiming to increase by 25% or reach 25% representation of women in managerial roles, in pilot and technician roles, and men in cabin crew positions. This goes hand in hand with the EU approved gender balance policy, which states that 40% of non-executive director posts or 33% of all director posts should be occupied by the under-represented sex in all large-scale publicly listed companies by the end of June 2026.

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

In addition to the Fit for 55 package, the EU has adopted the Taxonomy Regulation, which is a classification system for investors, companies, and policy makers that aims to determine whether an economic activity is environmentally sustainable. This regulation facilitates investors' interest in more sustainable investments. Public companies will be asked by investors to provide regular updates on key environmental, social, and governance (ESG) metrics, base sustainability reports on the Corporate Sustainability Reporting Directive (CSRD) requirements, and will need to engage in efficient data management.

In 2022, the EU adopted a proposal for a directive on corporate sustainability due diligence. The proposal aims to foster sustainable and responsible corporate behaviour in relation to human rights and environmental impact throughout global value chains.

To conclude, more than ever before the global sustainability trends in 2022 continued to aim for carbon neutrality and transparency.



### AIRBALTIC COMMITMENTS

airBaltic has always been committed to minimising its impact on the environment and the climate by implementing socially sustainable practices in its operations and adhering to sustainable corporate governance principles. The Company has also aligned itself with the sustainability goals set by organisations such as the ICAO, IATA, and A4E, and, as a resident of a member state of the European Union, it is dedicated to be a part of a sustainable aviation community.



In 2022, the Ministry of Transport of Latvia approved airBaltic's strategic goal: *to promote Latvia's international connectivity through passenger and cargo air transport, to strive for climate neutrality, to develop market share at airports in northern Europe and other countries, and to enter new market segments, thus contributing to the development of Riga as an important air traffic hub in northern Europe.* These goals were approved by the Cabinet of Ministers in November 2022.

In 2022, airBaltic's Executive Board and Supervisory Board strengthened their commitments with a separate resolution that approves strategic sustainability priorities (hereinafter – Commitments), which apply to all of airBaltic's activities and business relationships equally:

- to reduce its impact on the environment as much as possible and to reach carbon neutrality by 2050 in line with aviation industry and EU commitments;
- to continue the existing course of sustainable social policy within the company, maintaining and continuously developing excellent health and safety conditions, fair working and employee rewarding and compensation conditions, fair labour practices, diversity, non-discrimination and inclusion, employee training and development, human rights standards, and positive impacts on local communities through education, professional jobs opportunities, and corporate social responsibility activities;
- to continue the existing course of sustainable governance of the company, maintaining and continuously developing excellent ethical, compliance, and anti-corruption standards, diversity, stakeholder engagement, shareholder rights, and open and transparent communication.

airBaltic works in compliance with national laws and regulations. The Constitution of the Republic of Latvia

(Satversme) protects the legal rights of individuals. Latvia has joined the International Human Rights Convention, and its commitments have been incorporated into the legal acts regulating commercial activities and employee rights that are binding for residents of the Republic of Latvia. The Commercial Law determines the requirement for decent and careful management and business actions, the provision of truthful information, executive and supervisory board responsibilities, and shareholders rights. The Labour Law sets forth requirements for sound and healthy legal employment relationships; contains principles of equal rights to work, fair, safe, and healthy work conditions, and fair remuneration; prohibits differential treatment or direct or indirect discrimination based on a person's race, colour, sex, age, disability, religious, political, or other beliefs, national or social origin, financial or family status, sexual orientation, or other circumstances; requires employers to ensure an inclusive environment and rights to engage in trade unions and organisations; sets forth provisions of collective labour agreements; and establishes many other employee's rights. The Labour Law provisions are in compliance with the EU *acquis communautaire* and are constantly updated according to the latest EU requirements and employment law policies.

Additionally, airBaltic has been engaged in a Collective Labour Agreement with aviation-orientated trade unions since 2009. The Company applies Collective Labour Agreement conditions to all employees equally, notwithstanding their membership in trade unions. The Company keeps an active dialogue with all trade unions on current topics through monthly meetings and on a daily basis through a Sustainable Workplace Manager. The established consultation process with trade unions includes the timely provision of information on planned significant changes in employment conditions within the Company, dialogue with trade unions, listening to and requesting trade unions' comments and suggestions and taking these comments and suggestions into account as much as possible. A one-month notice period is usually provided to employees and their representatives prior to any significant operational changes that could substantially affect them.

The Law on Governance of Capital Shares of a Public Person and Capital Companies regulates the compliance of public company financial and non-financial goals with the policy targets of the industry, sets transparency requirements, requires conflict of interest prevention, and provides reporting requirements and corporate management

reporting. Certain requirements as set forth in this law are also applicable to companies in which the majority shareholder is the state, such as airBaltic. According to the law, airBaltic must report to its shareholders the result indicators of the Company's goals set in the previous year. airBaltic has determined that there is no need for an additional separate due diligence review for responsible business conduct. The Commitments do not include a specific precautionary principle, because this is part of the Company's corporate culture and refers to all of the company's actions.

The Commitments refer to existing and future employees, trade unions, suppliers, members of society, students, educational institutions, shareholders, and social partners and are communicated publicly via press releases and articles in airBaltic's inflight magazine Baltic Outlook; they are also permanently added to the Company's web page.

The Commitments apply to all of the Company's activities. The Corporate Manual describes the environmental, social, and governance commitments that are binding to all employees (see chapter Responsible Governance).

The Corporate Manual, the Personnel Handbook, the Purchasing Policy, and internal communication channels such as the intranet site, live videos, seminars, articles, and internal events are the main tools used to inform and educate employees about the commitments.

In line with these Commitments, the Company has established a responsible governance practice outlined in chapter Responsible Governance:

- Business Ethics and Corporate Culture determines overall ethical compliance and anti-corruption standards, diversity, non-discrimination and inclusion standards, open and transparent communication requirements, employee training and development actions, and health and safety conditions;
- Corporate policies determine communication policy, accident prevention and flight safety, fraud and crime prevention, compliance monitoring, environmental policy, purchasing policy, and personal data governance;
- Purchasing policy determines ethical, compliance, and anti-corruption standards in the procurement process, provides for transparent, fair, and open procurement procedures, and requires that energy efficiency be evaluated in procurements;
- In 2023, the Company will introduce the Code of Conduct as an integral part of future contracts. Meanwhile, the policy commitments are communicated to suppliers and business partners via the Company's website, tender specifications that contain sustainability requirements, and agreements.

### SUSTAINABILITY STRATEGY

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

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

Each department of the Company is responsible for implementing the best processes considering all sustainability components and commitments. The Business units have their own internal teams and individuals who are responsible for sustainability matters, for example, the Flight Operations Efficiency Specialist, the Digital Solutions Manager, the Head of Fuel Procurement and Operations, the Sus-

tainable Workplace Manager, the Wellbeing Manager, and others. Effective collaboration between departments is essential in this endeavour.



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

This now enables the company to focus on reaching sustainable development goals in a decentralised manner, as a part of the integrated management system. Each unit has identified the key sustainability aspects of its operations, impacts, risks, and opportunities (see chapter Corporate governance statement).

In order to coordinate the Company's increased number of sustainability actions and fulfil the Company's commitments, last year airBaltic appointed a Head of Sustainability, who is part of the CEO's office and works closely with the Sustainability Coordinator and dedicated employees. The Head of Sustainability reports quarterly directly to the Top Management Team and the Executive Board regarding airBaltic's sustainability key performance indicators (KPIs) and achievements. Head of Sustainability also arranges the measures to increase collective knowledge, skills and experience about sustainable development. In 2022 an informative discussion in Top Management Team about sustainability roadmap was arranged (followed by a LIVE broadcast to airBaltic employees), and an update about global aviation commitments has been provided.

STRATEGIC APPROACH TO SUSTAINABILITY



**STRATEGIC GOAL SET BY SHAREHOLDER:**  
to promote Latvia's international connectivity through passenger and cargo air transport, strive for climate neutrality, develop market share at airports in northern Europe and other countries, and enter new market segments, thus contributing to the development of Riga as an important air traffic hub in northern Europe.



**SUSTAINABILITY ROADMAP:**  
Roadmap and key performance indicators (KPIs)

**SUSTAINABILITY MATERIAL TOPICS**

In 2019, airBaltic began analysing its material sustainability aspects more carefully. The aim was to initiate internal and external discussions around sustainability, increase the Company’s and its partners’ awareness and dedication to the topic, and to gather suggestions from relevant stakeholders for improvements.

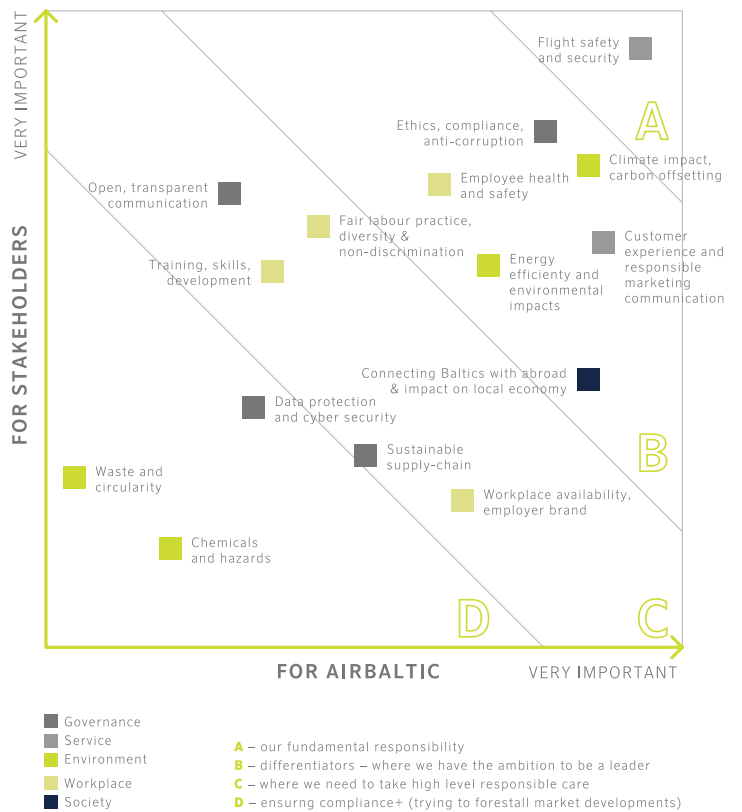
Through an online survey and the meeting of major external stakeholders, around 120 corporate customers, suppliers, regulators and policy makers, aviation sector professionals from Latvia and abroad, financiers, non-governmental organisations (NGOs, such as Latvian Fund for Nature), environmental organisations, and educational institutions were involved. Additionally, labour unions and all employees were invited to share their thoughts through two surveys and a dedicated event, which resulted in almost 300 contributions. At the end of the analysis, in 2020 the Executive Board and the Top Management Team of airBaltic formed their view based on the strategic relevance of sustainability aspects.

In 2022, airBaltic’s Executive Board and Top Management Team approved the validity of the same material aspects that were chosen in 2020. The next materiality aspect re-evaluation is planned for 2023 and will consider the impact of the COVID-19 crisis and the geopolitical situation, including the war in Ukraine.

As a result of the materiality analysis, airBaltic defined 15 material sustainability aspects (hereinafter – material topics) that shape the direction and scope of its work and considered both the societal impact and the responsibility of airBaltic. The matrix presents the priority of these aspects for stakeholders and from the point of view of the Top Management Team of the Company. Out of all 15 material sustainability aspects, the Company has prioritised five of the most relevant material topics regarding sustainability and responsible business conduct:

- flight safety as the fundamental responsibility (chapter Flight Safety and Security);\*
- the impact that flight connections have on the local economy and job creation (chapter Impact on the Economy);
- employee health and safety (chapter Employee Health and Safety);
- climate impact and energy efficiency (chapter Environmental and Climate Impact);
- customer experience and the responsibility to communicate with stakeholders and the wider public (chapter Service and Customer Experience).

*\*the management procedures of each material topic are described in the chapters shown in brackets.*



This Sustainability Report also discloses the management approach, the guiding principles, and the performance data on other material topics in addition to the five most relevant material topics.

**UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS**

Nevertheless, the United Nations Sustainable Development Goals (SDGs) also have a very important role in airBaltic’s approach to sustainability topics. The Company has evaluated their relevance and aims to make an important contribution to all 17 SDGs. Based on the materiality matrix, and with a focus on sustainability aspects and the priorities of the Company (which has been created by airBaltic employees, stakeholders, and management), the Company has prioritised five SDGs that are the most relevant and are in line with the established sustainability material topics: decent work and economic growth (SDG 8), industry innovation and infrastructure (SDG 9), responsible consumption and production (SDG 12), climate action (SDG 13), and peace, justice, and strong institutions (SDG 16).



In 2022, airBaltic achieved several goals, the most significant of which are listed below:

**Decent work and economic growth (SDG 8)**

As a part of its commitment to continuous learning, growth, and development, last year airBaltic established the High Potential Employees Assessment Centre, which gives an opportunity to anyone from the Company to apply and test their skills. Candidates are examined to determine their suitability for specific types of employment, including management. The candidate’s personality and aptitudes are determined by several techniques, including interviews, group exercises, presentations, examinations, and psychometric testing. The ultimate goal of the Assessment Centre is to gather all relevant information under standardised conditions about an individual’s capabilities to perform a given task. This year, 31 employees applied for the selection process, and 11 applicants were enrolled in the third ALFA Leadership programme.

In July 2022, airBaltic launched its first “Office in the Sky” project, allowing selected office employees to train as part of the cabin crew. 14 dedicated employees embraced this opportunity, combining their office roles with those of the cabin crew.

**Industry, Innovation and Infrastructure (SDG 9)**

Fostering a culture of innovation within the airline, in 2022 airBaltic launched the Company’s new internal idea management system – airBaltic ideaHub. It is designed to empower visionary ideas and provide an opportunity to implement them in the company’s daily operations. It is a unique way to capture and advance internal developments. Every employee of airBaltic now has the opportunity to share their ideas by submitting a proposal on how to enhance the development of the airline in line with its core values – We deliver, We care, We grow – and long-term commitment to sustainability. In 2022, 100 ideas were submitted to ideaHub.

**Responsible consumption and production (SDG 12)**



In its efforts to reduce CO<sub>2</sub> emissions in its daily operations, airBaltic ordered 21 electric vehicles for its ground handling and technical departments and for management and administration functions. Since 2021, the Company’s car fleet has increased to 23 electric vehicles. The Company has installed 25 charging stations on the apron at Riga Airport and in the office parking area.



In July 2022, airBaltic introduced new, modern high-visibility uniforms for its technical staff, which were supplied by Fris-tads, the first company to provide environmentally declared high-visibility uniforms. Now 370 airBaltic employees use the new sustainable uniforms.

Sustainability is also taken into account in the Company's IT processes. The warranty life of users' computers was extended in 2022, resulting in a longer lifespan of the devices and reducing the need for new hardware. The use of desk phones in the office was significantly reduced, and communication shifted more to an online environment. A full audit of the IT asset inventory was conducted in 2022, and the Company is planning to review its IT asset recycling process in 2023 to make it more sustainable.

### Climate Action (SDG 13)

One of the most efficient ways for the airline industry to reduce its CO<sub>2</sub> emissions is to use sustainable aviation fuel (SAF).

In 2022, airBaltic increased the amount of fuel containing SAF that it used to 6 150 tons, or approximately 30 times more compared to the previous year (chapter Environment and Climate Impact).

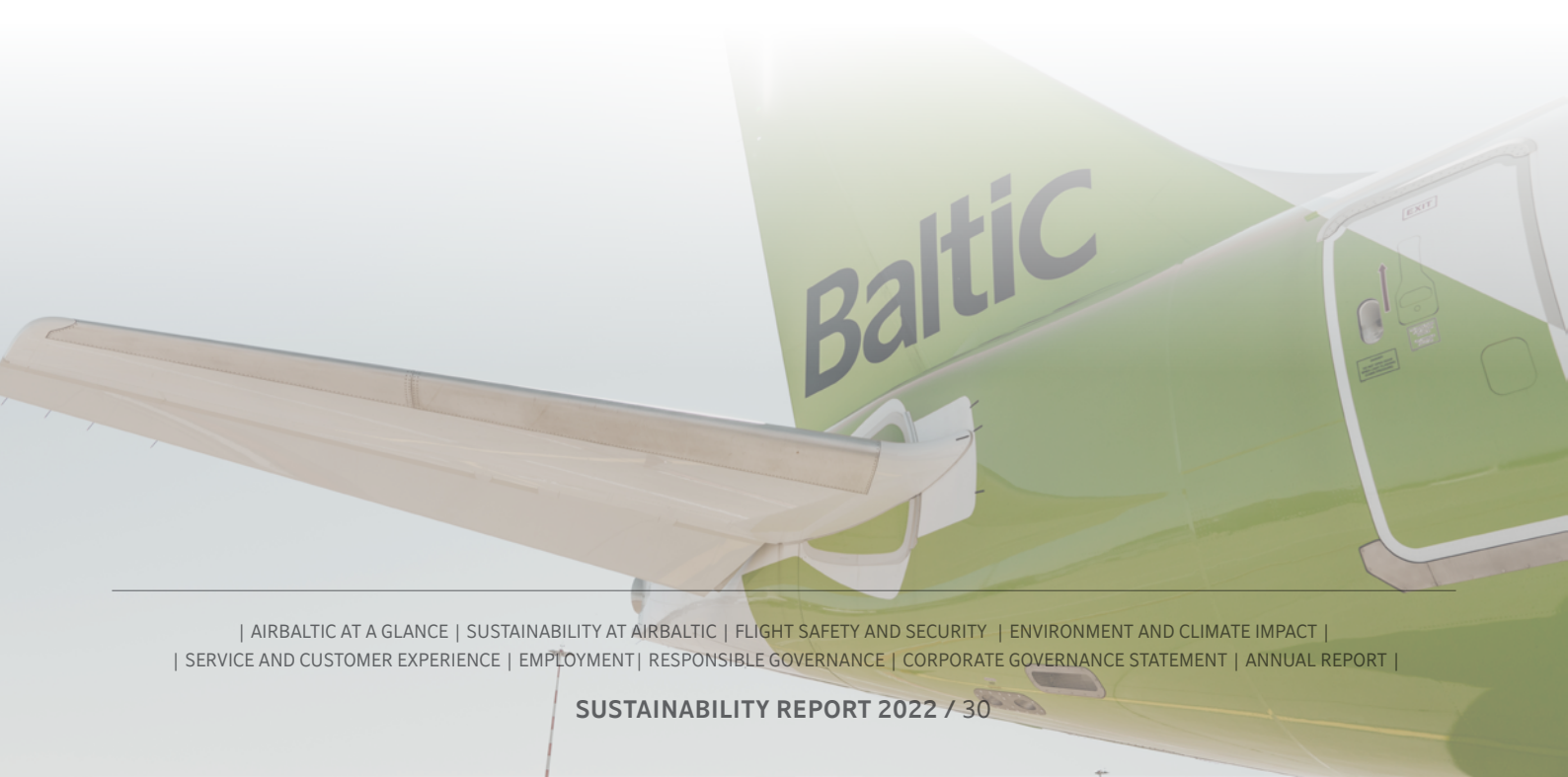
SAF is produced from sustainable feedstocks, and its chemical composition is very similar to traditional fossil jet fuel. However, using SAF results in a reduction in carbon emissions when compared to traditional jet fuel. It also leads to an impressive reduction – up to 80% – in carbon emissions over the fuel life cycle compared to traditional jet fuel.

airBaltic introduced the BT CarPool project, encouraging employees to carpool with colleagues nearby and reduce the number of cars on the road and thus, CO<sub>2</sub> emissions.

As climate change becomes more perceptible and we are learning that every small action by individuals can make a big difference, airBaltic has introduced a new “buy on board” product, the Green Meal Deal. This product allows passengers to use their own mug on board and thus receive a one-euro discount on tea. airBaltic is now working on a few other projects to reduce the use of disposable dishes.

### Peace, justice and strong institutions (SDG 16)

Still today, human trafficking at airports is a quite widespread form of modern slavery. Therefore, airBaltic, Riga International Airport, the Ministry of the Interior, the Ministry of Foreign Affairs, and two local human rights organisations (Marta Centre and Droša Māja) teamed up in a workshop to reduce the number of potential human trafficking victims. They evaluated ways to enhance current procedures and organised information campaigns to raise awareness about human trafficking and its various forms, risks, consequences, and assistance available. Additionally, airBaltic has introduced mandatory training for all new crew members on recognising and preventing human trafficking.



### STAKEHOLDER ENGAGEMENT

airBaltic impacts and engages with a wide network of stakeholders: customers, employees, shareholders, creditors, governmental authorities and organisations, NGO representatives (such as the Latvian Fund for Nature), suppliers, media representatives, the general public, and other business and cooperation partners. The Company consults with its stakeholders about planned actions.

To ensure credibility in its relationships with stakeholders, the Company strives to maintain good governance principles, as described in the Corporate Governance Statement.



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**The main stakeholder engagement management principles are open communication regarding the Company's results, progress, daily life, and plans; regular communication; and segmentation, as each of the stakeholder groups should be approached about matters in line with that particular group's interests.**

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To keep stakeholder engagement meaningful, the Company prioritises close engagement with its employees, customers, creditors, and shareholders to ensure the continuous economic activity of airBaltic. It also aims to create a working environment in which the Company is able to develop and prosper.

**Employees.** Since 2013, the Company has implemented a strategy of continuous listening, regular conducting of employee engagement surveys, and collection of feedback on specific activities, changes, processes, etc. The engagement index is an assessment summary that shows the level of employees' satisfaction, involvement, retention, loyalty, and motivation at work. Overall, the Group's employees show a high level of engagement. Employee engagement surveys are conducted on a quarterly basis to monitor dynamics and to make immediate decisions if any deviations are found. In 2022, the employee engagement level showed a positive trend and reached 80 points in the Q3 survey. The Company's management has a practice of holding a weekly internal Live Stream broadcast hosted by the CEO, which is accessible to all employees (see chapter Service and Customer Experience). This regular and transparent communication helped to achieve one of the best employee engagement results ever received in the Company.

The main communication topics concern changes affecting personnel, occupational health and wellbeing at work, equality, diversity and inclusion, airBaltic's core values and business practices, safety and security, career and educational and professional development opportunities, etc.

In 2022, the Company decided to implement flexible work arrangements by 2023. A dedicated focus group has been established to work on the key principles of flexible work arrangements in such tangible areas as working in the office or in a remote office, and non-tangible areas such as communication and flexible work guidelines. The outcome of the focus group work has been taken into account by Top Management in its development of flexible work policy and principles.

The sustainable development of the Company also requires strategic employer brand development to ensure that future employees are attracted and retained. In 2022, the Employer Brand Group, which consists of HR, Marketing, Social Media and, Internal Communication specialists, launched the Employee Value Proposition (EVP) project to define the Company's EVP. Throughout the project, input from various stakeholders was gathered. Current employees and potential candidates took part in a survey and workshop to validate market expectations and the actual environment and conditions appreciated by employees.

**Customers.** The principle of transparent, regular, and open communication became very important in 2020. In 2021, with the unprecedented impact of the COVID-19 pandemic, its importance only grew, especially in the aviation sector, and maintained its significance in 2022 as well. To maintain and improve the level of transparency, airBaltic enhanced its communication with customers on topics such as travel experience, flight regularity and punctuality, quality of customer service, safety and security, and various sustainability topics.

airBaltic pays great attention to the experience of customers while travelling on the Company's flights, as this mirrors the quality of services offered by airBaltic. Therefore, airBaltic makes great efforts to reach its customers and ensure effective two-way communication. This is done with the help of a wide range of tools, including customer experience surveys, customer encounters, and feedback received from customers via official channels and social media. airBaltic communicates to its customers through such channels as its website (airBaltic.com), e-mails and messages, the airBaltic mobile app, social media, and Baltic Outlook magazine.

## SUSTAINABILITY AT AIRBALTIC

**Creditors and shareholders.** airBaltic highly values commitments towards its creditors and works hard to deliver on its partners' expectations as well as promptly addresses any concerns they may have. Since the Company's bonds are listed on Euronext Dublin, the Company must report all required information to Euronext Dublin and to the respective authorities. Regular and transparent communication with the Company's partners – for instance, aircraft lessors and other creditors – is of utmost importance to the Company.

The Company's creditors and shareholders are regularly informed of the Company's operations, business strategy, and financial position. This information is available through regular disclosures made to Euronext Dublin, interim reports, financial statements, the Management Board Report, Annual Shareholders' Meetings, etc.

**Authorities.** airBaltic strives to maintain effective communication with all involved governmental and supranational authorities. This includes communication with authorities regarding the safety and security of flight operations, customer rights, competition and state aid, the impact of flight

operations on the environment, labour rights, and taxation. Communication is maintained through dialogue with local, national, and EU-level authorities and governments in Latvia and any other destination and overflight countries. This often takes the form of official written communication, meetings, trainings, inspection, audits, etc.

**Media and the general public.** airBaltic's Corporate Communications (PR) Unit makes sure that the media and the public are kept updated with all the relevant and latest information regarding the Company. This includes information on airBaltic products and its network, daily operations and their irregularities, airBaltic achievements in the aviation industry, emissions reductions, sustainability initiatives, the impact of aviation and airBaltic on the local economy, and connectivity in the region.

Communication with the media and the public is sustained through the Company's press releases and conferences, interviews in national and international media, airBaltic's social media channels (such as Facebook, Twitter, LinkedIn, Instagram, and TikTok), advertisements and campaigns, Baltic Outlook magazine, and via the Call Centre.

### FUTURE GOALS AND KPIS

To reach its environmental, social and governance commitments, airBaltic strategic approach is in line with the international aviation industry and Company's existing course. In the short term (until 2024), the Company plans the following:

SHORT-TERM GOALS	KEY PERFORMANCE INDICATORS (KPI's)
To continue increasing the use of SAF ( <i>permanent goal</i> )	Compliance with the EU guidelines regarding SAF use
To continue mandatory emission offsetting and engage in volunteer CO <sub>2</sub> offsetting ( <i>permanent goal</i> )	Compliance with the Emissions Trading Systems (ETS) and CORSIA regulations
To implement voluntary CO <sub>2</sub> offset scheme ( <i>to be maintained in the long term</i> )	Implementation of a next-generation CO <sub>2</sub> calculator and voluntary offsetting for clients
To combine its environmental, governance, and social requirements in a single Code of Conduct document ( <i>to be maintained in the long term</i> )	Release of a publicly available Code of Conduct
To ensure a fair wage policy and equal social security eligibility coverage ( <i>permanent goal</i> )	Compliance with the remuneration policy. Ensuring of a local market median compensation level. Provision of health and accident insurance coverage for employees
To continue reducing the number of work-related accidents and ensure zero policy of fatalities as a result of work-related injuries and work-related ill health ( <i>permanent goal</i> )	A decrease in the rate of work accidents per million available seat kilometres (ASK) compared with 2019 (0.188%): a 50% reduction reached in 2023, a 90% reduction reached in 2025
To ensure zero discrimination incidents related to equal opportunities ( <i>permanent goal</i> )	0 cases



Additionally, the Company will continuously work on infrastructure and operational efficiencies and, reaching all of the Company's employees, it will raise awareness about daily sustainability actions. The Company will continue to be a constructive and proactive social partner to the national government in order to achieve national climate goals.

To do so, airBaltic actively participates in the Sustainable Mobility of the National Energy and Climate Council national-level working group. This group was created at the end of 2021 and currently focuses on matters such as modelling and analysing the economic impact of climate goals.



In addition to participating in activities at a national level, airBaltic has been an active participant and supporter of the EASA Environmental Label Programme, contributing to the programme's development by participating in the Airlines Technical Expert Group and also sharing operational and fuel consumption data in order to validate the programme.

**In the medium term (until 2030)**, the Company pledges to continue working towards its short-term goals and includes the additional KPIs:

- to keep being a constructive and proactive social partner to national governmental organisations in achieving national ESG goals;
- to ensure continuous social dialogue with employee representatives;
- to ensure training and development of employees by providing information about activities related to training and skills development and, within the context of continuous professional growth, to upgrade workers' skills and facilitate continued employability;
- to ensure gender balance by reaching 25% representation (or an increase by 25%) of women in managerial roles, women in Pilot and Technician roles, and men in Cabin Crew roles by 2025.

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

In 2022, the Company strengthened its environmental, social, and governance Commitments in regard to the long-term Commitments. Its non-financial targets and KPIs will be revised accordingly, in 2023.



## FLIGHT SAFETY AND SECURITY

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

### SAFETY

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

For the purposes of safety monitoring and objective control of operations, airBaltic's fleet has been equipped with the Flight Data Monitoring (FDM) programme. This allows for quick access to data recorders for convenient and smooth transfer and analysis of relevant safety data. Digital data recorders are connected with the aircraft's "black box" and various control systems and allow for continuous recording and storage of the most relevant flight parameters, such as air speed, throttle and flight control position, various engine parameters, and equipment technical conditions. For example, on the Airbus A220-300 aircraft, over 2 600 parameters are recorded for every flight. The most critical safety parameters from every flight are immediately transmitted to the aircraft manufacturer and airBaltic using satellite communications systems. The majority of these parameters are less time-critical and are transmitted via ground-based mobile networks during ground stops. The data capture rate in 2022 for the Airbus A220-300 fleet shows stable and reliable results with 96.4% of data available in FDM for review and analysis. Data loss has increased (97.0% in 2021) compared to the previous period, mainly due to data recording and data transfer issues within the original equipment manufacturers' hardware units or data processing server software upgrades. Results of the flight data analysis are used for individual case analysis, providing flight animations, panel views, and approach trajectories based on collected flight data. It is also used to detect trends and for statistics to show underlying patterns of operation.

While flight data monitoring provides an objective picture of what has happened in the aircraft during the flight, no digital recorder will ever be able to provide the reasons for those occurrences. Therefore, it is of the utmost importance to obtain human input regarding the encountered operational events or deviations. To support this, the Company encourages its personnel and subcontractors to report any events that could potentially compromise safety. Over the year, more than 20 thousand reports are received. Each report is analysed, classified, and assessed for risk and, where necessary, is followed by corrective or preventive actions. In addition, the internal Quality Team performed a series of internal audits analysing all critical and regulated safety activities to ensure overall compliance to safety standards. Compliance monitoring is not only mandated by aviation

regulations, but also offers a rigid element of internal control and ensures resources are devoted to continuous monitoring and improvement of operational processes.



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**Being an IATA member, airBaltic was subject to another recurrent audit which is mandatory every two years in accordance with IATA Operational Safety Audit (IOSA) standards in order to remain on the IOSA registry. The on-site IOSA audit took place in September 2022 and was performed by Quali Audit, an IATA-accredited audit organisation. It performed a thorough audit of all operations relevant to safety matters. After closing the audit, airBaltic was issued a new IOSA Certificate of Registration. airBaltic has been an IOSA-registered airline since 2006, with its current registration extended until December 10, 2024.**

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Besides internal and industry monitoring, airBaltic has regularly been subject to numerous inspections conducted by various foreign authorities as part of the EU Ramp Inspection Programme (as regulated by the European Aviation Safety Agency's Air Operations regulations). Last year, 46 safety assessments (42 in 2021) were carried out under the programme. Performed by 29 different aviation authorities, the assessments were mainly concerned with aircraft-related documents and manuals, flight crew licenses, the apparent condition of aircraft, and the presence and condition of mandatory cabin safety equipment. Throughout these inspections, airBaltic has maintained consistently good results.

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

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

### SECURITY

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

#### The objectives:

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

#### The main security goals are:

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

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

This work is done to contribute to secure working conditions. These conditions and the protection of airBaltic employees and their operations are prerequisites to gaining confidence in the external environment.

The level of security from risk and threats that aim to cause damage to the company is continuously assessed and mitigated. The basis of valuation of airBaltic customers and partners shall be included.

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

The airBaltic Security Programme provides a detailed description of requirements for the application of security procedures implemented to achieve the objective.

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

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

In 2022, in total there were 17 cases (32 in 2021) or 0.025 cases per 5 000 passengers (0.098 per 5 000 passengers in 2021) of non-compliance with regulations resulting in a fine or penalty and warning. These cases were mostly related to matters of passengers transported without proper documentation.

### EMERGENCY RESPONSE

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

Within the first week of employment, each new employee must participate in an Emergency Response Introduction Course available on the internal learning platform. This course explains the ERO and its structure and processes within the Company. After listening to and watching the introduction course, the employee must complete a short test to affirm their knowledge.

airBaltic continuously updates and improves the Emergency Response Manual and Emergency Response Procedures with the purpose of it serving as a guide for handling any emergency and potential crisis by:

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

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

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

In 2022, airBaltic completely switched from paper to digital solutions regarding ERO by fully implementing the Crisis & Incident Management (CIM) tool as a primary instrument for ERO procedures. This gives all relevant parties the opportunity to manage and monitor crisis situations remotely and more transparently. The system provides the opportunity to access all necessary tools from a computer or mobile application and allows for partially automated crisis logging. All emergency-related tasks can be given and handled through the system and therefore are clearly accessible and traceable both at the time of the crisis and afterwards, in the reporting and evaluation phases.

On 3 November 2022, a full-scale exercise took place at Liepāja Airport (LPX). The exercise was organised by LPX airport and airBaltic. The 800+ participants who took part in it represented the airBaltic corporation, the airBaltic Training Centre, LPX airport, and all emergency services, including state firefighting services, state emergency medical services (SEMS), the police, the Transport Accident and Incident Investigation Bureau (TAIB), Liepāja Regional Hospital, the National Guard, and many others. In the exercise, each service and organisation tested the procedures under its responsibility as well as emergency actions as determined by international standards in aviation and relevant binding regulations, including the operations of emergency notification systems and crisis management tools. Tasks and actions according to the scenario were acted and tested, including procedures for evacuation, rescue of passengers, care of injured passengers, hospitalisation and provision of airline support to passengers, and many others. airBaltic’s ERO was activated according to FULL ERO emergency level, and all teams took active part and provided feedback. Performing an evacuation from a real aircraft with the inflation of slides was highly valued by all involved parties.

On July 2022 emergency level “Threat To Business Continuity” was activated by request of SVP Ground Operations and Customer Care due to no internet connection and several systems down in airBaltic headquarters. Emergency situation was handled according to the procedures of latest Emergency Response Manual Revision. Every emergency situation is followed by detailed ERO activation report with all its corrective actions. Also this activation led to several procedural changes to the ERO and its structure, which have subsequently led to better synergy and interactions between the company’s different departments.

In 2022, the same as in 2021, there were no incidents of non-compliance with regulations resulting in a fine, penalty, or warning.



## ENVIRONMENT AND CLIMATE IMPACT

Climate impact and energy efficiency is considered one of five the most important material sustainability aspects of airBaltic. Being a proud member of the international aviation community, the airBaltic Executive Board and Supervisory Board have committed to the Company reducing its impact on the environment as much as possible and reaching carbon neutrality by 2050, in line with aviation industry and EU commitments.

IATA has adapted Fly Net Zero by 2050 strategy that sets an overall roadmap for the entire aviation industry and governments. airBaltic is following the same principles mentioned in the roadmap: increasing the use of sustainable aviation fuel (SAF), adopting new technologies, making operations more efficient, and implementing carbon offsetting and carbon capture measures.

The primary negative impact of aviation on the climate is CO<sub>2</sub> emissions from fuel and energy use, which are viewed from three perspectives: energy consumption and direct greenhouse gas emissions (Scope 1), indirect greenhouse gas emissions (Scope 2), and other greenhouse gas emissions (Scope 3). airBaltic is investing significantly in its electric vehicle fleet. Therefore, starting from 2022, the Company has adjusted its approach to calculating emissions and is including the ground vehicle fleet (including electric vehicles) in Scope 1. The ground vehicle fleet was previously reported under Scope 3. The Company is working on developing the methodology for the calculation of Scope 3 emissions and intends to start reporting in accordance with the new calculation methodology.

The main environmental impact is linked to increased noise levels, waste generation, use of materials and chemicals.

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

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

Each department and business unit is responsible for implementing the best processes considering all components of environmental management and sustainability. Each unit has identified the key environmental aspects of its operations, has weighed the impacts, risks, and oppor-

tunities involved, and has set relevant targets. Such a management approach has proven its efficacy: there have been no cases of non-compliance with environmental laws and regulations, nor have there been fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations in 2022.

### DIRECT GREENHOUSE GAS EMISSIONS (SCOPE 1)

#### FUEL CONSUMPTION AND EMISSIONS

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

For the jet fuel emission calculations, airBaltic uses the internationally accepted constant of 3.15 (as per IATA Recommended Practice 1678) to represent the number of tons of CO<sub>2</sub> produced by burning one ton of aviation fuel.

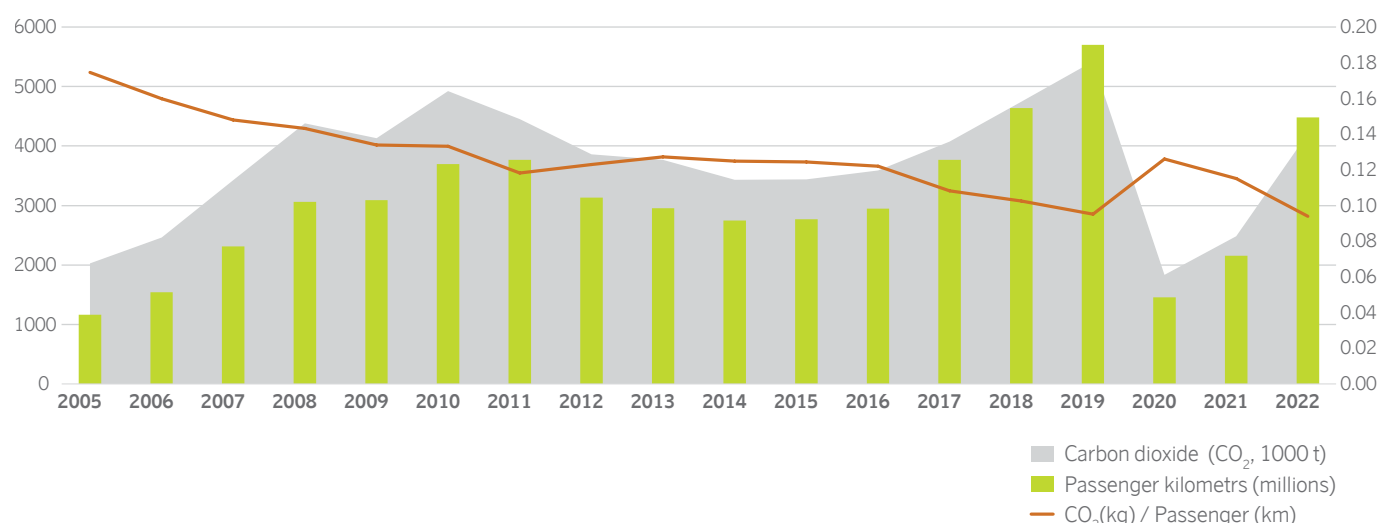
In 2022, the direct amount of CO<sub>2</sub> emissions arising from airBaltic's traffic and consumed jet fuel was 420 924 tons (248 437 tons in 2021).

The key factors in reducing the amount of carbon emissions released per passenger kilometre flown is still based on decisions made the previous year to rely on a sole fleet operation, flying the more fuel-efficient Airbus A220-300 aircraft. In 2022, demand and passenger growth was initially still impacted by COVID-19. Furthermore, the airline was facing constraints due to the war in Ukraine, but it nevertheless operated more than around 60% more flights than in 2021. The number of passengers carried and flown per passenger kilometre doubled, but the airline still achieved a reduction in CO<sub>2</sub> emissions of more than 20% (0.094 kg vs 0.115 kg) in the amount of carbon emissions released per passenger kilometre in 2022 compared to 2021. Irrespective of this, 7.3% of total flights were operated as ACMI-IN leases (Aircraft, Crew, Maintenance, and Insurance coming in from other companies).

To reduce the negative impact from its fuel consumption, airBaltic focuses on several mitigation actions: the use of SAF, making continuous flight operation efficiency improvements that lead to reduced fuel consumption, switching to an electric ground vehicle fleet, and offsetting CO<sub>2</sub> emissions.

Further improvements would require a further increase in the cabin load factor along with a gradual increase in the use of sustainable aviation fuels.

## ENVIRONMENT AND CLIMATE IMPACT



### Direct energy consumption / jet fuel

	2022*		2021		2020	
	non-renewable	renewable	non-renewable	renewable	non-renewable	renewable
Jet fuel, kg	133 626 740	6 147 090	58 053 668	201 992	57 903 660	352 000
Jet fuel, GJ	5 765 994	265 247	2 505 016	8 716	2 478 277	15 294

A portion of the Company's greenhouse gas emissions arose from vehicle operations that use gasoline and diesel fuel. This included the fuel consumption of vehicles owned by airBaltic and used by the Technical and Ground Operations departments and Top Management before they were

replaced by electric vehicles in 2022. The CO<sub>2</sub> emission factors for ground vehicles were 74 tCO<sub>2</sub>/TJ for diesel and 71.18 tCO<sub>2</sub>/TJ for gasoline vehicles\*.

\* In accordance with the Cabinet of Ministers regulation No. 42

### Direct energy consumption / ground vehicles fuel

	2022	2021	2020
Ground vehicles fuel consumption (diesel), GJ	1 788.74	1 999.33	1 449.57
Ground vehicles fuel consumption (gasoline), GJ	30.67	45.62	33.06
<b>Total, GJ</b>	<b>1 819</b>	<b>2 045</b>	<b>1 483</b>
<i>Value in previous reports, GJ</i>		1 558	1 548
CO <sub>2</sub> emission factor for diesel, tCO <sub>2</sub> /TJ	74	74	74
CO <sub>2</sub> emission factor for gasoline, tCO <sub>2</sub> /TJ	71.18	71.18	71.18
CO <sub>2</sub> emissions from diesel vehicles, tCO <sub>2</sub> equivalent per year	132.37	147.95	107.27
CO <sub>2</sub> emissions from gasoline vehicles, tCO <sub>2</sub> equivalent per year	2.18	3.25	2.35
<b>CO<sub>2</sub> emissions from ground vehicles fuel consumption, tCO<sub>2</sub> equivalent per year</b>	<b>134.55</b>	<b>151.20</b>	<b>109.62</b>
<i>Value in previous reports, tCO<sub>2</sub></i>		105.47	90.67



In 2022, the company transitioned to a unified calculation methodology that analyses the same data as the energy audit. The emission factors and ratios for CO<sub>2</sub> calculations were also revised. To ensure the ability to compare results, the calculations from the previous year were adjusted applying the same approach.

### SUSTAINABLE AVIATION FUEL

airBaltic shares the industry opinion and believes that SAF will play a crucial role in ensuring the future of the aviation industry and will help everyone involved to decrease their impact on the environment, which is why the Company is planning on continuous increases in its use of SAF in 2023 and beyond.

Following the latest industry resources and regulatory requirements to ensure that its environmental footprint was reduced, in 2022 airBaltic significantly increased its use of SAF to 6 150 metric tons (202 metric tons in 2021). The airline is continuously working on other activities to promote and use alternative and more sustainable aviation fuels, including biofuels. Such a result has been achieved in cooperation with various different fuel providers within airBaltic's network. airBaltic continues to explore and work with multiple other stakeholders to accelerate the commercialisation of SAF.

According to the IATA study "SAF Readiness Index 2022", placed airBaltic in the European top 28. Almost 300 airlines took part in this study, and each of them could potentially receive a maximum score of 127 points, which was subsequently broken down into a weighted score (0–5) for each of the following categories: SAF Strategy, Experience, Knowledge, Organisational Structure, and SAF Proximity. This result once again proves that the Company is on the correct path to achieve its own goals and those set by the industry.

### FLIGHT OPERATIONS (FUEL) EFFICIENCY

Saving one kilogram of jet fuel prevents the release of 3.15 kilograms of CO<sub>2</sub> into the air. Therefore, measures to continuously improve flight efficiency are crucial and require daily collaboration between Flight, Maintenance, Dispatch, and Ground Operations teams.

In 2022, airBaltic continued to apply such previously implemented fuel efficiency initiatives as:

- decreasing the distance flown per sector through initiatives such as Take-off in Direction of Flight, thus decreasing the overall fuel consumption and emissions of CO<sub>2</sub>;
- decreasing aerodynamic drag and fuel consumption by

implementing Reduced Flaps Take-off and Landing procedures, which also result in fuel savings, as determined by comparing them to traditional full-flaps landing and increased-flaps take-off for the same distance;

- conducting Required Navigation Performance with Authorisation Required (RNP AR) approaches, which were initially introduced in August 2021 and lead to more efficient arrival routing and reductions in noise and carbon dioxide emissions;
- reducing the engine force required for deceleration by using Idle Reverse during runway operations;
- using a Single Engine Taxi-In policy at large airports with extended taxi times, which involves shutting down one engine shortly after landing and taxiing to the parking stand using only one engine;
- using an Electronic Flight Bag (EFB, iPad) solution, which, by replacing paper-based materials, reduces aircraft weight, which in turn reduces fuel consumption. As a secondary benefit, limiting paper documentation also reduces the amount of printing needed;
- increasing fuel efficiency by promoting overall pilot awareness and compliance with existing fuel efficiency programmes.

The most important new achievements of 2022 were as follows:

- specific fuel flow factor calculations were implemented to gather accurate fuel consumption data for each aircraft and optimise fuel planning;
- the addition of a new Weight & Balance module to the EFB now enables digital calculations of the load sheet, which was another step towards a paperless cockpit;
- RNP AR approaches are now being used in several airports within the airline's network that offer this possibility, e.g. Stockholm Arlanda Airport, Oslo Gardermoen Airport, Trondheim Airport, and Gothenburg Landvetter Airport;
- efforts were also made to implement RNP AR approaches at the Tallinn and Vilnius bases.

To analyse jet fuel consumption in 2022 (see table below), seven initiatives with the highest impact on fuel consumption were studied: Reduced Flaps Landing, Reduced Flaps Take-Off, Idle Reverse, Single Engine Taxi-In, Paper to EFB, RNP AR Approach, and Extra Fuel Reduction. The only initiative that had a reduced effect on the fuel savings per flight compared to the previous year was Single Engine Taxi-In, due to a decision to increase the engine cool-down time after landing. For the rest of the initiatives, the main impact was achieved due to the increased precision, reliability, and familiarity of the pilots with the procedures, resulting in a higher frequency of usage and improved overall accuracy.

**Reductions in direct energy consumption**

	2022	2021	2020
Jet fuel, kg	1 825 383	955 448	600 610
Jet fuel, GJ	79 402	41 561	26 126
Per flight*, kg	53.46	41.40	38.93
Per flight*, GJ	2.33	1.80	1.69
<b>Total</b>	<b>79 402</b>	<b>41 561</b>	<b>26 126</b>

Disclaimer\*: The number of flights may not match the reported total number of flights due to the filtering out of non-applicable flights (flights with no data, non-commercial, restricted due to weather, operated by another airline, etc.). ACMI-IN flights, which account for 7.3% of total flights, are not included due to unavailable data from the operating airlines.

This data shows that airBaltic has reduced its direct energy consumption even further and has saved 53.46 kg of jet fuel per flight (savings increased by 29% for each flight compared to 2021). The improvement is even greater if compared in total numbers (an increase of 91%), due to considerably more flights performed.

Additional improvements are planned in 2023, such as providing digital devices to all cabin crew, introducing a fuel efficiency mobile app for pilots, and digitising fuel-related documents and records.

**COMPLIANCE WITH CO<sub>2</sub> REGULATORY REQUIREMENTS**

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

**ELECTRIC CAR FLEET**

As an additional measure to reduce energy consumption and offset carbon, in late 2021 the Company decided to gradually switch its ground vehicle fleet to electric cars. Since then, the Company has purchased 23 electric vehicles, which are used for technical, ground operations, management, and administration purposes. Additionally, 25 charging stations have been installed on the apron and in office parking areas.

**Electric vehicles purchased**

	2022	2021
<b>Number of electric cars purchased</b>	<b>21</b>	<b>2</b>
<b>Number of charging stations installed, incl.:</b>	<b>18</b>	<b>7</b>
Apron / technical areas	4	7
Office parking	14	0

The portion of the airline’s greenhouse gas emissions from vehicle operations have been reduced, and it is estimated that annual carbon emissions will be offset by approximately 2.88 tons per unit for management and administration vehicles and 2.32 tons per unit for technical vehicles annually.

**Reduction in greenhouse gas emissions**

	CO <sub>2</sub> emissions per unit, tons	CO <sub>2</sub> emission reduction per year, tons	
		2022	2021
Electric vehicles (technical)	2.32	18.56	4.64
Electric vehicles (management)	2.88	37.44	0
<b>Total CO<sub>2</sub> reduction from electric car use, tons:</b>		<b>56.00</b>	<b>4.64</b>

### INDIRECT GREENHOUSE GAS EMISSIONS (SCOPE 2)

airBaltic's Scope 2 emissions are calculated based on energy consumption in the buildings and facilities that the company owns. For real estate and ground vehicles, the Company has since 2017 implemented the ISO 50001 energy management system. Accordingly, energy efficiency calculations are made by the Internal Energy Management Task Group. External monitoring, certification, and auditing are provided by Bureau Veritas, an external energy auditor.

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

Each year, airBaltic executes an internal energy audit in accordance with ISO 50001:2018 (last performed on May 15, 2022), a management review (last performed on September 30, 2022), and an independent external audit (last performed on September 28, 2022). The Company's energy management system has been deemed effective and in compliance with the standard.

The majority of the offices and buildings owned by airBaltic are heated by natural gas and diesel fuel. In 2022, the combined CO<sub>2</sub> emissions arising from the consumption of electricity (186.56 t CO<sub>2</sub>) and heating energy (377.44 t CO<sub>2</sub>).



Indirect energy consumption

	2022*		2021		2020		2019	
	non-renewable	renewable	non-renewable	renewable	non-renewable	renewable	non-renewable	renewable
Facilities electricity, MWh	1 711.61	0	1 507.13	0	1 249.22	0	1 303.74	0
<i>Value in previous reports</i>			1 321.88	0	1 323.10	0	1 303.74	0
Facilities electricity, GJ	6 161.78	0	5 425.66	0	4 497.20	0	4 693.47	0
<i>Value in previous reports</i>			4 758.80	0	4 763.20	0	4 693.50	0
Facilities heat, MWh	2 129.83	0	2 469.71	0	2 161.00	0	2 625.95	0
<i>Value in previous reports</i>			2 151.30	0	2 590.30	0	2 613.16	0
Facilities heat, GJ	7 667.39	0	8 890.95	0	7 779.61	0	9 453.43	0
<i>Value in previous reports</i>			7 744.70	0	9 325.10	0	9 407.40	0
<b>Total, GJ</b>	<b>13 829.17</b>	<b>0</b>	<b>14 316.61</b>	<b>0</b>	<b>12 276.81</b>	<b>0</b>	<b>14 146.90</b>	<b>0</b>
<i>Value in previous reports</i>			12 503.50	0	14 088.30	0	14 100.90	0

\* Calculations about 2022 were performed on a date prior to the energy audit verification.

Disclaimer: The report presents data for 2019-2021 that has been verified by the energy audit. Since sustainability reports are typically prepared prior to energy audits, the data verified by the energy audit was not available during the preparation of the report, and the results may vary based on recommendations from the energy auditor.

The calculation of CO<sub>2</sub> emissions is based on energy consumption multiplied by the corresponding emission factor ratio. The CO<sub>2</sub> emission factors for heating are 55.44 (tCO<sub>2</sub>/TJ) in 2022<sup>1</sup> for natural gas and 0.27 tCO<sub>2</sub>/MWh for diesel fuel<sup>2</sup>. The CO<sub>2</sub> emission factor for electricity is 109 g/kWh.<sup>3</sup>

<sup>1</sup> In accordance with the Latvian Environment, Geology and Meteorology Centre Methodology for calculating CO<sub>2</sub> emissions from stationary fuel burning (2023)

<sup>2</sup> In accordance with the Cabinet of Ministers regulation No. 42.

<sup>3</sup> In accordance with the Cabinet of Ministers regulation No. 222.

## ENVIRONMENT AND CLIMATE IMPACT

### CO<sub>2</sub> emissions from indirect energy consumption, tons

	2022*	2021	2020	2019
CO <sub>2</sub> emission factor for electricity, tCO <sub>2</sub> /Mwh	0.109	0.109	0.109	0.109
<b>CO<sub>2</sub> emissions from electricity consumption, tCO<sub>2</sub> equivalent per year</b>	<b>186.56</b>	<b>164.28</b>	<b>136.17</b>	<b>142.11</b>
<i>Value in previous reports</i>		264.4	264.6	260.7
CO <sub>2</sub> emission factor for heating, natural gas, tCO <sub>2</sub> /TJ	55.44	55.52	55.46	55.56
CO <sub>2</sub> emissions from heating, natural gas, tCO <sub>2</sub> equivalent per year	376.95	439.81	387.85	481.90
CO <sub>2</sub> emission factor for heating, diesel fuel, tCO <sub>2</sub> /MWh	0.27	0.27	0.27	0.27
CO <sub>2</sub> emissions from heating, diesel fuel, tCO <sub>2</sub> equivalent per year	0.49	0.49	0.49	0.49
<b>CO<sub>2</sub> emissions from heat consumption, tCO<sub>2</sub> equivalent per year</b>	<b>377.44</b>	<b>440.30</b>	<b>388.35</b>	<b>482.39</b>
<i>Value in previous reports</i>		430.3	518.1	522.6
<b>Total CO<sub>2</sub> emissions from indirect energy consumption,</b>	<b>564.01</b>	<b>604.58</b>	<b>524.51</b>	<b>624.50</b>
<i>Value in previous reports</i>		694.7	782.7	783.3

\*Calculations for 2022 were performed on a date prior to the energy audit

verification.

Disclaimer: The report presents data for 2019–2021 that has been verified by an energy audit. Since sustainability reports are typically prepared prior to energy audits, the data verified by the energy audit was not available during the preparation of the report, and the results may vary based on recommendations from the energy auditor.

To monitor its energy performance, airBaltic has set energy performance ratios that are audited every half year: electricity MWh / m<sup>2</sup>; MWh / number of aircraft serviced (in hangars); MWh / t (cargo centre); heat energy MWh / m<sup>2</sup>, and transport energy MWh / 100 km.

Scope 2 energy efficiency monitoring ratios

	Unit of measure	2022*	2021	2020	2019
Energy consumption changes in the training centre	% of 2019, MWh/m <sup>2</sup>	0.0192	0.0185	0.0214	0.0209
Energy consumption changes in the cargo centre	% of 2019, MWh/m <sup>2</sup>	0.0054	0.0057	0.0051	0.0067
Energy consumption changes in Maintenance Hangar 1	% of 2019, MWh/tons	0.0147	0.0194	0.0224	0.0126
	% of 2019, MWh/m <sup>2</sup>	0.0039	0.0038	0.0038	0.0044
Energy consumption changes in Maintenance Hangar 2	% of 2019, MWh/aircraft	0.2480	0.2082	0.1422	0.1527
	% of 2019, MWh/m <sup>2</sup>	0.0055	0.0040	0.0009	0.0009
	% of 2019, MWh/aircraft	0.4130	0.2316	0.0577	0.0482

\* Calculations about 2022 were performed on a date prior to the energy audit verification.

To mitigate the greenhouse gas emissions arising from the energy consumption of its buildings, the Company provides relevant educational training to its employees, process optimisation that leads to better work performance, and gradual investments in more energy-effective lighting. Only significant energy increase was experienced in one of the maintenance hangars. The main reason for that is increase in work demand for A220 base maintenance and execution of Q400 redelivery works which are with higher energy consumption and lead to electricity consumption increase. The rest of the buildings experienced non-significant (+/-5%) changes in energy consumption.

In order to effectively manage energy consumption, reduce costs, and prioritise employees' well-being, the Company demands that all new building designs meet or exceed the 'very good' level of energy-efficiency standards, such as those set by BREEAM.

WASTE

WASTE MANAGEMENT AND CIRCULARITY

Waste management in aviation is a complex process, because waste comes from several sources and locations: offices, maintenance activities, ground operation activities, tenants, etc. Waste also comes from flights and includes both actual waste and so-called unwanted or useless products, which are materials and substances that have been produced during the preparation or operation of flights and are no longer usable.

In aviation, waste management is subject to specific regulations and must comply with established requirements for waste handling, storage, transport, and disposal. airBaltic is committed to adhering to aviation waste management regulations as well as minimising waste output.

The waste generated by airBaltic is managed by third parties on a contract basis. Third parties are also responsible for waste collection. The Company's Technical and Administration departments are responsible for handling waste streams, maintaining waste storage areas, tracking generated waste, waste stream monitoring and analysis, and overseeing waste removal by licensed contractors in accordance with the applicable regulatory requirements. The most precise data source about waste amounts are the monthly invoices that airBaltic receives from the environmental management companies. These show the generated

amount of the specific waste over each month. After that, data is collected and entered into a database to later be analysed for identifying waste reduction opportunities.

**WASTE GENERATION AND SIGNIFICANT WASTE-RELATED IMPACTS**

airBaltic manages various waste streams from its operations and maintenance. The Company continually encourages its employees to sort household waste, mixed packaging, and batteries. Sorting of electronic devices and hazardous waste is mandatory for all employees.

Several categories of waste are already sorted in the airline’s offices, such as household waste, mixed packaging waste, batteries, and electronic devices.

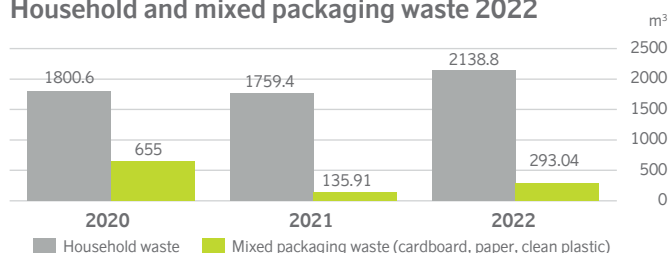
The Technical department employees handle chemicals and other materials and sort/recycle hazardous waste. This is mainly produced in the Technical department, which takes care of the fleet. This work requires the use of various chemicals and other materials, and it is each employee’s duty to properly use and store (for the short-term) hazardous waste in specified locations, afterwards handing the waste over to airBaltic’s partners in hazardous waste management.

At the end of 2022, airBaltic went a step further and switched to more accessible recycling options in all of its offices. By 2023, all standard trash cans would be fully replaced by several recycling points on each floor.

**HOUSEHOLD AND MIXED PACKAGING WASTE**

As the table shows, the amount of household and mixed packaging waste has increased in 2022. COVID-19 restrictions in the first quarter required the use of paper cups and disposable tableware. As soon as the restrictions were lifted, in April 2022, 80% of the paper cups were replaced with glass cups for multiple use. The use of disposable tableware in kitchens was eliminated as much as possible. Until June 2022, household and mixed packaging waste in the apron area was managed on a contract basis by a third party, namely, Riga International Airport. Starting from June 2022, airBaltic took over the management of that waste as well. As a result, the amount of household waste and mixed packaging increased.

**Household and mixed packaging waste 2022**



	2022	2021	2020
<b>Household waste, m³</b>	<b>2 138.8</b>	<b>1 759.4</b>	<b>1 800.6</b>
<i>Value in previous reports</i>		473.22	443.52
<b>Mixed packaging waste, m³</b>	<b>293.04</b>	<b>135.91</b>	<b>655</b>
<i>Value in previous reports</i>		39.32	487.52

\* Data for household and mixed packaging waste includes all airBaltic offices (airBaltic headquarters and the airBaltic Technical department apron area) as well as subsidiary offices (airBaltic Training Centre and Baltic Cargo Centre).

During this year’s environmental report cycle, airBaltic covered and corrected errors in household and mixed packaging waste data disclosure for the years 2020–2021. For the years 2020–2021, household and mixed packaging waste data were not complete, as they did not include waste data from airBaltic subsidiary offices (airBaltic Training Centre, Baltic Cargo Centre and Apron zone); also, there were inconsistencies with the correct data measurement methodology. This year, the household and mixed packaging waste data have been recalculated to represent all airBaltic offices, including subsidiaries.

A significant part of recycled waste at the Company is paper waste, including documents that must be destroyed. In 2022, the amount of paper waste decreased because the majority of the archived documents had been sorted and scanned and the unnecessary ones destroyed already in 2021.

**Destroyed documents, kg**

2022	2021	2020	2019
1 229.6	4 361.7	866.1	1 179.2

## ENVIRONMENT AND CLIMATE IMPACT

The amount of recyclable, and specifically paper, waste significantly decreased in 2022. The main reason was a reduction in the overall amount of waste. airBaltic has automated several systems and internal processes, such as switching from paper reports to electronic data, thus reducing paper consumption and therefore also its waste. There has been a shift due to remote work trends as well. The increase of remote work caused by COVID-19 restrictions and now the flexible work scheme (an opportunity to work from home offered by the Company)

has led to a decrease in paper waste in the office, including recyclable packaging.

### HAZARDOUS WASTE

airBaltic is obliged to strictly follow the rules of hazardous waste management. In 2022, the airline handed over an amount of 40.7 tons of hazardous waste for recycling. All of this waste was generated by the Technical department's processes. A detailed overview can be seen in the table.

Waste code	Hazardous waste type	Unit	Amount	
			2022	2021
80111	Organic solvents and other dangerous substances contain paint and varnishes. Particularly dangerous	t	0	0.915
161001	Water containing liquid wastes containing dangerous substances	t	38.46	28.12
160120	Glass	t	0.06	0.092
1000026	PBE (Protective Breathing Equipment)	t	0	0.012
160213	Discarded equipment containing hazardous components other than those mentioned in 160209, 160210, 160211 and 160212	t	0	0.009
160303	Inorganic wastes containing dangerous substances	t	1.544	0.079
200136	Other waste electrical and electronic equipment not included in classes 200121, 200123 and 2001355	t	0.46	0.25
130208	Motor oils, gear oils and other oil types	t	0	0.43
160708	Waste containing petroleum products	m <sup>3</sup>	1	0
200121	Light bulbs	t	0.13	0
n/a	Construction debris	m <sup>3</sup>	178.5	36



**INFLIGHT WASTE**

Inflight waste is handled by a third-party supplier with whom airBaltic has signed an agreement. Food waste produced from the consumption of food and drinks on board is handed over to the catering company after the flight. The rest of inflight waste is handed over to a cleaning company. The supplier is obliged to separate cardboard materials from other waste.

The food catering waste management process is mainly controlled by the supplier and follows requirements effective in the relevant country. Stricter regulations are enforced on flights arriving from third countries, where requirements are also controlled by the Food and Veterinary Service.

The amount of food waste is still a significant problem in the aviation segment, as, due to hygienic regulations, all unused food from flights must be handled as waste. airBaltic has invested in promoting meal pre-orders to reduce the waste of unused food. This means that the meal preparation and delivery process is planned already before the flight and generates less food waste.

**Food waste\*: % of total inflight waste**

2022	2021	2020	2019
38%	38%	42%	45%

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

The catering supplier also has set sustainability goals. In regard to the preparation of catering for airBaltic flights, several changes have been implemented and established in the supplier’s internal processes to reduce the total amount of waste produced, such as more efficient use of water and electricity and increased efficiency in production planning.

airBaltic is planning to implement several new projects in 2023, such as waste sorting and changes in its menu as well as in the packaging for its buy-on-board products.

**NOISE**

In 2022, airBaltic operations encountered five potential noise abatement infringements (versus 1 in 2021): three of these were encountered upon departure from Barcelona airport in Spain (two by a contracted ACMI operator, one by airBaltic). The other two were from operating an airBaltic Airbus A220-300 aircraft to Naples. Such infringements may take place while avoiding thunderstorm clouds or following other air traffic control guidance. airBaltic’s operational department maintains close cooperation with each reporting airport authority to identify factors affecting such events and further develop crew guidance to minimise future deviations from locally implemented noise control and reduction procedures.



## SERVICE AND CUSTOMER EXPERIENCE

High-quality services and customer satisfaction are one of the top priorities of airBaltic. Therefore, the Company is constantly evaluating and improving the quality of its services. This aligns with airBaltic's vision and with its core values – We care. We deliver. We grow. – which are deeply integrated into the Company's services and activities.

airBaltic operates in accordance with its Customer Service Commitment, which provides a clear guideline on customer expectations during smooth operations and, on rare occasions, during irregular ones as well. High customer satisfaction is seen as a part of the airBaltic success story, which in turn positively affects the local economy and therefore has a positive societal impact.

All departments at airBaltic are involved in ensuring high-level service and excellent customer experience at each step of the passenger's journey. Passenger requests and questions are managed by experienced Call Centre agents directly, or they are assisted via social media platforms by the Social Media Support team. The Customer Relations Department monitors passenger feedback and satisfaction. Such a diversified approach ensures that requests are answered and the necessary assistance is provided as soon as possible.

Constant service quality monitoring is key for further development, which is why relevant data is regularly collected and evaluated. Service quality is monitored daily and based on direct passenger feedback via after-flight surveys. This allows the Company to identify existing challenges on a regular basis and put measures in place immediately to mitigate the problem or improve the respective service.

For example, after flight survey results helped to shape new initiatives on providing passengers with self-service opportunities at all stages of their journey. First steps have already been taken by introducing customers to self-service opportunities on airBaltic's website under the Manage My Booking section. It allows passengers to overview their reservation, check flight information, and add additional services such as baggage, sports equipment, seat reservation, meals, insurance, etc. Currently airBaltic is working on the development of a self-service portal for irregularities. Customers will be able to review all changes pertaining to planned flights and select the most suitable alternatives. The next project will be allowing voluntary flight changes to be made via the self-service portal.

Another project is the full redesign of the Extra Services purchase flow on airBaltic's website. This will streamline the flight booking process and allow customers to flexibly combine their preferred extras.

### PUNCTUALITY

In 2022, the global aviation industry was operating in a challenging environment. Disruptions, resource constraints, and the ongoing impact of the COVID-19 pandemic had affected many airports. The summer of 2022 was a particularly difficult time: airports and airlines were impacted by the shortage of workforce, which made it hard to keep up with the rapidly increasing demand for travel. As the restrictions related to the COVID-19 pandemic were lifted, airlines, including airBaltic, began to restore their flight capacities. As a result, the performance of these carriers came under scrutiny from analysts and passengers. Despite the difficult circumstances, airBaltic managed to maintain a high level of service.

Flight punctuality is the second-most important quality (after all safety aspects) that airBaltic's passengers appreciate the most. An important driver for maintaining a high level of punctuality is a complete understanding of events that may influence an airline's on-time performance and the implementation of an alternative in the case of serious operational shortcomings. A thorough post-flight analysis is also essential in this regard.

In 2022, airBaltic's flight regularity rate within the operational period was 99.1% (in 2021: 98.6%), and its internal cancellation rate was set at 99.0%. The main cancellation reasons were technical and weather related.



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**In 2022, airBaltic had a punctuality rate of 71.73% (84.9% in 2021) for flights departing or arriving within 15 minutes of their scheduled time.**

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Here, it is important to note that the aviation industry is still recovering from the effects of the pandemic. Analysis of the statistics shows that the main causes of delays were restrictions at departure or arrival airports, such as limited availability of airport slots and aircraft rotations as well as technical issues and ground operations at outstations.

If a flight is delayed or cancelled, airBaltic arranges for customers to be transported to the destinations indicated on their ticket on the earliest available alternative flight with open seats. If the alternative options do not meet the customer's preferences, airBaltic offers a full refund for the unused ticket. Additionally, airBaltic provides assistance in cases of flight irregularities, such as providing meals and refreshments, arranging hotel accommodation and transportation to and from the hotel (if needed), and offering free communication options.



For 2023, airBaltic is committed to maintaining high standards in all aspects of the passenger experience, with safety being the top priority. This is followed by product offers and service, from safety and punctuality to convenience.

There is a growing sense of optimism in regard to recovery within the travel sector, as new aircraft orders have been placed, new routes announced, and labour challenges appear to be gradually subsiding.

### MARKETING COMMUNICATION

Relationships with customers and mutual trust has always been one of the airline's main focuses. In order to reach over 3.3 million customers, the Company uses a combination of various marketing channels.

airBaltic believes it is its responsibility to make sure that communication with its customers follows consistent principles and standards. All marketing activities of airBaltic are always legal, decent, honest, and truthful.

When advertising the Company's services, the highest possible transparency is applied. This means that airBaltic takes full responsibility for transparent pricing and clear ticket rules, product availability in all channels, a user-friendly internet booking engine, and customer service.



Customer service is available on social media (airBaltic's pages on Facebook, Twitter, and LinkedIn) and via the Call Centre. Here airBaltic helps its customers with information about the airline's products and services and answers specific enquiries about bookings. All employees in these departments use a specific tone of voice to keep the marketing communication friendly, focused, and easy to understand.

Undeniably, the airline's Call Centre plays a significant role in providing high-quality services. It employs around 100 specialists, who on a daily basis handle incoming calls, messages, and e-mails in seven languages (Latvian, Lithuanian, Estonian, English, German, Finnish, and Russian). Throughout 2022, the Call Centre served a total of around 1.14 million inquiries (1.07 million in 2021).

Questions and inquiries regarding airBaltic operations are also received on social media. Last year, the airline's social media support specialists engaged in around 31 thousand interactions. At the same time, the total number of followers on the company's most powerful communication channels – Facebook, Instagram, Twitter, LinkedIn, and TikTok – increased from 588 thousand (January 2022) to almost 865 thousand (December 2022). The highest rise was recorded on TikTok, from 8.3 thousand to more than 228 thousand followers.

Within the last couple of years, airBaltic has taken digital marketing to the next level in order to meet its ambitious business and corporate targets. With a strong presence in its home markets (the Baltics and Finland) and a strong need to grow sales and brand awareness outside its core market, airBaltic is using the most modern digital tools, on-demand customer intelligence, and marketing platforms.

In the past few years, airBaltic has been in a strategic partnership with Google and Meta and has had the opportunity to utilise their newest targeting possibilities and creative formats. In 2022, the Company was the first in the Baltic travel sector to add the new Performance Max campaign type to its Google Ads strategy. The campaign's results showed a 77% increase in flight bookings and a 300% return on ad spending compared to performance focused on display campaigns that were running parallel to the new campaign type. A case study about this has been published in Google's internal database.

airBaltic also launched several new advertising campaign types on Meta channels in 2022. One consisted of branded content ads in cooperation with popular influencers from the Baltics in order to increase the reach of the sales campaign message and generate incremental bookings. This new campaign type showed almost seven times less cost per acquisition than traffic ads in the same countries. The Company also added automatic price overlay on dynamic remarketing ads on Meta, which improved the click-through rate to 0.76% (an increase of 0.15 points compared to before the introduction of price overlay), and tested Advantage+ automated app ads, which resulted in a 47% lower cost per app installation when targeting iOS14+ devices.

## SERVICE AND CUSTOMER EXPERIENCE

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Digital media is another powerful human resources tool for airBaltic. The Company's careers page and dedicated websites for various employee groups – cabin crew, pilots, technicians – have been created and advertised to gather new talent under airBaltic's wings. Social media has been a strong driver for talent acquisition, reaching more than one million users in vacancy advertisements and almost six million views on TikTok, showing everyday life at airBaltic.

airBaltic.com is the source of 63.8% of all airBaltic flight bookings (the same as in 2021). Although various travel retailers and travel agencies are now back in business, airBaltic's digital marketing efforts helped to keep the share of direct sales stable. Moreover, in 2022 the Company fully introduced New Distribution Capability (NDC), which allows travel retailers to sell airBaltic flight tickets directly with the airline and saves the distribution cost for the Company.

Mobile devices remain the most significant traffic source, accounting for almost 58% of sessions (60% in 2021). However, customers still rely on personal computers to book flights, with only 28% (29% in 2021) of flight bookings made on mobile devices.

Slowly but surely, the airBaltic Club Mobile app has become an important sales channel. In 2022, it delivered almost 38 500 bookings, which is more than a 5% share of all bookings done on the Company's website (compared to almost 8 thousand bookings and a little more than a 2% share in 2021).

To maintain fruitful and long-term relationships with customers, airBaltic has developed a loyalty programme, called the airBaltic Club, which is designed for every traveller. It offers clients to earn points while travelling and exchange them for various compelling rewards. airBaltic Club focuses purely on the travel industry, including the whole travel ecosystem into the programme, thus attracting travel-related partners that provide hotels, car rentals, and insurance. Points can be collected every time a customer flies

with airBaltic or uses the services of the programme's other partners, such as Booking.com, Rentalcars.com, LSG Sky Chefs, and others. To make the loyalty programme more attractive, airBaltic Club continues to expand its list of partners. The latest additions of partners to have joined airBaltic Club in 2022 are Cover Genius, which offers travel insurance; SIXT, which is one of the leading car rental companies in Europe; and KLM Royal Dutch Airlines and Air France, the largest European airline group.

To further digitalise the programme, a new loyalty point payment option has been introduced on airBaltic.com that allows airBaltic Club members to use their collected points to purchase tickets on the website. Now customers can buy a ticket by paying with a combination of cash and loyalty points.



**airBaltic-owned digital channels, such as newsletters and web and app push notifications, play an important role in the company's marketing mix. In 2022, almost 15% of all flight bookings came from direct media channels owned by the airline. The biggest share, with more than 63 thousand bookings, came from e-mails (up 94% from 32.5 thousand in 2021). As of the end of 2022, airBaltic's newsletter subscriber database consisted of 551 thousand active subscribers (up 17% from the end of 2021).**

As a result of the measures taken, there was no non-compliance with regulations regarding marketing communications in 2022, which is the same result as in 2021.

### OPEN AND TRANSPARENT COMMUNICATION

According to airBaltic's Business Ethics principles, all customers shall be served with respect and consideration for their individual needs and wishes. A respectful attitude towards customers is characterised by quality in all aspects, especially regarding safety, punctuality, and service commitment. Mutual respect, high emotional intelligence, a positive attitude, and service orientation are vital for both serving customers and creating a favourable working climate.

Transparency is also one of the core principles of airBaltic's Purchasing Policy, which requires that all tender documents must provide all necessary information to facilitate the submission of appropriate and competitive offers, and ultimately, to ensure fair competition. The Company's Purchasing Policy provides that personal gifts or benefits worth more than EUR 50 must never be accepted. In case of any doubt as to whether to accept or not, the VP Procurement and Administration must be consulted to decide on the matter.

Open and transparent communication is the foundation for creating trust and efficient cooperation between employees and the Company. To ensure that this communication persists and improves, every Tuesday the CEO of airBaltic organises an internal live stream broadcast hosted by himself and accessible to all employees via airBaltic's Intranet. During this broadcast, the CEO informs employees on the decisions taken by the Company's Top Management and the Executive Board, as well as briefs employees on other information or news that may affect the Company and the aviation industry. After the briefing, employees are given the opportunity to ask questions anonymously on any topics related to the Company, thereby providing an opportunity to communicate directly with the Company's Top Management regarding any problems or questions. This allows employees to confide in the Company and be assured that every opinion will be heard and that the Company's management will take any necessary steps to ensure the success of the Company and the wellbeing of its employees.

Reporting of any identified critical concerns to the Company's Executive and Supervisory Boards is regular and a naturally integrated part of the Company's information circulation. Where critical concerns are identified, they are reported at the Company's weekly Executive Board meetings and monthly Supervisory Board meetings. In certain cases, extraordinary meetings of the Executive and Supervisory Boards are also convened to report and assess such concerns. Upon assessing these concerns and determining

that they have a serious impact on the Company or its shareholders, the Company will also inform shareholders and other stakeholders of the existence of such concerns, the potential impact and a plan to address them. For example, in February 2022 the concerns raised by war in Ukraine were addressed in the order as described above.

### DATA PROTECTION AND CYBER SECURITY



The Company recognises the importance of protecting the privacy of its customers and takes the handling of personal data seriously. Customers entrust the Company with their personal information, and the Company is committed to treating that information with the care and respect.

The airline is committed to complying with all applicable regulations, including the General Data Protection Regulation No. 679/2016 (GDPR) and any relevant national laws, to ensure that personal data are processed and protected appropriately.

Transparency is prioritised as one of the core values in data protection efforts. airBaltic keeps its customers informed about how their personal information is used by regularly updating its privacy policy. In 2022, updates were made to reflect changes in data processing practices and provided more detailed information on topics such as phone call recordings and API data transfer. Additionally, the Company's recruitment privacy policy was updated to ensure that the Company provides clear and comprehensive information to potential employees. By doing so, airBaltic aims to build trust with its customers and employees and stay compliant with data protection regulations.

In 2022, airBaltic updated its use of cookies and similar technologies on its website and created a separate Cookie Policy to provide detailed information about how the data is being processed in relation to these technologies. Additionally, airBaltic established internal procedures for managing

cookies and other technologies on its websites to improve governance of such technologies.

Privacy and data protection are important for airBaltic, as the Company believes that protecting the data of its customers is not only crucial for compliance with applicable laws, but also essential for building and maintaining customer trust.

Therefore, airBaltic values data protection and aims to ensure ongoing:

- **Transparency** – airBaltic aims to become more transparent about data collection and processing so that data subjects have comprehensive information on how airBaltic processes their data. This information is communicated with data subjects through privacy policies, which are updated when necessary to reflect topical data processing activities carried out by airBaltic.
- **Lawfulness** – airBaltic respects data protection and privacy laws and takes steps to comply with obligations provided by such laws.
- **Security** – airBaltic believes that security is a cornerstone in maintaining the trust of customers. airBaltic takes steps to protect personal data pursuant to the industry standards, including having access control in place and encryption solutions, as well as updating security measures when necessary to comply with industry standards. For example, data entered by customers on airBaltic's website is protected through TLS cryptographic protocol, which ensures that data are encrypted according to up-to-date industry standards.

airBaltic has implemented various measures to ensure the above mentioned, including the establishment of a Privacy Programme and the appointment of a Data Protection Officer (DPO). The programme is managed by the DPO, who reports directly to the airline's top management. The Company also has policies and procedures in place, a process for reporting data security incidents, and provides training for employees on data protection rules. airBaltic strongly believes that employees need to be trained and provided with the latest information in the specific field.

In 2022, the DPO organised a training session for airBaltic's newly hired employees to ensure that also new employees are aware of and comply with airBaltic's data protection standards.



With IT threats growing within the aviation industry in 2022, the Company allocated additional resources to adapt. In addition to several investments in classical IT security solutions, the IT function was closely integrated into the incident handling process under the Emergency Response Organisation, strengthening the IT security role and emphasising its importance to the overall Company. The personnel resources directly related to IT security were increased by 50%.

Active steps were taken to improve and strengthen data security, including regular vulnerability scanning for servers and user devices, automated code security reviews, improved protection against DDoS attacks, and an expansion of the identity and access management process to include external users. The risk assessment process was also improved to better identify critical IT systems with direct relation to aviation safety, and the airline developed IT security and GDPR questionnaires for potential partners to assess their levels of IT security and GDPR compliance. These efforts are part of the improvement in information technology governance practices and reflect the Company's commitment to ensuring compliance with the ISO 27001 standard on Information Security Management.

The Company regularly conducts IT security audits with independent external partners to keep its security standards up-to-date. Additionally, the company participated in several other audits and inspections, which were successfully managed and resolved, including an IOSA audit and inspections by the European Commission and Civil Aviation Agency on IT security and risk management of critical IT systems.

The Company did not receive any substantial complaints last year – neither from outside parties, nor from regulatory bodies. There was one information request and a recommendation letter from regulatory bodies on phone call recordings, which was successfully resolved and improvements in privacy policy were implemented according to the recommendations.

In 2022, a data subject's request was received to access data and request to delete a date; however, we have not received substantiated complaints on the breaching of privacy from any customers.

There were no identified leaks, thefts, or losses of customer data with high-risk impact on data subjects.

### CUSTOMER AND PASSENGER FEEDBACK AND SATISFACTION

airBaltic aims to develop a great customer experience and offer high-quality and sustainable products and services. To reach this goal, it is highly important to receive feedback that is as differentiated as possible. Tracking passenger satisfaction levels in surveys and feedback via various channels (e.g., claims, social media, calls, etc.) is constantly monitored. Reported issues are rapidly addressed and mitigated to ensure that customer satisfaction levels do not decrease.

Since 2014, airBaltic, together with its partner Kantar, has been conducting an annual passenger retention survey to measure customer satisfaction and loyalty rate along the whole customer journey, from flight reservation until arrival at their destination and including post-flight services. Due to the impact of COVID-19 and restricted travel, surveys were not conducted in 2021 and 2022. A new customer retention survey is planned for March–April 2023, which will take into account and evaluate the emerging trends and needs of modern travellers.

Since June 2020, airBaltic has been collecting data for calculating its **Net Promoter Score** (NPS®) via after-flight surveys, which is a quick and easy way to report any concerns without any additional effort on the part of customers. Year on year, airBaltic has seen an increase in the response rate. In 2021, airBaltic sent out over 200 thousand survey links and received a 6% response rate (almost 12 thousand completed surveys), with an 11% response rate from VIP Club members. In 2022, these numbers grew. In 2022, airBaltic sent out over 440 thousand survey links and received a 7% response rate (around 32 thousand filled surveys). The response rate among loyal airBaltic customers with VIP Club status was even higher – 18%.

One of the questions airBaltic constantly tracks, is whether customers would recommend airBaltic based on their travel experience or NPS®. The airline's score for 2022 slightly decreased from 65 to 58. This was mainly caused by overall travel disruptions at airports across the globe that led to delays and flight cancellations. Unfortunately, during the summer of 2022, the global supply chain disruptions caused by the consequences of COVID-19 and the war in Ukraine had an impact on the availability of certain aircraft parts necessary for the airBaltic fleet. As a result, regular aircraft maintenance was delayed. To maintain connectivity according to our original flight plan and to meet the summer

travel demand, airBaltic temporarily leased a few additional aircraft. By informing passengers in advance about the aircraft change and offering discount vouchers for their next flights, airBaltic demonstrated its commitment to providing a positive customer experience. This type of transparency and proactive solution-finding can help build customer trust and loyalty.

The after-flight survey is one of the greatest tools for monitoring passenger satisfaction levels, as all the data and issues are available to stakeholders via a weekly report and the survey covers the kind of feedback that would not be received via traditional channels, e.g., calls or formal complaints.

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**In 2023, airBaltic plans to improve its after-flight surveys and make them more personalised based on the class of travel. airBaltic aims to strengthen the quality of its services by introducing surveys to address specific areas of the customer journey, such as inflight services and service received at the airport. This will help to improve the customer experience at each touchpoint.**



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In 2022, three customer service units – the Call Centre, Customer Relations, and Social Media Support – launched a new reporting system based on the customer journey principle in which all reported issues, customer requests, complaints, and reasons for contact were collected from all three divisions and attributed to the relevant stage of the customer journey. This reporting has helped to identify areas where improvement of the processes and more digitisation is required in order to enhance the customer experience and raise work efficiency within the relevant departments. Modern customers require more self-service and 24/7 access to their bookings. So airBaltic has developed a customer self-service portal that is scheduled for launch in Q2 2023. airBaltic will continue this reporting system also in 2023, as it allows for monitoring of the areas with the highest number of requests received and the defining of a roadmap for future improvements and the development of a customer's digital journey with airBaltic.





## EMPLOYMENT

The employment policy refers to the whole Group. The Group's Human Resources Department (HR) continues to support the Group's focus on environmental, economic, and social sustainability, implementing and developing initiatives that support the Company's core values and equal treatment principles. Initiatives to ensure a diverse, equal, and inclusive working environment have been recognised within the aviation industry globally by the IATA Diversity and Inclusion Award.

## EMPLOYMENT

### EMPLOYMENT POLICY

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



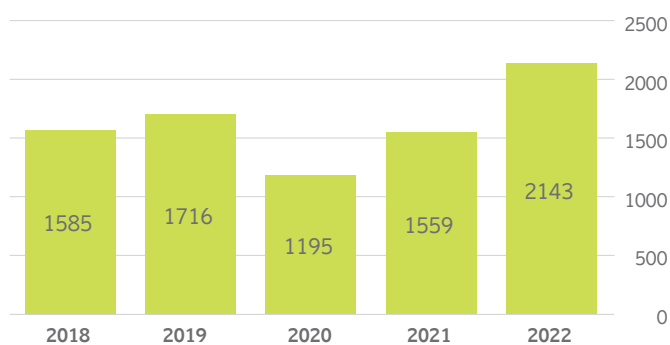
The main goal of HR is to make sure that the Company has the right talent in place at all times to efficiently achieve its business targets. This is ensured through strategic talent attraction, search and selection, employee integration, development, engagement, labour relationship practices, rewarding,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

HR processes are regulated by the Corporate Management Manual and Personnel Handbook.

### PERSONNEL

Compared to the end of 2021, the total number of Group employees in 2022 increased by 37%. By the end of the year, it had reached 2 143.

#### Total number of employees by period



Data as of December 31, 2022

This total of 2 143 employees (head count) consists of 47% female and 53% male employees. The Group employs people of more than 30 different nationalities, and the average age of the employees is 35. The highest growth in employment numbers in 2022 was within the Cabin Crew and Pilot division, followed by Operations and Maintenance personnel, which is in accordance with Company's strategy and business plan.

In 2022, the majority of the Group's employees were employed permanently and working for the European region. All business functions are covered by employees of the Group. The group does not rely on contracted workers (e.g., rented labour, subcontractors). Subcontractors only provide specific expertise and certain services, such as particular trainings.

#### Information on employees by gender and working time:

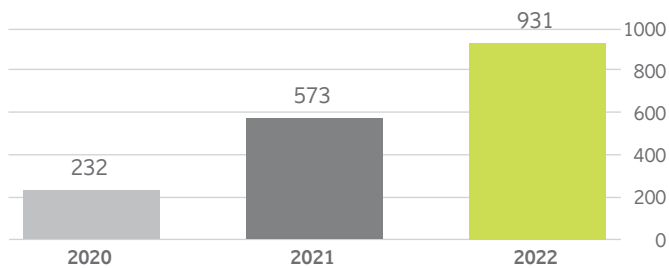
	Female		Male		Total	
	2021	2022	2021	2022	2021	2022
Number of employees	716	1 010	843	1 133	1 559	2 143
Number of full-time employees	644	924	832	1 122	1 476	2 046
Number of part-time employees	72	86	11	11	83	97

Data as of December 31, 2022

## EMPLOYMENT

In total, 931 new employees joined the Group in 2022, which is a significant contribution towards the Company's growth in the coming years. Of those employees, 66 are residents of Ukraine. After the start of the war in Ukraine, the Company proactively organised an online event in which more than 60 people received information about work and support opportunities for relocation and accommodation in Latvia, offered by the Company to employees joining from Ukraine. In cooperation with Latvian state institutions, the Company also participated in informative events for residents of Ukraine in Latvia.

### Total number of new employee hires by year



Data as of December 31, 2022

The gender split of the new hires is 48% male and 52% female. Of these new hires, 58% are under 30 years of age, and within this group, half of the employees are Cabin Crew members.

The Group ensures that employees who are willing or have a need to work part-time for better life-work balance have such an option as long as operational needs are ensured. On average, approximately 9% of female and 1% of male employees have part-time employment within the Group. The proportion of full-time vs part-time employees has not changed significantly, compared to 2021. Employees who work part-time are entitled to the same benefits and other conditions (e.g., insurance coverage, vacation days, industry-specific benefits, etc.) as full-time employees.

In 2022, the Company provided an opportunity for 184 trainees across the Group, mainly in the Cabin Crew department (85%), to gain practical work experience (to compare, over the course of 2021 such an opportunity was provided to 60 trainees). The Company sees traineeship as an opportunity to engage with the student community and give them a hands-on experience in real-life work situations. It is also

seen as a tool to attract new talent and build a talent pool for the airline's future needs. Cabin Crew training is offered as a possibility for aspiring future Cabin Crew employees to acquire knowledge and obtain accreditation in order to be hired as Cabin Crew by the Company.

In 2022, 332 employees left the Company (213 employees in 2021). Employees may choose to resign and thus leave the Company voluntarily, or their employment is terminated involuntarily due to dismissal, retirement, or death. It is important to understand employee turnover rate, which is an indicator of the percentage of employees who have left the company over a certain period of time (in this report, from January 1, 2022 to December 31, 2022). Turnover rate is calculated according to the following formula: the number of employees who left divided by the average number of employees during the respective period, multiplied by 100. Taking into consideration that the average number of employees within the Group in 2022 was 1 851, the total employee turnover rate was 17.9%, which was higher than in 2021, when the turnover rate was 15.5%. Out of all employees, a total of 266 employees left the Company voluntarily, and thus the voluntary employee turnover rate in 2022 was 14.4%. In 2021, the voluntary turnover rate was 10.7%.

To gain a better understanding of voluntary turnover trends, the Company regularly analyses the reasons why employees leave. The data shows that 52% of voluntary employment terminations in 2022 were due to personal family reasons (this was given as a reason for 24% of voluntary turnover cases in 2021), followed by 19% due to the employee having received a better job offer (only 10% of employees leaving mentioned this reason in 2021).

Due to the changes in the economic and political environment in 2022, there has been increased pressure on salary reviews in the market. To prevent higher turnover rates resulting from employees seeking better-paying jobs in an environment with 20% inflation, the company has reviewed salaries in order to support its employees.

The Group also provides various benefits to all Group employees to promote their well-being. In addition, all employees are entitled to parental leave and retirement provisions as prescribed by state legislation. At the moment, the Company provides no additional benefits (e.g., life insurance, disability and invalidity coverage, stock ownership, etc.).

**DIVERSITY AND EQUAL OPPORTUNITIES**

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

The Group has established and follows a strict non-discrimination policy in all personnel management aspects, including talent attraction, selection, and the hiring process. The non-discrimination policy is stated in the Personnel Handbook, by which every employee of the Group has to abide.

To improve the understanding of diversity and inclusion principles and the application of equal opportunities, all human resource managers have received training for a total of eight hours on these matters under the ALFA Leaders for Future initiative (hereinafter – ALFA).

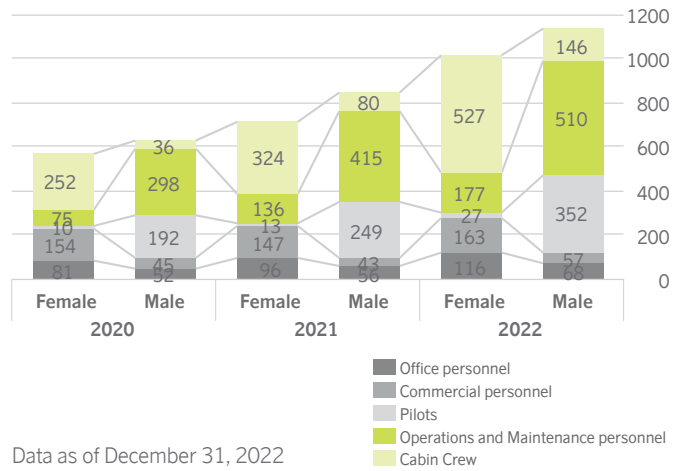
To increase employees’ integration, engagement, and sense of belonging, two business-language courses – English and Latvian – were offered to all employees as a new initiative in 2022. A total of 83 employees attended the Latvian-language courses and 100 employees attended the English-language courses in 2022 (each course was 57 academic hours long).

In 2022, the same as in previous year, there were no confirmed discrimination cases within the Group.

airBaltic has kept gender equality close to a 50/50 ratio across the Group since 2013. In 2022, the ratio between male and female employees was 53%/47%, respectively (to compare, in 2021 there were 54% male and 46% female employees). The gender ratio within the Top Management team has not changed since 2021 and remains at 45% female to 55% male team members.

The Group works purposefully to ensure equality of gender representation within all employee categories and limits a predominance of one gender. This is particularly the case for Pilots, Cabin Crew, and Operations and Maintenance personnel, where there is a clear dominance of females among Cabin Crew and many more males among Pilots and Operations and Maintenance personnel.

**Employees by categories and genders**

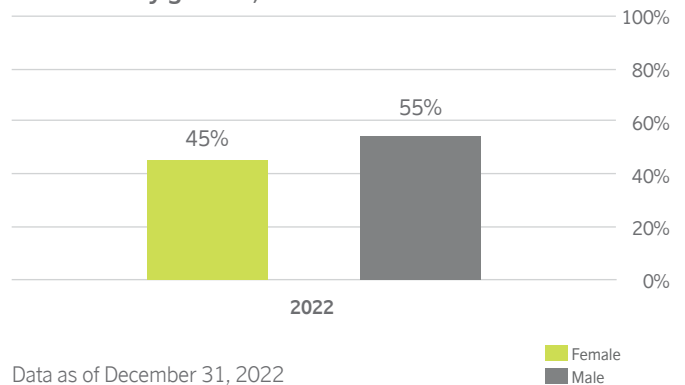


Data as of December 31, 2022

In 2022, the Company achieved improvement in gender proportionality in the Cabin Crew and Operations and Maintenance categories, increasing the proportion of female pilots from 5% to 7%, and achieved almost 50/50 equality among all senior-level roles.

As a result of the zero-discrimination policy implemented in all human resources management processes within the Group, the proportion of women and men represented at all managerial levels at airBaltic is currently close to 50/50. The gender proportion within the Top Management team currently is 45% female members and 55% male members.

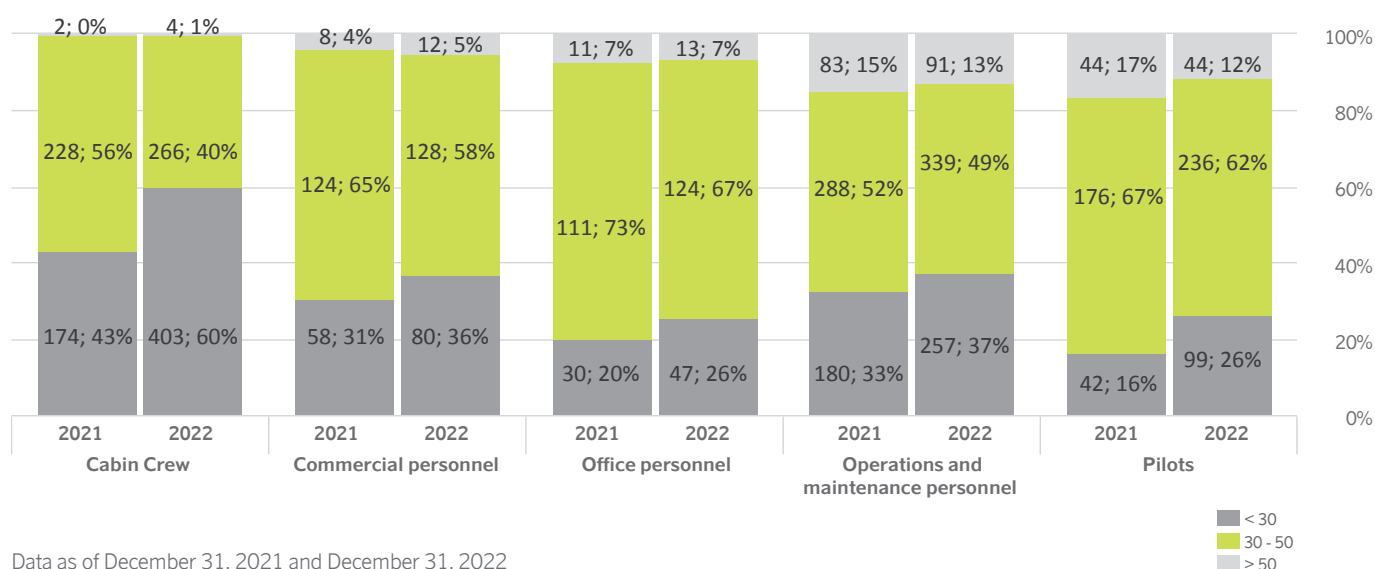
**Number and percentage of top management team members by gender, %**



Data as of December 31, 2022

## EMPLOYMENT

### Employee count by age group in 2021 and 2022



Data as of December 31, 2021 and December 31, 2022

The average age of Group employees is 35 years, which is the same as in 2021. The employee split by age groups in 2022 shows that 41% of employees are under age 30; 51% of employees are 30 to 50 years old, and 8% of employees are over 50 years old.

In all employee categories, the majority of employees fall in the 30–50 age group, except Cabin Crew, where 60% are under 30 years old. The Top Management Team is represented in two age groups: 30–50 years and 50 or older.

The Group's goal is to ensure gender equality. Therefore, according to the IATA 25by2025 gender diversity pledge, which airBaltic has signed, the Group has defined an aim to increase representation of women in managerial roles, women in Pilot and Technician roles, and men in Cabin Crew roles by 25% or reaching a total of 25%. The 25by2025 pledge is a global initiative that includes regular meetings with signatories to discuss issues and approaches towards diversity and inclusion in the aviation industry as well as to share experience and results of implemented actions. The signatories of the 25by2025 pledge provide yearly data on diversity and progress towards set targets. The Group's initiatives relating to gender diversity equalisation were recognised as IATA announced airBaltic the winner of its Diversity & Inclusion Team Award in 2022.

### LABOUR RELATIONS

Since 2009, airBaltic has been engaged in a Collective Labour Agreement with four trade union organisations, although Collective Labour Agreement conditions apply to all employees.

The Group maintains an active dialogue with all trade unions on current topics through monthly meetings and on a daily basis through a Sustainability Workplace Manager, who is the person responsible for coordinating employee representative relationships.

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

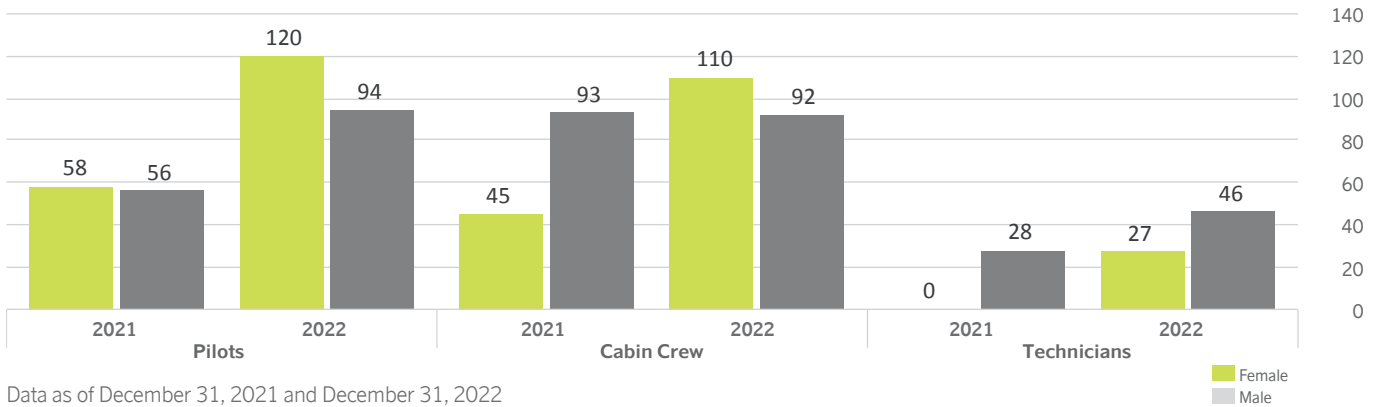
Usually a notice period of one month is provided to employees and their representatives prior to any significant changes that could substantially affect them.

As a socially responsible and sustainable company, in 2021 the Company initiated a review of the current Collective Labour Agreement with the aim of adjusting the contract in accordance with the latest developments and actual conditions in the labour market and business situation. In 2022, representatives of the Group and the trade unions worked together, gathering monthly to review previously agreed terms of the Collective Labour Agreement and to update it.

Particular Collective Labour Agreement enhancement was reached at the end of 2022. It was signed by two unions and all airBaltic group companies, thus agreeing to the following changes: the application of an extended probation period of five months for newly hired Cabin Crew, and an agreement on Group-provided engagement and wellbeing benefits for employees.

TRAINING AND DEVELOPMENT

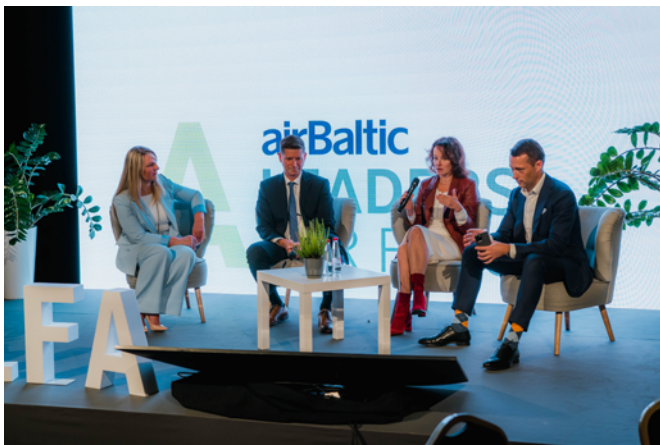
Training hours per employee by gender and employee category in 2021 and 2022



To maintain the qualifications required by and regulated within the aviation industry, Pilots, Cabin Crew, and Technicians undergo various recurrent training programmes on an annual basis.

The third group of 28 leaders and 11 high-potential employees, in total 39 people (64% female / 36% male), who were selected by the specially formed Assessment Centre, began their studies in the Leadership Programme in October 2022.

LEADERSHIP DEVELOPMENT



airBaltic’s ALFA programme has reached several important milestones in 2022. The goal of ALFA is to help airline employees sharpen their skills and talents in order to reach their career goals and contribute to the future success of the company. It consists of two separate parts – Leadership Programme for leaders and high-potential employees, and Personal Development Programme for any employee of the Group who is willing to voluntarily develop their knowledge and skills in various areas.

Concurrently, the ALFA Personal Development Programme, first introduced in September 2021 with six courses developed and provided to employees until December 31, 2021, has seen remarkable interest. In total, over 300 people have attended one or more of 11 courses offered in 2022. A total of 273 hours of training over 57 days of learning were organised and attended as part of the ALFA Personal Development programme.

In addition to training courses, the Company continued to advocate learning via its internal live discussion project called ALFA Talks. Over the course of 2022, the Company organised four discussion panels on the topics of How to Embrace and Leverage Diversity, NFTs and Blockchain, the Importance of Innovations in Business, and Flexible Work.

airBaltic’s internal coaching programme has been running steadily now for more than a year. In total, 14 internal coaches, certified by the European Coach Federation, have been actively offering and providing their services to all interested employees.

Since the launch of the programme in October 2020, it has grown significantly. In total, 178 people leaders and high-potential employees are actively enrolled the Leadership Programme (51% female / 49% male).

### EMPLOYEE HEALTH AND SAFETY

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

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

First, the Group identifies hazards and risk factors that have a potential to cause harm (hazard identification), then it analyses and evaluates the risk associated with each particular hazard (risk analysis and risk evaluation). The risk assessment is done by the Occupational Health and Safety Manager, who visits workplaces and evaluates work processes. As a part of the internal monitoring of the work environment, the Occupational Health and Safety Manager examines workplaces to identify potential work-related hazards. Employees of the respective workplace are involved in this process and are encouraged to give their opinion about the work conditions. The risk assessment is documented and signed by the Occupational Health and Safety Manager and the Occupational Physician.

In 2022, no complaints were received from employees regarding occupational health and safety. There were also no reprimands received from state institutions.

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

Four trade unions have elected Employee Representatives on Occupational Health and Safety who are invited to cooperate with the Group Occupational Health and Safety Manager to participate in the job risk assessment process and to propose ideas on how the work environment can be improved.

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

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

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

Employees may contact the Group Occupational Health and Safety Manager directly via phone or email to inform about any non-compliance. If they choose to remain anonymous for whatever reason, they can prepare an Employee Report (electronically via the intranet or a printed report that can be left in a special box that is not monitored by CCTV).

In addition, if an employee has experienced a work accident or is a witness to one, he or she shall inform the Group Occupational Health and Safety Manager as soon as possible.

The Group covers the expense of purchasing optics (glasses, rims, spectacle lenses, or contact lenses). In 2022, the processes of compensation of optics and mandatory health examinations of employees in the Company were reviewed and made more efficient. The revised and simplified procedure ensures that the employee receives compensation within a few days of submitting a receipt. This applies to all employees, including temporary and part-time employees.

### WORK-RELATED ACCIDENTS



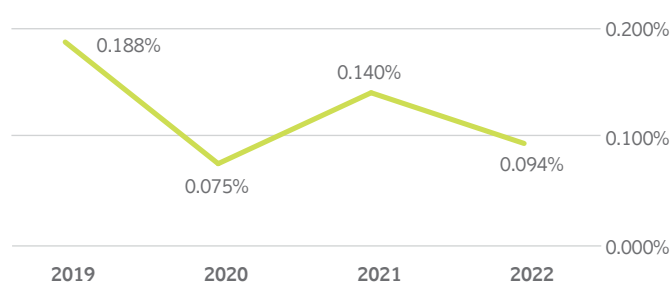
**Goal by 2025: To continue the reduction of work-related accidents by decreasing the rate of work accidents per million available seat kilometres (ASK) by 90% compared to 2019 (0.188%). The overall goal is to proactively decrease all possible risks to employees' health and safety and to develop employees' knowledge and competencies in occupational health and safety to ensure zero fatalities as a result of work-related injuries and work-related ill health.**

## EMPLOYMENT

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

After investigating the accident, the Group Occupational Health and Safety Manager writes an Accident Investigation Act and submits it to the State Labour Inspectorate. The Group Occupational Health and Safety Manager registers all accidents in an internal Accident Journal.

### % of work accidents per 1M ASK (available seat km)



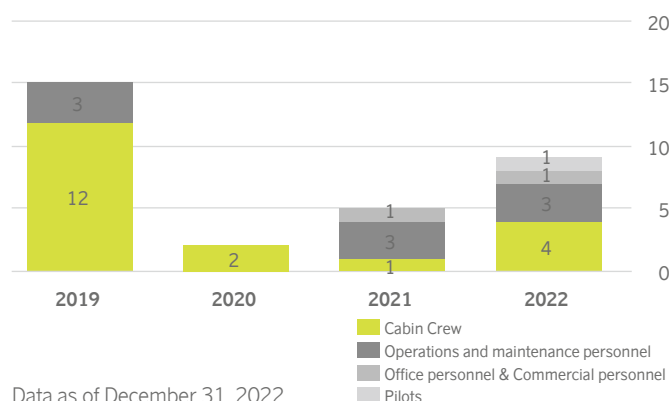
Data as of December 31, 2022

In 2022, the Group registered nine occupational accidents. All accidents are addressed at the annual job safety training/instruction of employees to avoid the same mistakes happening in the future. According to Latvian legislation, all nine accidents were classified as accidents with light injuries. There were no fatalities because of work-related injury in 2022.

Accident	Accident level (light, serious, lethal)	Injury	Reason
1. Cabin crew	light	Ruptured eardrum	Changes in flight altitude and air pressure
2. PAX agent	light	Leg injury	Icy apron zone/black ice
3. Office worker	light	Back injury	Icy stairs/black ice
4. Flight coordinator	light	Sprained finger	Inattention
5. Cabin crew	light	Concussion	Uncleaned, icy apron zone
6. Technician	light	Foot injury	Inappropriate work methods (no exact procedures)
7. Cabin crew	light	Sprained arm	N/a
8. Cabin crew	light	Sprained finger	Inattention
9. Pilot	light	Pain in the shoulder	Inattention

Data as of December 31, 2022

### Work-related accidents by employee category



Data as of December 31, 2022



### PROMOTING HEALTHY AND SAFE BEHAVIOUR



The goal is to provide practices of a healthy lifestyle and wellbeing at work. The goal is to increase awareness and knowledge amongst the employees regarding three aspects of a healthy lifestyle – physical, mental, and financial – in order to minimise the possible negative impact on their health and improve their wellbeing over the long run.

The Occupational Health and Safety Manager ensures that all employees, including newly hired ones, receive work safety instructions in accordance with the procedures specified in the regulations.

Every employee undergoes initial job safety instruction when beginning employment at the Group. Once a year, an annual job safety instruction is given to all employees. All employees also undergo practical fire safety training, including staff evacuations from the building. Additional training is provided for employees who must fulfil a specific job (working at height for technicians, forklift operation for storekeepers, etc.). The frequency of this additional training is once every three years for technicians (who work at height) and once every two years for forklift drivers.

Particular training for Cabin Crew members is provided by the Group Training Centre. After finishing the courses, employees must pass a test in order to receive a certificate that allows them to work.

All courses, including internal occupational health and safety training, are held in a language that all participants in that particular training group understand. Training is conducted in either the Latvian, Russian, or English language.

According to labour legislation, health checks are mandatory for all employees. Depending on the employment category, the compulsory health examination must be performed once every 12, 24, or 36 months. For Technicians, the Group provides mandatory health examinations more frequently than required by law.

Additionally, the Group promotes a healthy lifestyle for its employees. Every Wednesday, tips for a healthy lifestyle are published on the Group's internal website. Topics such as mental wellbeing, stress awareness, meditation, social tolerance, eye care, and the benefits of drinking more water and walking outdoors are covered.

Group employees are entitled to two paid days off per year when feeling not adequately rested or healthy enough to perform their work duties.

Employees performing the de-icing function for the Company in 2022 were provided with completely new functional work equipment (face masks, coveralls), thereby ensuring additional protection against cold temperatures and moisture.

The Group Mental Health and Personality Assessment Specialist has been admitted as a member of the European Association for Aviation Psychology (EAAP). This helps to broaden expertise and promote the further development of the Peer Support Programme, as well as well-being and mental health practices for aviation personnel. This outstanding practice at airBaltic has been highly recognised within the aviation industry. To share the Company's experience in this field, the airBaltic HR and Wellbeing Partner was invited to speak at the International Pilot Peer Assist Coalition conference and the European Aviation Wellbeing Conference in the autumn of 2022.



**The goal is to provide access to health services and minimise any financial risks for employees due to health issues. To ensure employees' access to health services and financial protection in case of health issues.**

For employees who have passed the probation period, the Group provides a primary package of health insurance. The Group ensures that employees have access to health services by providing the following insurance coverage:

- health, accident, and business travel/duty travel insurance for all employees;
- loss of license insurance for pilots;
- the option to get health and accident insurance with upgraded coverage;
- the option to purchase international health insurance (AXA) and/or health and accident insurance for relatives.

The Group has established a Social Fund to financially support employees who need it for treatment in case they or their family members experience severe health issues. Several such cases were supported in 2022.

### REMUNERATION

Remuneration policy is an integral part of the Personnel Handbook and has been created to ensure fair, transparent, and motivating compensation that aligns with airBaltic's business strategy and the actual economic reality; it also helps to ensure market competitiveness and fosters a high-performance company culture. The Company's remuneration systems are designed by the Human Resources team in cooperation with SVP/VP-level managers in each respective area to combine labour market demands and practices with the needs of the Company's business and employees' input that managers have received. Trade unions, as employees' representatives, take an active consultative role in the development of the remuneration systems. The Company does not involve the voting of stakeholders on remuneration policies and proposals.

The Company takes two approaches in setting remuneration: salary systems and individual remuneration:

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



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

The annual total compensation ratio between the organisation's top earner and the median compensation for all employees (excluding the top earner) was 10.4 in 2022, representing a decrease from the previous year's ratio of 11.4.

When comparing the percentage increase in total annual compensation between 2022 and 2021, the ratio was 0.5. This calculation took into account the increase of 11% in the amount of compensation for the organisation's highest-paid individual and the median percentage increase of 21% in

total annual compensation for all employees (excluding the highest-paid individual) in 2022.\*

All employees across the organisation who were impacted by the Covid-19 period in 2020 received a payout in January 2022 for accrued bonus payments since 2019 as well as deducted salary amounts during that period. Because this payout was not representative of the year 2022 and the ratio calculations compared to the previous year, this particular amount was excluded from the total annual compensation calculation for all employees. To ensure fair and transparent remuneration that is consistent and comparable both internally and externally, the job evaluation method is used. The job evaluation method provides a systematic process for determining the relative value of various different jobs in an organisation.

A job evaluation is carried out for each position, including both individual positions and positions included in salary systems. Jobs are evaluated according to universal aspects, such as education, professional experience, work complexity, mental effort, etc., which enables even highly specific and functionally different jobs to be equally evaluated and sorted into job grades.

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

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

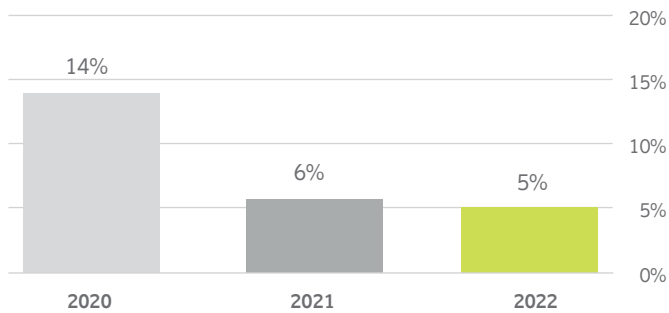
To ensure equitable pay, salaries within job grades are compared without considering different job functions. This means that, for example, IT jobs are compared with other jobs in the same grade, which has a significant impact on differentiation because of market benchmarking. Individual salary variations can be explained by factors such as performance and prior experience, among other deviations, to ensure fair compensation assessments.

\* The calculation of respective ratios excludes Executive Board members, since their relationship with the Company is not regulated by employment contracts. Instead, compensation conditions for Executive Board members are individually agreed upon with the Supervisory Board.

## EMPLOYMENT

The Company has noticed that base salaries for male employees are on average 5% higher than base salaries for female employees within the same grade. This is 1% less difference than in 2021 and 9% less than in 2020, when the disparity was 14%. This decrease in base-salary disparity has been achieved through dedicated work, such as manager training, budgeting process guidelines with defined grades and salary ranges, and dedicated decisions on equalising guaranteed income (base salary) within grades.

### Ratio of base salary of male employees to female employees



Data as of December 31, 2022

The split of the male/female base salary ratio by employee category indicates that the biggest differences between the two genders are found amongst Office personnel and Operations and Maintenance personnel.

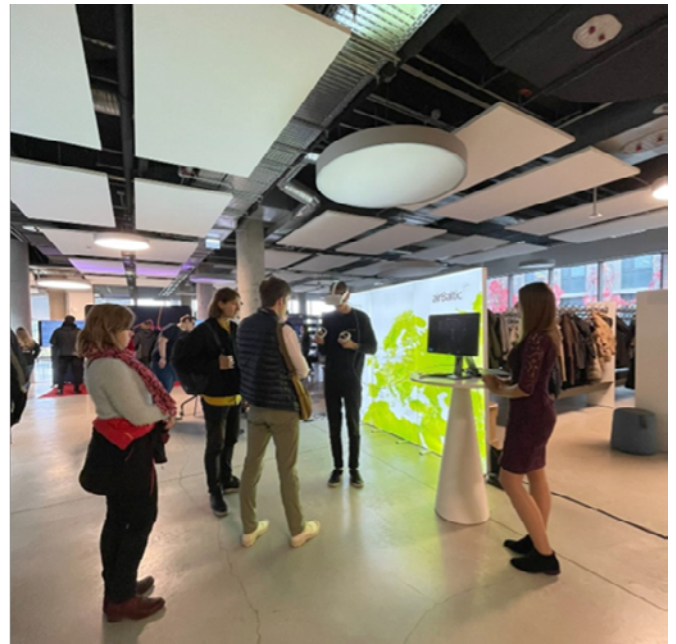
The differences amongst Operations and Maintenance personnel are due to the fact that most of the Maintenance personnel are men and that remuneration for Maintenance personnel (particularly Technicians, a profession that historically attracts more men than women) is defined not only by the local labour market but also by the European labour market. This is why these salaries are higher than those for positions for which local employees are readily available.

The difference in salaries amongst Office personnel is mainly driven by IT positions, another sector in which men dominate. Moreover, IT job market salary levels are significantly higher than those in other job categories.

For the largest employee categories (Cabin Crew, Pilots, and Technicians), the Company has implemented remuneration systems based on employee performance, experience, and qualification.

Remuneration systems are set for a position or group of positions and define the exact same remuneration structures, calculation rules, possible remuneration levels, and other conditions for all position holders regardless of gender, age, or any other personal aspect, thus allowing for the avoidance of any subjective pay gaps. Current pay gaps seen in categories with set remuneration systems are due to previous experience, qualification, and other objective parameters defined in the respective remuneration systems.

### INVESTMENT IN FUTURE EMPLOYEES



In 2022, airBaltic established relationships with potential future employees to facilitate the Company's business plan and the execution of its growth strategy in the coming years.

airBaltic has a long-term strategic relationship with Riga Technical University (RTU) for organising practical on-the-job experience for students as Aircraft Technician apprentices with the potential for future employment.

The Company strongly focuses on promoting jobs in the field of aviation technical maintenance amongst technical professionals in other industries or educational fields. To that end, the Company:

- is continuing a long-term cooperation in the preparation of technical specialists at Riga Technical University, the Transport and Telecommunication Institute (TSI), and the Liepāja State Technical School;
- organised eight online and 14 face-to-face events in 2022, thus bringing together around 500 interested people (in 2021 one such event was organised with 60 attendees);
- established a long-term cooperation with the Ventspils Technical School;
- organised a separate online event for students of RTU, TSI, and the Riga Aeronautical Institute to inform them about internship and job opportunities at airBaltic;
- organised on-site excursions for secondary-school students to introduce them to the work of the Technical Department and the airBaltic Training Centre;
- in cooperation with the State Labour Agency, continued work with focus groups in regions outside the capital of Latvia – the airline held conversation sessions about job opportunities at airBaltic with residents of Jūrmala, Tukumus, Ķekava, Ogre, Salaspils, Ikšķile, Aizkraukle, Ķegums, Lielvārde, Jelgava, Dobeles, and Bauska.

Group representatives took part in Career Days organised by several institutions of higher education: more than 100 students of the University of Latvia, the BA School of Business and Finance, and Riga Technical University received more information about internship and career development opportunities at airBaltic. At the Icebreakers '22 festival at the University of Latvia, which brings together students from all over Latvia, more than 650 interested people received information about airBaltic.

Residents of regions outside the Latvian capital learned more about job opportunities at airBaltic at the air shows in Degumnieki and Liepāja, as well as at the Mārupe Entrepreneurs' Festival and the #UzdriksitiesUzvarēt Business Inspiration Conference, which together were attended by more than 7.7 thousand people.



## RESPONSIBLE GOVERNANCE

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

The management of the Company has always emphasised the importance of the corporate governance principles according to which the Company operates. More detailed information on compliance with these principles is provided in the Corporate Governance Statement. Following these principles the Company has also developed various governance related policies, e.g. the Internal Agreement Approval Procedure, the Authorisations Manual, the Sanction Compliance Policy, the Purchasing Policy, Whistleblowing Policy, etc. Additionally, the Company has issued a separate corporate governance policy for its subsidiaries, thereby ensuring that the main principles are equally honoured within the Group. Following the high standards set by the Company's management, all employees are expected to act in good faith and ensure fidelity, diligence, and integrity on all occasions, which is reflected in various procedures implemented by the Personnel Handbook.



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**airBaltic had been adhering to sustainable governance policies on a daily basis, but in order to improve efficiency for employees, in 2022 the Company decided to consolidate these policies into a single Code of Conduct. This Code of Conduct will be introduced throughout the company's supply chain in 2023 as a means of streamlining compliance with these policies.**

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### ETHICS AND TRANSPARENCY

airBaltic's Business Ethics and Corporate Culture is part of the Personnel Handbook, which is made available to all employees on airBaltic's Intranet. The Company's Business Ethics and Corporate Culture is based on generally accepted norms of ethics, legislation, core competencies and company values such as improving sustainability, maintaining continuous growth, and improving the passenger experience. The principles described in the Personnel Handbook guide employees' relations with each other at work as well as business relationships and relationships with business partners around the world. These principles apply to all Company departments and must be followed by all employees. airBaltic's Personnel Handbook provides guidance on the acceptable code of conduct between the Company's management, employees and business partners so as to avoid any cases of conflict of interest and how to report any that might occur. With respect to airBaltic's business partners, employees must not conduct any company business with their spouse, any member of their own family, or with any individual or organisation with whom they or their families are associated in any way. Employees must provide information to the Human Resources department about their positions, shares, or other relations with any current or potential suppliers or business partners.

### WHISTLEBLOWING PROCEDURE

airBaltic has split reporting lines for the whistleblower cases according to airline industry related matters and corporate governance. Internal auditors of the respective area administer both lines; therefore, it provides impartial and confidential review of each case.

The Company encourages reporting concerns about any potential wrongdoings, and provides all information regarding reporting possibilities on the intranet and internal guidelines. All means of communication with the reporter are welcome and reports can be made in person, in writing or online, which captures also possibility to include audio notes. Nevertheless, it might limit ones possibility for legal protection, the reporter can choose to stay anonymous. The online tool provides opportunity to have communication even with anonymous reporters, to ask for follow up questions and update on the investigation results. Related guidelines reviewed and updated when necessary on an annual basis.

**SANCTIONS LAWS**

airBaltic has an internal Sanctions Policy that helps employees from various departments ensure compliance with sanctions laws and the Company’s contractual obligations. The Sanctions Policy explains what the sanctions are and what kind of activities are considered illegitimate. The Sanctions Policy provide guidelines on how to check cooperation partners. When contracting a cooperation partner, the responsible employee at airBaltic follows the Sanctions Policy and uses various tools to check for sanctions compliance. One of the most used tools for ensuring sanctions compliance of cooperation partners from countries with high-risk profile (e.g. Russia, Ukraine) is the widely known KYC, also known as the Know Your Client questionnaire, which provides a detailed information on the cooperation partner. In addition to, the Sanctions Policy is an integral part of the Personnel Handbook, with the content of which each employee is acquainted and must comply on daily basis.

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

**ANTI-CORRUPTION**

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

Instead of separate trainings, the Company has embedded the anticorruption measures in its actions and internal policies. Although the anti-corruption principles are embedded in the Company’s activities and the Company’s employees follow them in their daily work in accordance with the developed internal documents and instructions, the Company is currently working on consolidating these principles into a single document - the Company’s Code of Conduct.

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

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

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

airBaltic also ensures that charitable donations and sponsorships (financial and in-kind) made to other organisations are not used as a disguised form of bribery. Recipients of charitable donations and sponsorships (financial and in-kind) are screened and approved by the Company’s management and the Supervisory Board. All-in-all, airBaltic

is very limited in its ability to sponsor or donate to any third party as it needs to fulfil a number of legal requirements to be able to do such activities.

When employees join the Company, they are acquainted with the Personnel Handbook, the Purchasing Policy, and other applicable internal manuals, thus ensuring compliance with anti-corruption measures.

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

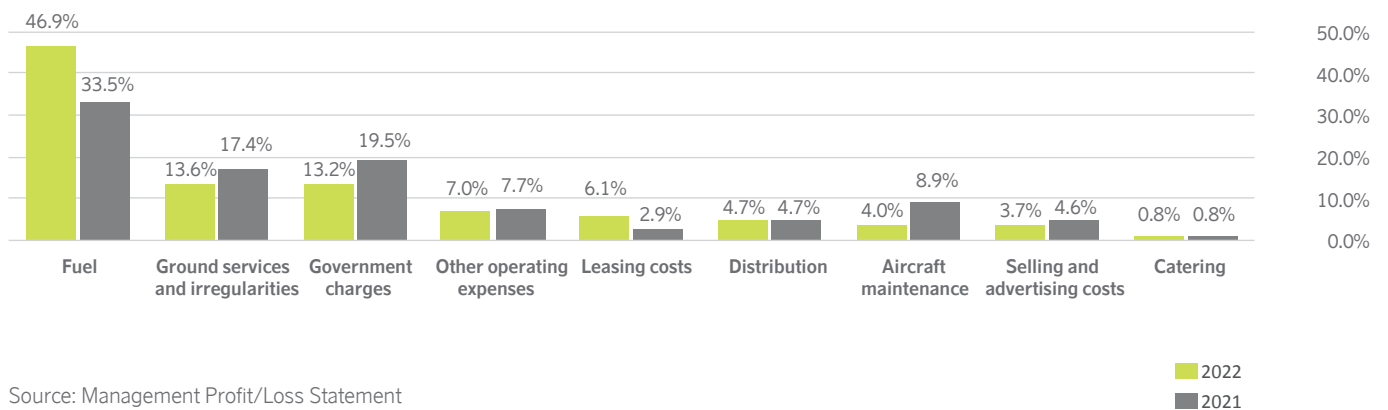
**FAIR COMPETITION**

airBaltic is committed to maintaining fair competition both in respect of its own behaviour on the market, as well as in relation to the tender processes it organises, the recruitment process, etc. The Company therefore adheres to the requirements of the Latvian Competition Law and the applicable provisions harmonised at the EU level, as well as has ensured for the principles of fair competition to be observed when selecting potential suppliers in its Purchasing Policy. airBaltic has a Competition Compliance Policy and carries out extensive competition law training for its management and employees.

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

**SUPPLIER MANAGEMENT**

**Key types of procurement**



Source: Management Profit/Loss Statement  
 Note: Excluding personnel costs, Financial items, Interest and Extraordinary items

airBaltic has more than 2200 suppliers providing a variety of services and products. The Company’s supply chain is mostly centred around aircraft operations such as aircraft and engine manufacturers, airport and air navigation service providers, technical maintenance suppliers, and fuel suppliers. Likewise, Information Technology suppliers are also essential, ensuring that airBaltic can use such crucial systems as AMADEUS and client relation management (CRM) system. Also of high importance to airBaltic are regional production partners, catering suppliers, and financial services partners.

airBaltic suppliers are mainly located in Latvia and the geographical areas where airBaltic routes are operated. For technical maintenance related purchases, the

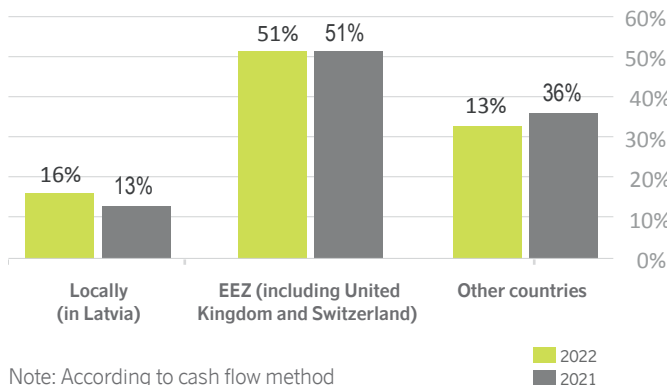
majority of the Company’s suppliers are located outside Latvia – manufacturers of aircraft, engines, spare parts, and equipment.

In line with the Company’s operational model, airBaltic is increasingly outsourcing ground handling and customer services to external suppliers. Supplier specifications are continuously reviewed and the most critical suppliers are identified. The responsibility for ongoing follow-up of critical suppliers has also been centralised and standardised. All airBaltic suppliers must meet the requirements set in the Purchasing Policy; this is checked during procurement. Additionally, regarding supplier identification, airBaltic may also request that the Know Your Client form and other relevant documentation be submitted



PERCENTAGE OF PRODUCTS AND SERVICES PURCHASED LOCALLY

Products and services purchased locally



The airBaltic Corporate Management Manual and the airBaltic Purchasing Policy cover all purchasing activities within airBaltic. In addition, the Company maintains a special data base for agreements. To conclude any agreement with the necessary service or product supplier, every responsible employee is required to fill out the special forms which are then reviewed and approved by various department representatives. The Company’s Managers are responsible for the Corporate Management Manual and other manuals which are reviewed and updated when needed. Activities are followed-up within the management system and reported when necessary, according to specific needs.

airBaltic is responsible for ensuring that sustainability issues are addressed appropriately, regardless of which supplier provides the product or service. The governance model established at airBaltic clarifies supply chain responsibilities, risks, and improvement areas, as well as how potential deviations are handled. A current goal is to update the procurement procedure by including a sustainable procurement section.

The Purchasing Policy is established to ensure effective, efficient, and targeted Company capital use by securing the lowest cost and minimising the commercial risks entailed by purchasing. The airBaltic Purchasing Policy includes all types of external purchases performed by airBaltic. The main objective is to secure the lowest cost and minimise the commercial risks entailed by purchasing. This is achieved by maintaining firm control of suppliers and product flows, maximising the Company’s purchasing power, and coordinating purchasing activities through optimum use of capital. Cost reductions are to be obtained through competition stimulation, extensive standardisation, binding general contracts, and close cooperation with selected suppliers.

The General Responsibilities Procurement Manager has functional responsibility for all purchasing activities within the Company and for adherence to this policy. This includes coordination of joint purchasing activities within the Company and related entities. Each employee shall comply with purchasing policy and procedure. Purchasing procedures are described in the Purchasing Procedure paragraph of the Corporate Management Manual and Financial Handbook of airBaltic. Aero technical purchases shall be performed according to Continuing Airworthiness Management and Maintenance Organization Exposition (CAMMOE) paragraph 0.2.5. Aero technical purchases will be given priority to general supply purchases.

COMPLIANCE

airBaltic has not identified any substantial non-compliance with laws or regulations in the environmental, social and economic area. In general, there have been five minor cases related to exceeding allowed noise levels (two of which were committed by our ACMI partners), but in none of these cases has airBaltic received a fine, at least not a substantial one. Overall, these cases arise from operational mistakes during the ordinary course of business of the Company and do not reflect any systemic failures.



## CORPORATE GOVERNANCE STATEMENT

The Company has prepared this Corporate Governance Statement in accordance with Article 56 paragraph 3 of the Financial Instruments Market Law (FIML) and Article 56 paragraph 2 insofar as they apply to airBaltic.

### CORPORATE GOVERNANCE RECOMMENDATIONS APPLIED

Although airBaltic has not yet issued its shares for circulation in regulated markets but only its bonds, the Company has for several years, with a view of its future target of pursuing an IPO, implemented corporate governance and reporting criteria in line with the applicable requirements for publicly listed companies. The below overview reflects that. Until 2022, the Company's corporate governance has been based on the recommendations of the Nasdaq Riga 2010 "Principles of Corporate Governance and Recommendations for their Implementation",<sup>1</sup> insofar as they are applicable to the Company's operations. A new Latvian Corporate Governance Code has been developed by a special advisory board under the auspices of the Ministry of Justice at the end of 2020. The Company will report in accordance with the new Corporate Governance Code for the next period of 2023.

### CORPORATE GOVERNANCE PRINCIPLES SHAREHOLDERS MEETING

Shareholders exercise their right to participate in the management of the Company at the Shareholders Meeting. In accordance with the laws and regulations, the Company convenes an Ordinary Shareholders Meeting at least once a year. Extraordinary Shareholders Meetings shall be convened as necessary.

#### 1. Ensuring shareholders' rights and participation in shareholders meetings.

*The Company ensures equal treatment of all shareholders of the same class. All shareholders shall have equal opportunities to participate in the management of the Company - to attend shareholders meetings and to receive information necessary for shareholders to make decisions.*

The Company fully complies with this principle. This principle is reflected in the Company's Articles of Association. The Articles of Association set forth that each share grants one vote at the Company's Shareholders Meeting, carries the same right (irrespective of the nominal value of the share) to a dividend and liquidation quota as other shares,

carries the same priority rights (irrespective of the nominal value of the share) as any other share to acquire newly issued shares in the event of a share capital increase, and to acquire convertible bonds in the event of the issue of convertible bonds.

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

The Company makes available all necessary information to its Shareholders in order for the Shareholders to have an objective overview of the Company's performance and allow them to make sound decisions regarding the Company. Additionally, the Supervisory Board members nominated by the majority shareholder (the Latvian State) are contractually and legally mandated to provide quarterly reports of the Company to the Latvian State (Ministry of Transport).

For the composition and structure of the Company's shareholder, see the Management Report section of the Company's Annual Report.

#### 2. Participation of members of the Company's governing bodies and their nominees in the General Meeting.

*The members of the Company's Management Board, the auditor and as many members of the Company's Supervisory Board as possible must be present at the Shareholders' Meeting.*

The Company fully complies with this principle. Evidence of compliance with this principle is reflected in the Meeting Minutes of the Company's General Meeting for 2022. All three members of the Executive Board were present at the Shareholders Meeting. Three out of four Supervisory Board members were present. The fourth Supervisory Board Member did not attend in person; because he is also a minority shareholder of the company, he delegated a representative to participate in the Shareholders Meeting. The Company's auditor was also present. The Company's Executive and Supervisory Boards reported on the results of the previous year, objectives to be achieved in the next year, and provided detailed information on other agenda items.

<sup>1</sup> [nasdaqbaltic.com/files](https://nasdaqbaltic.com/files)

### EXECUTIVE BOARD

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

#### 3. Executive Board duties and responsibilities.

*The Company should establish clear and unambiguous duties, powers and responsibilities of the Executive Board, thereby ensuring the successful functioning of the Executive Board and the value of the Company.*

The Company fully complies with this principle. This principle is reflected in the Company's Articles of Association and the regulations of the Executive Board. The regulations of the Executive Board set forth that the Executive Board is responsible for achieving the Company's goals, strategy and policy, and results. The Executive Board performs duties under the supervision of the Supervisory Board. The Executive Board is accountable to the Supervisory Board and to the Shareholders Meeting. In performing its activities, the Executive Board is guided by the interests of the Company, taking into consideration the interests of the Company's stakeholders and by complying with the requirements set out in the conflict of interest regulations. The Executive Board is responsible for complying with all relevant legislation and regulations as well as managing the risks associated with the Company's activities and financing the Company. It must also report to and discuss with the Supervisory Board regarding developments related to internal risk management and control systems. The Executive Board members are not authorised to issue or buy back Company shares.

The Articles of Association lay down matters that require the Executive Board to obtain consent from the Supervisory Board, e.g., entering into or termination of significant transactions, the expense value of which exceeds EUR 1 000 000 within a single financial year, and amending of such transactions thus significantly affecting them (for example, if the financial impact exceeds EUR 100 000 or 10% of the transaction value within a single financial year; or significant increases in the volume of contractual obligations).

The Executive Board regularly monitors the execution of the Company's strategy and defined business targets, assesses and guides the execution of the annual budget

and business plans, controls risks, and ensures control over the execution of targets and the achievement of planned results. Once a year, the Executive Board presents to the shareholders the financial and non-financial targets of the Company and its achievements from the previous year, as well as the planned performance indicators for the coming year. These matters are discussed at the Supervisory Board level before being presented at the Shareholders Meeting.

Meetings of the Executive Board are chaired by the Chairman of the Executive Board or by any member of the Executive Board in his/her absence. The Executive Board meetings are normally held in person at the Company's registered office, but members of the Executive Board may also participate in meetings remotely, and decisions of the Executive Board are also taken electronically if the operational needs of the Company so require. The Executive Board adopts resolutions during Executive Board meetings that may be held both in person and remotely. In 2022, 73 Executive Board meetings took place.

#### 4. Composition of the Executive Board and requirements for Executive Board members.

*The composition of the Executive Board approved by the Company must be such as to ensure a sufficiently critical and independent attitude in its assessment and decision-making.*

The Company fully complies with this principle. This principle is fulfilled by appointing as members of the Executive Board persons who demonstrate the necessary competence in their respective fields.

The Company's Executive Board consists of three members, who jointly manage and represent the Company. The Company's Executive Board is elected for a period of three years, and it is elected by the Supervisory Board with a simple majority vote. Currently, the Executive Board members are:

- Martin Alexander Gauss, Chairman of the Executive Board. He has been serving on airBaltic's Executive Board since November 2011;
- Vitolds Jakovļevs, Member of the Executive Board. He has been serving on airBaltic's Executive Board since October 2011;
- Pauls Juris Cālītis, Member of the Executive Board. He has been serving on airBaltic's Executive Board since March 2020.

Under the leadership of this Executive Board, the Company has been successfully restructured and has recently weathered severe global crises, enabling airBaltic to return to a growth path. The Executive Board is comprised of professionals who have relevant experience in the Company's field of activity. Gauss, who is the Chairman of the Executive Board and also serves as the Company's Chief Executive Officer, has more than 28 years of experience in the aviation industry. Jakovļevs, who serves as a Member of the Executive Board and the Chief Financial Officer, worked in the Latvian asset management and investment banking sectors for more than ten years before joining airBaltic. Cālītis, who is a Member of the Executive Board and the Chief Operations Officer, joined airBaltic as a pilot in 1995 and has gradually developed his career within airBaltic by leading Flight Operations as Senior Vice President up until he was elected as a Member of the Executive Board. Information on the Executive Board's members is also published on the airBaltic website.

### TOP MANAGEMENT TEAM

In order to strengthen the day-to-day governance of the Company, a Top Management Team has been established to ensure the efficient and sound day-to-day operational management of the Company.

The Top Management Team is comprised of 11 professionals whose qualifications, experience, knowledge, and personal qualities ensure the highest level of corporate governance. The Top Management Team consists of all members of the Company's Executive Board and the Senior Vice Presidents in the following fields: Legal Affairs, Finance and Control, Revenue Management, Network Management, Human Resources, Corporate Communications, Ground Operations and Customer Care, and Technical Operations.

In accordance with the regulations of the Executive Board, the Top Management Team is responsible for the Company's day-to-day business activity. The Top Management Team holds weekly meetings to review the Organisation's performance at both the corporate and departmental levels. The Top Management Team provides the Executive Board with the necessary information and recommendations needed to make sound business decisions that promote both short- and long-term profitability. The Top Management Team is responsible for ensuring that decisions, challenges, and successes are communicated effectively to staff to maximise employee engagement. The Top Management Team ensures that plans and decisions are implemented quickly to guarantee maximum impact as soon as possible. Minutes are taken at all Top Management Team meetings.

### 5. Identifying conflicts of interest in the activities of board members.

*Each member of the Board must avoid any conflict of interest in his/her activities and be as independent as possible from external circumstances, willing to take responsibility for the decisions he/she makes and adhering to generally accepted ethical principles when making any decision related to the Company's activities.*

The Company fully complies with this principle. Commercial Law states that a member of the Executive Board has a duty to act as a prudent and careful merchant. This principle must be observed by the members of the Executive Board in their day-to-day activities and when taking any decision. In addition, the Company's Articles of Association provide that the approval of the Supervisory Board is required for any transaction between the Company or a company controlled by it and a shareholder or a company controlled by it, a member of the Executive Board, or a member of the Supervisory Board or their first-degree relatives and spouses.

The terms of conflicts of interest are set out in more detail in the regulations of the Executive Board, which provide that the Executive Board member shall: not enter into competition with the Company; not demand or accept substantial gifts from the Company for him/herself or for his/her spouse, children, or relative by blood or marriage up to the second degree; not provide unjustified advantages to third parties to the detriment of the Company; and not take advantage of business opportunities to which the Company is entitled for him/herself or for his/her spouse, children, or relative by blood or marriage up to the second degree. The Executive Board member shall immediately report any existing or potential conflict of interest that is of material significance to the Company, to him/her, and/or to other Executive Board members and shall provide all relevant information, including information concerning his/her spouse, children, and relatives by blood or marriage to the second degree. In such cases, the Executive Board takes decisions regarding whether there is a conflict of interest without the Executive Board member concerned being present, and the Executive Board member concerned does not take part in any discussions or decision-making that involves a subject or transaction in relation to which he/she has a conflict of interest with the Company.

**SUPERVISORY BOARD**

In accordance with the regulatory enactments, the Supervisory Board is the Company’s supervisory body, which represents the interests of shareholders between meetings, in the cases provided by law and the Company’s Articles of Association, and supervises the activities of the Executive Board.

**6. Supervisory Board duties and responsibilities.**

*The objective of the Company’s Supervisory Board is to act in the best interests of all shareholders by ensuring that the value of the Company increases. The Company shall establish clear duties and responsibilities of the Supervisory Board and ensure that individual members or groups of members of the Supervisory Board cannot play a dominant role in decision-making.*

The Company fully complies with this principle. This principle is reflected in the Supervisory Board’s regulations, which set forth that the Supervisory Board is responsible to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of airBaltic and its shareholders. The Supervisory Board is responsible to act in accordance with the commercial interests of airBaltic, efficiently, independent of political or other considerations outside the ordinary course of business, and in accordance with sound engineering, financial, and business practice.

The Supervisory Board of the Company acts in accordance with the Company’s Articles of Association and the Supervisory Board’s regulations. On certain questions that are within the competence of the Supervisory Board, the members must observe the Shareholders’ Agreement and the procedure established therein.

As noted above, once a year shareholders are presented the Company’s financial and non-financial targets and fulfilment thereof for the previous year, as well as planned results indicators for the next year (these targets are reviewed at the Supervisory Board level beforehand). In addition, the Supervisory Board carries out an evaluation of the Executive Board once a year and presents the relevant notification of the Company’s performance to the Shareholders Meeting jointly with the annual accounts for the previous year.

Official communication between the Supervisory Board and Executive Board members is held via the Chairman

or Secretariat and is carried out by means of written correspondence. In addition, the Supervisory Board actively communicates with the Executive Board officially during Supervisory Board meetings, which are protocolled, as well as unofficially at any time between such meetings in order to achieve effective resolutions for the Company.

In 2022, the Supervisory Board held 12 ordinary monthly meetings and 20 extraordinary and operationally necessary meetings.

**7. Composition of the Supervisory Board and requirements for its members.**

*The structure of the Supervisory Board, as determined by the Company, must be transparent and comprehensible and provide for sufficient critical and independent judgement and decision-making.*

The Company complies with this principle. This principle is reflected in the Commercial Law and the Supervisory Board’s regulations. The Commercial Law also requires that the Supervisory Board, like the Executive Board, act as a good and diligent merchant. This provision also implies the principle of acting independently and responsibly when making decisions. The Supervisory Board’s regulations also oblige the members of the Supervisory Board to act in accordance with ethical standards.

The current Supervisory Board was appointed for a three-year term almost three years ago, and information on the members of the Supervisory Board is available on the airBaltic website. The Supervisory Board of airBaltic consists of four members. The Supervisory Board is elected for a period of three years. Members of the Supervisory Board elect one chairperson and at least one deputy chairperson from amongst themselves. The Supervisory Board consists of:

- 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.

The Shareholders Meeting appoints the Supervisory Board members, but before that takes place, the shareholders select specific candidates and appoint them for elections. Three of the Supervisory Board members are nominated by the majority shareholder (the Ministry of Transport),

whereas one member is nominated based on the terms of the Shareholders' Agreement as a direct representative of a minority shareholder.

Although all Supervisory Board members have been appointed by the Company's shareholders (the Latvian State and the minority shareholder), all members of the Supervisory Board are considered to be independent, in accordance with the Law on the Management of Shares in Public Enterprises.

Concurrently, on account of the NASDAQ Riga corporate governance rules, two Supervisory Board members (Āboliņš and Thuesen) are related to the shareholders, since Āboliņš is also the State Treasurer of Latvia, and Thuesen is the beneficial owner of a minority shareholder.

### **8. Identification of conflicts of interest in the activities of Supervisory Board members.**

*Each member of the Supervisory Board must avoid any conflict of interest and be as independent as possible from any outside influence. In making any decision relating to the business of the Company, a member of the Supervisory Board shall observe generally accepted ethical principles and take responsibility for the decisions taken.*

The Company fully complies with this principle. This principle is reflected in the Articles of Association by requiring the Supervisory Board's approval for any transaction between the Company and a Supervisory Board member or their first-degree relatives or spouses, so the Supervisory Board will carefully consider these matters before making a decision. In addition, the Supervisory Board's regulations require that the ethical standards of the Supervisory Board be observed in its work, and in case a conflict of interest arises, the respective Supervisory Board member refrains from participating in the decision-making process regarding the relevant matter. In such cases, the Supervisory Board member does not hold a voting right. Supervisory Board members are also bound by the provisions of the Commercial Law and the Law on the Prevention of Conflict of Interest in Activities of Public Officials of Latvia.

### **INFORMATIONS DISCLOSURE**

As part of good corporate governance practice, the Company's information disclosures should provide a picture of the Company's business activities and its financial performance.

### **9. Transparency of the Company.**

*Information published by the Company must be timely and must enable shareholders to assess the management of the Company, to understand its business and financial performance and to make informed decisions in relation to the shares they hold.*

The Company fully complies with this principle. This principle is reflected on the Company's website. The Company has established a Corporate Governance section on its website that provides public information to any third party interested in reviewing the Company's business performance. The section includes a financial statements subsection in which quarterly operational financial statements, half-yearly financial statements, and annual audited consolidated financial statements are published to provide timely and comprehensive information on all material developments affecting the Company, including its financial position, results of operations, and ownership structure.

In addition, the Company publishes information on available financial statements on the events page of Euronext Dublin, the stock exchange where the Company's bonds are traded. The Company does its utmost to ensure that the information published is verified, accurate, unambiguous, and prepared in accordance with high and globally recognised standards of quality.

At the same time, the Company has also indicated in the Press Releases section of its website the contact details of the Company's contact persons, through which the press and other media can contact the Company, thus ensuring uniform dissemination of information, avoiding the publication of contradictory and false information, and who can be contacted by any interested party, if necessary.

### 10. Investor relations.

*Given that the Company's financial instruments are offered on a regulated market, the development and maintenance of investor relations is an equally important area of the Company's business, with particular attention to ensuring that all investors have access to equal, timely and sufficient information.*

The Company complies with this principle. This principle is reflected on the Company's website. The Corporate Governance section of the Company's website contains a section specifically designed for investors. Given that the Company's bonds are traded for institutional investors, the information disclosed by the Company is not as widespread as in the case of share listing, but the Company is moving in that direction. The Company provides and regularly updates all investors with equal and easy access to information on the Company's financial position, ownership structure, and management.

The Company uses several channels for investor information: its website, the Euronext Dublin website, and investor calls in which the Company presents current financial figures and is available to answer investors' questions.

On its website, the Company has published general information about the Company, i.e. its history, mission, vision, and main activities; the Company's Articles of Association; information on the current members of the Company's Supervisory Board and Executive Board; the Company's shareholders holding at least 5% of shares; financial statements and annual reports prepared in accordance with regulatory requirements; Company press releases; information on financial and annual reports for previous periods; etc.

### INTERNAL CONTROL AND RISK MANAGEMENT

The purpose of internal control and risk management is to ensure the efficient and effective operation of the Company, the integrity of the information provided, and compliance with relevant laws, regulations, and operating principles. Internal control assists the Executive Board in identifying and addressing potential risks and weaknesses in the management of the Company and contributes to the effective discharge of the Executive Board's responsibility to oversee the activities of the Executive Board.

### 11. Principles of the Company's external and internal control.

*To ensure the success of the Company, it is necessary to provide for its regular monitoring and to establish procedures for internal and external control (audit).*

The Company fully complies with this principle. This principle is implemented through a variety of external and internal control tools. External control is carried out by external auditors. The Company's financial statements and financial statements of the Company's group are independently audited. The independent auditors provide a report indicating if the Company's financial statements and consolidated financial statements are prepared in accordance with IFRS and if they provide a true and fair view.

Internal control is ensured by several means. Internal control instruments that ensure risk management of the Company are the following:

The Risk Management Committee. Chaired by the Executive Board, this Committee engages specialists from relevant departments. The key tasks of the Committee are to examine financial and strategic risks by supervising and adopting relevant decisions to ensure the ability to track global trends that may substantially influence cash flows. The Committee's strategic task is to ensure the sustainable development of airBaltic and its subsidiaries in line with the strategic guidelines defined in the business plan.

The Internal Control Project Manager. This position combines internal audit and internal control projects. The goal for the Internal Control Project Manager is to oversee non-aviation related internal processes and provide assurance that the necessary controls are working effectively. The Internal Control Project Manager also carries out internal audits in accordance with the yearly audit plan approved by the Audit Committee and the Supervisory Board and any additional on-request projects initiated by the Company's various departments and the Executive Board in response to changes and potential risks.

The process and document management and control systems provide a controlled and transparent flow of documents and processes, thus ensuring internal risk management in line with the Company's policies and manuals. Risk management is carried out in accordance with the Executive Board's approved policies and manuals regulating internal processes – the Corporate Management Manual, the Financial Handbook, the Personnel Handbook, the Purchasing Policy, etc. – as well as international documents



that regulate industry procedures, such as OMA (Operations Manual), CAMMOE (Continuing Air Worthiness Management and Maintenance Organisation Exposition), etc.

The Audit Committee. This Committee supervises the efficacy of the internal control and risk management system. Members of the Audit Committee are the Chairman of the Supervisory Board and two independent external auditors.

### 12. Company's Audit Committee.

*The Audit Committee is established by a resolution of the Company's Shareholders' Meeting, in accordance with the requirements of the law, defining the principles of its activity and the scope of its responsibilities.*

The Company fully complies with this principle. This principle is reflected in the Audit Committee's regulations. The Audit Committee is a collegial supervisory body operating in accordance with procedures specified in laws and its own regulations, and it shall act in compliance with the principles of good governance. The Audit Committee was established in accordance with Part D, Chapter II of the FIML and consists of three members:

- Kārlis Strazdiņš, Chairman of the Audit Committee;
- Nikolajs Sigurds Bulmanis, Member of the Audit Committee;
- Inta Ozoliņa, Member of the Audit Committee.

The objective of the Audit Committee is to protect the interests of the Company's shareholders in respect to the preparation of annual accounts and consolidated annual accounts, the auditing thereof, and the operational efficiency of the internal control, risk management, and internal audit system to the extent that it pertains to ensuring the credibility and objectivity of the annual accounts and consolidated annual accounts.

In order to perform its duties, the Audit Committee may request and receive from the Company any information and documents necessary; participate in Shareholders Meetings; provide opinions and reports on matters of the Committee's competence; adopt decisions related to its responsibilities; carry out an inspection or investigation of its competence; organise meetings with the Company's management, employees, internal audit function, auditor, or other external consultants; and attract independent consultants.

Each Audit Committee member shall be personally responsible for timely informing of any existing or potential conflicts of interest in writing to the chairman of the Committee in respect to individual matters reviewed during Committee meetings, as well as in respect to the fulfilment of the Committee's responsibilities in general.

### REMUNERATION POLICY

### 13. General principles, types and criteria for determining remuneration.

*The remuneration policy - the form, structure and level of remuneration - of the members of the Executive Board and Supervisory Board is one of the areas in which those involved are potentially at greater risk of conflicts of interest. In order to prevent this, the Company shall establish a remuneration policy setting out the general principles, types and criteria of remuneration to be granted to members of the Executive Board and the Supervisory Board.*

The Company partially complies with this principle. The remuneration of the Supervisory Board is determined by the Shareholders Meeting and does not have a separate policy; however, the Shareholders Meeting takes into account remuneration principles in the industry and the remuneration of Supervisory Board members in general when making its decision.

The remuneration of the members of the Executive Board is determined by the Supervisory Board and does not have a separate policy document, but it is based on industry standards validated by an external party and on a common remuneration structure for all members, consisting of a fixed and a variable salary component. The variable remuneration is dependent on the financial and operational performance of the Company, and each year the Supervisory Board sets financial and operational performance indicators for the Executive Board. The variable remuneration of the members of the Executive Board is subject to the European Commission's restrictions on remuneration due to state aid rules.

**14. Remuneration policy statement.**

*Shareholders should be provided with a clear and comprehensive overview of the remuneration policy applicable to members of the Company's governing bodies. The disclosure of this information would allow existing and potential shareholders to comprehensively assess the Company's approach to remuneration issues and, accordingly, the Remuneration Report is prepared and published annually by the Company's Responsible Body.*

The Company does not comply with this principle as it is not obliged to publish a remuneration policy statement. At the same time, it should be noted that the members of the Executive Board and the Supervisory Board are public officials; therefore, the members of the Executive Board and the Supervisory Board file the annual declarations of public officials, and these are publicly available for anyone interested in the database of the State Revenue Service.

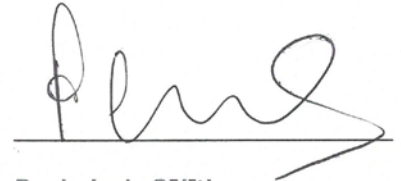
This principle is expected to be followed when the Company's shares are issued to public listing.



**Martin Alexander Gauss**  
Chairman of the Executive Board



**Vitolds Jakovļevs**  
Member of the Executive Board



**Pauls Juris Cālītis**  
Member of the Executive Board

# GRI CONTENT INDEX

**Statement of use** Air Baltic Corporation AS has reported in accordance with the GRI Standards for the period January 1, 2022 until December 31, 2022

**GRI 1 used** GRI 1:Foundation 2021

GRI STANDARD / OTHER SOURCE	DISCLOSURE	Location	OMISSION		
			Requirement(s) omitted	Reason	Explanation
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GRI 403: Occupational Health and Safety 2018	403-4 Worker participation, consultation, and communication on occupational health and safety	35
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GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	47

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GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	54
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	56
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	56

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## Independent Auditor's Report

To the Shareholders of Air Baltic Corporation AS

### Report on the audit of the separate and consolidated financial statements

---

#### Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of Air Baltic Corporation AS (the "Company") and its subsidiaries (together - "the Group") as at 31 December 2022, and of the Company's and Group's separate and consolidated financial performance and the Company's and Group's separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 28 February 2023.

#### What we have audited

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

- the separate and consolidated balance sheets as at 31 December 2022;
- the separate and consolidated income statements for the year then ended;
- the separate and consolidated statements of comprehensive income for the year then ended;
- the separate and consolidated statements of changes in equity for the year then ended;
- the separate and consolidated cash flow statements for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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#### Basis for opinion

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

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

#### Independence

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

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

The non-audit services that we have provided to the Company and the Group, in the period from 1 January 2022 to 31 December 2022, are disclosed in Note 10 to the financial statements.

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## Material uncertainty related to going concern – Company and Group

We draw attention to note 2(b) ‘Going Concern’ to the financial statements, which discusses the impact on travel demand due to the ongoing war related travel restrictions, effects of fuel price and the liquidity and confidence of the debt capital market that could negatively affect the availability of sufficient funding, and hence on the Company’s and on the Group’s business levels and ability to continue as a going concern. We draw your attention to the fact that if the Group’s cash flows remain negatively affected the Company and the Group may need, within the next 12 months, to obtain additional funding and/or renegotiate its current debt obligations to enable the Company and Group to maintain the minimum cash level not to be in breach of its current debt obligations. These events or conditions, along with other matters also set forth in Note 17, indicate that a material uncertainty exists that may cast significant doubt on the Company’s and the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Our audit approach

### Overview



- Overall Company materiality: EUR 4,985 thousand
  - Overall Group materiality: EUR 5,000 thousand
- 
- Full scope audits were conducted for four Group entities.
  - The Group audit team performed the work on all four entities.
- 
- Impairment assessment of property, plant and equipment, right of use assets and intangible assets (Company and Group)

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

### Materiality

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

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





<b>Overall Company and Group materiality</b>	Overall materiality applied to the Company was EUR 4,985 thousand and to the Group was EUR 5,000 thousand.
<b>How we determined it</b>	Approximately 1% of revenue for 2022.
<b>Rationale for the materiality benchmark applied</b>	<p>We chose revenue as the benchmark because revenue is the key performance indicator that determines the Company's and the Group's performance and is actively monitored by the management and investors.</p> <p>In determining this benchmark, we also considered other approaches to materiality which could have reasonably been applied including the use of thresholds based on net result or net asset measures. We concluded that the level of materiality applied remained appropriate when considering these possible alternative approaches. For revenue we have chosen 1%, which, based on our judgment, is within the range of acceptable quantitative materiality thresholds for this benchmark for a public interest entity.</p>

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above EUR 498 thousand for the Company and above EUR 500 thousand for the Group, as well as the misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

### Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of property, plant and equipment, right of use assets and intangible assets (Company and Group)</b></p> <p>As outlined in Notes 17, 18 and 20 to the financial statements, in the balance sheet as at 31 December 2022, property, plant and equipment of the Company and the Group amount to EUR 94,189 thousand and EUR 101,493 thousand, respectively, right of use assets of the Company and the Group amount to EUR 810,845 thousand, and intangible assets of the Company and the Group amount to EUR 18,386 thousand and EUR 17,327 thousand, respectively. Property, plant and equipment, right of use assets and intangible assets together represent 80% of the total assets of the Company and 80% of the total assets of the Group.</p> <p>The intangible assets include non-depreciable assets (trademark) and as such are required to be tested by Management for impairment every year.</p>	<p>We obtained the impairment assessment prepared by the management and gained an understanding of the process of the management's evaluation of the recoverable amount of property, plant and equipment, right of use assets and intangible assets.</p> <p>Our audit procedures included, among others, assessment of the methodologies and assumptions used by the management, in particular those related to the forecasted growth rate estimates, fuel costs and discount rates.</p> <p>We evaluated and challenged the future cash flow forecasts of the CGU, and the process and the assumptions used from which the cash flow forecasts were drawn up, and we checked the mathematical accuracy of the resulting VIU calculations. In doing this, we compared the forecast used for the impairment test to the latest</p>



In respect of the cash generating unit (CGU) represented primarily by the ongoing business of the Airbus 220 fleet and given the severe ongoing impact on the operations of the business arising from the geopolitical and economic situation in 2022 and going forward, management have undertaken an impairment assessment of the carrying value of this CGU. The key assumptions underlying this assessment are underpinned by the approved business plan "Above 2026" (updated November 2022). In undertaking an impairment assessment management should determine if the carrying value is higher than the recoverable amount which is the higher of fair value and value in use ("VIU"). Management used VIU to determine recoverable amount.

We focused on the risk of impairment as the assets are significant to the financial statements, the value in use estimation involves a number of subjective judgements and estimates by management, many of which are forward-looking, including the assumptions related to cash flow forecasts of the CGU, selection of discount rate and growth rates.

approved budget and plans and assessed their reasonableness by comparing to recent years (2019 - 2022) actual results and the recent past track record of the management's accuracy in forecasting. We reviewed the key assumptions for short-term flying (in particular, the impact of how and for what periods air travel volumes will be impacted by COVID-19, the war in Ukraine, leasing out of excess capacity and supply chain issues) and long-term growth rates in the forecasts by comparing them to third party economic and industry forecasts.

For the discount rate applied by management to discount the future cashflows in their model we reviewed management's methodology and inputs used, involving internal valuation specialists.

We recalculated management's own sensitivity analysis of key assumptions used in the VIU assessment and performed our own sensitivity analysis by replacing key assumptions with alternative scenarios in order to ascertain the extent of change in those assumptions that either individually or collectively would be required for assets to be impaired.

We analysed the changes in the assumptions over time to assess whether the current assumptions appropriately reflect the observed changes and uncertainty in the current operating environment.

We challenged management on inclusion of cash flows from all appropriate assets and liabilities and operations in the cash-generating unit, including the ability to safely defer any capital expenditures previously expected to be undertaken earlier.

We reviewed the disclosures on impairment in the financial statements included in Notes 2(b), 17, 18 and 20 to determine whether they meet the disclosure requirements of IFRS.

---

### How we tailored our Group audit scope

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

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

---

### Reporting on other information including the Management Report

Management is responsible for the other information which is included in the accompanying Sustainability and Annual Report 2022. The other information comprises in particular:

- General information on the Group's Parent company, as set out on page 4 of the accompanying Sustainability and Annual Report 2022;
- Glossary, as set out on page 5 of the accompanying Sustainability and Annual Report 2022;



- the Management report, as set out on pages 94 to 104 of the accompanying Sustainability and Annual Report 2022;
- the Statement of Management Responsibility, as set out on page 104 of the accompanying Sustainability and Annual Report 2022;
- the Consolidated non-financial report, as set out on page 104 of the accompanying Sustainability and Annual Report 2022;
- the Corporate Governance Statement, as set out on pages 74 to 82 of the accompanying Sustainability and Annual Report 2022;

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

Our opinion on the financial statements does not cover the other information identified above. However, information included on pages 9 to 86 of the accompanying Sustainability and Annual Report 2022 was subject of our verification to which we have issued a separate limited assurance report on pages 6 to 8.

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

With respect to the Management report, we also performed the procedures required by Law on Audit Services. Those procedures include considering whether the Management report is prepared in accordance with the requirements of the applicable legislation.

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

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

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Management report has been prepared in accordance with the requirements of the Law on Annual Reports and Consolidated Annual Reports of the Republic of Latvia; and
- the Corporate Governance Statement includes the information required by section (3) of Article 56.2 of the Financial Instruments Market Law.

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

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

In addition, in light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

---

## Responsibilities of management and those charged with governance for the financial statements

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

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

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

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## Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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## Report on other legal and regulatory requirements

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### Appointment

We were first appointed as auditors of the Company and the Group on 14 April 2015. Our appointment has been renewed annually, since then, by shareholder resolution. On 23 July 2019 the Company listed Euro denominated bonds on the Euronext Dublin stock exchange and accordingly the first financial year the Company qualified as an EU PIE was the year ended 31 December 2019. Since then, the total period of uninterrupted engagement appointment was 4 years.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5

Eva Jansen-Diener  
Persona per procura

Ilandra Lejiņa  
Certified auditor in charge  
Certificate No. 168

Riga, Latvia  
28 February 2023

## AIR BALTIC CORPORATION AS GROUP KEY FIGURES

Air Baltic Corporation AS (hereinafter – airBaltic, airline, the Company or the Parent company) along with its subsidiaries - Air Baltic Training SIA, Baltijas Kravu Centrs SIA and Aviation Crew Resources AS (altogether hereinafter - the Group), on the consolidated basis reached the revenue of EUR 500.2 million, which is 145% increase compared to 2021, and only 2% below the 2019 levels. The net loss at the Group level reached EUR 54.2 million, however the operating profit was positive EUR 32 million which was almost EUR 88 million improvement over 2021.

### Consolidated financial figures (EUR thousand)

	2022	2021
Revenue	500 170	204 107
EBITDAR	129 705	312
EBITDAR margin	25.9%	0.2%
Operating profit / (loss)	32 004	(55 969)
EBIT	7 125	(82 512)
Loss before tax	(52 224)	(134 190)
Net result	(54 219)	(135 718)
Total assets	1 158 922	1 025 242
Non-current assets	1 056 672	902 055
Total equity	(81 984)	(118 311)
Borrowings, including lease liabilities	1 060 818	937 094
Net debt	1 022 819	857 780
Cash and cash equivalents	37 999	79 314

There were several factors with significant negative impact on the commercial, operational and financial performance of airBaltic in 2022, namely:

- The spread of the Omicron variant and COVID-19 related restrictions still active in Q1 of 2022,
- Russia's invasion of Ukraine and subsequent impact on airBaltic's operations as well as the impact on the fuel costs,
- Significant shortage of the aircraft engines which prevented airBaltic from flying at full capacity and forced to bring additional lift in the form of ACMI to support its operations during the peak summer months.

On the positive side, the pent-up demand and willingness of our customers to fly was significantly higher than many experts predicted, especially considering the backdrop of the war in Ukraine which affected airBaltic's markets disproportionately more than most other European carriers.

Another positive development has been airBaltic's ability to successfully place and operate 11 of its aircraft on ACMI contracts with European flag carriers which was the first time for the airline to have operations at this scale and proved that airBaltic's ACMI business has a viable strategic direction.

## COVID-19 IMPACT

In 2022, COVID-19 had significant impact on the commercial operations only during Q1. As the remaining COVID-19 restrictions were removed in Latvia in April of 2022, the traffic and demand picked up significantly during the rest of the year. To ensure a swift return to normal air travel, airBaltic was one of the first airlines in Europe to remove the COVID-19 related masking requirement for its passengers already in April 2022.

## TAXES

In 2022, the Group paid more than EUR 38 million in taxes to the Republic of Latvia. Of the taxes paid:

EUR 24.7 million was social security contributions (employer and employee),

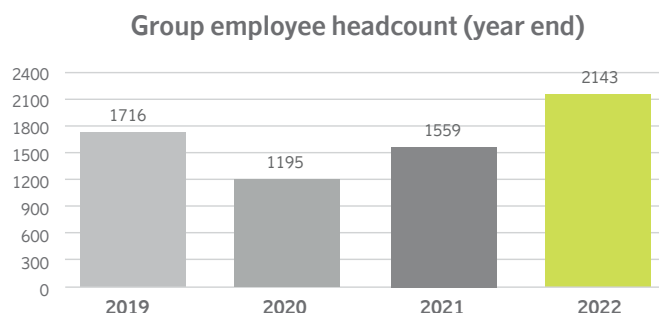
EUR 11.6 million was employee personal income tax,

EUR 1.8 million was corporate income tax,

EUR 0.2 million was other taxes.

## PERSONNEL

At the end of 2022, the Group employed more than 2.1 thousand people, which is 38% growth over the previous year. The increase in headcount was driven by increased traffic levels compared to 2021 and by the expectations of further market recovery and increased aircraft capacity in 2023 which due to significant lead times for hiring and training crew and technical personnel already impacted the number of personnel in 2022.



Currently the Group employs more than 30 different nationalities; average age of employees – 35; average length of employment in the Group – 5.4 years. Proportion between men and women is 53/47.

In 2021 the Group initiated a negotiation process with four trade unions representing the Group employees to revise the collective agreement which was effective since 2009. Representatives of the Group and the trade unions acknowledged the necessity to review the previously agreed terms of the Collective Agreement and to update it in accordance with more current needs of employees and business operations. By the end of 2022 agreement on enhancement of current Collective Agreement was reached with three of the trade unions.

The airline has been named as a Top Employer in Transport and Logistics industry in Latvia for 11 years in a row.

## AIR BALTIC CORPORATION AS

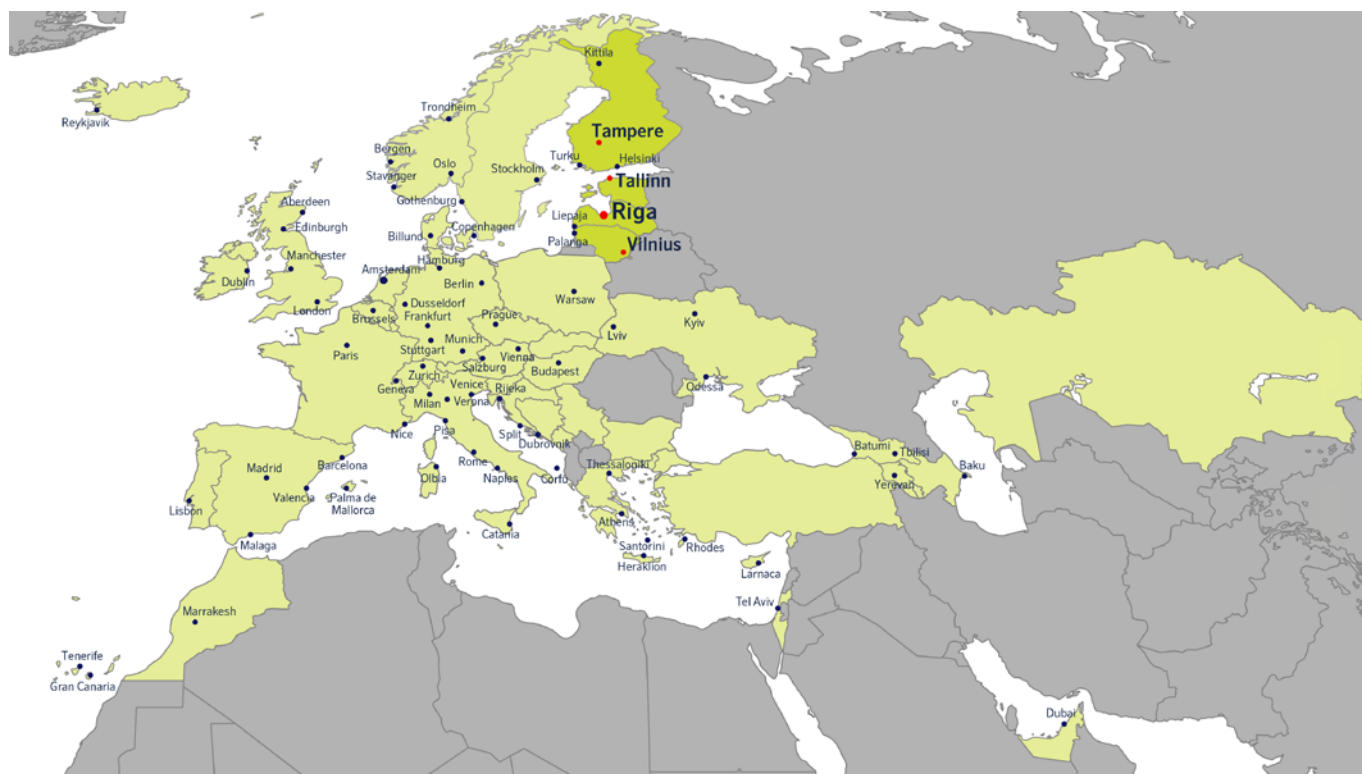
### Key events and milestones in 2022

- The airline continued the expansion of its fleet accepting seven new A220-300 aircraft and two 1521G spare engines,
- In May, airBaltic opened its new base in Tampere, Finland, which is its first base outside of the Baltic states,
- The airline operated a record 11 aircraft on ACMI contracts with European flag carriers throughout the summer season,
- AirBaltic was the first airline to launch a collection of non-fungible tokens (NFT) on Ethereum blockchain connected to its frequent flyer program,
- AirBaltic operated a record number of routes in the airline’s history and opened several significant new destinations such as Marrakesh, Batumi and Gran Canaria,
- The airline returned 11 of 12 De Havilland Q400s by the end of 2022 and the last one in February of 2023 thus completing the phase out of Q400s from its fleet.

### Network & strategy

In 2022, airBaltic had to make significant adjustments to its network due to the war in Ukraine which broke out on 24 February 2022. The outbreak of the war meant an immediate loss of two major markets in the east, all flights to the Russian Federation and to Ukraine had to be stopped. As a consequence, airBaltic redeployed at short notice several aircraft to the ACMI market in order to keep the fleet profitably utilized. At the beginning of the winter 2022 season, airBaltic has introduced an adjusted hub pattern in Riga, addressing the new transfer flow reality and increasing further aircraft productivity. Despite the loss of large transfer markets like Moscow, Kyiv and St. Petersburg, airBaltic was able to maintain a transfer share of 30% by increasing capacity to neighbouring regional markets Estonia, Lithuania and Finland.

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



Number of routes operated	2021 actual	2022 actual	2023 planned
Riga	72	73	75
Tallinn	12	12	15
Vilnius	10	11	11
Tampere	-	7	7

MARKET DEVELOPMENT

As outlined above, the most important factor in 2022 affecting the network and the market development was the war in Ukraine. However, the recovery post-COVID and the resulting surge in demand across all travel segments enabled airBaltic to restore its network offering, albeit in a different shape and schedule compared to 2019. The main network drivers aside of the war in Ukraine:

- Fast recovery of leisure demand leading to an unprecedented offering of leisure and holiday routes,
- Recovery of business related travel during Q3/Q4 2022 which enabled airBaltic to come back with a strong offering on regional and trunk routes,
- Phasing out of Q400 and focus on a single type A220-300 fleet required adjustments in airBaltic's regional offering,
- Strong focus on restoring the offer on airBaltic's home base Riga,
- Streamlined programme in Vilnius from winter 2022 onwards,
- Strong recovery in Tallinn,
- Opening of new base in Tampere/Finland.

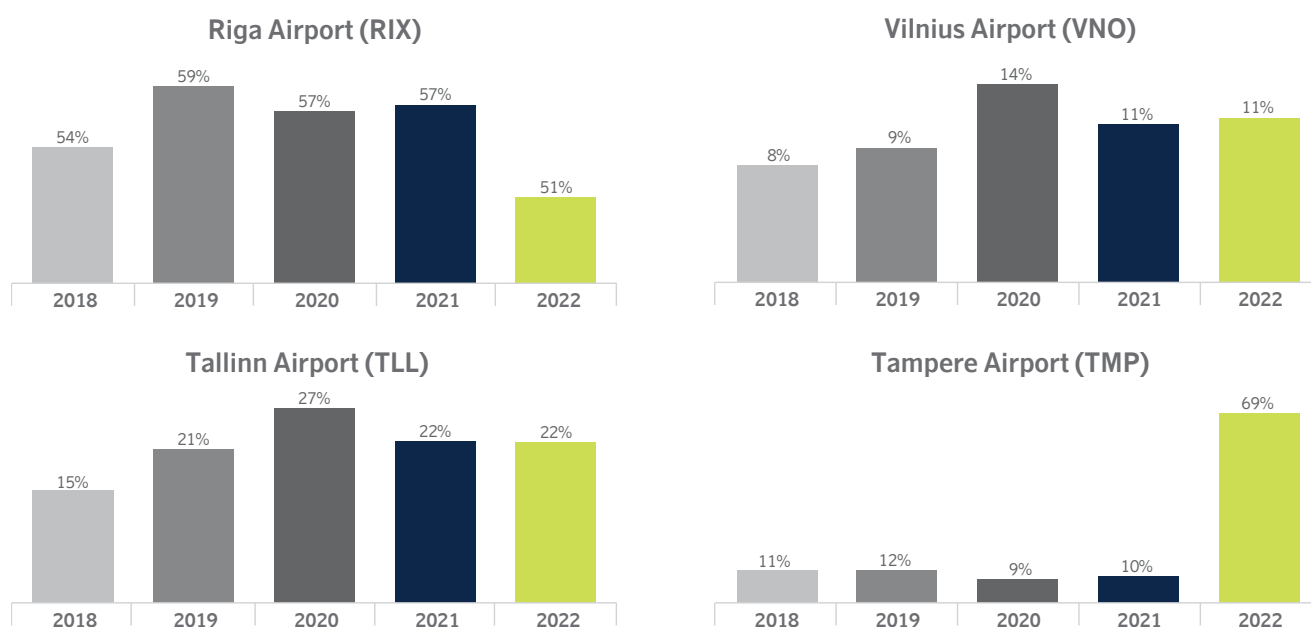


## MANAGEMENT REPORT

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

In 2022, the airline started developing a new strategic direction of selling significant part of its capacity on ACMI contracts to reputable EU flag carriers. AirBaltic successfully deployed 11 aircraft on ACMI contracts to Lufthansa group and SAS during the summer season and 4 aircraft to Lufthansa group during Q4 of 2022.

Despite ramp up of the competition and shortage of its own capacity due to spare engine supply issues the airline was able to maintain above 50% market share in Riga and maintain the same market shares in Tallinn and Vilnius as in 2021.



## OPERATING PERFORMANCE

In 2022, the airline closed the capacity gap to pre-COVID-19 levels of 2019 to just below 24% while in November and December the gap was only 13% and 15% respectively.

### Monthly seat capacity ('000)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2022	351	266	334	438	495	479	509	509	465	472	423	439	5 183
2021	123	68	94	144	186	253	361	436	425	446	388	394	3 319
Change	185%	291%	255%	204%	166%	89%	41%	17%	9%	6%	9%	11%	56%
2019	455	400	483	577	636	654	682	683	650	633	489	514	6 855
Change	(23%)	(34%)	(31%)	(24%)	(22%)	(27%)	(25%)	(25%)	(28%)	(25%)	(13%)	(15%)	(24%)

The seat capacity deployed in 2022 was 56% above 2021 levels. The load factor gap vs. 2019 was 4.65 percentage points indicating a demand for flights in airBaltic network especially considering that the Ukrainian, Russian and Belarus markets were completely shut down. This level of traffic indicates that airBaltic had been successful in adjusting its capacity to minimize reliance on Eastern direct and transfer traffic and minimize the commercial impact of the war in Ukraine.

### Monthly airBaltic flights

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2022	2 484	1 924	2 384	3 153	3 483	3 497	3 680	3 685	3 423	3 446	3 001	3 142	37 302
2021	873	483	660	1 009	1 309	1 776	2 559	3 068	2 982	3 136	2 775	2 814	23 444
Change	185%	298%	261%	212%	166%	97%	44%	20%	15%	10%	8%	12%	59%
2019	4 386	3 878	4 476	5 335	5 787	5 871	6 202	6 088	5 756	5 679	4 504	4 786	62 748
Change vs 2022	(43%)	(50%)	(47%)	(41%)	(40%)	(40%)	(41%)	(39%)	(41%)	(39%)	(33%)	(34%)	(41%)

## MANAGEMENT REPORT

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

### Flights including ACMI-out

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2022	2 723	2 123	2 861	4 129	4 775	5 033	5 256	5 312	5 029	4 739	4 255	4 150	50 385
2019	4 386	3 878	4 489	5 696	6 193	6 290	6 710	6 631	6 276	6 097	4 733	4 786	66 165
Change	(38%)	(45%)	(36%)	(28%)	(23%)	(20%)	(22%)	(20%)	(20%)	(22%)	(10%)	(13%)	(24%)

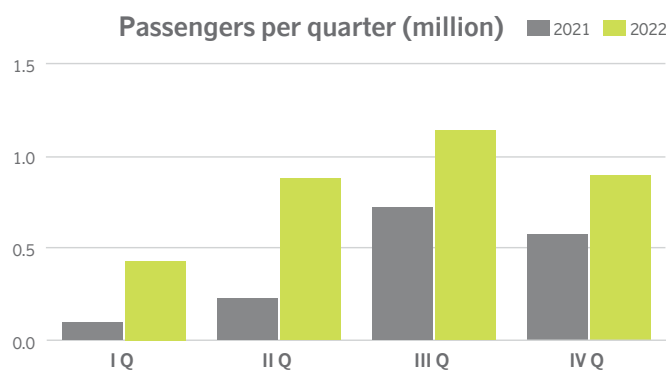
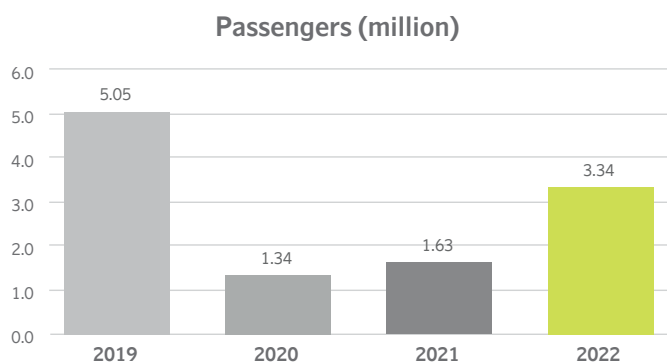
Considering the number of the ACMI flights performed by airBaltic on behalf of other carriers, the capacity gap between 2019 and 2022 had narrowed even further.

	2022	2021	Change
<b>Capacity</b>			
Number of aircraft at end of period*	40	44	(9%)
Utilization (block hours per aircraft per day)	7.07	4.80	47%
Total block hours	77 098	47 855	61%
Total flight hours	66 444	41 208	61%
Flights	37 302	23 444	59%
Average departures per day per aircraft	3.7	2.3	58%
Seat capacity ('000)	5 183	3 319	56%
Average aircraft stage length (km)	1 210	1 213	(0%)
Total ASKs ('000 km)	6 299 339	4 027 037	56%

\* Including the phased out and grounded De Havilland Q400 fleet of 12 aircrafts at the end of 2021 and one aircraft at the end of 2022.

### Operating data

RPKs (revenue passenger kilometres) ('000)	4 482 682	2 158 006	108%
Load factor (%)	71.2%	53.6%	17.6pp
Number of passenger segments ('000)	3 342	1 628	105%



## REGULARITY, PUNCTUALITY AND CUSTOMER SERVICE

In 2022, the global operational environment in the aviation sector was challenging – many airports were affected by disruptions and personnel shortage as well as the lingering effects of COVID-19 and in many cases could not handle the pent-up demand for air travel.

Most in the aviation industry would agree that the summer season of 2022 was not one that is likely to be repeated in terms of operational difficulties. Labour shortages could not keep up with the growing demand for travel, making it difficult to maintain normal operations. Despite these challenges, airBaltic continued to provide a high-level of services.

In 2022 the airBaltic cancellation or regularity rate during the operational period was 99.1 %, internal cancellation rate is set at 99.0 %. The main reasons for cancellation were technical and weather related.

In 2022 airBaltic's 15-minute punctuality rate was 71.73%. The decrease in punctuality is mainly due to delays caused by various airport restrictions for departures and arrivals, reduced airport slots and aircraft rotations, as well as technical reasons and staff shortages at our airports.

As the aviation industry continues to recover from Covid-19, the management expects the operating environment to significantly improve in 2023 compared to 2022.

## MANAGEMENT REPORT

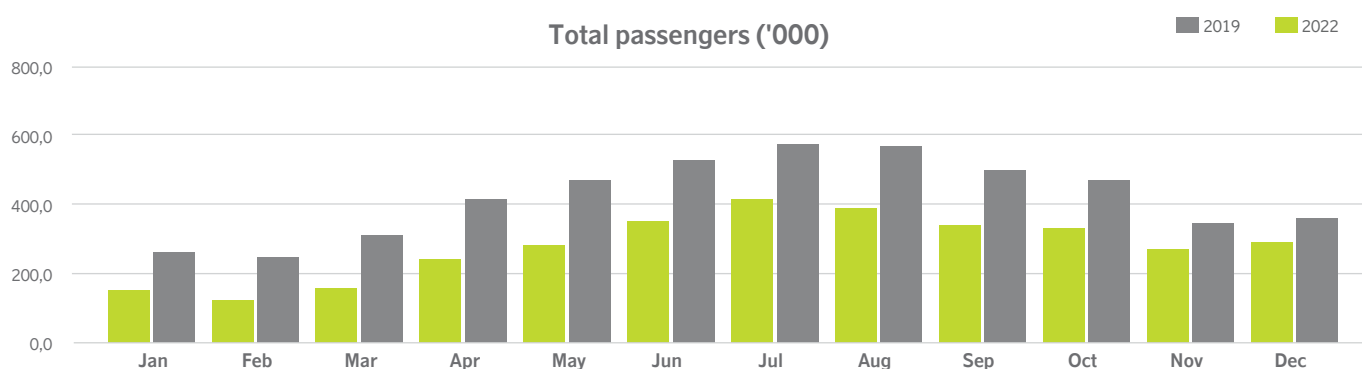
Air Baltic Corporation AS (continued)

### ENGINE ISSUES AND RELATED DISRUPTIONS

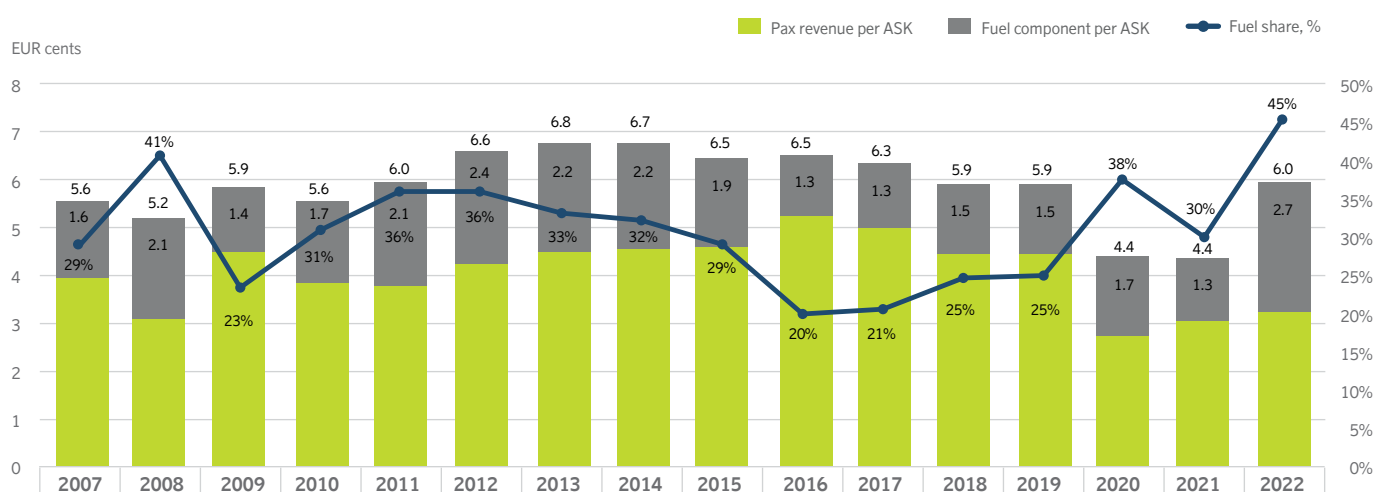
In 2022, a major factor impacting airBaltic's operations was unprecedented shortage of spare engines preventing airBaltic from flying its own fleet at full capacity. During the summer season airBaltic had on average 6.7 aircraft on the ground due to the shortage of spare engines. To mitigate the situation the airline was forced to wet-lease in aircraft from other ACMI providers. Shortage of capacity adversely affected punctuality, regularity, customer satisfaction and market share. To mitigate the issues caused by the unprecedented shortage of the engines, the airline signed a supplemental commercial support agreement with its engine manufacturer. The supplemental commercial support agreement outlines how these operational issues are addressed and specifies the support the airline can receive in case its aircraft are unavailable for operations due to defined engine operational issues and if there are no replacement engines available. The management expects similar issues related to engine availability also in 2023 and also similar commercial support to be made available to it from the engine manufacturer.

### FINANCIAL PERFORMANCE

In 2022, the airline continued its path to recovery to pre-COVID-19 levels, reducing gap on the capacity, passenger volumes and total revenues vs. 2019. The average passenger yield in Q3 was EUR 8.7 cents which was 13% higher than EUR 7.7 cents in Q3 of 2021 and 12.8% increase vs. the yield in 2019 same period.



The improvement in yields was counterbalanced by significant macroeconomic headwinds negatively affecting the fuel costs and causing depreciation of EUR vs USD. The chart below illustrates the fuel cost component in airBaltic's revenue per ASK over the course of the last 15 years and it shows that fuel costs in EUR have reached an all-time high, exceeding 45% of the revenue per ASK.

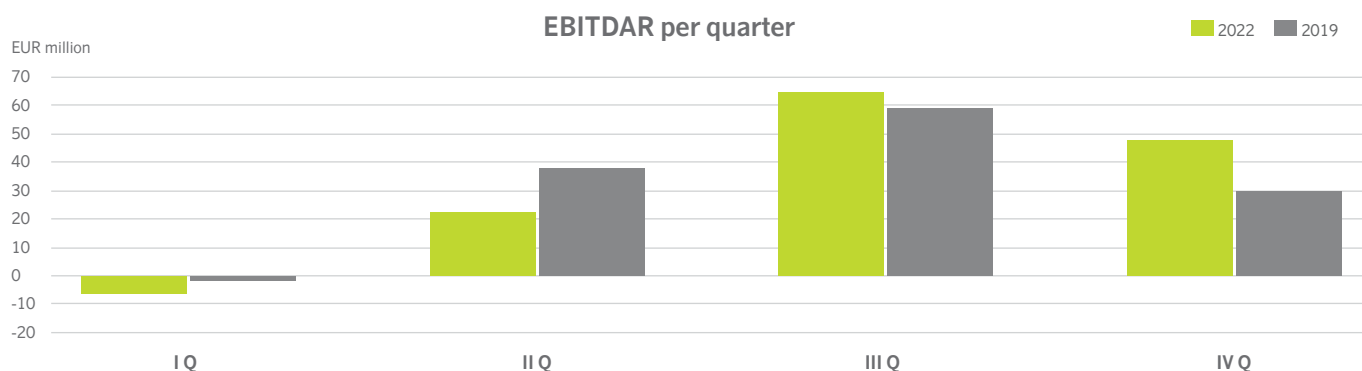


The average fuel price in 2022 as expressed in EUR increased by 81% vs 2021 which on the same volume of 2022 meant a EUR 62 million increase in fuel costs. With the outbreak of COVID-19 the airline had suspended its hedging activities primarily due to loss of credit capacity with the commodity hedging counterparties therefore it did not have any hedges open for 2022 and was only able to partially mitigate the fuel cost increase through increased ticket prices. As the airline industry continues its recovery process and the credit relationships with counterparties are restored to pre-COVID-19 levels airBaltic expects to reconsider hedging activities

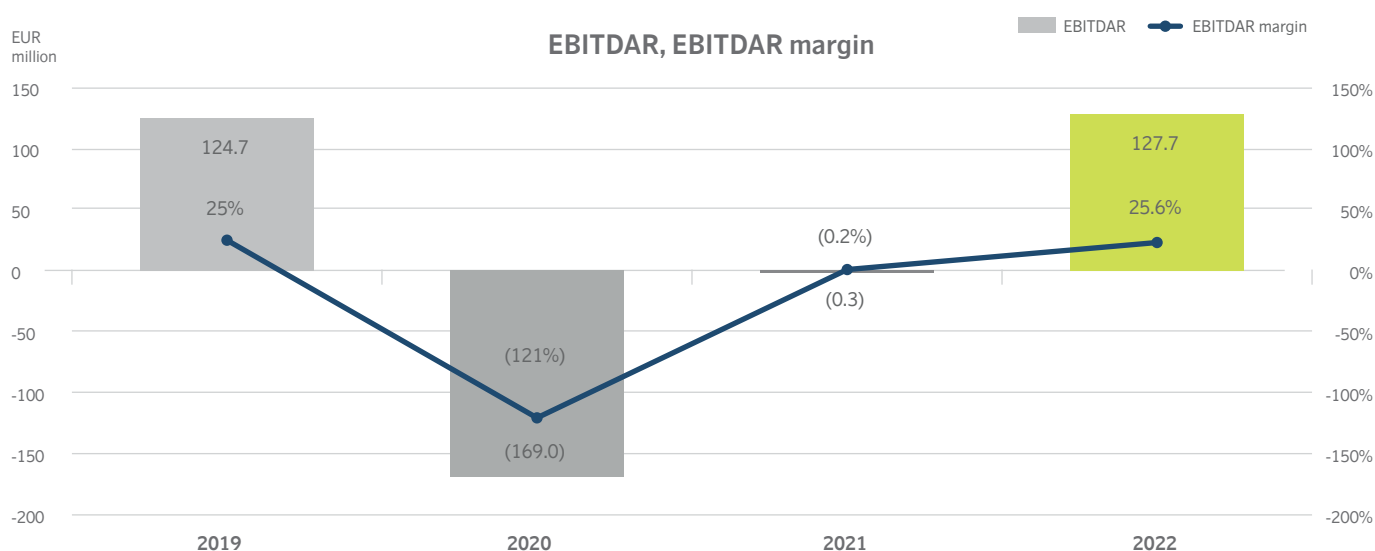
## MANAGEMENT REPORT

**Air Baltic Corporation AS** (continued)  
**Financial performance** (continued)

As the operations gradually returned to normal, the airlines EBITDAR margins reached 2019 levels and the airline reached profitability of EUR 17 million during the Q3 on a pre-exceptional basis, before adjustments required by IFRS.



The table below shows overall airBaltic's EBITDAR and EBITDAR margins in 2022.



The airline ended 2022 with a loss of EUR 53 million of was EUR 25.4 million was due to USD and other foreign currency exchange and revaluation. The unrealised foreign exchange non-cash loss from the revaluation of USD and other foreign currency denominated assets and liability of EUR 26.7 million was booked based on the period-end EUR/USD exchange rate of 1.07 (31 December 2021 rate was EUR/USD 1.334). At the end of 2022 the airline had USD 491 million in long term and short-term liabilities which means that EUR appreciation or depreciation vs. USD by 1 US cent would result in additional gain or loss of about EUR 5 million.

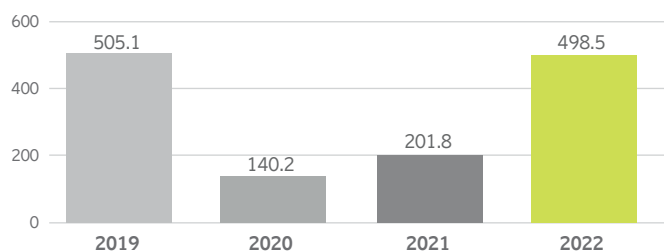
## MANAGEMENT REPORT

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

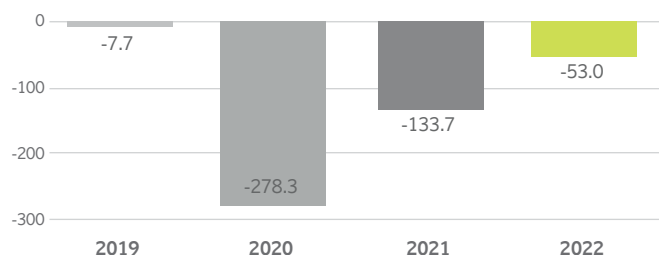
(EUR thousands, except where otherwise stated)

	2022	2021
<b>Financial metrics</b>		
Revenue	498 547	201 756
Passenger revenue	399 811	180 179
Ticket revenue	367 422	162 261
Ancillary revenue	32 389	17 918
EBITDAR	127 662	(347)
EBITDAR margin	25.6%	(0.2%)
EBIT	5 780	(82 393)
Net result	(53 007)	(133 651)
Net Debt	1 021 446	855 763
Cash and cash equivalents	37 611	79 155
<b>KPI without ACMI-out operations</b>		
Yield (€ cents)	8.4	8.2
RASK (€ cents)	6.72	5.01
CASK (€ cents)	(7.45)	(6.35)
CASK ex fuel (€ cents)	(4.75)	(5.04)

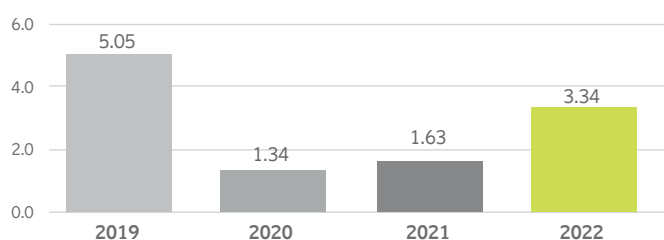
**Total revenue (EUR million)**



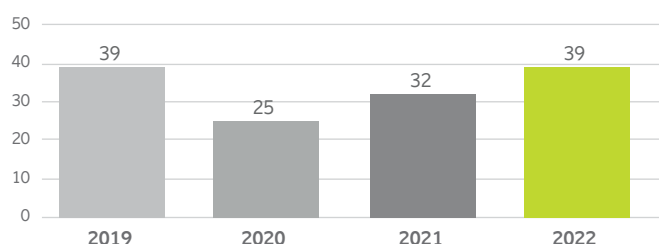
**NET result (EUR million)**



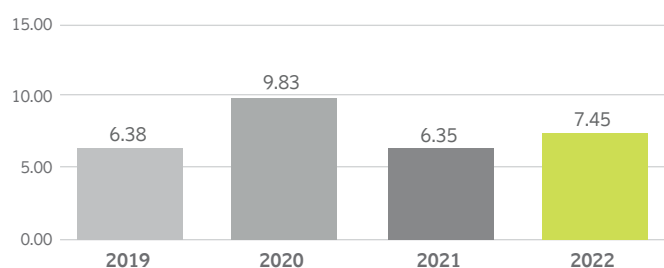
**Passengers (million)**



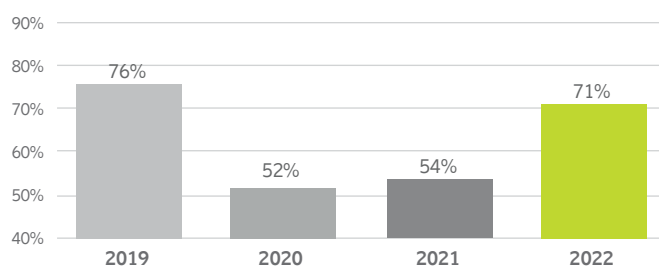
**Operating year-end fleet**



**CASK (EUR cents)**



**Load factor**



## FLEET RENEWAL

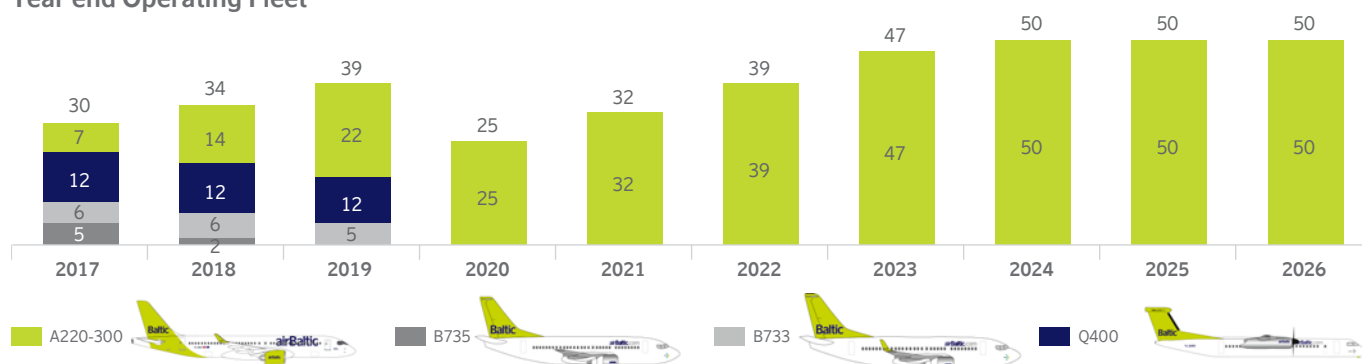
During 2022, the Company added 7 Airbus A220-300 aircraft to its fleet, thus the total number of A220s reached 39. The airline used sale and lease back financing to finance all seven A220-300 deliveries.

airBaltic plans to increase its fleet to 50 aircraft by the end of 2024 and to add 8 new A220-300 during 2023. As of the date of this report the first five aircraft deliveries of 2023 have been financed through sale and leaseback transactions.

In 2022, the airline also took delivery of two PW1521G aircraft spare engines which were financed by Export Development Canada. In total the airline expects to increase its spare engine capacity to seven before the end of 2023.

As of the date of this report the airline had returned to the leasing company all 12 De Havilland Q400s which were phased out from airBaltic's fleet already in 2020.

## Year end Operating Fleet



## CASH FLOW AND LIQUIDITY

In 2022, the airBaltic achieved positive cash flow from its operating activities – EUR 79 million improvement compared to 2021.

To strengthen airBaltic's liquidity and mitigate the impact of the pandemic, in August of 2021, the Government of Latvia approved EUR 90 million equity investment of which EUR 45 million was received in December of 2021 and the remaining EUR 45 million was received in Q2 of 2022.

The airline ended 2022 with the cash balance of EUR 37.6 million. The management considers this amount to be sufficient for the airline's operations in 2023, as the aviation market is expected to improve in 2023. However, in 2023, the airline will also seek additional sources of financing, including potentially raising funds in the international bond market or potentially seeking debt financing from its shareholders in order to strengthen its liquidity.

EUR thousand	2022	2021	Change
<b>Cash and cash equivalents at the beginning of the year</b>	<b>79 155</b>	<b>147 981</b>	<b>(68 826)</b>
Net cash generated from / (used in) operating activities	69 381	(9 990)	79 371
Net cash used in investing activities	(20 026)	(6 503)	(13 523)
Net cash used in financing activities	(90 899)	(52 333)	(38 566)
<b>Cash and cash equivalents at the end of the year</b>	<b>37 611</b>	<b>79 155</b>	<b>(41 544)</b>

## SHAREHOLDERS' STRUCTURE AND EQUITY

In August 2021, the Cabinet of Ministers approved the participation in the share capital increase of the Parent company in the amount of EUR 90 million. The investment was completed in two stages with share capital increases in 2022. All contributions to the share capital of the Company were made by the Republic of Latvia. According to the previous decisions of the European Commission, the state is encouraged to exit from its COVID-19 shareholding down to at least 80% during the coming 5 to 7 years. Therefore, the airline plans to conduct an initial public offering during the course of the next three years to provide the avenue for such divestment.

## MANAGEMENT REPORT

Air Baltic Corporation AS (continued)  
Shareholders' structure and equity (continued)

The shareholders structure as at 31 December 2022 is as follows (see Note 26 for more details on the changes in the share capital):

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

### Legal Risks

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

### Coverage of losses

The Executive Board expects to cover the year's losses with profits generated in future years.

### AIR BALTIC TRAINING SIA

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

The impact of COVID-19 restrictions and Russia's invasion of Ukraine both were factors that significantly affected the financial performance of the subsidiary in 2022. The number of initial pilot training program students did not reach the optimum of 100. This negatively influenced the total annual revenues by almost EUR 1 million.

The fleet of training Diamond aircraft remained constant - one DA42 aircraft and eight DA40 aircraft.

As part of the ABT diversification plans the subsidiary was successfully increasing aircraft maintenance training revenues that in 2022 increased from the planned 15% to 50%.

The maintenance mechanics education program at Liepājas Valsts Tehnikums (LVT) - the program jointly established by LVT and ABT - has reached the expected level with 50 students joining the studies in September 2022. This will help to ensure the constant supply of qualified aviation technicians for the future growth of both: Air Baltic Training General Aviation Services and the Parent company.

The net result for the financial year was a loss of EUR 1 million.

2022 was showing the signs of aviation market recovery from the pandemic. The management of the Company is confident that the positive business development will continue in 2023.

### BALTIJAS KRAVU CENTRS SIA

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

During the reporting year the subsidiary handled 10 704 tons of cargo and mail, which is 22% more than in 2021. Total revenue increased to EUR 983 thousand. The result for the year 2022 is a profit of EUR 46 thousand.

In 2021 the Company together with the Parent company won the tender organized by International Airport Riga for the rights to build a new cargo handling terminal. In 2022 active work was carried out on the design of the cargo terminal and related technical solutions. Commissioning of building is planned in 2024.

## MANAGEMENT REPORT

Air Baltic Corporation AS (continued)

### AVIATION CREW RESOURCES AS

Aviation Crew Resources AS (hereinafter – also the ACR) was established in 2012 to address the increasing demand for the highly qualified pilots in the aviation market. The main activities of the subsidiary are related to the outsourcing of aviation crew.

During the reporting year the total number of contracted crews increased from 264 pilots at the beginning of 2022 to 316 pilots at the year-end.

In 2022 the subsidiary generated over EUR 30 million in revenues resulting in a net loss of EUR 22 thousand.

The customer base of the subsidiary has not changed significantly after COVID-19, but the demand for the airBaltic services has increased. Such trend has led to the decision to minimise the administrative burden of the subsidiary, while ensuring continuous operations and additional business of the Parent company. Efficient implementation of the strategy requires the concentration of all resources under common control rather than continuing implementation of the historically adopted decision on the administration of a separate company. Considering these circumstances the decision has been taken to initiate the liquidation of ACR in 2023. The liquidation has been initiated on 3 January 2023. In 2023 all employees of the subsidiary have received job offers from Air Baltic Corporation and all employees approached have signed employment contracts with Air Baltic Corporation.

#### Going concern

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

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

#### Subsequent events

During the period between the last day of the reporting year and the date of signing this report, there have been no events that could materially impact the financial position of the Parent company and the Group as of 31 December 2022 and should be reflected in this report.

#### Non-financial Report

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

Non-financial report is in accordance with the GRI Standards.

For detailed information on corporate social responsibility (CSR) activities, description of the policies and procedures in relation to those matters, the outcome of the policies, and non-financial key performance indicators, please see the Sustainability Report 2022 which is available on the airBaltic website: [airbaltic.com/en-LV/index](https://airbaltic.com/en-LV/index). The report is prepared in accordance with the GRI Standards – Core option requirements.

The sustainability report addresses such topics as corporate social responsibility, responsible governance, environment, employees and the work environment, society and others.

#### Statement of Management Responsibility

Based on the information available to the Executive Board, these financial statements for 2022 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 Parent company and the Group. The information provided in the Management report is accurate.



**Martin Alexander Gauss**  
Chairman of the Executive Board



**Vitolds Jakovļevs**  
Member of the Executive Board



**Pauls Juris Cālītis**  
Member of the Executive Board



## INCOME STATEMENT

	Note	AIR BALTIC		GROUP	
		2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
<b>OPERATING REVENUE</b>					
Revenue and other income	5	493 832	195 908	495 455	198 259
Other income	6	4 715	5 848	4 715	5 848
		<b>498 547</b>	<b>201 756</b>	<b>500 170</b>	<b>204 107</b>
<b>OPERATING EXPENSES AND CLAIM COMPENSATIONS</b>					
Fuel		(169 927)	(52 841)	(169 927)	(52 841)
Airport, handling and en route charges		(86 760)	(54 336)	(86 192)	(53 853)
Amortization and depreciation	17,18,20	(73 585)	(50 827)	(74 280)	(51 604)
Personnel costs	7	(47 260)	(31 732)	(76 704)	(51 830)
Marketing and tickets sales costs	8	(30 950)	(14 217)	(30 950)	(14 268)
Pilot services		(29 766)	(20 176)	-	-
Other operating costs	9	(25 435)	(17 561)	(25 904)	(18 736)
Aircraft and similar lease		(22 921)	(4 365)	(22 921)	(4 365)
Aircraft maintenance		(15 003)	(9 960)	(15 004)	(9 960)
Passenger service		(12 573)	(2 998)	(12 573)	(2 998)
Provision for legal disputes	11	(500)	(312)	(500)	(312)
Claim compensations	12	46 789	691	46 789	691
Reversals of impairment losses on investments in subsidiaries		-	1 027	-	-
		<b>(467 891)</b>	<b>(257 607)</b>	<b>(468 166)</b>	<b>(260 076)</b>
<b>FINANCE INCOME / (EXPENSES)</b>					
Finance costs	13	(58 824)	(51 374)	(58 961)	(51 519)
Foreign currency exchange loss, net	14	(25 376)	(26 854)	(25 379)	(26 855)
Finance income	15	537	428	112	153
		<b>(83 663)</b>	<b>(77 800)</b>	<b>(84 228)</b>	<b>(78 221)</b>
<b>LOSS BEFORE TAX</b>		<b>(53 007)</b>	<b>(133 651)</b>	<b>(52 224)</b>	<b>(134 190)</b>
Corporate income tax	16	-	-	(1 995)	(1 528)
<b>LOSS FOR THE YEAR</b>		<b>(53 007)</b>	<b>(133 651)</b>	<b>(54 219)</b>	<b>(135 718)</b>

The notes on pages 111 to 149 form an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
<b>LOSS FOR THE YEAR</b>	<b>(53 007)</b>	<b>(133 651)</b>	<b>(54 219)</b>	<b>(135 718)</b>
<b>ITEMS THAT ARE OR MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>				
Hedging loss reclassified to profit or loss	-	480	-	480
	-	<b>480</b>	-	<b>480</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>				
Depreciation of revaluation reserve	(310)	(310)	392	(303)
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>(310)</b>	<b>170</b>	<b>392</b>	<b>177</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(53 317)</b>	<b>(133 481)</b>	<b>(53 827)</b>	<b>(135 541)</b>

The notes on pages 111 to 149 form an integral part of these financial statements.

## BALANCE SHEET

	Note	AIR BALTIC		GROUP	
		31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	17	94 189	74 472	101 493	81 752
Right-of-use assets	18	810 845	696 921	810 845	696 921
Investment properties	19	2 850	2 850	-	-
Intangible assets	20	18 386	19 261	17 327	18 027
Investments in subsidiaries and other investments	21	410	409	3	3
Prepayments for maintenance		61 196	31 980	61 196	31 980
Prepayments for acquisition of property, plant and equipment		50 133	47 491	50 283	47 640
Trade and other receivables	23	14 930	25 945	15 525	25 732
		<b>1 052 939</b>	<b>899 329</b>	<b>1 056 672</b>	<b>902 055</b>
<b>CURRENT ASSETS</b>					
Inventories	24	10 813	7 575	10 913	7 659
Prepaid expenses		11 544	13 965	11 612	14 021
Trade and other receivables	23	42 870	22 844	41 726	22 193
Cash	25	37 611	79 155	37 999	79 314
		<b>102 838</b>	<b>123 539</b>	<b>102 250</b>	<b>123 187</b>
<b>TOTAL ASSETS</b>		<b>1 155 777</b>	<b>1 022 868</b>	<b>1 158 922</b>	<b>1 025 242</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	26	596 473	506 473	596 473	506 473
Other contributions	26	2 644	2 490	2 644	2 490
Revaluation reserve		3 037	3 347	3 886	3 494
Reorganization reserve	26	1 932	1 932	-	-
Accumulated loss:					
accumulated loss brought forward		(632 901)	(499 250)	(630 768)	(495 050)
loss for the year		(53 007)	(133 651)	(54 219)	(135 718)
<b>TOTAL EQUITY</b>		<b>(81 822)</b>	<b>(118 659)</b>	<b>(81 984)</b>	<b>(118 311)</b>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	27	718 012	602 083	718 012	602 083
Borrowings	27	254 464	247 767	254 464	247 767
Provisions	28	31 428	35 814	31 428	35 814
Tax liabilities	30	1 944	6 571	1 944	6 766
Financial injections from the shareholders (with the intention to capitalise)	26	-	45 000	-	45 000
		<b>1 005 848</b>	<b>937 235</b>	<b>1 005 848</b>	<b>937 430</b>
<b>CURRENT LIABILITIES</b>					
Lease liabilities	27	77 565	77 329	77 565	77 329
Contract liabilities, airport taxes and other liabilities	31	56 289	38 942	56 478	38 984
Trade and other payables	29	48 335	39 056	48 533	37 964
Provisions	28	33 965	34 799	33 965	34 799
Tax liabilities	30	6 581	6 427	7 740	7 132
Borrowings	27	9 016	7 739	10 777	9 915
		<b>231 751</b>	<b>204 292</b>	<b>235 058</b>	<b>206 123</b>
<b>TOTAL LIABILITIES</b>		<b>1 237 599</b>	<b>1 141 527</b>	<b>1 240 906</b>	<b>1 143 553</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 155 777</b>	<b>1 022 868</b>	<b>1 158 922</b>	<b>1 025 242</b>

The notes on pages 111 to 149 form an integral part of these financial statements.

## CASH FLOW STATEMENT

	Note	AIR BALTIC		GROUP	
		2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>LOSS BEFORE TAX</b>		<b>(53 007)</b>	<b>(133 651)</b>	<b>(52 224)</b>	<b>(134 190)</b>
Adjustments for:					
Depreciation and amortisation	17,18,20	73 585	50 827	74 280	51 604
Interest expense	13	57 425	50 100	57 530	50 223
Foreign exchange loss	14	26 695	25 619	26 695	25 619
Change in provisions and financial liabilities	28	31 034	17 070	31 034	17 070
Profit on sales and leaseback transactions	6	(4 715)	(5 848)	(4 715)	(5 848)
Profit on disposal of property, plant and equipment		(1 669)	(1 420)	(1 646)	(787)
Interest income		(112)	(153)	(112)	(153)
Reversal of impairment of investment in subsidiaries	21	-	(1 027)	-	-
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>129 236</b>	<b>1 517</b>	<b>130 842</b>	<b>3 538</b>
(Decrease) / increase in payables		(17 642)	18 097	(16 116)	20 250
Increase in receivables		(36 680)	(23 110)	(36 792)	(24 073)
Increase in deposits		(2 295)	(3 882)	(2 507)	(3 882)
Increase in inventories		(3 238)	(2 612)	(3 254)	(2 605)
Corporate income tax paid		-	-	(1 826)	(1 511)
<b>NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES</b>		<b>69 381</b>	<b>(9 990)</b>	<b>70 347</b>	<b>(8 283)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Advances paid for aircraft		(29 111)	(31 873)	(29 111)	(31 873)
Acquisition of property, plant and equipment and intangible assets		(31 048)	(13 462)	(31 265)	(12 533)
Refund of advances paid for aircraft		33 222	29 267	33 222	29 267
Received profit from sales and leaseback transactions		4 715	5 848	4 715	5 848
Proceeds from sale of property, plant and equipment		1 721	1 449	1 721	1 449
Interest received		475	3	475	3
Proceeds from liquidation of subsidiary	21	-	2 261	-	-
Purchase of shares in subsidiary		-	4	-	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(20 026)</b>	<b>(6 503)</b>	<b>(20 243)</b>	<b>(7 839)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Lease principal payments	27	(88 705)	(66 453)	(88 705)	(66 453)
Interest paid	27	(54 290)	(46 599)	(54 396)	(46 720)
Repayment of borrowings	27	(2 198)	(240)	(2 612)	(655)
Financial injections from the shareholders (with the intention to capitalise)	26	45 000	45 000	45 000	45 000
Borrowings received	27	9 294	15 959	9 294	15 959
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(90 899)</b>	<b>(52 333)</b>	<b>(91 419)</b>	<b>(52 869)</b>
Decrease in cash		(41 544)	(68 826)	(41 315)	(68 991)
Cash at the beginning of the reporting year		79 155	147 981	79 314	148 305
<b>CASH AT THE END OF THE REPORTING YEAR</b>	25	<b>37 611</b>	<b>79 155</b>	<b>37 999</b>	<b>79 314</b>

The notes on pages 111 to 149 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

	Share capital TEUR	Other contri- butions TEUR	Reval- uation reserve TEUR	Reorga- nization reserve TEUR	Cash flow hedging reserve TEUR	Accumu- lated loss TEUR	Loss for the year TEUR	TOTAL TEUR
<b>31.12. 2020</b>	<b>506 473</b>	<b>2 299</b>	<b>3 657</b>	<b>1 932</b>	<b>(480)</b>	<b>(220 983)</b>	<b>(278 267)</b>	<b>14 631</b>
<b>COMPREHENSIVE INCOME</b>								
Loss for the year	-	-	-	-	-	-	(133 651)	(133 651)
Other comprehensive income	-	-	(310)	-	480	-	-	170
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>-</b>	<b>-</b>	<b>(310)</b>	<b>-</b>	<b>480</b>	<b>-</b>	<b>(133 651)</b>	<b>(133 481)</b>
Currency translation difference	-	191	-	-	-	-	-	191
Allocation of prior year result	-	-	-	-	-	(278 267)	278 267	-
<b>31.12.2021</b>	<b>506 473</b>	<b>2 490</b>	<b>3 347</b>	<b>1 932</b>	<b>-</b>	<b>(499 250)</b>	<b>(133 651)</b>	<b>(118 659)</b>
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	-	-	(53 007)	(53 007)
Other comprehensive income	-	-	(310)	-	-	-	-	(310)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>-</b>	<b>-</b>	<b>(310)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53 007)</b>	<b>(53 317)</b>
Increase in share capital (see Note 26)	90 000	-	-	-	-	-	-	90 000
Currency translation difference	-	154	-	-	-	-	-	154
Allocation of prior year result	-	-	-	-	-	(133 651)	133 651	-
<b>31.12.2022</b>	<b>596 473</b>	<b>2 644</b>	<b>3 037</b>	<b>1 932</b>	<b>-</b>	<b>(632 901)</b>	<b>(53 007)</b>	<b>(81 822)</b>

The notes on pages 111 to 149 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY – GROUP

	Share capital TEUR	Other contribu- tions TEUR	Revalua- tion reserve TEUR	Cash flow hedging reserve TEUR	Accumu- lated loss TEUR	Loss for the year TEUR	TOTAL TEUR
<b>31.12.2020</b>	<b>506 473</b>	<b>2 299</b>	<b>3 797</b>	<b>(480)</b>	<b>(230 453)</b>	<b>(264 597)</b>	<b>17 039</b>
<b>COMPREHENSIVE INCOME</b>							
Loss for the year	-	-	-	-	-	(135 718)	(135 718)
Other comprehensive income	-	-	(303)	480	-	-	177
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>-</b>	<b>-</b>	<b>(303)</b>	<b>480</b>	<b>-</b>	<b>(135 718)</b>	<b>(135 541)</b>
Currency translation difference	-	191	-	-	-	-	191
Allocation of prior year result	-	-	-	-	(264 597)	264 597	-
<b>31.12.2021</b>	<b>506 473</b>	<b>2 490</b>	<b>3 494</b>	<b>-</b>	<b>(495 050)</b>	<b>(135 718)</b>	<b>(118 311)</b>
<b>COMPREHENSIVE INCOME</b>							
Loss for the year	-	-	-	-	-	(54 219)	(54 219)
Other comprehensive income	-	-	392	-	-	-	392
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>-</b>	<b>-</b>	<b>392</b>	<b>-</b>	<b>-</b>	<b>(54 219)</b>	<b>(53 827)</b>
Increase in share capital (see Note 26)	90 000	-	-	-	-	-	90 000
Currency translation difference	-	154	-	-	-	-	154
Allocation of prior year result	-	-	-	-	(135 718)	135 718	-
<b>31.12.2022</b>	<b>596 473</b>	<b>2 644</b>	<b>3 886</b>	<b>-</b>	<b>(630 768)</b>	<b>(54 219)</b>	<b>(81 984)</b>

The notes on pages 111 to 149 form an integral part of these financial statements.

## 1. CORPORATE INFORMATION

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

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

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

The separate financial statements and the consolidated financial statements (hereinafter together – the financial statements) for the year ended 31 December 2022 were approved by a resolution of the Parent company's Executive Board on 28 February 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

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

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

### Change in presentation

During the year, the Group and Company 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 31.12.2021 the Parent company and the Group: EUR 31 980 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.

### Standards or interpretations effective for the first time for the annual periods beginning 1 January 2022

- *Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS9, IFRS16 and IAS 41* (effective for annual periods beginning on or after 1 January 2022). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

## NOTES

### 2. Summary of significant accounting policies (continued)

#### a) Basis of preparation (continued)

##### Standards or interpretations effective for the first time annual periods beginning 1 January 2022 (continued)

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test. Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

- *Covid-19-Related Rent Concessions – Amendments to IFRS 16* (effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2022 that would be expected to have a material impact to the Company and the Group.

##### Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2023 or not yet endorsed by the EU

- *Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies* (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
- *Amendments to IAS 8: Definition of Accounting Estimates* (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.
- *Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12* (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback* (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.
- *Classification of liabilities as current or non-current – Amendments to IAS 1* (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months.



## NOTES

### 2. Summary of significant accounting policies (continued)

#### a) Basis of preparation (continued)

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2023 or not yet endorsed by the EU (continued)

The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28* (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The EU endorsement is postponed as the IASB effective date is deferred indefinitely.

The Group is currently assessing the impact of the amendments on its financial statements.

#### b) Going concern

As of 31 December 2022, airBaltic had negative equity of nearly EUR 82 million (31 December 2021: EUR 119 million), the Company's current liabilities exceeded its current assets by nearly EUR 129 million and the cash balance at the end of the year was EUR 37.6 million. To put the cash balance in perspective, this was the statement on end of year 2022 projected cash balance made in the Company's 2021 annual report:

*"Assuming the above scenarios and no additional financing beyond the EUR 45 million which is expected to be invested by the Government of Latvia by the end of April of 2022, the cash balance at the end of 2022, which also is the lowest level of cash balance in 2022, is projected to be in the range from EUR 2 million to EUR 32 million if either of the slow recovery or the base case scenario for 2022 or somewhere in between materialise."*

Despite all the challenges related to the Russia – Ukraine war, extremely high fuel prices, decreasing EUR value vs. USD and challenges with the supply of spare engines that significantly limited airBaltic's capacity during the summer season, the airline was able to achieve improved cash flow performance than projected 12 months ago. This was primarily driven by the very strong demand recovery in all its markets.

The Executive Board of the Parent company, considering this performance and the market conditions, is of the opinion that the use of the going concern assumption in the preparation of these financial statements is appropriate.

*There is material uncertainty arising from the war related travel restrictions and the potential knock-on effects such as impact on the price of fuel and potential decrease of demand for travel as well as debt capital market disruptions that could affect the availability of sufficient funding in the event that the continued recovery of airBaltic's business is not as strong as expected over the next 12 months*

There remain significant travel restrictions that came into effect after the Russian invasion of Ukraine in February 2022. Because of those restrictions airBaltic had to cease its operations in Russia and Ukraine and redeploy the capacity towards other destinations and additional ACMI business. For 2023, for both base and negative scenarios the airline assumes that Ukrainian, Belorussian and Russian markets will remain closed and has adjusted its network accordingly. Following the introduction of ACMI business and as a result of the efforts in the year this business is now 16% of the entire business and is expected to grow.

Based on the latest booking trends and assuming that the post COVID-19 market recovery continues in 2023, the airline estimates its revenues to be in the range from EUR 650 million to EUR 700 million (2022: EUR 494 million). On a base case scenario, the net cash flow in 2023 without any additional new sources of financing is expected to be negative, and that is primarily driven by the EUR 85 million of planned capital expenditure. However, the management is of the opinion that it has considerable flexibility over the timing of the vast majority of this capital expenditure, including delaying this into 2024 and beyond without impacting the forecast operating revenues of the business in 2023.

## NOTES

### 2. Summary of significant accounting policies (continued)

#### b) Going concern (continued)

One of the covenants of the EUR 200 million Eurobond due July 2024 is an obligation for the airline to maintain a minimum liquidity of EUR 25 million measured at quarterly basis. In a negative scenario, should the uncertainties described above materialise and the airline fail to comply with this requirement, it is obliged to remedy the situation within 60 days of the respective notice. Following the scenario analysis by the management, on a base case scenario, the management expects the airline to be able to maintain the EUR 25 million in minimum liquidity throughout the next 12 months on the basis that the capital expenditure deferral plan is implemented. As the forward bookings in a typical year start generating significant positive working capital from mid-February each year, the projected cash balance of slightly above EUR 25 million at the end of February 2024 would therefore be sufficient for the airline to sustain its operations until the start of the summer season even in the absence of additional outside sources of financing. These cash flow projections assume that the Company minimizes the capital investment amount to the levels that are necessary for the current operational scale but would postpone a number of noncritical investment projects to 2024. To prepare for the maturity of the July 2024 EUR 200 million Eurobond, in 2023, the airline will seek to refinance the EUR 200 million Eurobond and through this process raise additional long-term debt to strengthen its liquidity and support its extensive capital expenditures program.

If the EU high yield debt markets remain inaccessible to airBaltic and the cash flows from operational activities and the reduction in planned capital expenditure is not sufficient to ensure the minimum required cash balance is maintained throughout 2023 and in the first quarter of 2024, the airline may seek debt financing from the primary shareholder – the Government of Latvia.

At the date of issuance of these financial statements, the airline plans to rely on private sources for any additional financing and only seek financing from the government in case the private debt capital markets and other sources of private debt are inaccessible to the airline for the duration of 2023.

Based on EU law and discussions with the European Commission on the application of state aid rules, Management believes that if the high yield debt markets continue to be negatively impacted by the war in Ukraine in 2023, there will be valid arguments and mechanisms for the Government to provide debt financing to airBaltic at market rates. Assessing the past performance and success of airBaltic's management in raising both private debt financing and financing from the Government of Latvia, the Management is of the opinion that these sources of funding are reasonably realistic to assume that airBaltic will be able to continue its operations as a going concern.

The ongoing war in Ukraine and the related uncertainties are expected to continue to impact both the price and the volatility of the price of fuel. These factors could directly and indirectly negatively impact the expected growth in demand for travel and hence negatively impact the Parent company and Group's ability to return to generating net cash over the year, thus, there is a material uncertainty which may cast significant doubt upon the Parent company's and the Group's ability to continue as a going concern. In the opinion of Management, the level of uncertainty at this time is much lower than it was in March 2022, when the Group's 2021 annual report was approved. The financial statements do not include the adjustments that would result if the Parent company and the Group were unable to continue as a going concern.

#### c) Consolidation (Group)

The financial statements of the Group comprise the financial statements of Air Baltic Corporation AS, Baltijas Kravu Centrs SIA, Air Baltic Training SIA and Aviation Crew Resources AS. The financial statements of subsidiaries are prepared for the same reporting period as the Parent company's, using consistent accounting policies. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

## NOTES

### 2. Summary of significant accounting policies (continued)

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

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

The Company and the Group companies undertake an impairment test for its depreciable intangible assets and property, plant and equipment and right of use assets, if there is any indication that those assets may be impaired. The Company and the Group undertake an impairment test for their intangible assets with indefinite useful life on an annual basis. When carrying out impairment tests, the Management uses various estimates for the cash flows arising from the use of the assets, revenue growth rate and the future level of costs. The estimates are based on forecasts of the general economic environment, demand, inflation and others. To test impairment of the indefinite intangible asset held by the Company and the Group requires the test to be done at the relevant Cash Generating Unit (CGU) level where the intangible asset is held. This CGU is the Company itself and as such the impairment test considers the depreciable intangible assets and property, plant and equipment and right of use assets held by the Company including the fleet. The recoverable amount is thus most sensitive to the assumptions of ticket yield, volume of scheduled passengers, USD/EUR exchange rate, discount rate and the growth rate used for extrapolation purposes. The impairment test involves estimating the future cash flows based on the business plan Above 2026. See Notes 17, 18 and 20 for more information.

##### *Recognition and revaluation of provisions*

As at 31 December 2022, airBaltic has set up provisions for aircraft redelivery costs (see Note 27). The amount and / or timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure.

As at 31 December 2022, airBaltic has 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 the Parent company and the Republic of Latvia back in 2011 and 2012. This provision has been prudently made due to prolonged procedural complexities triggering the restart of one of the cases. The airline has also created provisions for potential loss from the settlement with some of its suppliers. The amount and/or timing of the settlement of these obligations is uncertain. A number of assumptions and estimates have been used to determine the present value of provisions, including the amount of future expenditure, inflation rates, and the timing of settlement of the expenditure.

As at 31 December 2022, airBaltic has set up provision for carbon emissions. The provision represents the costs of the industry carbon dioxide (CO<sub>2</sub>) emissions scheme. A number of assumptions and estimates have been used to determine the present value of provisions, including the future outflow of resources, inflation rates, and the timing of settlement of the expenditure.

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

##### *Classification of long term cash deposit*

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

##### *Recognition of Sales and leaseback transactions*

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

The factors that influence the Management's decision as to whether or not airBaltic has acquired the aircraft are related to the fact that airBaltic assumes all risks associated with the acquisition of the aircraft, including acquisition risk, fair value risk and others. In addition, airBaltic also benefits from the transaction by obtaining the discounts on the aircraft market price. This along with other factors (like whether the buyer obtains physical control, whether the buyer is entitled to payment, obtains a legal title, etc.) leads the Management to the conclusion that the original buyer of the aircraft is airBaltic. In 2022 the Parent company has recognised a profit of EUR 4 715 thousand (2021: EUR 5 848 thousand) from sale and leaseback transactions. The purchase and sale of aircraft occurs within a short period of time, thus these transactions are not presented within movements of property, plant and equipment.

##### *Determination of lease term*

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

## NOTES

### 2. Summary of significant accounting policies (continued)

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

The Management has applied judgement that:

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

#### e) Foreign currency translation

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

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

	31.12.2022	31.12.2021
	USD	USD
1 EUR	1.0666	1.1326
The average EUR/USD rate in the appropriate year	1.0530	1.1827

#### f) Revenue recognition

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

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

In order to counteract the liquidity issues caused by the COVID-19 pandemic in 2020 the Parent company offered its customers to receive a refund as airBaltic travel voucher that covered a full refund value of the cancelled flight and additional EUR 20 bonus for each segment refunded. The value of the voucher issued and not used by the balance sheet date is reported as contract liabilities. The item is reduced either when the Parent company or another airline completes the transport or when the passenger requests a refund. The cost of the "bonus" (EUR 20) was recognised as a cost within Other operating costs.

The value of tickets sold and still valid, but not used by the balance sheet date is reported as contract liabilities. Scheduled revenues are recognized within the income statement at the point in time when the flight service is provided (i.e. when the flight takes place). If a flight is cancelled, a passenger is entitled to a cash refund, a voucher for a future flight, or to re-schedule the cancelled flight. Additionally, gift vouchers may be purchased by passengers. Where a voucher is issued, a liability for the amount paid by the passenger is recognized in full and held within unearned revenue until the voucher is utilized against a future flight, when it expires, or when it is probable that it will expire unexercised.

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

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

Ancillary revenue includes sale of ticket related services, like advance seat reservations, baggage fees as well as different service fees, and income on inflight service. The service revenue is recognized when the flight is flown in accordance with the flight traffic program.

## NOTES

### 2. Summary of significant accounting policies (continued)

#### f) Revenue recognition (continued)

Cargo revenue is recognized when the cargo has been delivered to the customer, usually delivery in one day, i.e. at point in time. Charter revenue includes sale of flights that are recognized when the service is delivered.

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

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

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

#### Financing component

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

#### g) Aircraft maintenance costs

Aircraft maintenance expenses involve routine maintenance costs like short cycle engineering checks, component checks, monthly checks, annual airframe checks, periodic heavy maintenance and engine checks. Routine maintenance costs are expensed as incurred. The cost of heavy maintenance is capitalized and recognized as property, plant and equipment or right-of-use assets when maintenance, including enhancement, is carried out. Such assets are depreciated over their expected useful life.

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

Payments for aircraft and engine maintenance, as stipulated in the respective lease agreements, are made to certain lessors as a security for the performance of future heavy maintenance works. The payments are recorded as Prepaid expenses until the respective maintenance event occurs and the reimbursement with the lessor is finalised. The cost of heavy maintenance is capitalised and recognised as right-of-use asset when maintenance is carried out. Such assets are depreciated over the period the Group benefits from the asset over the shorter of the period to the next event and the remaining lease term.

#### h) Financial assets and liabilities

##### Financial assets

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

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

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

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

## NOTES

### 2. Summary of significant accounting policies (continued)

#### h) Financial assets and liabilities (continued)

As at 31 December 2022 the following financial assets of the Company and the Group were classified in this category: trade receivables, loans granted, bank deposits, cash and cash equivalents.

The Company and the Group have no investments in equity instruments.

Derivative financial instruments are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

#### Financial liabilities

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

#### i) Intangible assets and property, plant and equipment

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

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

	% per annum
Licences and software	20
Buildings	4 - 33
Aircraft equipment	16 - 50
Fixtures and fittings	20 - 50

As the components of aircraft have varying useful lives, the Company and the Group have separated the components for depreciation purposes. The depreciation method used for each type of component is based on the characteristics of the type (straight line or units of production method). The Company and the Group have determined the rate of depreciation per hour of usage for some aircraft component types, by dividing the depreciable amount of an aircraft by its estimated total service capability measured in terms of hours (estimated range 2,500-2,900 hours). The residual values of the aircraft are determined based on independent external valuations.

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

Buildings and training aircraft are accounted by applying the revaluation method. Revaluation is made with sufficient regularity that the carrying value does not differ materially from that which would be determined using fair value at the balance sheet date. Increase in the carrying amount arising on revaluation is credited to "Revaluation reserve" in shareholders' equity and is subsequently depreciated. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the current year's income statement. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after the revaluation equals its revalued amount.

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

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

## NOTES

### 2. Summary of significant accounting policies (continued)

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

Extensive modifications, including the obligatory major overhauls of engines, and improvements to PPE are capitalized and depreciated together with the asset to which the work is related over its remaining useful life. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

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

#### j) Investment property (the Parent company)

Investment properties – buildings and warehouse hangars - are held for long-term rental yields and are not occupied by the Parent company. They are carried at fair value. Changes in fair values are presented in Income statement. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement account during the period in which they are incurred. Gains and losses on disposal are recognised in Income statement.

#### k) Investments in subsidiaries and associated companies (the Parent company)

Investments in subsidiaries (i.e. where the Parent company holds more than 50% interest of the share capital or otherwise controls the company) and associates (i.e. where the Parent company has significant influence, but less than a controlling interest, which is presumed to exist with 20 to 50% interest of the share capital of the entity) are stated at cost. Following initial recognition, investments in subsidiaries and associates are carried at cost less any accumulated impairment losses. The carrying values of investments in subsidiaries and associates are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The Parent company recognizes income from the investment only to the extent that it receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognized as a reduction of the cost of the investment.

#### l) Impairment of non-financial assets

Assets that have indefinite useful lives (for example, trademarks) are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. If the fair value of the asset less costs to sell cannot be determined reliably, the recoverable amount of the asset is its value in use. The value in use is calculated by discounting the expected future cash flows generated by the asset to their present value.

An impairment test is carried out if any of the following indicators of impairment exist:

- the market value of similar assets has decreased,
- the general economic environment and the market situation have worsened, and therefore it is likely that the future cash flows generated by assets will decrease,
- market interest rates have increased,
- the physical condition of the assets has considerably deteriorated,
- revenue generated by assets is lower than expected,
- results of some operating areas are worse than expected,
- the activities of a certain cash generating unit are planned to be terminated.

If the Company and the Group identify any other evidence of impairment, an impairment test is performed. Impairment tests are performed either for an individual asset or group of assets (cash-generating unit). A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows generated by other assets or groups of assets. An impairment loss is recognised immediately as an expense in the income statement. At the end of each reporting period, it is assessed whether there is any indication that the impairment loss recognised in the prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. According to the results of the estimate, the impairment loss can be partially or wholly reversed.

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**2. Summary of significant accounting policies** *(continued)*
**m) Impairment of financial assets**

The Company and the Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company and the Group use low credit risk exemption, i.e. the Company and the Group assume that the credit risk on a financial assets have not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. The Company and the Group companies measure ECL and recognise credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables without a significant financing component, the Company and the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables. The Group uses a provision matrix in which expected credit losses are calculated for trade receivables falling into different ageing or overdue periods.

**n) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the FIFO (first in, first out) method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventories is lower than its cost, provisions are created to reduce the value of inventories to its net realizable value.

**o) Trade and other receivables**

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

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

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

**p) Cash and cash equivalents**

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

**q) Accounts payable**

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**r) Leases and right-of-use assets**

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

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

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

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



## NOTES

### 2. Summary of significant accounting policies (continued)

#### r) Leases and right-of-use assets (continued)

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

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

Subsequently, the right of use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or lease modifications. The right of use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The following depreciation rates are set by the Management for the right of use assets:

	% per annum
Land and buildings	3 – 14
Aircraft	4 – 8

Payments associated with all short-term leases and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computers, tablets, mobile phones and small items of office furniture.

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

#### s) Borrowings

Borrowings are recognized initially at the proceeds received net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the Income statement or in accordance with property, plant and equipment accounting policy capitalized as part of the cost of property, plant and equipment under construction over the period of borrowings.

#### t) Taxation

Corporate income tax for the reporting period is included in the financial statements based on the Management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholders of the Company and the Group companies make a decision about profit distribution.

The Company and the Group companies calculate and pay corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the income statement in the year for which it is assessed.

There are no differences between the tax bases and carrying amount of assets and liabilities and hence, deferred income tax assets and liabilities do not arise. Deferred tax liabilities relating to taxable temporary differences arising on investments in subsidiaries (from retained earnings after 1 January 2018 in subsidiaries) are not recognized in the Group's consolidated financial statements as management has decided that the subsidiaries' 2018-2022 profit for the foreseeable future will not be distributed.

#### u) Employee benefits

Short-term employee benefits include wages and salaries, as well as social security taxes, benefits related to the temporary halting of the employment contract (holiday pay or other similar pay) and other benefits payable after the end of the period during which the employee worked. If during the reporting period the employee has provided services in return for which benefits are expected to be paid, the Company and the Group will set up a liability (accrued expense) for the amount of the forecast benefit, from which all paid amounts are deducted. The Company and the Group pay social security contributions for state pension insurance to the state funded pension scheme in compliance with the Latvian legislation. The state funded pension scheme is a fixed-contribution pension plan whereby the Company and the Group have to make payments in an amount specified by the law. The Company and the Group do not incur legal or constructive obligations to pay further contributions if the state funded pension scheme is unable to meet its liabilities towards employees. The social security is recognised as an expense on an accrual basis and is included within personnel costs.

## NOTES

### 2. Summary of significant accounting policies (continued)

#### v) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are recognised based on the Management's estimates.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision may be recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be low.

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. The costs related to setting up provisions are charged to operating expenses or are included within the acquisition cost of an item of right-of-use assets when the provision is related to the dismantlement, removal or restoration or other obligation, incurred either when the item is acquired or as a consequence of use of the item during a particular period. Provisions are used only to cover the expenses for which they were set up. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the Company and the Group settle the obligation. The reimbursement shall be treated as a separate asset. The amount of the reimbursement may not exceed the amount of the provision. Once the uncertainty is removed, the provision is classified as creditor or reversed and recognized in the income statement within the same line item in which the original expenditure was initially disclosed.

Onerous contract provisions comprise the unavoidable costs under a contract that is the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

#### *Provisions for aircraft maintenance costs related to the future redelivery of aircraft*

As evidenced by industry practice, additional maintenance costs are frequently incurred in order to satisfy the criteria set by the lessor regarding technical condition of the aircraft at the end of the period of lease. Provisions for redelivery of the aircraft are set up to cover the estimated costs relating to the future redelivery of aircraft. At the commencement date, the present value of the estimated redelivery costs is included within the cost of right-of-use assets and depreciated over the shorter of the end of the useful life of the aircraft or the end of the lease term.

#### w) Contingent liabilities

Possible obligations where it is not probable that an outflow of resources will be required to settle the obligation, or where the amount of the obligation cannot be measured with sufficient reliability, but which may become in certain circumstances liabilities, are disclosed in the notes to the financial statements as contingent liabilities.

#### x) Related parties

Related parties are defined as the Parent company's shareholders, who have significant or joint control or significant influence, the members of the Executive Board and the Supervisory Board, their close relatives and companies in which they have a significant influence or control.

#### y) Emissions trading scheme

The Group is required to formally report its annual actual emissions to the relevant authorities and surrender emissions allowances (EUAs) equivalent to the emissions made during the year. Surrendered allowances are a combination of the free allowances granted by the authorities and allowances purchased by the Group from other parties. The free allowances are measured initially and subsequently at cost which for allowances awarded is a nominal value (usually nil). Allowances purchased are recognised when the Group is able to exercise control and are measured initially at market value at the date of initial recognition. Allowances subsequently are measured at the amount expected to be paid for the allowances to be purchased. The cost of allowances purchased and to be purchased are recognised as costs in the Income statement under "Fuel".

#### z) Segment reporting

Operating segments are reported in a manner consistent with the internal organizational and management structure and the internal reporting information provided to the senior management team that is responsible for allocating resources and assessing performance of operating segments. The Company and the Group are managed as a single business unit that provides airline-related services, including scheduled services, and ancillary services including hotel, travel insurance and other related services to third parties, across its route network.

#### aa) Subsequent events

Post-year-end events that provide additional information about the Company's and the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes, when material.

### 3. FINANCIAL RISK MANAGEMENT

#### a) Financial risk factors

The Parent company and the Group companies are exposed to a variety of financial risks: market risk (relating to fluctuations in commodity prices, interest rates and currency exchange rates), credit risk and liquidity risk. The Company's and the Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise adverse effects on the Company's and the Group's financial performance. The Parent company and the Group companies use financial instruments to manage exposures arising from these risks. These instruments include borrowings, cash deposits and derivatives (principally jet fuel derivatives). It is the Company's and the Group's policy that no speculative trading in financial instruments takes place.

Risk management is carried out by the Risk Management Committee under policies approved by the Executive and Supervisory Board. The Executive Board of airBaltic provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, fuel price risk, credit risk, use of derivative financial instruments, adherence to hedge accounting, and hedge coverage levels.

#### b) Risk analysis

##### Market risks

##### *Foreign currency risk*

The Parent company and the Group are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollar. Foreign exchange risk arises when commercial transactions and recognized assets or liabilities are denominated in a currency that is not the functional currency of the Company. Most of the Group's revenues is denominated in euros, while a significant portion of the Company's and the Group's expenses are US Dollar denominated, including fuel, aircraft lease, maintenance, insurance and capital expenditure costs.

During the year the Company has not used financial derivatives to hedge its foreign currency risk and there were no open hedges as at 31 December 2022. The Executive Board may in the future consider hedging foreign currency risk to reduce the potential Company's and the Group's earnings and cash flow volatility arising from foreign currency fluctuations.

The Group's and airBaltic's exposure to EUR/USD exchange risk at the end of the reporting year and the respective equivalent in euros, was as follows:

AIR BALTIC	31.12.2022		31.12.2021	
	TUSD	equivalent to TEUR	TUSD	equivalent to TEUR
Trade and other receivables	20 171	18 911	25 479	22 496
Borrowings and lease payments	490 956	460 300	445 286	393 154
Trade and other payables	6 979	6 543	4 169	3 681
<b>GROUP</b>	<b>31.12.2022</b>	<b>31.12.2021</b>		
	TUSD	equivalent to TEUR	TUSD	equivalent to TEUR
Trade and other receivables	20 171	18 911	25 479	22 496
Borrowings and lease payments	490 956	460 300	445 286	393 154
Trade and other payables	6 979	6 543	4 169	3 681

##### *Interest rate risk*

Interest rate risk is the risk that the fair value of financial instruments or cash flows will fluctuate in the future due to changes in market interest rates. Cash flow interest rate risk arises from floating interest rate borrowings and lies in the danger that financial expenses increase when interest rates increase.

However, the majority of interest rates charged on borrowings are not sensitive to interest rate movements as they are fixed until maturity. The Parent company and the Group analyse its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, alternative financing and hedging. The Group is exposed to fair value risk of interest. The Company and the Group have not used financial derivatives to hedge its interest rate risk during the year.

##### *Commodity price risk*

One of the most significant costs for the Company and the Group is jet fuel. The price of jet fuel can be volatile and can have direct impact on the Company's and the Group's financial performance. In previous years airBaltic has partly hedged against jet fuel price fluctuations using jet fuel swap contracts. The average hedge coverage in 2021 was 7.61%. As at 31 December 2022 there are no open jet fuel hedge agreements for the year 2023 and beyond (31 December 2021: no open jet fuel hedge agreements).

## NOTES

### 3. Financial risk management (continued)

#### b) Risk analysis (continued)

##### Market risks (continued)

##### Sensitivity analysis

The table below shows the sensitivity on the net result of the Parent company and the Group to various market risks for the current and prior years:

AIR BALTIC AND THE GROUP	31.12.2022 Difference in equity TEUR	31.12.2021 Difference in equity TEUR	2022 Difference in loss for the year TEUR	2021 Difference in loss for the year TEUR
<b>USD/EUR rate sensitivity</b>				
USD/EUR rate increase 5%	(21 927)	(20 381)	(21 927)	(20 381)
USD/EUR rate decrease 5%	24 235	22 527	24 235	22 527
<b>Interest rate sensitivity</b>				
Interest rate is higher by 0.5 pp	(10)	(13)	(10)	(13)
Interest rate is lower by 0.5 pp	10	13	10	13

The interest rate sensitivity calculation considers the effects of the varying interest rates on the borrowings.

##### Liquidity risk

Liquidity risk is the risk that the Parent company and the Group are unable to meet their financial obligations due to insufficient cash inflows. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding.

The airline ended 2022 with the cash balance of EUR 37.6 million. The airlines liquidity position and needs are discussed in more detail in Note 2 (b).

The tables below analyse the airBaltic's and the Group's contractual undiscounted (including estimated future interest payments on debt) non-derivative financial liabilities.

AIR BALTIC	Within 3 months TEUR	Between 3 months and 1 year TEUR	Between 1 and 5 years TEUR	More than 5 years TEUR	Total contractual cash flows TEUR	Carrying amount of liabilities TEUR
<b>Contractual maturities of financial liabilities at 31.12.2022</b>						
Trade payables	24 730	-	-	-	24 730	24 730
Accrued liabilities	23 586	-	-	-	23 586	23 586
Borrowings and lease	32 911	106 115	726 236	444 729	1 309 991	1 059 057
<b>Contractual maturities of financial liabilities at 31.12.2021</b>						
Trade payables	17 000	-	-	-	17 000	17 000
Accrued liabilities	22 002	-	-	-	22 002	22 002
Borrowings and lease	29 526	107 317	645 958	392 436	1 175 237	934 918

## NOTES

### 3. Financial risk management *(continued)*

#### b) Risk analysis *(continued)*

GROUP	Within 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total contractual cash flows	Carrying amount of liabilities
	TEUR	TEUR	TEUR	TEUR		
<b>Contractual maturities of financial liabilities at 31.12.2022</b>						
Trade payables	20 819	-	-	-	20 819	20 819
Accrued liabilities	27 588	-	-	-	27 588	27 588
Borrowings and lease	34 693	106 115	726 236	444 729	1 311 773	1 060 818
<b>Contractual maturities of financial liabilities at 31.12.2021</b>						
Trade payables	12 976	-	-	-	12 976	12 976
Accrued liabilities	24 924	-	-	-	24 924	24 924
Borrowings and lease	31 702	107 317	645 958	392 436	1 177 413	937 094

#### Credit risk

Credit risk is the risk that the Parent company and the Group companies will incur a monetary loss caused by the other party to a financial instrument because of that party's inability to meet its obligations. The Parent company and the Group companies are exposed to credit risk through its trade receivables, deposits and cash. The exposure to credit risk from individual customers is limited as a large majority of the payments for flight tickets are collected before the service is provided. The Parent company and the Group have no significant concentration of credit risk with any customer. The Parent company and the Group analyse and evaluate partners before commercial transactions are initiated. Further, trade receivable balances are monitored on an ongoing basis to ensure that the Company's and the Group's exposure to bad debts is minimized. Accounts receivable are presented net of allowances for doubtful accounts receivable. Although the collection of receivables can be impacted by economic factors, the Management believes that there is no significant risk of loss beyond the credit loss allowances already recorded. The other receivables do not contain any impaired assets.

The credit risk is also managed by only signing contracts with financially sound domestic and foreign banks, financial institutions and brokers within the framework of risk management policy. According to the estimate of the Management the receivables and accrued income without a credit rating from an independent party do not involve material credit risk, as there is no evidence of circumstances that would indicate impairment loss. The Parent company and the Group have no significant concentration of credit risk with any bank.

The Parent company and the Group also have hedging and aircraft manufacturer relationships that represent counterparty credit risk. The Parent company and the Group analysed the creditworthiness of the relevant business partners in order to assess the likelihood of non-performance of liabilities due to the Company and the Group. The credit quality of the Company's and the Group's financial assets is assessed by reference to external credit ratings of the counterparties as follows:

AIR BALTIC	A+	BBB+	Other	Unrated	Total
31.12.2022	TEUR	TEUR	TEUR	TEUR	TEUR
<b>Financial instruments</b>					
Trade receivables, security deposits and other receivables	-	2 839	12 532	33 622	48 993
Cash	18 782	-	18 095	734	37 611
<b>TOTAL FINANCIAL ASSETS</b>	<b>18 782</b>	<b>2 839</b>	<b>30 627</b>	<b>34 356</b>	<b>86 604</b>
<b>31.12.2021</b>					
<b>Financial instruments</b>					
Trade receivables, security deposits and other receivables	-	1 912	11 944	33 669	47 525
Cash	49 783	28 811	-	561	79 155
<b>TOTAL FINANCIAL ASSETS</b>	<b>49 783</b>	<b>30 723</b>	<b>11 944</b>	<b>34 230</b>	<b>126 680</b>

## NOTES

### 3. Financial risk management (continued)

#### b) Risk analysis (continued)

GROUP 31.12.2022	A+ TEUR	BBB+ TEUR	Other TEUR	Unrated TEUR	Total TEUR
<b>Financial instruments</b>					
Trade receivables, security deposits and other receivables	-	2 839	12 532	32 492	47 863
Cash	19 169	-	18 096	734	37 999
<b>Total financial assets</b>	<b>19 169</b>	<b>2 839</b>	<b>30 628</b>	<b>33 226</b>	<b>85 862</b>
<b>31.12.2021</b>					
<b>Financial instruments</b>					
Trade receivables, security deposits and other receivables	-	1 912	11 944	31 923	45 779
Cash	49 941	28 812	-	561	79 314
<b>Total financial assets</b>	<b>49 941</b>	<b>30 724</b>	<b>11 944</b>	<b>32 484</b>	<b>125 093</b>

Based on the information above the Management does not consider the counterparty risk of any party being material and therefore no credit loss allowance was recognised for the respective cash balances.

For more detailed information on accounting policy for accounts receivable and their impairment, see Notes 2 (p) and 2 (n). Detailed analysis of trade accounts receivable is shown in Note 23.

#### Capital risk

The Parent company's and the Group's policy is to preserve an optimal capital base to keep investor, creditor and market confidence and to maintain sufficient financial resources to mitigate against risks and unforeseen events.

According to the previous decision of the European Commission in the case No.SA.56943 as of July 03, 2020, the state is encouraged to exit from its COVID-19 shareholding down to at least 80% during the coming 5 to 7 years. Therefore, the airline will most probably seek to conduct an initial public offering of its shares, at some time over the next three years, to provide the avenue for such divestment.

#### Fair value estimation

The Company and the Group classify their assets and liabilities based on the technique used for determining fair value into the following categories:

Level 1: Fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is determined based on inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value is determined based on inputs that are not based on observable market data (that is, on unobservable inputs).

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

AIR BALTIC	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	6 633	6 633
Investment property	-	-	2 850	2 850
<b>GROUP</b>				
GROUP	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	9 531	9 531
Diamond DA40NG aircraft	-	-	4 054	4 054

## NOTES

### 3. Financial risk management (continued)

#### b) Risk analysis (continued)

The following table presents airBaltic's and the Group's assets and liabilities that are measured at fair value at 31 December 2021.

AIR BALTIC	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	7 174	7 174
Investment property	-	-	2 850	2 850
GROUP	Level 1 TEUR	Level 2 TEUR	Level 3 TEUR	Total TEUR
Buildings	-	-	10 428	10 428

The Group and airBaltic obtain independent valuations for its buildings, investment property and aircraft with sufficient regularity. At the end of each reporting period, the Management updates the assessment of the fair value of each building and aircraft, 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. Please see Note 17 and Note 19 on the principles of setting the fair value of buildings and Note 17 on the revaluation of the aircraft.

All other financial assets and financial liabilities are measured at amortized cost. The Group's and airBaltic's financial assets measured at amortized cost are included in level 3, except for cash and cash equivalents, which are included in level 2. The Group and airBaltic estimate that the fair values of assets and liabilities reported at amortised cost do not materially differ from the carrying amounts reported in the financial statements.

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 airBaltic's Chief Operating Decision Maker (CODM). The results of these operations are included in the 'other segments' line.

airBaltic 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 airBaltic and the Group for the year.

The Parent company's and the Group's major revenue-generating asset class comprises its aircraft fleet, which is flexibly employed across the 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.

### Entity-wide disclosures

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

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Europe	469 983	191 049	471 557	193 344
Other	28 564	10 707	28 613	10 763
<b>TOTAL</b>	<b>498 547</b>	<b>201 756</b>	<b>500 170</b>	<b>204 107</b>

Revenue was allocated to geographical areas based on the location of the destination airport. The Group and the Parent company does not perform a separate analysis of the revenues derived specifically to / from the hubs as the routes are analysed on a segment level.

## NOTES

### 4. Segment information (continued)

Reportable segment information is presented as follows:

	2022 TEUR	2021 TEUR
Operating revenue of the Parent company	498 547	201 756
Revenue of other segments	33 816	25 706
Intersegment elimination arising from other segments	(32 193)	(23 355)
<b>TOTAL REVENUE</b>	<b>500 170</b>	<b>204 107</b>
Loss of the Parent company	(53 007)	(133 651)
(Loss) / Profit of other segments	(1 008)	890
Intersegment elimination	(204)	(2 957)
<b>TOTAL NET LOSS</b>	<b>(54 219)</b>	<b>(135 718)</b>
Other segment information:		
Amortization and depreciation	(73 585)	(50 827)
Interest revenue	112	153
Interest expense	(57 425)	(50 100)
	<b>31.12.2022 TEUR</b>	<b>31.12.2021 TEUR</b>
Reportable segment of the Parent company's assets	1 155 777	1 022 868
Reportable segment of the other segments' assets	14 243	14 231
Intersegment elimination arising from other segments	(11 098)	(11 857)
<b>TOTAL ASSETS</b>	<b>1 158 922</b>	<b>1 025 242</b>
Reportable segment of the Parent company's liabilities	1 237 598	1 141 527
Reportable segment of the other segments' liabilities	12 218	11 892
Intersegment elimination arising from other segments	(8 910)	(9 866)
<b>TOTAL LIABILITIES</b>	<b>1 240 906</b>	<b>1 143 553</b>

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.

### 5. REVENUE AND OTHER INCOME

	2022 TEUR	AIR BALTIC 2021 TEUR	2022 TEUR	GROUP 2021 TEUR
Ticket revenue	367 422	162 261	367 422	162 708
ACMI lease revenue (non-lease component)	47 827	1 344	47 827	1 344
Ancillary revenue	32 389	17 918	32 389	17 918
Charter revenue	9 367	6 860	9 367	6 860
Cargo revenue	6 043	5 239	6 457	5 458
Other revenue	1 471	1 462	2 680	3 147
<b>Revenue from contracts with customers</b>	<b>464 519</b>	<b>195 084</b>	<b>466 142</b>	<b>197 435</b>
ACMI lease revenue (lease component)	29 313	824	29 313	824
<b>TOTAL</b>	<b>493 832</b>	<b>195 908</b>	<b>495 455</b>	<b>198 259</b>

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.



## NOTES

### 6. OTHER INCOME

Other income represents profit from sale and leaseback transactions.

### 7. PERSONNEL COSTS

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Remuneration	37 425	25 391	54 989	36 776
Social insurance contributions	8 851	5 990	13 035	8 699
Other personnel expense	984	351	8 680	6 355
<b>TOTAL</b>	<b>47 260</b>	<b>31 732</b>	<b>76 704</b>	<b>51 830</b>

#### Remuneration of the members of the Executive Board and Supervisory Board for the current year

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
<b>Executive Board members</b>				
Remuneration	1 549	1 377	1 549	1 377
Social insurance contributions	377	325	377	325
<b>Supervisory Board members</b>				
Remuneration	129	150	129	150
Social insurance contributions	30	36	30	36
<b>TOTAL</b>	<b>2 085</b>	<b>1 888</b>	<b>2 085</b>	<b>1 888</b>

Average number of employees during the reporting year, including:	1 472	1 097	1 851	1 377
<i>Executive Board members</i>	3	3	3	3
<i>Supervisory Board members</i>	4	4	4	4

### 8. MARKETING AND TICKETS SALES COSTS

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Tickets sales costs	17 225	7 339	17 225	7 339
Marketing costs and agents' commissions	9 661	5 000	9 661	5 000
Other sales costs	4 064	1 878	4 064	1 929
<b>TOTAL</b>	<b>30 950</b>	<b>14 217</b>	<b>30 950</b>	<b>14 268</b>

### 9. OTHER OPERATING COSTS

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Other costs	7 511	3 725	7 548	4 900
Crew duty trip expenses	6 940	2 486	7 578	2 486
Professional costs	6 542	3 554	6 380	3 554
IT maintenance services	4 442	4 081	4 398	4 081
Provision for onerous contracts (see Note 28)	-	3 715	-	3 715
<b>TOTAL</b>	<b>25 435</b>	<b>17 561</b>	<b>25 904</b>	<b>18 736</b>

## NOTES

### 10. AUDITOR'S REMUNERATION

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Audit fees	118	68	135	88
Tax and other consulting services	28	9	28	13
Services related to regulatory work	190	-	190	-
<b>TOTAL</b>	<b>336</b>	<b>77</b>	<b>353</b>	<b>101</b>

### 11. PROVISIONS FOR LEGAL DISPUTES

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Provision for legal disputes, net (see Notes 28 and 33 (b))	500	312	500	312

### 12. CLAIM COMPENSATION

Claim compensation reflects the various compensations received under the Supplemental Commercial Support Agreement conducted in 2022 with the engine manufacturer, insurance indemnities as well as various indemnities under guarantee contracts. The costs which are compensated under claim compensation include engine downtime compensation, short-time lease costs, and other associated costs of flight operations incurred during the year. It is management board's judgment that the compensation is not a rebate or a discount for any purchased goods or services or future purchases of goods or services, rather it is a compensation for expenses incurred in connections with the delay in delivery causing before mentioned expenses to occur.

### 13. FINANCE COSTS

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Interest expense on lease	42 347	35 593	42 347	35 593
Interest expense on borrowings	15 078	14 507	15 183	14 630
Other interest and similar expenses	1 399	1 274	1 431	1 296
<b>TOTAL</b>	<b>58 824</b>	<b>51 374</b>	<b>58 961</b>	<b>51 519</b>

### 14. FOREIGN CURRENCY EXCHANGE LOSS, NET

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Exchange losses on assets and liabilities, net	(26 695)	(25 619)	(26 695)	(25 619)
Exchange (losses) on foreign currency settlements, net	1 319	(1 235)	1 316	(1 236)
<b>TOTAL</b>	<b>(25 376)</b>	<b>(26 854)</b>	<b>(25 379)</b>	<b>(26 855)</b>

### 15. FINANCE INCOME

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Interest income on bank deposits	112	153	112	153
Other financial income	425	275	-	-
<b>TOTAL</b>	<b>537</b>	<b>428</b>	<b>112</b>	<b>153</b>

## NOTES

### 16. CORPORATE INCOME TAX

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Corporate income tax on dividends	-	-	(1 995)	(1 537)
Corporate income tax on conditionally distributed profit	-	-	-	(1)
Corporate income tax adjustment for previous year	-	-	-	10
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>(1 995)</b>	<b>(1 528)</b>

### 17. PROPERTY, PLANT AND EQUIPMENT

The following two tables reflect the reconciliation of the carrying amount at the beginning and the end of the period for airBaltic and the Group.

AIR BALTIC	Buildings TEUR	Fixtures and fittings TEUR	Aircraft equipment TEUR	Total TEUR
<b>Cost or revalued amount</b>				
31.12.2020	15 976	20 043	32 359	68 378
Additions	175	853	40 025	41 053
Disposals	-	(707)	(263)	(970)
Reclassification	-	33	-	33
<b>31.12.2021</b>	<b>16 151</b>	<b>20 222</b>	<b>72 121</b>	<b>108 494</b>
<b>Accumulated depreciation</b>				
31.12.2020	8 358	6 995	13 035	28 388
Charge for 2021	308	1 571	4 348	6 227
Charge on revalued amount	310	-	-	310
Disposals	-	(707)	(195)	(902)
Reclassification	1	(2)	-	(1)
<b>31.12.2021</b>	<b>8 977</b>	<b>7 857</b>	<b>17 188</b>	<b>34 022</b>
<b>Cost or revalued amount</b>				
31.12.2021	16 151	20 222	72 121	108 494
Additions	87	1 131	29 200	30 418
Disposals	-	(461)	(3 065)	(3 526)
<b>31.12.2022</b>	<b>16 238</b>	<b>20 892</b>	<b>98 256</b>	<b>135 386</b>
<b>Accumulated depreciation</b>				
31.12.2021	8 977	7 857	17 188	34 022
Charge for 2022	318	1 698	8 334	10 350
Charge on revalued amount	310	-	-	310
Disposals	-	(425)	(3 060)	(3 485)
<b>31.12.2022</b>	<b>9 605</b>	<b>9 130</b>	<b>22 462</b>	<b>41 197</b>
<b>Net book value 31.12.2022</b>	<b>6 633</b>	<b>11 762</b>	<b>75 794</b>	<b>94 189</b>
<b>Net book value 31.12.2021</b>	<b>7 174</b>	<b>12 365</b>	<b>54 933</b>	<b>74 472</b>

## NOTES

### 17. Property, plant and equipment *(continued)*

GROUP	Buildings TEUR	Fixtures and fittings TEUR	Aircraft TEUR	Aircraft equipment TEUR	Total TEUR
<b>Cost or revalued amount</b>					
31.12.2020	21 831	21 908	4 062	32 359	80 160
Additions	175	870	499	40 025	41 569
Disposals	-	(1 529)	-	(263)	(1 792)
Reclassification	-	33	-	-	33
<b>31.12.2021</b>	<b>22 006</b>	<b>21 282</b>	<b>4 561</b>	<b>72 121</b>	<b>119 970</b>
<b>Accumulated depreciation</b>					
31.12.2020	10 602	8 362	577	13 035	32 576
Charge for 2021	672	1 663	352	4 348	7 035
Charge on revalued amount	303	-	-	-	303
Disposals	-	(1 500)	-	(195)	(1 695)
Reclassification	1	(2)	-	-	(1)
<b>31.12.2021</b>	<b>11 578</b>	<b>8 523</b>	<b>929</b>	<b>17 188</b>	<b>38 218</b>
<b>Cost or revalued amount</b>					
31.12.2021	22 006	21 282	4 561	72 121	119 970
Additions	87	1 160	125	29 202	30 574
Disposals	-	(470)	(118)	(3 051)	(3 639)
Revaluation	-	-	695	-	695
<b>31.12.2022</b>	<b>22 093</b>	<b>21 972</b>	<b>5 263</b>	<b>98 272</b>	<b>147 600</b>
<b>Accumulated depreciation</b>					
31.12.2021	11 578	8 523	929	17 188	38 218
Charge for 2022	681	1 764	378	8 335	11 158
Charge on revalued amount	303	-	-	-	303
Disposals	-	(429)	(98)	(3 045)	(3 572)
<b>31.12.2022</b>	<b>12 562</b>	<b>9 858</b>	<b>1 209</b>	<b>22 478</b>	<b>46 107</b>
<b>Net book value 31.12.2022</b>	<b>9 531</b>	<b>12 114</b>	<b>4 054</b>	<b>75 794</b>	<b>101 493</b>
<b>Net book value 31.12.2021</b>	<b>10 428</b>	<b>12 759</b>	<b>3 632</b>	<b>54 933</b>	<b>81 752</b>

#### **Impairment test**

At the end of 2022, the Management of the Parent company and the Group performed the impairment test of property, plant and equipment (including right of use assets) and intangible assets. The potential triggers of impairment considered particularly in the context of COVID-19, war in Ukraine and supply chain issues. For impairment test purposes the business of each separate Group company was considered as separate cash generating units. The Parent company is the only significant cash generating unit. The recoverable amount of the assets is estimated based on their value in use.

In 2020, following the Management's decision of early phase out of Q400 fleet, the net book value of total assets (in Right of Use Assets, see Note 18) related to the Q400 fleet was treated as a separate asset for which full impairment in amount of EUR 72 891 was recognized. The airline returned 11 of 12 Q400s by the end of 2022 and the last one in February of 2023 thus completing the phase out of Q400s from its fleet.

In 2022 the impairment test of the property, plant and equipment (including right-of-use assets) and intangible assets that were treated as a separate cash generating unit did not reflect the need for recognizing an impairment loss because the assets' value in use exceeds their carrying amount.

## NOTES

### 17. Property, plant and equipment *(continued)* *Impairment test (continued)*

The recoverable amount was based on discounted future cash flow for the period of 2023 – 2027 of the current aircraft fleet of the Parent company. The expected future cash flows were discounted using a discount rate of 9.5% (2021: 9.5%). Several key assumptions used in impairment test are sensitive to changes, which might affect the estimated recoverable value of assets:

- unit revenue per revenue passenger kilometre (ticket yield),
- volume of scheduled passengers,
- USD/EUR exchange rate,
- Weighted Average Cost of Capital (WACC).

In conducting the impairment test the near term yield was forecasted based on the current industry trends as well as on experts' forecasts. It was assumed that the yield in 2023 would increase by 7% compared to 2022 and 6% in 2024 compared to 2023. Further assumed 1% to 2% yield increase year-over-year. As for the impairment test purposes the model considered only the current fleet of the airline. Such assumption of constant fleet and hence limited seat capacity offered may potentially affect yield towards further increase.

The model assumes that more than 20% of the total revenue is generated by ACMI operations in 2023 and 2024, and then declines gradually to 16% in 2027. The total number of assumed passengers in 2023 is 27% below 2019. Passenger volumes only surpass the 2019 level in 2027. Passenger growth assumed 10% in 2023 compared to 2022. Compounded annual passenger increase from 2023 to 2027 assumed 9%.

The EUR/USD exchange rate forecasted based on relevant forward prices until 2027 and in the model exchange rate reduced by 2% to use conservative assumption. Rates vary from EUR/USD 0.99 to 1.05.

The market price of jet fuel forecasted based on relevant forward prices and for the impairment test purpose increased by 2%. Rates vary from 1 050 to 682 USD/MT.

The table below represents change in each key assumption that would cause the cash generating unit's carrying amount to be equal to its recoverable amount, while other assumptions unchanged.

<b>Assumption</b>	<b>Change</b>
Scheduled passengers	Decrease 10.8%
Ticket yield	Decrease 10.8%
USD exchange rate	Decrease 54.1%
WACC	Increase 71.5%

The management does not consider the changes in the WACC and exchange rate presented above to be reasonably possible changes in the current environment, but for the consistency the sensitivity is presented.

The Company and the Group are continuously monitoring potential threats to core business activities such as new variants of COVID-19 outbreak, developments around war in Ukraine and the Parent company's supply chain issues related to aircraft engine maintenance and amending where necessary short term operating plans accordingly. The Company's and the Group's short term performance will depend largely on the strength of the European economy in 2023, any further spill over effects from the war in Ukraine, and development of aircraft engine supply chain issues which may temporarily ground affected aircraft.

#### **Fully depreciated assets**

Property, plant and equipment at 31 December 2022 include fully depreciated assets with a total cost of EUR 7.5 million (31 December 2021: EUR 8.3 million) for the Group and EUR 8 million (31 December 2021: EUR 8.7 million) for airBaltic.

#### **Pledged assets**

Information on pledged assets is disclosed in the Note 33 (a).

#### **Revalued assets**

In 2022 the revaluation of the Parent company's and the Group's buildings was performed by certified independent estate valuers using the income approach. According to the Group's accounting policy, the net book value of buildings was adjusted to the valuation by recognising the gain in Revaluation reserve. In 2022 one of the Group's subsidiary performed the revaluation of the training aircraft. The valuation of the property was performed by the independent professionals using the comparable market price approach.

## NOTES

### 17. Property, plant and equipment *(continued)*

If assets were recorded at cost less accumulated depreciation, their net book value would be as follows:

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
<b>Buildings</b>				
Cost	6 739	6 652	9 732	9 645
Accumulated depreciation	(1 964)	(1 648)	(3 631)	(3 504)
<b>NET BOOK VALUE</b>	<b>4 775</b>	<b>5 004</b>	<b>6 101</b>	<b>6 141</b>
<b>Aircraft Diamond</b>				
Cost	-	-	4 568	4 561
Accumulated depreciation	-	-	(1 209)	(929)
<b>NET BOOK VALUE</b>	<b>-</b>	<b>-</b>	<b>3 359</b>	<b>3 632</b>

### 18. RIGHT-OF-USE ASSETS

The table below shows the movement in each class of right-of-use assets for airBaltic and the Group:

AIR BALTIC AND THE GROUP	Buildings and land TEUR	Aircraft TEUR	Total TEUR
<b>Cost</b>			
31.12.2020	9 315	781 899	791 214
Additions – new lease contracts	7 190	140 707	147 897
<b>31.12.2021</b>	<b>16 505</b>	<b>922 606</b>	<b>939 111</b>
<b>Accumulated depreciation</b>			
31.12.2020	2 802	123 657	126 459
Charge for 2021	1 655	41 185	42 840
<b>31.12.2021</b>	<b>4 457</b>	<b>164 842</b>	<b>169 299</b>
<b>Impairment loss charge</b>			
31.12.2020	-	(72 891)	(72 891)
<b>31.12.2021</b>	<b>-</b>	<b>(72 891)</b>	<b>(72 891)</b>
<b>Cost</b>			
31.12.2021	16 505	922 606	939 111
Additions – new lease contracts	2 022	173 109	175 131
Terminated contracts	(213)	(102 268)	(102 481)
<b>31.12.2022</b>	<b>18 314</b>	<b>993 447</b>	<b>1 011 761</b>
<b>Accumulated depreciation</b>			
31.12.2021	4 457	164 842	169 299
Charge for 2022	1 975	59 225	61 200
Terminated contracts	(206)	(35 777)	(35 983)
<b>31.12.2022</b>	<b>6 226</b>	<b>188 290</b>	<b>194 516</b>
<b>Impairment loss charge</b>			
31.12.2021	-	(72 891)	(72 891)
Reversal of charge in 2022	-	66 491	66 491
31.12.2022	-	(6 400)	(6 400)
<b>Net book value 31.12.2022</b>	<b>12 088</b>	<b>798 757</b>	<b>810 845</b>
<b>Net book value 31.12.2021</b>	<b>12 048</b>	<b>684 873</b>	<b>696 921</b>

## NOTES

### 18. Right-of-use assets (continued)

The weighted average incremental borrowing rate applied to measure lease liabilities is 5% for aircraft and 1.7% - 2.6% for other assets.

The following amounts related to the right-of-use assets are recognized in the Income statement:

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Depreciation charge for the right-of-use assets by class of assets				
<i>Aircraft</i>	59 225	41 185	59 225	41 185
<i>Land and buildings</i>	1 975	1 655	1 975	1 655
Total depreciation charge	61 200	42 840	61 200	42 840
Interest expense on lease liabilities (included in Finance cost)	42 347	35 593	42 347	35 593
Expense relating to short-term leases (included in Aircraft and similar lease expenses)	17 153	-	17 153	-
Expense relating to low value assets (included in Aircraft and similar lease expenses)	5 768	4 365	5 768	4 365
<b>TOTAL EXPENSES RELATED TO LEASES</b>	<b>126 468</b>	<b>82 798</b>	<b>126 468</b>	<b>82 798</b>

The following amounts related to the right-of-use assets are recognized in the cash flow statement:

	AIR BALTIC		GROUP	
	2022 TEUR	2021 TEUR	2022 TEUR	2021 TEUR
Principal	88 705	66 453	88 705	66 453
Interest paid	39 336	32 133	39 336	32 133
Other operating costs	-	7	-	7
<b>TOTAL CASH OUTFLOWS</b>	<b>128 041</b>	<b>98 593</b>	<b>128 041</b>	<b>98 593</b>

Even though the airline intends to develop its business on the basis of its A220 fleet, the Management is not certain if it will exercise any options to extend the leases embedded in some of the lease contracts as all contracts expire in more than 5 years and both the extension terms at the time and the market conditions at the time are highly unpredictable. No extension option will be exercised for any other lease as the Management concludes that there are no economic incentives to exercise the option. Neither airBaltic nor the Group provide any residual value guarantees.

### 19. INVESTMENT PROPERTIES (THE PARENT COMPANY)

	TEUR
<b>Fair value</b>	
<b>31.12.2020</b>	<b>2 850</b>
<b>31.12.2021</b>	<b>2 850</b>
<b>31.12.2022</b>	<b>2 850</b>

Information on pledged assets is disclosed in Note 33 (a).

In 2022, the revaluation of the Company's buildings was performed by the certified independent estate valuers using the income approach.

The investment property is primarily leased out to the Group companies.

The following amounts related to the Investment properties are recognized in the Income statement:

	2022 TEUR	2021 TEUR
Rental income	449	397
Direct operating expenses of the Investment property	(307)	(257)

## NOTES

### 20. INTANGIBLE ASSETS

	AIR BALTIC			GROUP		
	Trademarks TEUR	Licences, software and other TEUR	Total TEUR	Trade- marks TEUR	Licences, software and other TEUR	Total TEUR
<b>Cost</b>						
31.12.2020	13 000	15 058	28 058	13 000	16 600	29 600
Additions	-	3 004	3 004	-	1 204	1 204
Disposals	-	(12)	(12)	-	(930)	(930)
<b>31.12.2021</b>	<b>13 000</b>	<b>18 050</b>	<b>31 050</b>	<b>13 000</b>	<b>16 874</b>	<b>29 874</b>
<b>Accumulated amortization</b>						
31.12.2020	-	10 029	10 029	-	11 034	11 034
Charge for 2021	-	1 760	1 760	-	1 729	1 729
Disposals	-	2	2	-	(916)	(916)
Reclassification	-	(2)	(2)	-	-	-
<b>31.12.2021</b>	<b>-</b>	<b>11 789</b>	<b>11 789</b>	<b>-</b>	<b>11 847</b>	<b>11 847</b>
<b>Cost</b>						
31.12.2021	13 000	18 050	31 050	13 000	16 874	29 874
Additions	-	1 164	1 164	-	1 225	1 225
Disposals	-	(57)	(57)	-	(59)	(59)
<b>31.12.2022</b>	<b>13 000</b>	<b>19 157</b>	<b>32 157</b>	<b>13 000</b>	<b>18 040</b>	<b>31 040</b>
<b>Accumulated amortization</b>						
31.12.2021	-	11 789	11 789	-	11 847	11 847
Charge for 2022	-	2 036	2 036	-	1 921	1 921
Disposals	-	(54)	(54)	-	(55)	(55)
<b>31.12.2022</b>	<b>-</b>	<b>13 771</b>	<b>13 771</b>	<b>-</b>	<b>13 713</b>	<b>13 713</b>
<b>Net book value 31.12.2022</b>	<b>13 000</b>	<b>5 386</b>	<b>18 386</b>	<b>13 000</b>	<b>4 327</b>	<b>17 327</b>
<b>Net book value 31.12.2021</b>	<b>13 000</b>	<b>6 261</b>	<b>19 261</b>	<b>13 000</b>	<b>5 027</b>	<b>18 027</b>

Information on pledged assets is disclosed in the Note 33 (a).

Intangible assets at 31 December 2022 include fully amortized assets with a total cost of EUR 8.7 million (31 December 2021: EUR 7.9 million) for Parent company and EUR 8.8 million (31 December 2021: EUR 8 million) for the Group.

Several trademarks of the Parent company are with indefinite useful life. As at 31 December 2022 the net book value of such trademarks was EUR 13 million (31 December 2021: EUR 13 million). The Parent company and the Group places great importance on its brand and the Parent company relies on positive brand recognition to attract customers. In order to legally protect its brand the Parent company has among other things registered its brand as a trademark. The Parent company has registered not only its name airBaltic but also various other word and colour combinations that could be associated with the airBaltic brand or the airBaltic business activities (that includes the green colour associated with airBaltic brand when used in transport services in Latvia). Most of the trademarks are registered in Latvia while some key trademarks (like firm name and brand of the Company) are registered also as EU trademarks (at EUIPO register) and international trademarks (at WIPO register). An analysis performed by the Parent company and the Group provides evidence that the net cash inflows from using the trademarks will flow to the Parent company and the Group for an indefinite period. Therefore, the trademarks are carried at cost without amortisation, but are tested for impairment in accordance with note 2 (l).

At the end of 2022, the Management of the Group performed the impairment test of intangible assets. See Note 17.



## NOTES

### 21. INVESTMENTS IN SUBSIDIARIES AND OTHER INVESTMENTS (THE PARENT COMPANY)

	Investments in subsidiary undertakings TEUR	Other investments TEUR	Total TEUR
<b>31.12.2020</b>	<b>1 644</b>	<b>3</b>	<b>1 647</b>
Reversal of impairment	1 027	-	1 027
Write-off of the carrying amount of the liquidated subsidiary	(2 261)	-	(2 261)
Decrease of share capital of subsidiary	(4)	-	(4)
<b>31.12.2021</b>	<b>406</b>	<b>3</b>	<b>409</b>
Increase of share capital of subsidiary	1	-	1
<b>31.12.2022</b>	<b>407</b>	<b>3</b>	<b>410</b>

#### Financial information on subsidiary undertakings

Name	Address	Equity		(Loss) / Profit	
		31.12.2022 TEUR	31.12.2021 TEUR	2022 TEUR	2021 TEUR
Aviation Crew Resources AS (under liquidation)	Pilotu Street 6, Riga, Latvia, LV-1053	1 463	1 483	(22)	(57)
Air Baltic Training SIA	Pilotu Street 6, Riga, Latvia, LV-1053	765	1 112	(1 109)	(327)
Baltijas Kravu centrs SIA	Ziemeļu Street 18, Riga, Latvia, LV-1053	(212)	(258)	46	(95)
Loyalty Services SIA (liquidated in 2021)	Mūkusalas Street 42, Riga, Latvia, LV-1004	-	-	-	1 368

Name	Carrying value of investments in subsidiary undertakings		Participating interest in share capital of subsidiary undertakings	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 %	31.12.2021 %
Air Baltic Training SIA	3	3	100	100
Aviation Crew Resources AS (under liquidation)	124	123	100	100
Baltijas Kravu centrs SIA	280	280	100	100
<b>TOTAL</b>	<b>407</b>	<b>406</b>		

In 2020 as a direct consequence of COVID-19 pandemic and following the significant revenue drop the management of the Loyalty Services SIA initiated a revision of a business model. As a result the impairment loss of EUR 12 080 thousand on the investment in subsidiary undertakings was recognised by the Parent company. The impairment loss in 2020 was assessed as the total carrying amount of the investment into the subsidiary net of proceeds expected from the liquidation.

In August 2021 the Parent company signed the asset purchase agreement with its subsidiary Loyalty Services SIA for the purchase of the subsidiary's members' programme including the respective liabilities that resulted in the acquisition of the business of subsidiary. The acquired net assets consisted of members' data base, intangible assets and the respective liabilities. The fair value of the respective net assets was recognised by the Parent company in its separate financial statements. Following the transaction, the Loyalty Services SIA was liquidated.

## NOTES

### 22. DIVISION OF FINANCIAL INSTRUMENTS BY CATEGORY

	Note	AIR BALTIC Amortised cost TEUR	GROUP Amortised cost TEUR
<b>As at 31.12.2022</b>			
Trade receivables, security deposits and other receivables	23	48 992	47 863
Cash	25	37 611	37 999
<b>TOTAL FINANCIAL ASSETS</b>		<b>86 603</b>	<b>85 862</b>
<b>As at 31.12.2021</b>			
Trade receivables, security deposits and other receivables	23	47 525	45 779
Cash	25	79 155	79 314
<b>TOTAL FINANCIAL ASSETS</b>		<b>126 680</b>	<b>125 093</b>
		Amortised cost TEUR	Amortised cost TEUR
<b>As at 31.12.2022</b>			
Borrowings and lease	27	1 059 057	1 060 818
Trade and other payables	29	48 335	48 533
<b>Total financial liabilities</b>		<b>1 107 392</b>	<b>1 109 351</b>
<b>As at 31.12.2021</b>			
Borrowings and lease	27	934 918	937 094
Trade and other payables	29	39 056	37 964
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>973 974</b>	<b>975 058</b>

## NOTES

### 23. TRADE AND OTHER RECEIVABLES

	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
<b>Non-current</b>				
Security deposits	14 424	24 926	14 425	24 713
Other receivables	228	958	822	958
<b>Financial assets</b>	<b>14 652</b>	<b>25 884</b>	<b>15 247</b>	<b>25 671</b>
Prepayments for acquisition of intangible assets	278	61	278	61
<b>Non-financial assets</b>	<b>278</b>	<b>61</b>	<b>278</b>	<b>61</b>
<b>TOTAL</b>	<b>14 930</b>	<b>25 945</b>	<b>15 525</b>	<b>25 732</b>
<b>Current</b>				
Trade receivables	14 885	12 842	11 517	10 264
Security deposits	10 346	5 975	10 346	5 975
Other receivables	9 109	2 824	10 753	3 869
<b>Financial assets</b>	<b>34 340</b>	<b>21 641</b>	<b>32 616</b>	<b>20 108</b>
Accrued revenue	8 530	1 203	9 110	2 085
<b>Non-financial assets</b>	<b>8 530</b>	<b>1 203</b>	<b>9 110</b>	<b>2 085</b>
<b>TOTAL</b>	<b>42 870</b>	<b>22 844</b>	<b>41 726</b>	<b>22 193</b>

Security deposits are interest free deposits paid to aircraft lessors, airports and credit card acquirers. Majority of other receivables are balances with the aircraft engine manufacturer under the supplementary business support agreement concluded in 2022.

The Parent company and the Group have analysed the creditworthiness of the relevant business partners in order to assess the likelihood of non-performance of liabilities due to the Parent company and the Group. There has been no material impairment loss identified at the end of the reporting year (31 December 2021: no material impairment loss identified).

The fair values of receivables and prepayments do not significantly differ from their carrying amounts. Most of the Parent company's and the Group's trade receivables are in euros.

The table below shows the analysis of Trade receivables.

	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
Trade receivables, gross	15 927	13 737	12 625	11 236
Loss allowance	(1 042)	(895)	(1 108)	(972)
<b>TRADE RECEIVABLES, NET</b>	<b>14 885</b>	<b>12 842</b>	<b>11 517</b>	<b>10 264</b>
Current	8 262	7 955	8 170	7 855
1 - 30 days past due	2 712	1 616	2 615	1 509
31 - 60 days past due	74	471	15	378
61 – 90 days past due	124	239	1	156
3 - 6 months past due	1 337	266	1 066	121
More than 6 months past due	3 418	3 190	758	1 217
<b>TRADE RECEIVABLES, GROSS</b>	<b>15 927</b>	<b>13 737</b>	<b>12 625</b>	<b>11 236</b>
Credit loss allowance made				
Current	(163)	(73)	(163)	(73)
1 - 30 days past due	(91)	(60)	(91)	(60)
31 - 60 days past due	(3)	(20)	(2)	(20)
61 – 90 days past due	(5)	(12)	-	(12)
3 - 6 months past due	(58)	(10)	(63)	(10)
More than 6 months past due	(722)	(720)	(789)	(797)
<b>TRADE RECEIVABLES, NET</b>	<b>14 885</b>	<b>12 842</b>	<b>11 517</b>	<b>10 264</b>

## NOTES

### 23. Trade and other receivables (continued)

The Company and the Group apply the IFRS 9 simplified approach to measure the expected credit loss by using a lifetime expected loss allowance for all trade and other receivables. On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 was determined as follows:

AIR BALTIC	Not yet due	1 – 30 days past due	31 – 60 days past due	61 – 90 days past due	more than 90 days past due
As at 31.12.2022	TEUR	TEUR	TEUR	TEUR	TEUR
Expected loss rate	1.97%	3.36%	4.05%	4.03%	16.40%
Gross carrying amount	8 262	2 712	74	124	4 755
Loss allowance	163	91	3	5	780
As at 31.12.2021					
Expected loss rate	0.92%	3.71%	4.25%	5.02%	21.12%
Gross carrying amount	7 955	1 616	471	239	3 456
Loss allowance	73	60	20	12	730
GROUP	Not yet due	1 – 30 days past due	31 – 60 days past due	61 – 90 days past due	more than 90 days past due
As at 31.12.2022	TEUR	TEUR	TEUR	TEUR	TEUR
Expected loss rate	2.00%	3.48%	13.33%	0.00%	46.71%
Gross carrying amount	8 170	2 615	15	1	1 824
Loss allowance	163	91	2	-	852
As at 31.12.2021					
Expected loss rate	0.93%	3.98%	5.29%	7.69%	60.34%
Gross carrying amount	7 855	1 509	378	156	1 338
Loss allowance	73	60	20	12	807

### 24. INVENTORIES

	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
Spare parts	13 626	9 991	13 726	10 075
Allowance for slow moving and obsolete inventory	(2 813)	(2 416)	(2 813)	(2 416)
<b>TOTAL</b>	<b>10 813</b>	<b>7 575</b>	<b>10 913</b>	<b>7 659</b>

### 25. CASH

	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
Cash at bank and on hand	21 111	54 155	21 499	54 314
Cash deposits with original maturity over 3 months	16 500	25 000	16 500	25 000
<b>TOTAL</b>	<b>37 611</b>	<b>79 155</b>	<b>37 999</b>	<b>79 314</b>

There has been no credit loss allowance provided at the end of the reporting year due to its insignificance (31 December 2021: no credit loss allowance).

The long term cash deposits with the term of more than 3 month is held to meet short term liquidity needs and there is no significant risk of a change in value as a result of an early withdrawal. The deposits earn the market interest rate. Deposits are available for withdrawal at any time; such early withdrawal would have an effect on the amount of accrued interest. Deposits are classified as short term and readily available also in the daily management liquidity planning reports. However, the need of early withdrawal has never arisen because the Group's liquidity has been sufficient.

The Parent company has also established a financial collateral for the benefit of the Ministry of Finance – short term deposit with a bank incorporated in Latvia in the amount of EUR 16.5 million (see Note 33 (a)).

## NOTES

### 26. SHARE CAPITAL

In August 2021, the Cabinet of Ministers approved the participation in the share capital increase of the Parent company in the amount of EUR 90 million. The investment was completed in two stages with share capital increases in 2022. All contributions to the share capital of the Company were made by the Republic of Latvia.

The shareholders structure on 31 December 2021 was 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
<b>TOTAL</b>	<b>100</b>	<b>256 472 824</b>	<b>715 681 616</b>	<b>352 955 152</b>	<b>506 473</b>

#### STAGE I

Following the above decision, the Shareholders Meeting increased the share capital of the Company in December 2021. The Commercial Register of Latvia registered the changes in the share capital in January 2022. The share capital was increased by issuing new B and C category shares.

The shareholders structure after the capital increase was registered at the Register of Enterprises on 17 January 2022 was as follows:

	Participating interest*, %	A category shares	B category shares	C category shares	Share capital TEUR
Republic of Latvia	97.03	205 318 668	743 231 511	720 305 467	500 319
Aircraft Leasing 1 SIA	2.97	51 152 036	-	-	51 152
Other	0.00012	2 120	-	-	2
<b>TOTAL</b>	<b>100</b>	<b>256 472 824</b>	<b>743 231 511</b>	<b>720 305 467</b>	<b>551 473</b>

#### STAGE II

The Shareholders Meeting further increased the share capital of the Company in May 2022. The Commercial Register of Latvia has registered the changes in the share capital on June 2022. The share capital was increased by first making negative split of shares and then issuing new C and D category shares.

As at 31 December 2022 the Company had the following shares:

- 25 647 282 A category shares with a nominal value of EUR 10,
- 74 323 152 B category shares with a nominal value of EUR 3,
- 113 164 518 C category shares with a nominal value of EUR 1,
- 38 660 300 D category shares with a nominal value of EUR 0.1.

New issue of C and D category shares (included in the above total figures per category) were as follows:

- 41 133 970 C category shares with a nominal value of EUR 1,
- 38 660 300 D category shares with a nominal value of EUR 0.1.

The shareholders structure after the stage II share capital increase and as at 31 December 2022 was as follows:

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

\* The share capital of the Company is divided into 4 categories of shares (A, B, C and D) with different nominal values (EUR 10, EUR 3, EUR 1 and EUR 0.10 respectively). Taking into account that each share of each category (regardless of the nominal value of the share) (a) grants one vote at the shareholders' meeting, (b) has the same rights to receive dividends and a share in the liquidation and (c) has the same priority rights to acquire newly issued shares in the event of a capital increase and to acquire convertible bonds in the event of a convertible bond issue, the participating interest of each shareholder is calculated on the basis of the total number of category A shares, category B shares, category C shares and category D shares.

## NOTES

### 26. Share capital (continued)

#### Reorganisation reserve

In October 2015 the Parent company completed the reorganization by merging two fully owned subsidiaries and the second reorganisation by spin-off, where its fully owned subsidiary transferred the real estate and related business activities. The fair value of the assets, liabilities and the net assets merged and transferred during the reorganization resulted in the reorganization reserve recognized in the accounts of the Parent company.

#### Other contributions

According to the agreement signed on 27 October 1997, the former shareholders (e.g., private founders of the Parent company) paid in cash, in proportion to each shareholder's shareholding in the Parent company, as conditional contribution to the Parent company of USD 2.8 million (EUR 2.6 million). The purpose of the conditional contribution was to financially support and ensure that airBaltic is able to operate scheduled flights to and from Russia. The conditional contribution is repayable to the former shareholders as soon as airBaltic has distributable earnings subject to the approval of the shareholders. The contribution referred to above is repayable only if and when airBaltic has distributable earnings. According to the Commercial Law distributable earnings can only be defined by the shareholders (e.g. by current shareholders meeting), after they have approved the annual report. Distribution of earnings, if any, should be subject to the shareholders' decision only. Due to the above conditions, its substance is considered to be similar to equity, and the contribution is, therefore, recorded as a part of the Parent company's equity. No shareholders' decisions have been taken until authorization of these financial statements that would indicate that the contribution would have to be classified differently.

## 27. BORROWINGS AND LEASE LIABILITIES

BORROWINGS	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
<b>Non-current</b>				
Eurobond	198 812	197 952	198 812	197 952
Borrowings from the shareholders	36 141	36 141	36 141	36 141
Facility credit agreement	19 511	13 674	19 511	13 674
<b>TOTAL</b>	<b>254 464</b>	<b>247 767</b>	<b>254 464</b>	<b>247 767</b>
<b>Current</b>				
Eurobond	5 696	5 696	5 696	5 696
Facility credit agreement	3 187	1 959	3 187	1 959
Borrowings from the shareholders	133	84	133	84
Bank borrowings	-	-	1 761	2 176
<b>TOTAL</b>	<b>9 016</b>	<b>7 739</b>	<b>10 777</b>	<b>9 915</b>

#### Eurobond

On 23 July 2019 airBaltic placed a 200 million euro issue 6.75 percent 5-year bonds. The bonds are listed on Euronext Dublin stock exchange. The annual interest charge is EUR 13.5 million payable on July each year. The unpaid amount of interest charge at the end of each year is accrued and classified within current borrowing.

#### Borrowings from the shareholders

The loan is repayable on 31 December 2026 and is issued on market terms. The calculated and unpaid interest expense is accrued and classified within current borrowing.

#### Borrowings from A/S Swedbank

In 2018 a subsidiary of the Group received a loan for the total initial amount of EUR 3 266 thousand with an original maturity of 3 years. Since then the loan has been partially repaid and the initial term of repayment has been prolonged based on the basis of the agreement with the bank.

#### Facility credit agreement

The loan is repayable on the airline industry leasing terms over 8 years. The calculated and unpaid interest expense is accrued and classified within current borrowing.

LEASE LIABILITIES	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
<b>Non-current</b>	<b>718 012</b>	<b>602 083</b>	<b>718 012</b>	<b>602 083</b>
<b>Current</b>	<b>77 565</b>	<b>77 329</b>	<b>77 565</b>	<b>77 329</b>

## NOTES

### 27. Borrowings and lease liabilities (continued)

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

AIR BALTIC	Borrowings			Total TEUR
	Lease liabilities TEUR	from the shareholder TEUR	Other borrowings TEUR	
<b>01.01.2021</b>	<b>560 742</b>	<b>36 199</b>	<b>202 855</b>	<b>799 796</b>
New lease contracts	158 779	-	-	158 779
New contracts	-	-	15 959	15 959
Repayment, excluding interest payments	(66 453)	-	(240)	(66 693)
Interest paid	(32 133)	(952)	(13 514)	(46 599)
Interest calculated	35 593	978	13 529	50 100
Currency translation difference	26 054	-	-	26 054
Amortisation of transaction costs and similar expenses	284	-	793	1 077
Set-off transactions with counterparties	(3 454)	-	-	(3 454)
Transaction costs and similar expenses	-	-	(101)	(101)
<b>31.12.2021</b>	<b>679 412</b>	<b>36 225</b>	<b>219 281</b>	<b>934 918</b>
New lease contracts	178 450	-	-	178 450
New contracts	-	-	9 294	9 294
Repayment, excluding interest payments	(88 705)	-	(2 198)	(90 903)
Interest paid	(39 336)	(1 030)	(13 924)	(54 290)
Interest calculated	42 347	1 079	13 999	57 425
Currency translation difference	26 134	-	-	26 134
Amortisation of transaction costs and similar expenses	310	-	882	1 192
Set-off transactions with counterparties	(3 035)	-	-	(3 035)
Transaction costs and similar expenses	-	-	(128)	(128)
<b>31.12.2022</b>	<b>795 577</b>	<b>36 274</b>	<b>227 206</b>	<b>1 059 057</b>

GROUP	Borrowings				Total TEUR
	Lease liabilities TEUR	from the shareholder TEUR	Other borrowings TEUR	Loan from bank TEUR	
<b>01.01.2021</b>	<b>560 742</b>	<b>36 199</b>	<b>202 855</b>	<b>2 588</b>	<b>802 384</b>
New lease contracts	158 779	-	-	-	158 779
New contracts	-	-	15 959	-	15 959
Interest calculated	35 593	978	13 529	123	50 223
Currency translation difference	26 054	-	-	-	26 054
Amortisation of transaction costs and similar expenses	284	-	793	1	1 078
Repayment, excluding interest payments	(66 453)	-	(240)	(415)	(67 108)
Interest paid	(32 133)	(952)	(13 514)	(121)	(46 720)
Set-off transactions with counterparties	(3 454)	-	-	-	(3 454)
Transaction costs and similar expenses	-	-	(101)	-	(101)
<b>31.12.2021</b>	<b>679 412</b>	<b>36 225</b>	<b>219 281</b>	<b>2 176</b>	<b>937 094</b>
New lease contracts	178 450	-	-	-	178 450
New contracts	-	-	9 294	-	9 294
Repayment, excluding interest payments	(88 705)	-	(2 198)	(414)	(91 317)
Interest paid	(39 336)	(1 030)	(13 924)	(106)	(54 396)
Interest calculated	42 347	1 079	13 999	105	57 530
Currency translation difference	26 134	-	-	-	26 134
Amortisation of transaction costs and similar expenses	310	-	882	-	1 192
Set-off transactions with counterparties	(3 035)	-	-	-	(3 035)
Transaction costs and similar expenses	-	-	(128)	-	(128)
<b>31.12.2022</b>	<b>795 577</b>	<b>36 274</b>	<b>227 206</b>	<b>1 761</b>	<b>1 060 818</b>

## NOTES

### 27. Borrowings and lease liabilities (continued)

The table below shows borrowings and lease liabilities by period that interest rates are fixed for (period until earlier of next interest rate repricing date and maturity date).

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
Less than 1 year	86 581	85 067	88 342	87 244
Later than 1 year but not later than 5 years	578 971	504 090	578 971	504 089
Later than 5 years	393 505	345 761	393 505	345 761
<b>TOTAL</b>	<b>1 059 057</b>	<b>934 918</b>	<b>1 060 818</b>	<b>937 094</b>

Leases are payable as follows:

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
Within one year	119 851	114 271	119 851	114 271
Later than 1 year but not later than 5 years	455 381	369 639	455 381	369 639
Later than 5 years	438 009	386 714	438 009	386 714
<b>MINIMUM LEASE PAYMENTS</b>	<b>1 013 241</b>	<b>870 624</b>	<b>1 013 241</b>	<b>870 624</b>
Future finance charges	(217 664)	(191 212)	(217 664)	(191 212)
<b>RECOGNISED AS A LIABILITY</b>	<b>795 577</b>	<b>679 412</b>	<b>795 577</b>	<b>679 412</b>

The present value of lease liabilities is as follows:

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
Within one year	77 565	77 329	77 565	77 329
Later than 1 year but not later than 5 years	330 754	261 764	330 754	261 764
Later than 5 years	387 258	340 319	387 258	340 319
<b>MINIMUM LEASE PAYMENTS</b>	<b>795 577</b>	<b>679 412</b>	<b>795 577</b>	<b>679 412</b>

During 2022 and 2021 the Group has complied with the financial covenants of its borrowing facilities. Please see Note 2 b) for more on the Group's expectations on meeting the financial covenants for next 12 month.

Information on pledged assets is disclosed in the Note 33 (a).

## 28. PROVISIONS

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
<b>Non-current</b>				
Aircraft redelivery provision	19 115	14 527	19 115	14 527
Provision for legal disputes (see Note 33 (b))	12 313	11 813	12 313	11 813
Provision for onerous contracts	-	9 474	-	9 474
	<b>31 428</b>	<b>35 814</b>	<b>31 428</b>	<b>35 814</b>
<b>Current</b>				
Provision for carbon emissions	30 534	11 287	30 534	11 287
Provision for onerous contracts	3 431	23 512	3 431	23 512
	<b>33 965</b>	<b>34 799</b>	<b>33 965</b>	<b>34 799</b>
<b>TOTAL</b>	<b>65 393</b>	<b>70 613</b>	<b>65 393</b>	<b>70 613</b>



## NOTES

### 28. Provisions (continued)

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

AIR BALTIC AND THE GROUP	Provision for onerous contracts	Aircraft redelivery provision	Provision for legal disputes	Provision for carbon emissions	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
<b>01.01.2021</b>	<b>32 822</b>	<b>10 381</b>	<b>11 500</b>	<b>5 586</b>	<b>60 289</b>
Additional provision charged to Right-of-use assets	-	4 146	-	-	4 146
Additional charged/credited to Income statement:					
additional provisions recognised	3 715	-	313	13 042	17 070
Amounts used during the year	(3 551)	-	-	(7 341)	(10 892)
<b>31.12.2021</b>	<b>32 986</b>	<b>14 527</b>	<b>11 813</b>	<b>11 287</b>	<b>70 613</b>
Additional provision charged to Right-of-use assets	-	4 588	-	-	4 588
Additional charged/credited to Income statement:					
additional provisions recognised	-	-	1 692	30 534	32 226
unused amounts reversed	(4 805)	-	(1 192)	-	(5 997)
Amounts used during the year	(24 750)	-	-	(11 287)	(36 037)
<b>31.12.2022</b>	<b>3 431</b>	<b>19 115</b>	<b>12 313</b>	<b>30 534</b>	<b>65 393</b>

#### Provision for onerous contracts

Following the Management decision of phasing out the Bombardier Q400 aircraft the provision for onerous lease contracts was established. The provision is made by discounting the unavoidable costs related to the lease contracts, such as redelivery costs, maintenance costs and other. The airline returned 11 of 12 Q400s by the end of 2022 and the last one in February of 2023 thus completing the phase out of Q400s from its fleet. This provision was mostly utilised during 2022 and offset against the costs incurred on these planes in 2022.

#### Aircraft redelivery provision

Long-term aircraft redelivery provisions are expected to be settled in 2030 – 2033.

#### Provision for legal disputes

The Parent company has created a provision for historic claims related to ex-shareholders and their creditors about their obligations towards the Parent company and the Republic of Latvia back in 2011 and 2012. These provisions have been made due to prolonged procedural complexities triggering the restart one of the cases. Legal advisors are of the opinion that there are strong grounds that the airline can successfully defend its position.

The airline after taking advice from its legal advisors has also created provision for potential cost of ultimate settlement with some of its suppliers.

#### Provision for carbon emissions

The provision represents the costs of the industry carbon dioxide (CO<sub>2</sub>) emissions scheme. In 2022 the Parent company produced 383 240 CO<sub>2</sub> emissions and received and used free 177 270 CO<sub>2</sub> allocated for 2022.

## 29. TRADE AND OTHER PAYABLES

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
Trade payables	24 730	17 000	20 819	12 976
Accrued liabilities	23 586	22 002	27 588	24 924
Other payables	19	54	126	64
<b>TOTAL</b>	<b>48 335</b>	<b>39 056</b>	<b>48 533</b>	<b>37 964</b>

## NOTES

### 30. TAX LIABILITIES

	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
<b>Non-current</b>				
Social insurance contributions	1 263	4 488	1 263	4 616
Personal income tax	681	2 083	681	2 150
<b>TOTAL</b>	<b>1 944</b>	<b>6 571</b>	<b>1 944</b>	<b>6 766</b>
<b>Current</b>				
Social insurance contributions	4 374	4 050	5 106	4 489
Personal income tax	2 207	2 376	2 634	2 638
Other	-	1	-	5
<b>TOTAL</b>	<b>6 581</b>	<b>6 427</b>	<b>7 740</b>	<b>7 132</b>

The Group companies have used the tax reliefs related to the mitigation of the COVID-19 crisis by deferring the tax payments. Non-current tax liabilities are payable by April 2024.

### 31. CONTRACT LIABILITIES, AIRPORT TAXES AND OTHER LIABILITIES

	AIR BALTIC		GROUP	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	TEUR	TEUR	TEUR	TEUR
Contract liabilities (unearned revenue) from ticket revenue and travel vouchers	36 326	26 000	36 326	26 000
The amount of airport taxes collected	11 021	5 346	11 021	5 346
Amounts collected on behalf of other airlines	8 054	6 771	8 054	6 771
Deferred income from loyalty program revenue	888	825	888	825
Other	-	-	189	42
<b>TOTAL</b>	<b>56 289</b>	<b>38 942</b>	<b>56 478</b>	<b>38 984</b>

Contract liabilities represent the value of tickets and airport taxes paid by passengers for which the flight service is yet to be performed. It also includes the value of loyalty program points sold, but not yet redeemed and the value of travel vouchers (see Note 2 f). The balance is classified short-term, as it either expires within the next 12 months or it is at the discretion of the customer to decide when it is used (for the remaining balances carried forward from the beginning of previous period). Based on experience, the portion typically unused within next year represents 4% of tickets sold. Amounts collected on behalf of other airlines include the value of unflown tickets sold to customers on behalf of other airlines which are usually settled between the airlines within a few months after the flight.

The following table shows how much of the revenue recognised by airBaltic and the Group relates to carried-forward contract liabilities balance at the beginning of the year:

	AIR BALTIC		GROUP	
	2022	2021	2022	2021
	TEUR	TEUR	TEUR	TEUR
Passenger revenue	21 736	2 331	21 736	2 331
Revenue from loyalty program	245	222	245	48

## NOTES

### 32. RELATED PARTY AND GOVERNMENT RELATED PARTY TRANSACTIONS

The Parent company has received a loan from its shareholders. Please see Note 27.

During 2022 the Parent company has performed the following transactions with its 100% owned subsidiaries:

Related party		Services provided	Services received	Amounts owed by related parties	Amounts owed to related parties
		TEUR	TEUR	TEUR	TEUR
Aviation Crew Resources AS (under liquidation)	2022 /31.12.2022	43	29 770	235	3 574
	2021 /31.12.2021	43	20 186	228	6 214
Baltijas Kravu Centrs SIA	2022 /31.12.2022	153	569	66	67
	2021 /31.12.2021	149	483	479	177
Air Baltic Training SIA	2022 /31.12.2022	604	572	404	3 405
	2021 /31.12.2021	487	478	2 455	-
Loyalty Services SIA (liquidated in 2021)	2021 /31.12.2021	75	500	-	-
<b>TOTAL 2022 /31.12.2022</b>		<b>800</b>	<b>30 911</b>	<b>705</b>	<b>7 046</b>
<b>TOTAL 2021 /31.12.2021</b>		<b>754</b>	<b>21 647</b>	<b>3 162</b>	<b>6 391</b>

The following table provides the information on dividends received and receivable:

Related party		Dividends received	Amounts owed by related parties
		TEUR	TEUR
Aviation Crew Resources AS (under liquidation)	2022 /31.12.2022	425	8
	2021 /31.12.2021	219	-
Baltijas Kravu Centrs SIA	2022 /31.12.2022	-	284
	2021 /31.12.2021	-	284
<b>TOTAL 2022 /31.12.2022</b>		<b>425</b>	<b>292</b>
<b>TOTAL 2021 /31.12.2021</b>		<b>219</b>	<b>284</b>

The Parent company has entered into transactions with Ministry of Transport of the Republic of Latvia (the holder of 97.97% of the Parent company's shares) and with other state-owned companies. The major transactions were carried out with RIGA International airport (purchase of airport infrastructure capacity and collection of passenger duty payments) amounting to EUR 19 million (2021: EUR 7 million) and VAS Latvijas Gaisa Satiksme (purchase of navigation service) amounting to EUR 2.2 million (2021: EUR 1.4 million). The agreements with both companies for the services described were effective at the end of each reporting year. The nature of transactions with other government related entities are related to the operating activities of the Group companies, e.g. sale of ticket, purchase of electricity, etc.

The following balances are outstanding at the end of the reporting years in relation to transactions with the Government related parties

	AIR BALTIC		GROUP	
	31.12.2022 TEUR	31.12.2021 TEUR	31.12.2022 TEUR	31.12.2021 TEUR
Payables to RIGA International airport	3 125	1 422	3 125	1 422
Payables to VAS Latvijas Gaisa Satiksme	197	161	197	161

The Group applies IAS 24 exemption and discloses only the material transactions with the Government related parties.

All transactions with related parties are related to the operating activities of the Parent company and the Group companies.

### 33. COMMITMENTS AND CONTINGENCIES

#### (a) Guarantees and pledges

The Parent company has pledged its current and future trademarks, its current and future rights for claims to the Ministry of Finance as security for the loans received (see Note 27). The book value of assets pledged as at 31 December 2022 was EUR 34.3 million (31 December 2021: EUR 35.5 million). Additionally, the Parent company has registered a mortgage on its aircraft maintenance hangar in favour of the Ministry of Finance. The book value of the maintenance hangar as at 31 December 2022 was EUR 4.7 million (31 December 2021: EUR 5 million). The Parent company has also established a financial collateral for the benefit of the Ministry of Finance – short term deposit with a bank incorporated in Latvia in the amount of EUR 16.5 million (see Note 25).

The aircraft leased by the Parent company are used as a collateral to secure the rights of aircraft financiers and/or lessors. That is a standard element of the asset based financing transactions common in aviation worldwide. The book value of such aircraft as at 31 December 2022 was EUR 799 million (31 December 2021: 685 million).

A Group company has pledged its Property, plant and equipment and intangible assets for the total amount of EUR 5 125 thousand to a bank incorporated in Latvia as security for the loan received (see Note 27). The pledge agreement is effective until complete fulfilment of the loan agreement. The Parent company has issued a guarantee for the full amount of the loan.

#### (b) Legal disputes

The Parent company is involved in a number of legal proceedings in Latvia and in other countries. Typical lawsuits relate to claims arising in the ordinary course of the Parent company's business. The most common of these claims relate to disruptions to air services, including flight delays, cancellations, lost or damaged baggage, etc. In addition, the Parent company and the Group are involved in a number of legal proceedings relating to employment matters. Material legal claims are described below. The cases below comprise those for which legal provisions have been made to cover any expected future expenditure (see note 28) 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). In addition, the Court of Appeal decided that the loan amounts totalling EUR 31.78 million should be recovered from the parent company (material claim).

The Parent company and its lawyers are of the opinion that the material claim mentioned in the Court of Appeal's decision is an error made by a court clerk, as this claim has never been filed by Investbank in this case. In order to correct this mistake, the lawyers have filed a petition, which is still pending. The non-material claim should be considered by the Court of Cassation in the second quarter of 2023.

##### **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, but the Parent company appealed the decision. The Latvian courts have 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 court decision is expected on 16 March 2023.

##### **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 turn-arounds handled. Based on advice from its legal advisors, the airline believes that these claims are unfounded.

## NOTES

### 33. Commitments and contingencies (continued)

#### (b) Legal disputes (continued)

##### **Ryanair v. European Commission**

In response to the COVID-19 pandemic, many European governments provided state aid to airlines in the form of recapitalisation, loans, loan guarantees and other measures. The support was provided in line with the Temporary Framework on State aid measures to support the economy during the COVID-19 outbreak (the “Temporary Framework”) adopted by the European Commission, and in accordance with Article 107(2) (b) of the Treaty on the Functioning of the European Union.

On 3 July 2020, the European Commission approved a Latvian measure of EUR 250 million to recapitalise airBaltic in the context of the coronavirus outbreak. The aid was approved under the Temporary Framework. The Commission found that the recapitalisation measure will address the economic impact of the coronavirus outbreak in Latvia and is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3) (b) TFEU and the conditions set out in the Temporary Framework. On 16 December 2020, Ryanair brought an action for annulment of this decision before the General Court of the European Union (Case T-337/2). 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. Of the ten or so cases already decided, the Court has annulled three Commission decisions for failure to state reasons (T-665/20, T-643/20 and T-465/20). In these cases, the Court suspended the effect of the annulment until the Commission adopts a new decision “correcting” its first decisions. The other cases were dismissed and are now under appeal before the European Court of Justice.

##### **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 0.76 million plus a penalty of EUR 0.05 million. SIA REM PRO also seeks 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. The Parent company considers these 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. The case is pending before the Economic Court of First Instance and the date of the judgement is unknown.

## 34. 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 future years is about EUR 1 billion.

As at 31 December 2022 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.

## 35. SUBSEQUENT EVENTS

During the period between the last day of the reporting year and the date of signing this report, there have been no events that could materially impact the financial position of the Parent company and the Group as of 31 December 2022 and should be reflected in this report.

The financial statements set out on pages 105 to 149 were signed on 28 February 2023 by:



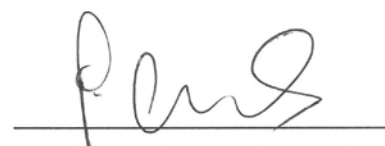
**Martin Alexander Gauss**

Chairman of the Executive Board



**Vitolds Jakovļevs**

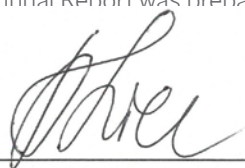
Member of the Executive Board



**Pauls Juris Cālītis**

Member of the Executive Board

The Annual Report was prepared by the Chief accountant Anda Līce.



**Anda Līce**

Chief Accountant