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*Proposed Counsel for the Debtors
and Debtors-in-Possession*

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:	)	
	)	Chapter 11
	)	
AIR BALTIC CORPORATION AS, <i>et al.</i> , ¹	)	Case No. 26-12188 (LGB)
	)	
Debtors.	)	(Joint Administration Requested)
	)	

**DECLARATION OF STEPHAN T. KRASTEV
IN SUPPORT OF DEBTORS' MOTION FOR ENTRY OF INTERIM
AND FINAL ORDERS (I) AUTHORIZING THE DEBTORS TO OBTAIN
POSTPETITION FINANCING, (II) GRANTING LIENS AND PROVIDING
CLAIMS WITH SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS,
(III) GRANTING ADEQUATE PROTECTION TO THE PREPETITION SECURED
PARTIES, (IV) MODIFYING THE AUTOMATIC STAY,
AND (V) GRANTING RELATED RELIEF**

I, Stephan T. Krastev, make this declaration under 28 U.S.C. § 1746:

1. I am a Vice Chairman of Seabury Global Aviation Advisors LLC (together with its subsidiaries and affiliates, collectively "Seabury"), the investment banker and financial advisor to the debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors" or the "Company"). I submit this Declaration in support of the *Debtors' Motion for*

¹ The Debtors in these Chapter 11 Cases are: Air Baltic Corporation AS, "Air Baltic Training" SIA, and "Baltijas Kravu Centrs" SIA. The Debtors' service address is Tehnikas Street 3, Lidosta "Riga", Mārupe Parish, Mārupe District, LV-1053, Latvia.

Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Liens and Providing Claims with Superpriority Administrative Expense Status, (III) Granting Adequate Protection to the Prepetition Secured Parties, (IV) Modifying the Automatic Stay, and (V) Granting Related Relief (the “DIP Motion”),² filed contemporaneously herewith.

2. Except as otherwise indicated, all statements in this Declaration are based on my personal knowledge of the Debtors’ operations and finances gained throughout Seabury’s engagement by the Debtors; my discussions with the Debtors’ senior management, other members of the Seabury team, and the Debtors’ other advisors; and my review of relevant documents and/or my opinion based upon my experience. If called to testify, I would testify to each of the facts set forth herein based on such personal knowledge, discussions, review of documents, or my opinions based upon my related professional experience.

3. I am not being specifically compensated for this testimony other than through payments received by Seabury as a professional retained by the Debtors. I am over the age of 18 and authorized to submit this declaration on behalf of the Debtors.

Background and Qualifications

4. I joined Seabury in 2002 and currently serve as a Vice Chairman. I have more than 25 years of experience in investment banking and corporate finance advisory services. Over the course of my career, I have led, co-led, structured, and executed a broad range of transactions, including mergers and acquisitions, debt and equity capital markets transactions, turnarounds, and aircraft financings. My core competencies include strategic advisory, investment banking, and turnarounds for airlines, lessors, capital providers, and other participants in the aviation ecosystem,

² Capitalized terms used but not defined herein have the meanings ascribed to them in the DIP Motion and any exhibits attached thereto.

with industry expertise spanning commercial airlines, aircraft leasing, and maintenance, repair, and overhaul businesses.

5. Among my recent engagements, from 2024 through 2025, I, along with Seabury, served as investment banker and restructuring advisor to GOL Airlines in its chapter 11 proceedings, where I focused on raising and structuring \$1.0 billion of debtor-in-possession financing and \$1.9 billion of exit financing. In 2022 and 2023, I co-led Azul S.A.'s strategic recapitalization and aircraft restructuring program, including a \$4.5 billion lease restructuring, an \$865 million public bond exchange, a \$350 million convertible bond exchange, and \$800 million of new debt financing. In 2021, I served as buy-side advisor to Tata Sons in its acquisition of Air India. In 2020, I advised Azul on raising \$325 million of convertible debt during the peak of the COVID-19 pandemic. I also co-led Kenya Airways' aircraft lease renegotiations in 2022; co-led the restructuring of Icelandair's fleet obligations and credit card acquirer unsecured exposure in 2020; and led the formation and funding of Zephyrus Aviation Capital, a new aircraft leasing company, in 2019.

6. Earlier in my career, I served as M&A advisor to a major United States carrier on certain strategic matters from 2016 through 2018 and raised \$450 million of equity for Azul through a private placement with a strategic investor in 2016. In 2014, I served as sell-side advisor in Farnair's \$115 million sale to ASL Aviation. I was an M&A banker for the Frontier Airlines chapter 11 process in 2008 and 2009, advised Air Canada on raising \$1 billion of liquidity in 2008 and 2009, and raised \$1 billion of liquidity for US Airways in 2009. In 2007, I served as an investment banker and M&A advisor on the merger of US Airways and America West, raising more than \$2.8 billion of liquidity, including \$875 million of equity. From 2006 through 2007, I served as an investment banker and restructuring advisor to Northwest Airlines in its chapter 11

reorganization, raising more than \$750 million of equity; I also served as an investment banker and restructuring advisor for US Airways from 2002 through 2003 and 2006 through 2007. From 2003 through 2005, I served as an investment banker and restructuring advisor in the Air Canada Companies' Creditors Arrangement Act process, including raising more than \$1 billion of equity financing.

7. Before joining Seabury, I worked at Citigroup. I hold a B.S. from the University of Bridgeport, where I double-majored in Finance and Computer Applications Information Systems. I am a FINRA registered representative and hold Series 7, 63, and 79 designations.

Seabury's Retention

8. In March 2026, the Company retained Seabury to assist in evaluating strategic alternatives (the "Engagement"). Following that engagement, working with the Company's management and the other advisors retained by the Company (including Milbank LLP and Clyde & Co), members of the Seabury team and I helped formulate the Company's new business plan (the "Business Plan") to stabilize its financial position in a volatile macroeconomic environment. The Business Plan contemplated reducing surplus aircraft, obtaining concessions from key contract counterparties, and implementing a profit improvement program. Executing the Business Plan required both a significant liquidity infusion and a recapitalization of the Company's balance sheet.

9. My scope of authority through Seabury was to assist the Company with assessing the Company's liquidity, capital structure, fleet strategy, and Business Plan; evaluating out-of-court and in-court restructuring alternatives; and assisting the Company in identifying and negotiating with potential financing sources and other stakeholders. From the outset of the Engagement, members of the Seabury team and I participated in meetings and working sessions with the Company's senior management and other advisors to develop an understanding of the

Company's financial position, liquidity, Business Plan, and operational requirements. Through that process, I identified, together with the Company and its advisors, the need to right-size the fleet, secure new equity financing, and restructure the Company's long-term debt. Absent near-term liquidity, the Company would be forced to cease operations and liquidate. Accordingly, the Company and Seabury commenced stakeholder outreach toward a financial and operational restructuring involving the Company's aircraft lessors, its bondholders, other key contract counterparties, including Lufthansa (as a counterparty to long-term wet-lease (ACMI) capacity contract and a minority shareholder) and the Republic of Latvia (as majority shareholder and lender). Given the complexity of those discussions, I concluded that the requisite consents could not practicably be obtained before late 2026 at the earliest, which made an interim liquidity bridge necessary.

The Company's Prepetition Capital Structure

10. Based on my review of the Company's records, I understand that, as of the Petition Date, the prepetition capital included approximately €398 million in aggregate principal amount of 14.500% senior secured bonds due 2029 (the "Prepetition Bonds"), outstanding as of the Petition Date and secured by a first-ranking Latvian law governing commercial pledge over a substantial portion of the Company's assets, subject to certain exceptions. I further understand that: (i) approximately €7.9 million was outstanding under a secured facility from BluOr Bank, secured by the Riga cargo hangar and related land use rights; and (ii) approximately €78.6 million was outstanding under finance lease agreements (collectively, the "Finance Leases") covering eight aircraft (the "Axiom Aircraft" and the "JALL Aircraft") and seven spare engines (the "JALL Engines"), under which the Company has the right to acquire title to that equipment at the end of the applicable lease term or upon the Company's election (after meeting certain conditions), and

that the aircraft and engines are subject to first-priority mortgages in favor of Export Development Canada (“EDC”). In my view, the purchase options under the Finance Leases are important to the DIP Facility (as defined herein) because there is approximately €170 million of equity value in the Axiom Aircraft, the JALL Aircraft, and the JALL Engines that the Company can unlock by exercising the respective purchase options under those Finance Leases; every financing proposal I reviewed contemplated using DIP Facility proceeds for that purpose.

The Company’s Need for Postpetition Financing

11. In any chapter 11 case, I understand that the debtors must maintain or obtain liquidity sufficient to fund the case and continue operating. I worked with the Company’s senior management to prepare and refine the Business Plan and a cash forecast covering the projected period of these Chapter 11 Cases. As of the Petition Date, the Company’s cash balance is €1.13 million. Based on the Business Plan and cash forecast, I understand that the Company requires approximately €350 million of committed new-money DIP financing. At this time, the Debtors are seeking approval of Tranche 1, in the amount of €175 million, made available in two sub-tranches—an initial sub-tranche of €140 million (the “Initial Tranche 1 DIP Loans”) available upon entry of the Interim Order, and the remainder of the Tranche 1 DIP Loans available upon entry of the Final Order, in each case among other conditions—and that the remaining committed amount, comprising Tranche 2 of €125 million (reduced dollar-for-dollar by the aggregate principal amount of any financing provided by a party that is not a DIP Lender) and Tranche 3 of €50 million (reduced dollar-for-dollar by the aggregate principal amount of any financing provided by a party that is not a DIP Lender), would become available only upon satisfaction of their respective additional closing conditions, including entry of an order authorizing priming of the collateral securing the Prepetition Bonds (which order is not being sought for approval at this time). I understand that the proposed DIP Facility is sized to provide approximately €350 million

of total committed financing and is intended to maintain liquidity consistent with the Business Plan and cash forecast. In preparing and reviewing the Business Plan and cash forecast, I considered the Company's projected operating cash flows, working-capital requirements, aircraft-related costs, professional fees, and other costs of operating and administering the Chapter 11 Cases.

12. I understand that the availability of the DIP Facility is conditioned on the Company's satisfaction of the conditions precedent to closing of Tranche 1 and its corresponding Milestones set out in the DIP Term Sheet. The Tranche 1 Milestones and conditions precedent, including delivery of an Initial Approved Budget no later than two days before the Petition Date, entry of the Interim Order within five days of the Petition Date, use of Tranche 1 proceeds to repay the EDC- and Axiom-financed debt and deliver first-priority liens on the aircraft and engines, and entry of the Final Order within 35 days of the Petition Date, are consistent with the Company's filing preparations and cash forecast. In my view, the Initial Tranche 1 DIP Loans are sized to maintain sufficient liquidity through those dates. I believe the Company has adequate time and liquidity to meet each applicable requirement as it comes due.

13. In my view, the need for financing is immediate. A variety of factors, including legacy obligations stemming from COVID-19-related operational interruptions, the ongoing Russia – Ukraine conflict and the 2026 jet-fuel price spike resulting from the Iran conflict, left no realistic path to refinance the Company's funded debt out of court and made immediate liquidity essential. Without immediate access to sufficient postpetition financing, the Company would be unable to fund its ongoing operations, would be forced to cease operations, and would proceed to liquidation, causing immediate and irreparable harm to the Debtors' estates and their stakeholders.

The Debtors' Efforts to Obtain Postpetition Financing

14. ***Bondholder Discussions.*** Beginning in the summer of 2026, the Company and Seabury launched solicitation of financing and negotiated in good faith with prospective lenders, including an ad hoc group of holders of the Prepetition Bonds (the “Ad Hoc Group”) (collectively with all holders of the Prepetition Bonds, the “Prepetition Bondholders”), and several other institutions experienced in distressed financing to provide liquidity runway to execute upon the Business Plan. The Company also received term sheets from four prospective third-party lenders. During those discussions, the Company, Seabury, and the Company’s other advisors exchanged successive proposals with the Ad Hoc Group and its advisors, but the discussions did not yield a structure that provided the Company with sufficient liquidity and time to implement the Business Plan. Discussions with third-party providers stalled because a significant percentage of the Company’s assets were already encumbered in favor of the Prepetition Bonds, and no party was willing to lend on less than a super-senior basis. That structure would require the consent of the Prepetition Bondholders, and I could not identify a realistic path to obtain that consent without the support of the Ad Hoc Group. I therefore regarded the Ad Hoc Group as the most viable source of funding at that time.

15. The Company initially proposed a comprehensive restructuring framework consisting of approximately €225 million of new interim financing on a first-out basis against the existing bond collateral package, approximately €225 million of new long-term debt, and approximately €100 million of new equity. The proposal contemplated a partial equitization of the Prepetition Bonds, with take-back debt of up to approximately €125 million, together with the equitization of other financial, lease, and balance-sheet obligations. To preserve liquidity while that framework was being pursued, the Seabury team and I assisted the Company in soliciting and obtaining consents from the Prepetition Bondholders at an August 17, 2026 meeting to, among

other amendments, convert the cash coupons due August 14 and November 14, 2026 to payment-in-kind and suspend the €25 million minimum liquidity covenant. The amendments were implemented through a second supplemental trust deed.

16. The Ad Hoc Group's final and best proposal contemplated an out-of-court bridge to a restructuring proceeding in the United Kingdom. It required a priming lien on all collateral, with proceeds to be used to exercise purchase options on aircraft subject to the Finance Leases and encumber those aircraft in favor of the new loan; contained demanding conditions precedent and conditions subsequent to funding tranches, including, among other things, installing titled engines and landing gear onto finance lease aircraft in a short time period which could cause disruptions to operations; contained expensive economic terms; required maintenance reserves previously paid to the finance lessors to be pledged as security to the Ad Hoc Group upon prepayment of the finance leases, limiting access to liquidity; and included an elevation of the Prepetition Bonds held by the Prepetition Bondholders participating in the financing.

17. After comparing that proposal with the Company's projected liquidity needs and restructuring objectives, the Company and its advisors concluded that it was unworkable because the Company needed more time to raise the equity and debt required to implement the Business Plan and because the pricing was expensive relative to the limited restructuring benefits available under the out-of-court structure. After weeks of arm's-length, good-faith negotiations, it became clear to me that the Company may need to seek alternatives. The Company accordingly launched a parallel process and began simultaneously soliciting bids for approximately €350 million of third-party debtor-in-possession financing while continuing to work with the Ad Hoc Group.

18. ***Third-Party Lender DIP Solicitation.*** Accordingly, in mid-August, the Company and I conducted a solicitation of third-party lenders and other financing sources, including

institutions experienced in providing distressed financing. One party, Strategic Value Partners (“SVP”), also carried out a syndication process for additional lenders. Of those parties, ten entered into non-disclosure agreements (“NDAs”) and proceeded to conduct diligence. The Company and I responded to diligence requests and provided information concerning the Company’s operations, fleet, financial condition, capital structure, Business Plan, liquidity forecast, and proposed restructuring, and ensured a dataroom was populated with the relevant materials. In the course of that process, SVP and two other parties provided indications of interest through non-binding term sheets. The Company, together with its advisors, then separately engaged with these parties in a series of discussions and exchanged successive term sheets and other proposals addressing, among other things, the financing structure, collateral, tranche availability, milestones, equity requirements, maturity, pricing, fees, and other conditions. The positions reflected in those proposals evolved as diligence progressed and negotiations continued, and I do not rely on any initial proposal as evidence of the final terms.

19. I understand that the initial proposals the Company received in connection with the solicitation for the DIP Facility shared three common features. *First*, each contemplated that an initial tranche would be used to pay off the obligations associated with the aircraft subject to the Finance Leases, thereby obtaining first-lien security interests in that newly unencumbered collateral. *Second*, each required first-lien, priming security interests in all of the collateral securing the Prepetition Bonds. *Third*, each made the availability of additional draws under the DIP Facility contingent on the Company first securing binding commitments for exit financing. The Company and Seabury leveraged the competing interest in providing the DIP Facility to obtain terms materially improved over the Ad Hoc Group’s proposal, including certain non-priming liens limited to the Initial Tranche 1 DIP Collateral upon entry of the Interim Order, additional time to

pursue equity financing together with other extended milestones, and the ability to use the protections of the Bankruptcy Code to implement the Business Plan.

20. I understand that the final DIP Facility provided by SVP and a syndicate of lenders contemplates a chapter 11 restructuring in the United States and consists of a superpriority, senior secured term loan facility of approximately €350 million. Although the facility as a whole contemplates priming liens, the Tranche 1 financing for which approval is being sought at this time does not prime the collateral securing the Prepetition Bonds. I understand that Tranche 1 of €175 million is available in two sub-tranches: the Initial Tranche 1 DIP Loans of €140 million upon entry of the Interim Order and the remainder of the Tranche 1 DIP Loans (the balance to €175 million) upon entry of the Final Order, in each case subject to applicable closing conditions. I understand that Tranche 2 of €125 million and Tranche 3 of the remaining €50 million, each reduced dollar-for-dollar by the aggregate principal amount of any financing provided by a party that is not a DIP Lender, are future tranches that would become available only upon satisfaction of additional closing conditions, including entry of an order authorizing priming of the collateral securing the Prepetition Bonds.

21. For purposes of Tranche 1, I understand that the Tranche 1 DIP Collateral is limited to eight A220-300 aircraft, seven PW1521G engines, the Company's unencumbered property, and proceeds of those assets. I understand that the collateral securing Tranche 1 does not include the Prepetition Bonds' prepetition collateral, and accordingly the Prepetition Bondholders will not be primed in connection with Tranche 1, whether upon entry of the Interim Order or the Final Order; any priming of the Prepetition Bonds' prepetition collateral would instead be tied to the future Tranche 2 and a separate order authorizing such priming. I understand that, once the Tranche 2 closing conditions are satisfied, the Final Order DIP Collateral will comprise substantially all of

the Company's assets, including the Initial Tranche 1 DIP Collateral, proceeds of Avoidance Actions, the Prepetition Bonds' prepetition collateral, and proceeds of the foregoing. I understand that the Tranche 1 proceeds will be used first to repay approximately €78.9 million of existing EDC- and Axiom-financed debt secured by the finance lease aircraft and engines (plus accrued interest, fees, and make-whole amounts thereon, as well as the repayment of EDC simulator debt), releasing that collateral from EDC's and Axiom's claims and encumbering it in favor of the DIP lenders. In addition, previously paid maintenance reserves tied to the Financed Equipment, totaling approximately €15.4 million, would be returned to the Company for its liquidity needs. I understand that the remainder of the Tranche 1 proceeds, and the proceeds of Tranches 2 and 3, will fund postpetition working capital, interest and fees under the DIP Facility, and allowed professional fees and administrative costs of the Chapter 11 Cases, in each case in accordance with the Approved Budget and the DIP Orders.

22. I understand that the DIP Facility matures on the earlier of nine months after the Petition Date and 250 days after the closing of Tranche 1, and may be extended by three months upon payment of a 0.75% fee on the aggregate principal amount of the then-unfunded commitments and then-outstanding loans, which maturity is longer than the maturity proposed by the Ad Hoc Group.

23. Based on my experience and knowledge of the market, I believe the DIP Facility is reasonable under the circumstances and is within the market for comparable DIP financings. I understand that interest will accrue at 12-month SOFR plus 8.00% per annum, payable monthly, with the Company's option to pay in kind, and that the default rate will be 3.00% above the otherwise applicable rate. The economic terms include a Backstop Commitment Fee of 5%, payable in kind to the DIP Lenders and earned upon commitment; an Upfront DIP Fee of 5% of

the full amount of the DIP Loans based on the €350 million DIP Facility, payable in kind to the DIP Lenders; an Exit Fee of 5% of the original commitments, payable to all DIP Lenders upon any redemption, repayment, acceleration, or prepayment upon exit; and, subject to entry of the Final Order, a Make Whole Fee covering the fees and interest that would have been payable through the originally scheduled maturity date in the event of prepayment.

24. ***Other Financing Parties.*** Other financing parties also demonstrated interest in partnering with SVP in connection with the DIP Facility. The Company and I considered that interest as part of our efforts to assemble the DIP Facility and evaluate available sources of liquidity.

25. Based upon my observations of and personal involvement in the negotiation of the DIP Facility in this matter, the negotiations with the potential lenders have at all times been conducted at arm's length and in good faith.

The DIP Facility Is the Best Financing Available

26. Based on my involvement in the financing process and my experience in aviation restructurings, I believe that the DIP Facility offers the most favorable combination of (i) a timeline that permits the Company to address its immediate liquidity needs, (ii) assured access to liquidity tied to milestones in the Business Plan, (iii) market economics, and (iv) access to the tools and protections available in a chapter 11 proceeding. The Company ran both an out-of-court financing process and a DIP financing process and received term sheets from multiple prospective providers. Every proposal required priming or super-senior treatment because a significant portion of the Company's assets were already encumbered in favor of the Prepetition Bonds. The competing proposals, including the Ad Hoc Group's proposal, afforded insufficient time for the Company to execute the Business Plan and carried economics that were too expensive to justify the limited

restructuring tools they offered. Implementing the Business Plan requires the Company to return surplus aircraft and reprofile its remaining lease obligations, steps that I do not believe could have been accomplished consensually before late 2026 at the earliest. Each proposal I reviewed contemplated using financing proceeds to exercise certain of the purchase options under the Finance Leases and encumbering the Financed Equipment previously subject to those Finance Leases. Although the Company could not obtain the full required financing without some priming or super-senior treatment, I understand that it negotiated access to Tranche 1 with certain non-priming liens on only the Initial Tranche 1 DIP Collateral upon entry of the Interim Order, with any priming of the collateral securing the Prepetition Bonds deferred to Tranche 2. Furthermore, to the extent the Debtors access Tranche 2 in the future, the Debtors negotiated a robust adequate protection package for the Prepetition Bondholders, comprising junior liens on the Debtors' prepetition unencumbered property, payment of the trustee's advisor fees and expenses, and current cash payments of all postpetition interest at the non-default rate, including cash payments to which the Prepetition Bondholders would not otherwise have been entitled given their prior consent to convert certain coupon payments to payment-in-kind. In light of the Company's immediate liquidity needs and the alternatives available, I believe the DIP Facility is the best financing presently available to the Company under the circumstances.

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I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Dated: September 14, 2026
New York, New York

/s/ Stephan T. Krastev

Stephan T. Krastev
Vice Chairman
Seabury Global Aviation Advisors LLC