Company Overview

Business Description

- Based at Riga, Latvia, Air Baltic Corporation AS ("Air Baltic AS"), a Latvian joint stock company, together with its Debtor subsidiaries Air Baltic Training, SIA ("Air Baltic Training") and Baltijas Kravu Centrs SIA ("BKC") (collectively, the "Debtors")[1] and its non-Debtor affiliates (collectively with the Debtors, the "Company"), operates an airline with 54 Airbus A220-300 aircraft and approximately 3,000 employees.
  - The Company serves more than 70 destinations in 40 countries across Europe, the Middle East, North Africa and the Caucasus
- Air Baltic AS is majority owned by the Latvian state through its Ministry of Transport, and German airline Deutsche Lufthansa AG ("Lufthansa") holds approximately 10% of voting rights.
- Besides passenger flights, the Debtors earn revenue from aircraft, crew, maintenance and insurance ("ACMI") wet-leasing, in which they lease their aircraft with crews, maintenance support and insurance to other airlines, including Lufthansa Group carriers.
  - The Debtors also fly charters and carry cargo and mail, and run a pilot and crew training school through Debtor Air Baltic Training
- In 2025, the Company carried 5.2 million passengers and generated €779.3 million in total revenue.
  - Net loss for 2025 was €44.3 million, compared with €118.2 million in the prior year
  - Adjusted EBITDAR — the Company's measure of profit before finance costs and income, net foreign exchange gains and losses, depreciation, amortization, aircraft and similar lease costs, and claims compensation — fell 21.8% year-over-year to €143.9 million

[1] Air Baltic Corporation AS and certain affiliates filed for Chapter 11 protection on September 14, 2026 (the "Petition Date") in the U.S. Bankruptcy Court for the Southern District of New York, reporting $1 billion to $10 billion in both assets and liabilities. For a list of Debtor entities, see organizational structure chart below.

Company Overview (cont'd)

Founding and Early Ownership

- Air Baltic AS was founded in February 1995 as a joint venture between the Latvian state, which initially held 51.03%, and Scandinavian Airlines ("SAS")
- Air Baltic AS was founded in February 1995 as a joint venture between the Latvian state, which initially held 51.03%, and Scandinavian Airlines ("SAS")
- The airline grew in the early 2000s after Latvia joined the European Union, but the 2008 financial crisis hit the Company severely
- In January 2009, SAS sold its entire 47.2% stake to Baltijas aviācijas sistēmas ("BAS"), a private company wholly owned by Bertolt Flick, who served as president and CEO of Air Baltic AS until November 2011

2011 State Rescue

- Financial difficulties persisted into 2011; by June, Latvia's economy minister was describing the airline as close to bankruptcy, and in October the state and BAS agreed to lend it money in proportion to their stakes
- BAS had pledged its shareholding to Latvijas Krājbanka, Latvia's oldest commercial bank; according to information Latvia later provided to the European Commission, BAS defaulted on its obligations to the bank
- On November 30, 2011, the bank sold all but one of BAS's shares to the Ministry of Transport, raising the government's stake in the Company to 99.8%

Company Overview (cont’d)

2016 Private Investment

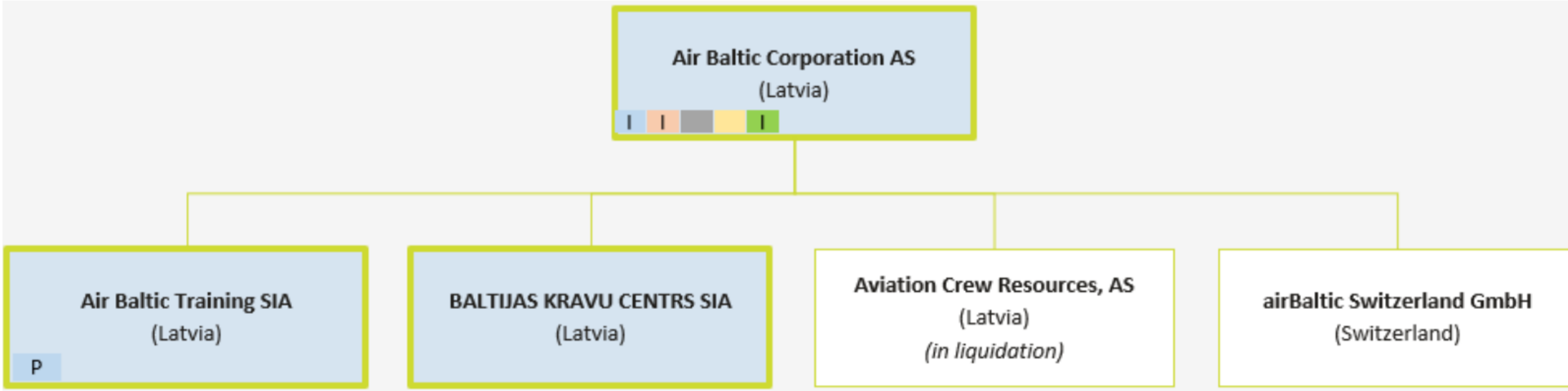
- In 2016, German financier Ralf-Dieter Montag-Girmes acquired approximately 20% of Air Baltic AS through Aircraft Leasing 1 SIA, investing €52 million alongside an €80 million contribution from the Latvian state to fund fleet modernization and the Company’s Horizon 2021 business plan, reducing the government’s stake to approximately 80%
- In April 2017, Danish businessman Lars Thuesen acquired Aircraft Leasing 1 SIA and joined the Supervisory Board; his vehicle held approximately 2% of Air Baltic AS as of the Petition Date

COVID-19 Recapitalization

- In early 2020, Latvia suspended international air traffic and the Company was left facing financing issues
- On July 3, 2020, the European Commission approved a €250 million recapitalization of Air Baltic AS; at the time the state owned 80% of the airline and Lars Thuesen’s Aircraft Leasing 1 SIA owned the remaining 20%
- Aircraft Leasing 1 SIA declined to participate, so the state funded the injection alone in July 2020 and provided another €90 million across 2021 and 2022, lifting ownership to 97.97%

Lufthansa Investment

- In January 2025, Lufthansa agreed to pay €14 million for a convertible instrument representing about 10% of voting rights, converting at the valuation of a planned IPO into a stake that could be diluted to no less than 5%
- The transaction closed on August 21, 2025, alongside a matching €14 million investment by the Latvian state, effectively reducing the state’s stake from 97.97% to 88.37%



Legend

Senior Secured Notes Due 2029	
Issuer:	Air Baltic Corporation AS
Pledgor:	Air Baltic Training SIA
Holder(s):	Various
Trustee:	U.S. Bank Trustees Limited
Outstanding Amount:	€394M / $457M
Maturity:	August 14, 2029
Collateral:	PP&E, buildings, inventory, intangible assets, aircraft & components, receivables & deposits, surplus from certain financed assets

Short-Term Government Loan	
Borrower:	Air Baltic Corporation AS
Lender:	Republic of Latvia
Outstanding Amount:	€18.6M / $21.6M Unsecured
Maturity:	August 31, 2026

BluOr Bank Secured Facility	
Borrower:	Air Baltic Corporation AS
Lender:	BluOr Bank
Outstanding Amount:	€7.9M / $9.2M
Maturity:	July 1, 2030
Collateral:	Baltic Cargo hangar (Riga Airport)

Airbus & PW Agreements	
Purchaser:	Air Baltic Corporation AS
Aggregate Liabilities:	€57M / $66.1M
Outstanding Amount Airbus:	€1.5M / $1.7M
Outstanding Amount PW:	€55.5M / $64.4M

Aircraft & Engine Leases	
Lessee:	Air Baltic Corporation AS
Lessors:	Various
Lease Liabilities:	€948M / $1,099.7M

	Debtor (shaded)
	Non-Debtor Affiliate
P	Pledgor
I	Issuer/Borrower

Note: USD amounts calculated at EUR/USD = 1.16

-BONDORO-

Source: Court Filings

Operations Overview

Route Network and Partnerships

- The Company operates from its hub in Riga (Latvia), with point-to-point bases in Tallinn (Estonia), Vilnius (Lithuania) and Gran Canaria (Spain).
  - In 2025, its network comprised 140 routes, 77 of them from Riga; new services included Riga to Faro (Portugal) and Tallinn to Barcelona (Spain) and Reykjavik (Iceland)
- The Debtors describe themselves as the only airline in the Baltics with substantial transfer traffic, handled through Riga, and report a combined seat share of approximately 40% at the Riga, Tallinn and Vilnius airports.
  - Separately, Aviation Week, citing OAG schedule data, put the Company’s share of departure seats across Latvia, Lithuania and Estonia at 37.5% for summer 2026, down from 38.8% a year earlier, as the wider Baltic market grew faster, led partly by Wizz Air
- The Company has 26 codeshare and 32 interline relationships, with partners including Air France-KLM, Delta Air Lines, British Airways, SAS, Lufthansa Group, Qatar Airways, Air Canada, United Airlines and Etihad Airways.
  - Codeshare agreements account for approximately 6% of total revenue

Passenger Operations

- Passenger operations are the Company’s core business, accounting for €593 million ($687.9 million), or approximately 76.9%, of 2025 total revenue.
  - Approximately 92.5% of passenger revenue, or €549 million ($636.8 million), was generated from ticket sales, including tickets redeemed with loyalty points
  - The remaining €44 million ($51 million) was generated from ancillary charges such as onboard sales, change fees and excess baggage
  - Travel agencies accounted for about 26% of passenger sales
- The airBaltic Club loyalty program, with more than 1.74 million members, contributes approximately 32% of passenger revenue.
  - Members earn points on airBaltic and partner-airline tickets, add-on services, an airBaltic-branded credit card, and purchases from hotel, car rental and travel insurance partners
  - The Company earns revenue as points are redeemed or expire

ACMI Wet-Leasing

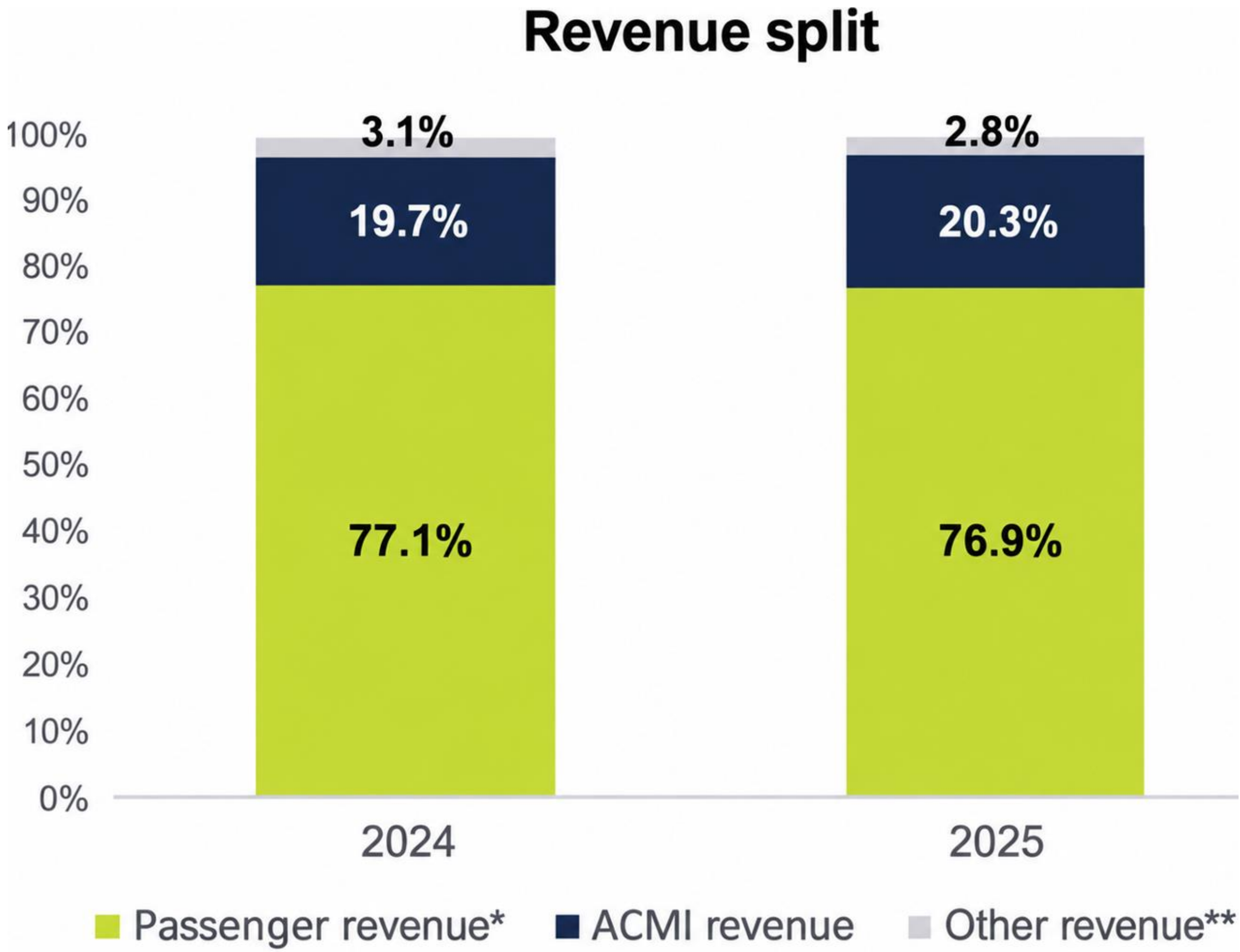
- The ACMI wet-leasing segment generated approximately €157 million ($182.1 million), or approximately 20.3%, of 2025 revenue.
  - The Company deployed an average of 14.1 aircraft under ACMI arrangements in 2025, and its ACMI fleet peaked at 20 aircraft that year
- The segment is underpinned by Lufthansa Group airlines, including Lufthansa, SWISS, Austrian Airlines and Brussels Airlines.
  - In September 2024, Lufthansa Group extended the partnership for three years beyond summer 2025, allowing its airlines to deploy up to 21 of the Company’s A220-300s in summer and five in winter

ACMI Wet-Leasing (cont'd)

- Beyond Lufthansa Group, the Company signed a two-year agreement with Air Serbia under which it has operated two A220-300s since November 1, 2025, rising to up to four in summer 2026.
  - The contract lifted fourth-quarter 2025 ACMI production 43% year-over-year
  - The Company also flies short-term ad-hoc contracts for carriers including Air France and Transavia France, and operated for Arkia Israeli Airlines until March 2026

Cargo and Charter Operations

- Charter services, cargo and mail transportation and other commercial activities account for the remaining approximately 3% of the Company's revenue.
  - Most cargo revenue comes from carrying cargo and mail on scheduled passenger flights and from cargo handling at Riga International Airport, where BKC — which the Debtors describe as the airport's largest cargo handler by cargo turnover and flights handled — has operated since 2001
  - In 2025, the Company generated cargo revenue of approximately €6.2 million ($7.2 million)
- The Debtors also charter certain of their aircraft, primarily to tour operators but also to aviation brokers, the military, corporate clients and athletic teams.
  - As of the Petition Date, they had sold approximately €11.9 million ($13.8 million) in charter reservations for flights to be operated after the filing



* Passenger revenue includes ticket, ancillary and other traffic revenue

** Other revenue includes charter, cargo and other revenue

Source: Court Filings

Fleet

- The Company operates a single-type fleet of 54 Airbus A220-300 aircraft and has flown only that type since 2020.
  - It became the world's launch customer for the aircraft, then the Bombardier CS300, in November 2016, and is the largest A220 operator in Europe
  - The fleet was acquired mainly under purchase agreements with Bombardier and Airbus Canada dating back to 2012, with many aircraft financed through sale-and-leaseback tenders
- None of the aircraft is owned by the Debtors.
  - Forty-six aircraft and seven engines are held under operating leases with initial terms of approximately 12 years
  - The remaining eight aircraft, along with seven spare engines and a flight simulator, are held under finance leases
  - Every aircraft is powered by Pratt & Whitney's PW1500G, the only engine certified for the A220-300
- The Company has 40 firm A220-300 orders outstanding with Airbus, with an aggregate list price of approximately €3 billion ($3.5 billion), and a commitment of approximately €92 million ($106.7 million) for additional Pratt & Whitney engines.
  - It has agreed with Airbus to defer deliveries beyond 2026

Workforce

- The Company employs approximately 3,000 people, of whom about 506 work part time. Approximately 93% are based in Latvia, with the remaining 198 employees in Estonia and Lithuania
- Roughly 10% of the Debtors' employees, most of them crew members, belong to four trade unions covered by two collective bargaining agreements, and the Debtors state that employees have never initiated a work stoppage.
- The Company develops much of its own flight crew: graduates of Air Baltic Training's Pilot Academy account for half of its first officers.

Prepetition Obligations

Debtors' Prepetition Obligations
USD in Millions — *As of September 14, 2026*

Debt Instrument	Agent / Lender	Rate	Maturity	Borrowers	Guarantors / Obligors	Security	Amount Outstanding
Secured Debt:							
2029 Senior Secured Bonds[1]	U.S. Bank Trustees Limited **(Trustee)**	14.5%[2][3]	08/14/2029	Air Baltic AS	Air Baltic Training SIA	First-ranking Latvian-law commercial pledge over a substantial number of the Debtors' assets[4][5]	$ 461.9 [6]
BluOr Bank Secured Facility[7]	BluOr Bank **(Lender)**	EURIBOR+ 5.5%	07/2030	Air Baltic AS	Not specified	Secured by a mortgage over the cargo hangar and the associated land-use rights	9.2
Finance Leases[8]	Export Development Canada **(Mortgagee)**, Jet Aircraft Leasing Limited **(Lessor)**, Lidmasinas Leasing Limited **(Lessor)**	Not specified	Not specified	The Debtors	Not specified	First-priority mortgages on aircraft and engines[9]	91.2
Total Secured Debt							**$ 562.3**
Other Obligations:							
Government Loan[10]	Republic of Latvia (Lender)	Market-based	12/30/2026[11]	Air Baltic AS	Not specified	Unsecured	21.6
Operating Leases[12]	Various	Not specified	Not specified	The Debtors	Not specified	Unsecured	992.5
Total Other Obligations							**$ 1,014.1**
Total Debt							**$ 1,576.4**

1) €340 million ($394.4 million) issued in May 2024 and €40 million ($46.4 million) issued in an October 2024 tap; with the August 14, 2026 coupon capitalized, approximately €393.8 million ($456.8 million) of principal is outstanding, plus approximately €4.4 million ($5.1 million) of accrued interest. The Latvian state purchased €50 million of the original issue.
2) On August 17, 2026, bondholders approved converting the August 14 and November 14, 2026 cash coupon payments to payment-in-kind and suspending the €25 million minimum liquidity covenant until the November 14, 2026 interest payment date.
3) Under the trust deed, if the Bonds Service Reserve Account holds less than the required balance on the 45th day after an interest payment date, a "Step Up Event" occurs, and the coupon for that quarterly interest period rises from 14.5% to 16.5% before reverting to 14.5% in subsequent periods.
4) Secured by first-ranking Latvian-law pledges and mortgages over fixtures, aircraft equipment, inventory, simulators, receivables, trademarks, 100% of the shares in BKC and Air Baltic Training, and Air Baltic AS's maintenance hangars and training centre building. The package also includes English-law assignments of surplus proceeds on the Financed Equipment and an Irish-law charge over the bonds service reserve account.
5) The trust deed permits €10 million of credit facility debt, €40 million of general debt, liens on aircraft, engines and flight simulators, and liens securing up to €30 million of other debt.
6) Includes approximately €4.4 million ($5.1 million) of accrued and unpaid interest.
7) €10 million ($11.6 million) five-year facility entered into in August 2025 to refinance construction of the cargo hangar at Riga International Airport.
8) Finance leases cover eight A220-300s, seven spare engines and a flight simulator. Seven aircraft are owned by Lidmasinas Leasing Limited, leased to Axiom Baltic Services Ltd. and subleased to the Debtors. The eighth aircraft and the spare engines are owned by Jet Aircraft Leasing Limited and leased directly to the Debtors.
9) The aircraft and engines are subject to first-priority mortgages in favor of Export Development Canada, with loan terms of 7 to 12 years.
10) €30 million ($34.8 million) subordinated, unsecured loan from the Republic of Latvia, provided in April 2026 at market-based interest and originally due August 31, 2026. About €12.9 million ($15 million) of principal and interest was repaid by July 2026, leaving €18.6 million ($21.6 million) outstanding, including accrued interest.
11) On August 25, 2026, the Latvian government approved extending the repayment deadline for the remaining €18 million of principal to December 30, 2026.
12) Operating leases cover 46 aircraft and seven engines, with initial terms of approximately 12 years.

Source: Bondoro, Court filings

Top Unsecured Claims

30 Largest Unsecured Creditors
USD in Thousands — *As of September 14, 2026*

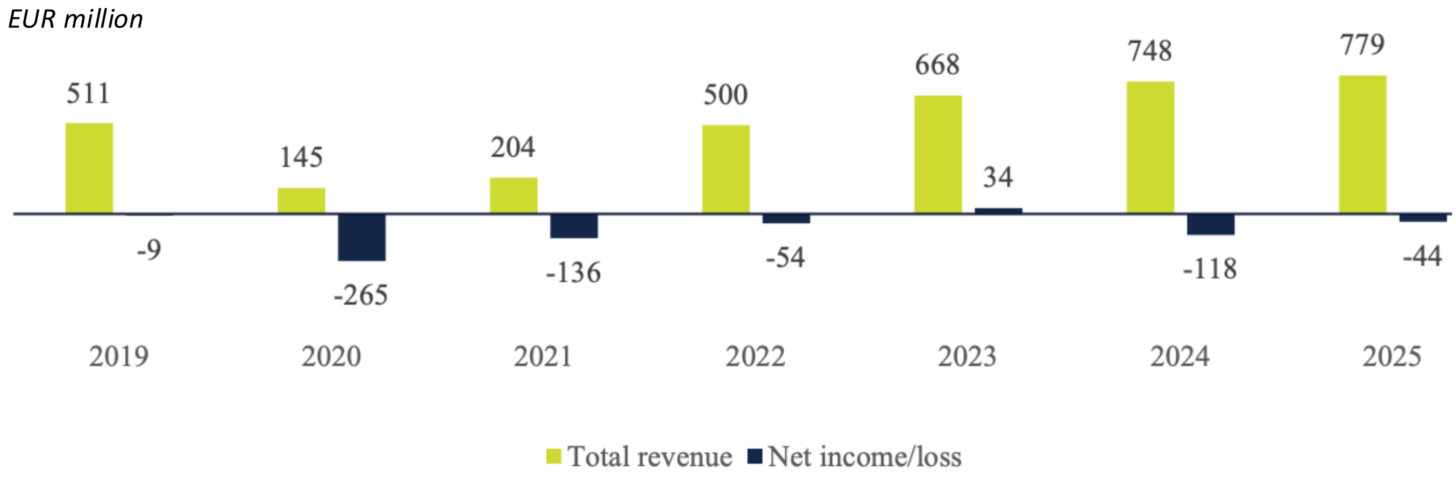
#	Creditor	Nature of Claims	Amount of Claim	#	Creditor	Nature of Claims	Amount of Claim
1	Pratt & Whitney	MAINTENANCE & SERVICEPROVIDER A/C	$ 66,517.9	16	Artemis Funding Limited	AIRCRAFT LEASE	1,663.7
2	Latvian Environment, Geology and Meteorology Centre (LEGMC)	ETS SCHEME PAYMENTS	42,431.9	17	Lietuvos Oro Uostas	AIRPORT	1,595.8
3	Republic of Latvia	GOVERNMENT LOAN	20,066.6	18	Tallinna Lennujaam AS	AIRPORT	1,466.0
4	State Revenue Service of the Republic of Latvia	EMPLOYMENT RELATED TAX PAYABLE	15,428.3	19	Axiom Baltic Services Ltd	AIRCRAFT LEASE	1,376.0
5	Starptautiska Lidosta "Rīga" VAS	AIRPORT	9,070.5	20	Hauptzollamt Frankfurt	GOVERNMENT	1,279.6
6	Eurocontrol	GOVERNMENT	5,588.6	21	High Ridge Aviation Trading 5 Limited	AIRCRAFT LEASE	1,113.2
7	Shell Energy Europe B.V.	ALLOWANCES EUETS	5,439.0	22	Latvijas Gaisa Satiksme VAS	GOVERNMENT	1,049.8
8	Macquarie Aircraft Leasing Services (Ireland) Limited	AIRCRAFT LEASE	4,671.1	23	Mach AOE 2 Designated Activity Company	AIRCRAFT LEASE	1,043.1
9	Wilmington Trust SP Services (Dublin) Limited	AIRCRAFT LEASE	3,359.4	24	Airo Catering Services Latvija SIA	GOODS AND SERVICEPROVIDER	1,025.0
10	Airbus Flight Hour Services Limited	MAINTENANCE SERVICES & PARTS A/C	3,282.2	25	Avap Leasing Europe VI Pte Ltd	AIRCRAFT LEASE	942.9
11	Rohr Inc.	MAINTENANCE SERVICES & PARTS A/C	2,945.7	26	Mediabrands Digital OU	GOODS AND SERVICEPROVIDER	935.3
12	Jackson Square Aviation Ireland Limited	AIRCRAFT LEASE	2,632.9	27	Hamilton Sundstrand Corporation	OUTSIDE MAINTENANCE & SERVICE PROVIDER A/C	778.8
13	APF 5 Project No.2 Limited	AIRCRAFT LEASE	2,518.7	28	Malahide Aircraft Leasing Limited	AIRCRAFT LEASE	760.9
14	Schiphol Nederland B.V.	AIRPORT	2,350.0	29	Meggitt Aerospace Ltd	MAINTENANCE SERVICES & PARTS A/C	738.6
15	Rixjet SIA	FUEL SUPPLIERS AND RELATED SERVICES	1,668.6	30	Airbus Canada Limited Partnership	OUTSIDE MAINTENANCE & SERVICE PROVIDER A/C	719.6
						30 Largest Unsecured Claims	**$ 204,459.7**

Source: Bondoro, Court filings

COVID-19 Pandemic

- The pandemic sharply reduced the Company's operating performance.
  - In the first half of 2020, revenue fell 62% year-over-year to €82.5 million ($95.7 million) and passengers fell 64% to 0.8 million, producing a net loss of €184.8 million ($214.4 million)
  - From 2020 through 2022, the Company lost approximately €455 million ($527.8 million)
- The Latvian state supported the airline through the crisis with a €250 million recapitalization in 2020 and a further €90 million across 2021 and 2022.

AirBaltic Group Total Revenue and Net Income



Geopolitical Headwinds

- Russia's invasion of Ukraine in 2022 forced the Company to suspend all routes to Russia, Belarus and Ukraine, which the Debtors say had been significant sources of revenue and of transfer traffic through Riga.
  - The suspensions cut 2022 passenger revenue by an estimated €40 million ($46.4 million)
  - Flights that had crossed Russian, Belarusian or Ukrainian airspace required longer routings, raising fuel and other operating costs
- The 2026 surge in jet fuel prices following the outbreak of the Iran-U.S. conflict added further pressure to the Company's liquidity crisis.
  - Fuel has historically represented 20% to 27% of total operating expenses, and jet fuel prices rose approximately 109% at their peak from January 2026 levels
  - Based on expected consumption of 165,000 tons from April through December 2026, each $100 per ton increase added approximately $16.5 million to the Company's costs; the actual average price over the first eight months of 2026 was $1,168 per ton, $454 higher than a year earlier
- In March 2026, the Company sold its remaining fuel hedges for approximately €5.7 million ($6.6 million) to avoid breaching the 2029 Bonds' minimum-liquidity covenant, leaving its fuel needs for April through December fully exposed to spot prices.
  - The Debtors state that many competitors had hedged their fuel costs at lower prices and could keep fares steady, so the Debtors could not raise ticket prices to offset their higher fuel costs without losing passengers
  - The conflict also forced the Company to temporarily suspend service to Tel Aviv (Israel) and Dubai (United Arab Emirates); Dubai service had not resumed as of the Petition Date

Ratings Downgrade and Bond Price Collapse

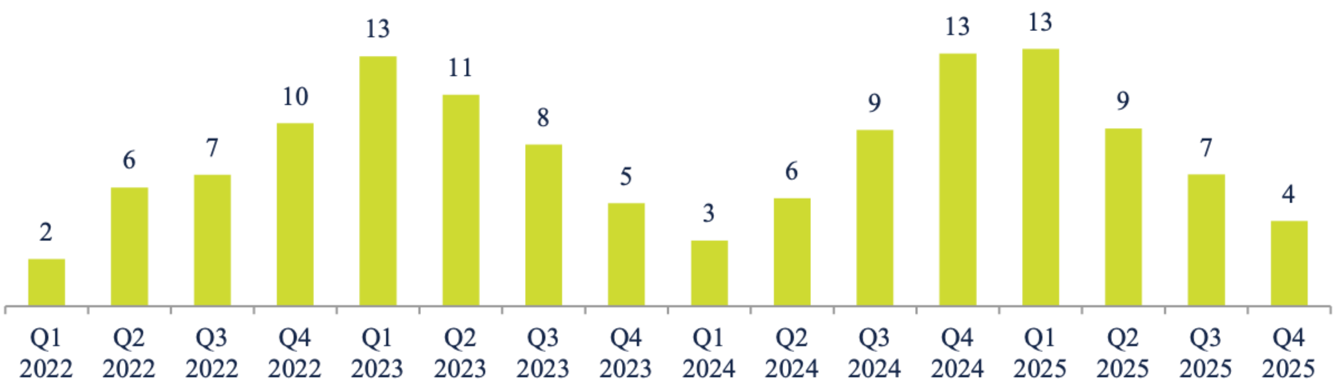
- In late January 2026, the 2029 Bonds were quoted in the mid-93s; on March 19, they fell about 16 cents to around 67 cents on the euro, their largest single-day decline since issuance.
- On April 10, 2026, Fitch downgraded Air Baltic AS to CCC–, and six days later Latvia's parliament approved a €30 million short-term government loan.
- On July 7, 2026, Fitch placed its CCC– ratings on Rating Watch Negative, citing increasingly weak financial flexibility and acute liquidity pressure.
  - Fitch warned that, absent additional external support, the Company faced a high likelihood of a payment default or debt restructuring in 2026
- By August 2026, the bonds were quoted in the 20s, a decline the Debtors attribute to the rise in jet fuel prices and say effectively foreclosed an out-of-court refinancing or extension.

Jet Fuel and 2029 Bond Prices

Engine Shortages

- Because the A220-300 has no alternative engine, the Company was left exposed when spare PW1500G engines became scarce beginning in 2022.
  - In July 2023, Pratt & Whitney disclosed a rare condition in the powdered metal used to make certain engine parts
- The shortage left an average of 8.0 aircraft on the ground in summer 2024 and 7.7 in summer 2025, with groundings reaching an average of 13 aircraft in the first quarter of 2025.
  - The Company announced in January 2025 that it would cancel 4,670 flights for the summer season
- The Debtors say the shortage forced flight cancellations, route suspensions and frequency reductions, required costly ACMI capacity from other operators and limited new route development at Riga, weighing on operating margins.

Average Aircraft on Ground



Aircraft and Engine Order Book

- The Company has 40 firm A220-300 orders outstanding with Airbus, with an aggregate list price of approximately €3 billion ($3.5 billion), and a commitment of approximately €92 million ($106.7 million) for additional Pratt & Whitney engines.
- The Debtors state that these orders were placed to support a growth plan they can no longer fund, and their revised Business Plan contemplates canceling or indefinitely deferring the deliveries.

2024 Bond Refinancing and Suspended IPO

- In the years before the filing, the Debtors pursued several initiatives to raise capital and support growth, beyond the state recapitalizations and Lufthansa investment described above.
  - In 2024, the Debtors issued the 2029 Bonds, using the proceeds to repay the €200 million ($232 million) 6.75% Eurobonds due July 2024 and a €36.1 million ($41.9 million) loan from the government of Latvia, and to fund operations and capital expenditures
- As a condition of the 2020 COVID-19 recapitalization, the government committed to an exit strategy centered on an eventual IPO, through which it would reduce its stake without falling below its pre-pandemic level of approximately 80.05%.
  - The IPO was planned as a listing of ordinary shares on Nasdaq Riga (Baltic Main List) and the Frankfurt Stock Exchange (Prime Standard), targeting a primary raise of an estimated €250 million ($290 million), later cited at up to approximately €264 million to €300 million ($306 million to $348 million)
  - The Debtors repeatedly pushed back the timeline as European airline share prices declined and their own financial performance made it difficult to support the valuation needed
  - They then stopped relying solely on the IPO and pursued interim, non-IPO sources of capital to bridge to an eventual offering

August 2026 Business Plan

- Working with its advisors, including Seabury Securities LLC, the Debtors' proposed investment banker, the Company developed a revised business plan (the "Business Plan"), which it outlined on August 11, 2026 in a Euronext Dublin cleansing statement.
  - The plan replaced a prior strategy, developed for the planned IPO, that envisaged expansion toward a 100-aircraft fleet
- **Fleet and network:** Return approximately 20 surplus aircraft, operating about 36 aircraft at the end of 2026 and around 40 by 2031, and center the network on Riga as the primary hub.
- **Costs and ACMI:** Achieve approximately €45 million ($52.2 million) of annual cost savings, obtain lower lease rates and concessions from key counterparties, and strengthen ACMI partnerships to deploy capacity year-round and reduce winter fixed costs.
- **Targets:** EBITDAR of approximately €192 million ($222.7 million) in 2027 and €300 million ($348 million) in 2031; net leverage of approximately 4.8x following a recapitalization at year-end 2026, declining to 1.6x by year-end 2031.

Business Plan Metrics Forecast

Business Plan Metrics	2025	2026	2027	2028	2029	2030	2031
Scheduled Service ASKs (Billions)	9.1	9.6	8.7	8.9	9.5	9.9	10.5
Fleet plan (# of aircraft)	51	36	36	37	39	40	41
Total Revenue (€ Billions)	0.8	0.9	0.8	0.8	0.9	1.0	1.0
EBITDAR (€ millions)	144	158	192	218	243	264	300
Unlevered FCF (€ millions)	-	-	139	182	109	123	217
Lease payments (€ millions)	-	-	(73)	(76)	(80)	(84)	(117)
Debt payments (€ millions)	-	-	(24)	(24)	(23)	(22)	(21)
Levered FCF (€ millions)	-	-	33	73	(4)	7	69
Unrestricted liquidity (€ millions)	11	84	117	189	185	192	262

Events Leading to Bankruptcy (cont'd)

Prepetition Negotiations

- The Debtors state that executing the Business Plan required a significant liquidity infusion and a recapitalization, and that obtaining the necessary stakeholder consents was not practicable before late 2026.
  - The Debtors sought interim financing and received term sheets from four prospective lenders in summer 2026, including an ad hoc group of 2029 bondholders (the "Ad Hoc Group")
  - The Debtors proposed to the Ad Hoc Group a framework of €225 million ($261 million) of interim financing, €225 million ($261 million) of new long-term debt and €100 million ($116 million) of new equity, plus a partial equitization of the 2029 Bonds with up to €125 million ($145 million) of take-back debt
- In August 2026, bondholders approved the PIK conversion and covenant suspension, and Latvia's parliament authorized the state to buy up to €30 million ($34.8 million) of interim financing bonds and convert its loan and bond claims into equity.
  - After jet fuel prices rose again in late summer, the Debtors say they concluded the Ad Hoc Group proposal likely would not provide sufficient liquidity
  - They solicited bids for approximately €350 million ($406 million) of DIP financing and began receiving proposals in late August

Events Leading to Bankruptcy (cont'd)

Prepetition Negotiations (cont'd)

- Without a binding DIP commitment, the Company on September 3, 2026 called a bondholder meeting on the Ad Hoc Group's proposed interim financing, which the Debtors describe as the only committed proposal then available.
  - Backed by Polus Capital Management and Klirmark Capital 4, the proposal would raise up to €257 million ($298.1 million) through super senior bonds due February 26, 2027, issued at 95% of face value and accruing 25% annual interest, capitalized monthly
  - The new bonds would rank ahead of all 2029 Bonds, and the €77 million second tranche was conditional on a lock-up for a UK restructuring
  - On September 8, Latvia's Cabinet backed the Company's stabilization without deciding on state participation, and the meeting was postponed to September 15
- When the DIP proposal from funds managed by Strategic Value Partners, LLC ("SVP") reached committed terms, the Executive Board concluded it offered a more favorable and deliverable outcome than the interim bond financing proposed by the Ad Hoc Group.
  - Following approvals from Latvia's Cabinet and the Supervisory Board on September 10 and from shareholders on September 11, the Debtors signed a commitment letter for the €350 million ($406 million) DIP Facility on September 12
  - The September 15 bondholder meeting was canceled

Case Objectives

- The First Day Declaration lists the case's goals as obtaining DIP financing, returning surplus aircraft and reprofiling leases, reaching agreements with lessors and aircraft and engine manufacturers, and securing exit financing.
- The Company said it chose Chapter 11 because its obligations are international in nature, and expected to complete the restructuring around June 2027.

DIP Facility

- The Debtors seek approval of a €350 million ($406 million) superpriority senior secured term loan DIP Facility arranged by SVP.
  - According to the commitment schedule, SVP funds committed €220 million, Barclays Bank Ireland €50 million, and Hayfin and Oaktree funds €40 million each; Barclays will initially fund the loans as fronting lender
  - GLAS USA LLC is administrative agent, and GLAS Americas LLC is collateral agent
  - Decisions generally rest with the "Majority DIP Lenders," defined as lenders holding more than 50% of commitments, excluding insiders; SVP funds hold about 62.9%
- **Structure:** Air Baltic AS is the borrower, along with any owner of the finance-leased aircraft collateral after the payoff described below; Debtors Air Baltic Training and BKC are guarantors.
- **Availability:** Tranche 1 is €175 million ($203 million), of which €140 million ($162.4 million) is available on entry of the proposed interim order (the "Interim Order") and the rest on entry of the final order (the "Final Order").
  - Tranches 2 and 3 provide up to €125 million ($145 million) and €50 million ($58 million), respectively, each reduced euro-for-euro by any third-party financing
  - They require the Final Order, case milestones and an order or bondholder resolution permitting DIP liens to rank ahead of the bondholders' liens (the "Priming Order"), which the Debtors are not seeking in the DIP Motion

DIP Facility (cont'd)

- **Pricing:** 12-month Term SOFR plus 8.00%, payable monthly and paid in kind unless the Debtors elect cash, plus 3.00% on default.
- **Fees:** (i) 5% backstop and 5% upfront fees on the full €350 million, paid in kind; and (ii) a 5% exit fee on the full commitment, paid in cash on repayment.
- **Make-Whole:** Subject to the Final Order, a make-whole on any repayment before exit, covering the interest and fees that would have been payable through maturity on the full €350 million, whether or not drawn.
- **Maturity:** The earlier of nine months after the Petition Date and 250 days after the initial Tranche 1 funding, extendable once by three months for a 0.75% fee.
- **Use of Proceeds:** Tranche 1 would first repay about €71.7 million ($83.1 million) of principal on the EDC- and Axiom-financed aircraft and engines, plus accrued interest, fees, make-whole amounts and the EDC simulator debt.
  - That would transfer title to the Debtors, and the DIP Motion says it would give access to about €170 million ($197.2 million) of unencumbered value
  - The remaining proceeds fund working capital, interest and fees, professional fees and case costs under an approved budget
- **Minimum Liquidity:** After Tranche 1 is funded, the Debtors must keep unrestricted cash of at least €10 million ($11.6 million), rising to €20 million ($23.2 million) once Tranche 2 is funded, until maturity.
- **Variance:** On a cumulative basis, receipts may not fall more than 15% below budget, and disbursements, excluding professional fees, may not run more than 15% above budget.
- **Aircraft Collateral:** Unless waived, the finance-leased aircraft collateral must be moved within 30 days to a new Cayman Islands entity that becomes a debtor and borrower.

DIP Facility (cont'd)

- **Key Milestones:**
  - Entry of the Interim Order within five days of the Petition Date and the Final Order within 35 days
  - Assumption of the Lufthansa wet-lease agreements within 30 days; an aircraft lease rejection motion within 59 days; delivery of the Business Plan within 60 days
  - Binding term sheets with lessors covering 75% of the fleet and with Pratt & Whitney, Airbus and Lufthansa, plus filing of a plan and disclosure statement, within 100 days
  - Equity and exit financing commitments and a commitment from the government of Latvia to support the plan within 120 days
  - Plan confirmation within 210 days, and a plan effective date by the earlier of nine months after the Petition Date and 250 days after the initial funding

Collateral and Priming

- The Tranche 1 collateral consists of the eight aircraft and seven spare engines being bought out of the finance leases, plus the flight simulator, unencumbered property and a lien on the cargo hangar junior to the BluOr Bank facility.
  - The collateral securing the 2029 Bonds is excluded until the Priming Order is entered
- The Priming Order can be obtained through a court hearing under section 364(d)(1) of the Bankruptcy Code, which requires showing that credit is unavailable otherwise and that the existing lienholders are adequately protected, or through an Extraordinary Resolution of bondholders.
  - Under the August 24, 2026 supplemental trust deed, the quorum for such a resolution is 25% of outstanding principal at a first meeting and no minimum at an adjourned meeting, while approval still requires 75% of votes cast

Adequate Protection

- The DIP Motion describes the bondholders as undersecured and therefore entitled to adequate protection only up to the value of their collateral, pointing to:
  - **Unencumbered Value:** the roughly €170 million unlocked by the finance lease payoff
  - **Cash Interest:** an offer to pay interest in cash, including the November 14, 2026 coupon bondholders had agreed to take in kind
  - **Going-Concern Value:** preservation of going-concern value, including the trademarks and brand IP it calls the most valuable piece of the bond collateral
- Under the DIP term sheet, the bondholders' replacement liens would be silent and junior to the DIP liens and would take effect only once Tranche 2 is funded.
  - Cash interest and trustee counsel fees would be at the Debtors' discretion, payable only after Tranche 2 and only while the minimum cash levels are met
- The Company's August 11, 2026 announcement estimated the going-concern value of the bond collateral at €506 million ($587 million), including aircraft and engines appraised at €255 million ($295.8 million) as of June 2026.

Ad Hoc Group Objects to DIP Financing

- The Ad Hoc Group, whose members include Klirmark Capital, filed a limited objection to the DIP Motion and the Critical Vendors Motion on September 15, 2026.
  - The group asked the Court to defer interim relief for several days, arguing that the 181-page DIP Motion was docketed at 7:18 p.m. Eastern the night before, or 2:18 a.m. in Latvia, leaving European creditors no meaningful opportunity to review it
- The group contends that the Debtors ran a parallel DIP marketing process while soliciting bondholder consents on the group's out-of-court financing.
  - It says that proposal drew 94% support among bondholders voting, including the Latvian government, and was "very similar" to the DIP Facility
  - The Debtors signed the DIP commitment letter on September 12, nine days after calling that meeting; according to the group, it was never invited to compete
  - The group also argues that the euro-for-euro reduction of Tranches 2 and 3 for third-party financing is designed to foreclose competing proposals
- On adequate protection, the group calls the Debtors' offer illusory, arguing that the cash payments and replacement liens are discretionary or contingent on Tranche 2 and provide no protection during the Tranche 1 period.

Ad Hoc Group Objects to DIP Financing (cont'd)

- The group also rejects the Debtors' characterization of Tranche 1 as non-priming.
  - It points to the proposed Interim Order's statement that the exclusion of bond collateral does not apply to the Aircraft Collateral, and argues that repaying the EDC and Axiom finance debt would bypass the bondholders' surplus proceeds assignments and move that equipment's value to the DIP Lenders
  - The group puts the value transferred at more than €250 million, against the DIP Motion's estimate of about €170 million of unencumbered value
  - It further argues that the 5% backstop and 5% upfront fees, about €35 million combined, were earned when the commitment letter was signed, creating a barrier to any replacement DIP
- The group also objects to the Critical Vendors Motion's roughly $200 million of proposed prepetition payments, including $45.2 million on an interim basis, as excessive before a creditors' committee is formed.
- As conditions to any interim relief, the group asks for:
  - Replacement liens on the financed aircraft and engines
  - A bar on the finance lease payoff until the final order
  - Narrower non-interference and credit bid provisions
  - A reduced vendor cap
- The group reserved the right to seek dismissal under section 1112(b) or abstention under section 305(a).
  - It cites the Debtors' limited U.S. connections, the Latvian state's roughly 88% ownership and role in selecting the DIP lenders, and the filing's timing on the eve of Latvian parliamentary elections
  - It also questions whether any Debtor is a "governmental unit" ineligible for Chapter 11 relief

Other First-Day Relief

- **Critical Airline Agreements Motion (Doc 6):**
  - The Debtors seek authority to assume, at their discretion, their interline, codeshare, frequent flyer, IATA Clearinghouse, ACMI and other industry agreements, without counterparties demanding deposits
  - The ACMI agreements include wet-lease contracts with Lufthansa, SWISS, Austrian Airlines, Brussels Airlines and Air Serbia; separately, the DIP Facility requires the Debtors to assume the Lufthansa wet-lease agreements within 30 days of filing
  - The Debtors also seek authority to pay about $1.3 million of net prepetition obligations settled through the Clearinghouse and to enter into new airline agreements
- **Insurance Motion (Doc 7):**
  - The Debtors seek authority to maintain their approximately 18 insurance policies, which cost about $3.9 million a year in premiums
  - The authority would also cover renewing or buying coverage, entering into premium financing agreements, and paying related obligations, including brokerage fees
  - The Debtors estimate that no prepetition premiums are outstanding and seek payment authority as a precaution, noting that EU aviation rules and their lease and financing agreements require coverage
- **Customer Programs Motion (Doc 8):**
  - The Debtors seek authority to continue and honor prepetition obligations under the airBaltic Club loyalty program, the corporate incentive program, lounge access, ticket refunds, EU261 and Montreal Convention claims, about $2 million of outstanding gift cards, travel agency commissions, charter bookings and cargo services
  - The motion also asks to modify the automatic stay so travel agencies, settlement systems, cargo counterparties and card processors can continue netting refunds, chargebacks and other undisputed amounts

Other First-Day Relief (cont'd)

- **Cash Management Motion (Doc 10):**
  - The Debtors seek authority to keep using their centralized cash management system, 30 existing bank accounts and business forms, and to continue intercompany transactions and pay bank fees of about $12,000 a month
  - Postpetition intercompany claims would receive administrative expense status
  - Because 29 accounts are held at banks outside the U.S. Trustee’s approved list, the Debtors request a 60-day extension on an interim basis, and then a waiver, of section 345’s deposit requirements
- **Critical Vendors Motion (Doc 11):**
  - The Debtors seek authority to pay prepetition claims of about $52 million to foreign vendors, $102.4 million to outside maintenance providers, shippers and contractors that may hold liens, and $46.6 million for goods delivered within 20 days before filing or ordered prepetition
  - Payments to foreign vendors and lien claimants would be capped at $45.2 million on an interim basis
- **Taxes Motion (Doc 13):**
  - The Debtors seek authority to pay about $122.9 million of accrued prepetition taxes and fees, with $96.5 million payable before the final order
  - The largest items are about $102 million of airline taxes and fees, including a $49.2 million EU Emissions Trading System obligation for 2025, and $20.8 million of payroll taxes
  - The motion also seeks authority to continue Latvian tax installment plans, citing risks of air operator certificate suspension, tax liens and personal liability for directors if taxes go unpaid

Other First-Day Relief (cont'd)

- **Wages Motion (Doc 16):**
  - The Debtors seek authority to continue employee compensation and benefit programs and to pay about $15 million of prepetition employee obligations, with about $2.05 million payable before the final order

Initial Budget

	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	W37	W38	W39	W40	W41	W42	W43	W44	W45	W46	W47	W48	W49	W50
Week starting	7-Sep	14-Sep	21-Sep	28-Sep	5-Oct	12-Oct	19-Oct	26-Oct	2-Nov	9-Nov	16-Nov	23-Nov	30-Nov	7-Dec
Opening Balance														
Cash Opening Balance	**12,069**	**4,580**	**70,805**	**24,255**	**26,626**	**25,215**	**20,475**	**50,701**	**37,383**	**33,042**	**19,310**	**16,928**	**101,704**	**102,419**
Receipts														
Passenger Receipts	12,591	11,898	18,309	14,702	12,296	12,435	12,684	12,731	12,959	11,573	11,879	12,130	8,939	7,185
Charter Receipts	1,058	783	783	781	760	760	760	760	699	706	706	706	750	760
Other Receipts	195	870	207	196	179	179	178	178	203	192	203	201	154	142
ACMI Receipts	9,459	3,500	245	8,791			3,000	3,306			500	1,500	3,519	
Total Operating Receipts	**23,303**	**17,050**	**19,544**	**24,471**	**13,235**	**13,374**	**16,622**	**16,975**	**13,861**	**12,470**	**13,288**	**14,537**	**13,361**	**8,087**
Financing proceeds		140,000					35,000					125,000		
Maintenance Reserves Reimbursement		15,403												
Holdbacks (applied to Passenger Receipts)	-937	-937	-2,537	-2,037	-1,690	-1,690	-1,690	-1,690	-1,362	-1,388	-1,415	17		
Asset sale (EDC Sim. / Diamond Trainer)										6,600				
Total Receipts	**22,366**	**171,516**	**17,007**	**22,434**	**11,545**	**11,684**	**49,932**	**15,285**	**12,500**	**17,683**	**11,873**	**139,555**	**13,361**	**8,087**
Expenses														
Salaries and taxes	-7,992	-322	-9,004	-704		-6,980	-327	-8,422	-6,724	-6,626	-287	-6,543	-240	-5,722
Maintenance	-1,395	-1,122	-1,122	-1,046	-932	-932	-932	-1,932	-622	-6,103	-1,450	-1,642	-632	-988
Operating Expenses	-11,944	-8,921	-7,013	-10,270	-4,023	-5,659	-9,035	-11,374	-5,213	-2,677	-2,313	-17,882	-3,836	-5,042
Maintenance reserves received from lessors														
Fuel	-7,442	-5,024	-5,024	-5,268	-5,634	-5,634	-5,634	-5,634	-5,482	-5,482	-5,482	-5,482	-4,819	-4,653
Capital expenditures	-417	-417	-967	-363	-284	-284	-284	-284	-460	-460	-460	-460	-360	-335
Leasing / rental of aircraft	-505			-108				-115		-10,233	-641	-180	-3,540	-564
Debt payment	-161	-284	-165	-222				-165	-1,425	-834	-103	-343	-219	
Other operating expenses		-5,439	-38,249											
Total Expenses	**-29,855**	**-21,528**	**-61,543**	**-17,981**	**-10,873**	**-19,488**	**-16,212**	**-27,925**	**-19,924**	**-32,414**	**-10,735**	**-32,531**	**-13,646**	**-17,304**
Finance Lease - Debt Repayment		-78,925												
Vendor Prepayment (Timing Adjustment)		-2,064	-2,014	-2,081	-2,083	2,064	2,014	2,081	2,083					
Company Credit Card Prepayment														
US Vendor Nexus						1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
2029 Adequate Protection												-15,675		
Total Disbursements	**-29,855**	**-102,516**	**-63,556**	**-20,063**	**-12,956**	**-16,424**	**-13,198**	**-24,844**	**-16,841**	**-31,414**	**-9,735**	**-47,206**	**-12,646**	**-16,304**
Restructuring Adjustments														
Professional Advisor Fees		-2,775					-6,508	-3,760			-4,520	-7,573		
Total Restructuring Adjustments	0	**-2,775**	0	0	0	0	**-6,508**	**-3,760**	0	0	**-4,520**	**-7,573**	0	0
Cash Balance														
Operating, Net	-7,489	66,225	-46,550	2,371	-1,411	-4,740	30,227	-13,319	-4,341	-13,732	-2,382	84,776	715	-8,217
Inflow from investors, loan proceeds														
Net CF	-7,489	66,225	-46,550	2,371	-1,411	-4,740	30,227	-13,319	-4,341	-13,732	-2,382	84,776	715	-8,217
Cash closing balance	4,580	70,805	24,255	26,626	25,215	20,475	50,701	37,383	33,042	19,310	16,928	101,704	102,419	94,202
Bond Service Reserve Account	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446	-3,446
Unrestricted Cash Balance	**1,134**	**67,359**	**20,809**	**23,180**	**21,769**	**17,029**	**47,256**	**33,937**	**29,596**	**15,864**	**13,482**	**98,258**	**98,973**	**90,756**

-BONDORO-

Source: Court Filings