AS "ECO BALTIA"
(UNIFIED REGISTRATION NUMBER 40103435432)
2023 ANNUAL REPORT

(13th reporting year)

PREPARED IN ACCORDANCE WITH
LAW ON THE ANNUAL FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT *

Riga, 2024

** This version of annual report is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of annual report takes precedence over this translation.*

TABLE OF CONTENTS

Corporate information	**3-4**
Management report	**5-7**
Profit or loss statement	**8**
Balance sheet	**9-10**
Statement of Cash flows	**11**
Statement of changes in equity	**12**
Notes to the financial statements	**13-30**
Independent Auditors' report	**31-34**

Corporate information

Name of the Company	AS "ECO BALTIA"
Legal status of the Company	Joint Stock Company
Registration number, place and date	40103435432, Riga, 8 July 2011
Legal address	240-3 Latgales Street Riga, Latvia, LV-1063
NACE code	7022 - management and business consulting
Shareholder	UAB “BSGF Salvus”, Gyneju g.14, Vilnius, Lithuania (52.81%) European Bank for Reconstruction and Development, Broadgate City of London One Exchange Square, London EC2A 2JN (United Kingdom) (30.51%) SIA “Enrial Holdings”, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) “PENVI INVESTMENT LTD”, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Cyprus (0.75%)
Members of the Board	Māris Simanovičs, Chairman of the Management Board Santa Spūle, Management Board Member Sigita Namatēva, Management Board Member Saulius Budrevičius, Management Board Member from 21.07.2023 Anita Saulīte, Management Board Member until 10.11.2022
Members of the Council	Vytautas Plunksnis, Chairman of the Supervisory Board Deimante Korsakaite, Deputy Chairperson of the Supervisory Board Jurgita Petrauskiene, Supervisory Board Member Gints Pucēns, Supervisory Board Member Atienza Guell Alberto, Supervisory Board Member from 03.10.2022 Peter Niklas Hjelt, Supervisory Board Member until 03.10.2022 Algimantas Markauskas, Supervisory Board Member from 03.04.2024
Subsidiaries	AS "PET Baltija" 18 Aviation Street, Jelgava, Latvia (94.9%) SIA "Eco Baltia vide" 5 Getliņu Street, Stopiņi district, Rumbula, Latvia (100%) SIA "Nordic Plast" 18G Aviation Street, Jelgava, Latvia (100%) SIA „Polimēru parks” 240-3 Latgales Street, Riga, Latvia (100%) SIA "Vaania" 240-3 Latgales Street, Riga, Latvia (100%, Siguldas PSIA "Jumis" concessionaire) Siguldas PSIA "Jumis" 10 R. Blaumaņa Street, Sigulda, Latvia (100% - Sigulda municipality, AS "Eco Baltia" concession winner) UAB “Eco Recycling” Gynėjų g. 14, Vilnius, Lietuva (55%) from 29.09.2023

Corporate information (continued)

Reporting year	1 January 2023 – 31 December 2023
Previous reporting year	1 January 2022 – 31 December 2022
Annual report prepared by	Dace Namiķe, Chief accountant
Independent auditors and their address	SIA “Deloitte Audits Latvia” Republikas laukums 2A, Riga, LV-1010 Company license No. 43 Certified auditor Inguna Staša Certificate No 145

Management report

Business profile

Eco Baltia JSC (AS) (hereinafter referred to as the Company) is the parent company (holding company) to subsidiaries operating in the recycling and waste management sector in Latvia, Czech Republic, Lithuania and Poland. The Company actively supervises its investments by participating in the management of its subsidiaries and in the development and implementation of their strategies. Eco Baltia provides its subsidiaries with services in the fields of finance, law, information technology, human resources, and management. The main subsidiaries managed by the Company are: PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, Sigulda city's JUMIS, Pilsētas Eko Serviss, subsidiaries of the Ecoservice group in Lithuania and TESIL Fibres S.r.o. in the Czech Republic. During the reporting period the group in conjunction with one of the holding company's shareholders, INVL Baltic Sea Growth Fund, the leading private equity fund in the Baltic States, also finalised the acquisition of the shares of Metal Plast, the largest window and door profile recycler in Poland.

Development and financial performance of the Company during the reporting period

In 2023, the Company actively managed the group's subsidiaries and contributed to the expansion of both of its business segments (the recycling and environmental management of PET and plastics) through organic growth and participation in the supervision of company acquisitions. In January 2023, Eco Baltia completed, through its subsidiary Latvijas Zaļais punkts, the acquisition of the Latvian road and street maintenance company Pilsētas Eko serviss, also buying shares in PES serviss and B 124. In December 2023, the acquired companies were incorporated into Eco Baltia's environmental management company, Eco Baltia vide. To further support the company's growth in the international market, in November 2023 INVL Baltic Sea Growth Fund together with Eco Baltia completed a transaction and acquired a 82,42% stake (target shareholding is 70%) in Metal Plast, the largest PVC window and door profile recycler in Poland. At the date of publishing these unaudited financial statements final post acquisition structure has been achieved where UAB Eco Recycling holds 70% in Homecourt Sp.z.o.o. and 30% is owned by SIDN Family Foundation. As at 31.12.2023 UAB Eco Recycling, holding company in Lithuania, shareholders are Eco Baltia (55%) and INVL Baltic Sea Growth Fund (45%).

In February 2023 Eco Baltia issued its first bond for EUR 8 million, attracting significant investor interest, with demand exceeding the maximum offer volume by 3.5 times. The bonds mature on 17 February 2026 and the issuer has the option to redeem the bonds after two years. The bonds have been listed on Nasdaq Baltic's alternative market First North since 2 March 2023. In November 2023 Eco Baltia successfully completed for the second time a EUR 10 million three-year bond issue. The issue, which was conducted as a private placement, again attracted strong investor interest, with total demand exceeding the issue size by 1.7 times. Bond orders were received from more than 100 institutional and retail investors in Latvia, Estonia and Lithuania. The bonds mature in three years (on 2 November 2026), while the issuer is entitled to pay them off early, after two years.

Given the market situation in the last quarter of 2022 and the corresponding revaluation of raw material stock at Eco Baltia subsidiary PET Baltija it received a permission from Luminor Bank Latvia branch not to meet the financial indicator targets for 31 December 2022 set in the General Financing Terms and Conditions. Luminor Bank Latvia branch confirmed providing Eco Baltia with a subordinated short-term loan of EUR 1.5 million for PET Baltija and with a long-term loan of EUR 4 million for TESIL Fibres S.r.o., a subsidiary of PET Baltija. The purpose of the loans is to increase production capacity and enable further development of the business, including in new market segments.

In 2023, the parent company also focused on further improving its governance structure and efficiency, ensuring that it was in line with good corporate governance practices. The process began back in 2021 with a merger and reorganisation of several companies for a more streamlined structure and with the introduction of uniform legal and financial governance principles across all the companies of the group.

In order to strengthen the strategic development of Eco Baltia Group and the implementation of investment projects, Saulius Budrevičius, former CEO of Ecoservice, a leading Lithuanian environmental management company, and member of Eco Baltia vide's Supervisory Board, joined Eco Baltia's management in 2023, where he is responsible for research and development, as well as the implementation and execution of various investment projects.

Given that the business model and operations of the Company and its subsidiaries are aimed at implementing the principles of circular economy through various sustainable business practices, the introduction of a consolidated ESG (environmental, social, and governance) strategy for the Company and its key subsidiaries began in 2022 and continued in 2023. One of its goals is to set up and operate a single ESG indicator and strategy monitoring and reporting system at all business levels.

The Company's turnover in 2023 was EUR 1 790 374, a decrease of 27,585% compared to 2022's EUR 2 472 367 due to the transfer of support functions previously handled by the Company to subsidiaries. The Company's losses for the year were at EUR 328,240 (2022 resulted in a profit of EUR 4 781 963). The Company ended 2023 with a loss because it has not received dividends/income from ownership in affiliated companies, and because of the issuing of bonds in 2023, with the corresponding interest payments, as total interest and similar charges in 2023 amounted to EUR 782 786 (2022: EUR 113 689).

The management of the Company proposes covering the 2023 losses with future profits.

Management report (continued)

The Future development of the Company

The Company's main goals for 2024 are, in line with the strategic objectives and targets set by shareholders, to continue managing its subsidiaries, improving the quality of service provided to its clients, strengthening and expanding the market shares of the group's companies in the waste management sector and in the treatment and secondary raw material recycling sector, enhancing its technological processes, and diversifying the range of materials recycled. Efficiency and digitisation processes will remain a key focus.

Company's exposure to risks

Financial instruments and financial risks

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The most significant financial instruments of the Company are its financial assets: trade and other receivables loans, and financial liabilities: finance leases, trade and other payables, arising directly from the Company's business activity.

Financial risks associated with the financial instruments of the Company, financial risk management

The main financial risks associated with the Company's financial instruments are:

- Credit risk is a risk of the Company incurring in financial loss, if the other transaction party fails to fulfil its obligations towards the Company. Credit risk is mainly caused by cash and trade receivables, issued loans.

  Cash and short-term bank deposits

  Credit risk related to cash is managed by balancing the placement of financial assets in order to maintain the possibility of choosing the best offers and reduce the probability of financial loss.

  Trade receivables

  The Company has significant credit risk concentration for any single transaction partner or similarly defined group of transaction partners – related companies.
  The Company manages its credit risk by continuously assessing the credit history of its clients and setting acceptable credit limits. The Company's maximum exposure to credit risk is set at the balance value of each debtor. The Company continuously monitors its trade receivables. The balance amount of trade receivables is reduced by accruals for doubtful and bad trade receivables.

  Loans

  The company monitors the credit risk related to the issued long-term and short-term loans, continuously assessing the borrowers' financial indicators, the adequacy and quality of the collateral, as well as the credit history.

- Foreign currency risk is a risk of financial loss due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in the same currency, thereby leading to open currency positions. The Company has no significant financial assets and liabilities denominated in any currencies other than the euro. Thus, the Company's exposure to foreign currency risk was not significant during the reporting year.

- Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The largest part of the Company's financing consists of issued debt securities - bonds with a fixed interest rate. The Company is exposed to interest rate risk mainly through its non-current and current borrowings, which are finance leases bearing interest at floating rates.

- Liquidity risk is a risk that the Company will default on its obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Company is to maintain an adequate amount of cash and cash equivalents and ensure sufficient financing, thereby enabling the Company to meet its obligations as they fall due. The Company checks whether the maturities of financial assets and liabilities match on a regular basis and controls the stability of financing for non-current assets. For the purposes of liquidity management, current cash flow forecasts are made each month after the actual results for the prior month have been received. The Company's management believes that the Company will have sufficient funds available so that its liquidity position is not jeopardized. As of 31 December 2023, the Company's liquidity ratio was 2.21 (on 31.12.2022: 0.8).

Management report (continued)

- Cash flow risk is closely linked to the interest rate and liquidity risks. Cash flow risk is the risk arising primarily from the Company's borrowings at variable interest rates, which creates a risk of the finance costs of the Company increasing significantly whenever the interest rate increases. The Company's borrowings at fixed interest rates do not generate cash flow risk or fair value interest rate risk. The Company controls its cash flow risk by maintaining sufficient reserves of cash and cash equivalents, by continuously monitoring its payments related to business contracts, and through careful and prudent cash flow planning, coordinating repayment schedules with expected cash flows.

Events after the reporting date

There have been no events between the last day of the reporting year and the date of signature of this financial statement, other than as described in Note 36, that would result in adjustments to be made to that financial statement or should be explained in that financial statement.

Māris Simanovičs, Chairman of the Board	Sigita Namatēva, Board Member	Santa Spūle, Board Member
Saulius Budrevičius, Board Member		

This document is signed with a secure electronic signature and contains a time stamp.

Profit or loss statement

	Notes	2023 EUR	2022 EUR
Net turnover	3	1 790 374	2 472 367
Cost of production of products sold, purchase costs of goods sold or services provided	4	(331 503)	(478 941)
Gross profit or loss		**1 458 871**	**1 993 426**
Selling expenses	5	(70 420)	(29 346)
Administration expenses	6	(1 718 625)	(1 673 764)
Other operating income	7	598 638	102 819
Other operating expenses	8	(368 325)	(48 793)
Income from participating interests:	9	-	
• in the capital of related companies		-	4 519 420
Income from other securities and loans constituting financial long-term investments:	10	435 648	**40 125**
• from related companies		435 648	40 125
Other interest income and similar income:	11	126 034	**3 162**
• from related companies		126 034	3 162
Interest expenses and similar charges:	12	(782 786)	**(113 689)**
• from related companies		(38 704)	(112 011)
• other persons		(744 082)	(1 678)
Profit or loss before corporate income tax		**(320 965)**	**4 793 360**
Corporate income tax for the reporting year	13	(7 275)	(11 397)
Profit or loss after calculation of corporate income tax		**(328 240)**	**4 781 963**
Profit or (loss) for the reporting year		**(328 240)**	**4 781 963**

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Board Member

Santa Spūle,
Board Member

Saulius Budrevičius,
Board Member

Dace Namiķe,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

Balance sheet

Assets

	Notes	31.12.2023. EUR	31.12.2022. EUR
Non-current assets			
Intangible assets			
Licences, trade marks and other intangibles		98 077	216 125
Development costs		672 741	320 950
Total	15	**770 818**	**537 075**
Property, plant and equipment			
Other fixed assets		45 426	88 195
Total	16	**45 426**	**88 195**
Non-current financial investments			
Investments in subsidiaries	17	49 377 126	41 127 126
Loans to related companies	31	6 544 000	672 000
Other loans and other non - current receivables	18, 20	3 168	1 030
Total		**55 924 294**	**41 800 156**
Total non-current assets		**56 740 538**	**42 425 426**
Current assets			
Receivables			
Due from related companies	32	2 359 652	296 063
Other receivables	19	70 928	25 928
Deferred expenses	20	15 112	30 050
Accrued revenue	21	34 317	28 054
Total		**2 480 009**	**380 095**
Cash	22	2 641 004	872 439
Total current assets		**5 121 013**	**1 252 534**
TOTAL ASSETS		**61 861 551**	**43 677 960**

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Board Member

Santa Spūle,
Board Member

Saulius Budrevičius,
Board Member

Dace Namiķe,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

Balance sheet

EQUITY AND LIABILITIES

	Notes	31.12.2023. EUR	31.12.2022. EUR
EQUITY			
Share capital	23	35 005	35 005
Share premium		20 623 389	20 623 389
Retained earnings brought forward		21 396 122	16 614 159
Profit for the reporting year		(328 240)	4 781 963
TOTAL EQUITY		**41 726 276**	**42 054 516**
PROVISIONS			
Other provisions	24	34 105	48 709
TOTAL PROVISIONS		**34 105**	**48 709**
LIABILITIES			
Non-current liabilities			
Long-term debt securities - bonds	26	17 780 020	-
Other borrowings	27	0	10 413
Due to related companies	33	0	997 028
Total		**17 780 020**	**1 007 441**
Current liabilities			
Other borrowings	27	10 464	18 718
Trade payables		260 184	62 479
Due to related companies	34	1 258 545	83 372
Taxes and state mandatory social insurance contributions	28	36 273	59 353
Other payables	29	41 000	34 014
Accrued liabilities	30	714 684	309 358
Total		**2 321 150**	**567 294**
TOTAL LIABILITIES		**20 101 170**	**1 574 735**
TOTAL EQUITY AND LIABILITIES		**61 861 551**	**43 677 960**

The accompanying notes on pages 13 to 30 form an integral part of these financial statements.

Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Board Member

Santa Spūle,
Board Member

Saulius Budrevičius,
Board Member

Dace Namiķe,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

Statement of cash flows

	Notes	2023 EUR	2022 EUR
Cash flows from operating activities			
Profit or loss before corporate income tax		(320 965)	4 793 360
Adjustments:			
• Depreciation adjustments for property, plant and equipment	5,6,8	47 451	69 413
• Amortisation adjustments for intangible assets	5,6,8	25 844	61 000
• (Gain) or loss from the sale of long-term investments	7	(10 749)	(24 035)
• provision (reduction)/ formation (excluding provisions for unsecured debts)		(14 604)	(49 586)
• (Gain) or loss on fluctuations in foreign exchange rates	8	383	284
• income from participating interests in the share capital of related companies, associated companies or other companies	9	-	(4 519 420)
• Income from other securities and loans constituting long-term financial investments	10	(435 648)	(40 125)
• Interest income and similar income	11	(126 034)	(3 162)
• interest expenses and similar charges	12	782 786	113 689
Profit before adjustments for the effect of changes in current assets and current liabilities		**(51 536)**	**401 418**
• Balance (increase) or decrease in receivables*		(1 167 572)	8 118 667
• (Increase) or decrease in inventories		-	-
• Increase/(decrease) in balances of payables		383 629	(7 741 429)
CASH FLOWS FROM OPERATING ACTIVITIES		**(835 479)**	**778 656**
Interest paid		(570 477)	(113 689)
Corporate income tax paid		(7 085)	(15 200)
Net cash flows from operating activities		**(1 413 041)**	**649 767**
CASH FLOWS FROM INVESTING ACTIVITIES**			
Acquisition of shares or shares in related companies, associated companies or other companies	17	(9 000 000)	-
Proceeds from the disposal of shares or shares in affiliated companies, associated companies or other companies	17	750 000	-
Acquisition of fixed assets and intangible assets		(416 181)	(254 622)
Proceeds from the sale of fixed assets and intangible		230 964	25 729
Loans issued		(7 110 000)	(400 000)
Income from loan repayments		210 000	400 000
Interest received		382 990	39 862
Dividends received		-	-
Net cash flows used in the investing activities		**(14 952 227)**	**(189 031)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		150 000	7 800 000
Subsidies, grants, gifts or donations received	26	18 000 000	1 118
Expenditure on the repayment of loans		2 500	(580)
Expenses for the redemption of a leased fixed asset		-	(37 248)
Dividends paid		(18 667)	(8 000 000)
Net cash flows used in the financing activities		**18 133 833**	**(236 710)**
Net cash flow for the reporting year		1 768 565	224 026
Cash and cash equivalents at the beginning of the year		872 439	648 413
Cash and cash equivalents on the reporting date	22	**2 641 004**	**872 439**

*29.12.2023 The Company performed a non-monetary transaction by concluding an Assignment Agreement in which the Company was the Assignor. As part of the Assignment agreement, the Company transferred claim rights in the amount of EUR 238,705, which must be paid to the Assignee by 30.06.2024.

**03.10.2023 The Company performed a non-monetary transaction by concluding an Assignment Agreement in which the Company was the Debtor. As part of the Assignment agreement, the Company's debt to the Assignee amounts to EUR 1,006,236 (including the loan amount of EUR 997,028 and the calculated interest amount of EUR 9,209). The debt and interest repayment mature are on 31.12.2024.

The accompanying notes on pages 13 to 30 form an integral part of these financial statements

Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Board Member

Santa Spūle,
Board Member

Saulius Budrevičius,
Board Member

Dace Namiķe,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2021	**35 005**	**20 623 389**	**24 614 159**	**45 272 553**
Dividend payout	-	-	(8 000 000)	(8 000 000)
Profit for the reporting year	-	-	4 781 963	4 781 963
Balance as at 31 December 2022	**35 005**	**20 623 389**	**21 396 122**	**42 054 516**
Loss for the reporting year	-	-	(328 240)	(328 240)
Balance as at 31 December 2023	**35 005**	**20 623 389**	**21 067 882**	**41 726 276**

The accompanying notes on pages 13 to 30 form an integral part of these financial statements

Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Board Member

Santa Spūle,
Board Member

Saulius Budrevičius,
Board Member

Dace Namiķe,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

Notes to the financial statements

1. General information

AS " Eco Baltia" (hereinafter referred to as the Company) was registered in the Register of Enterprises of the Republic of Latvia on July 8, 2011. The registered office of the Company is 240-3 Latgales Street, Riga. The Company deals mainly with business and management consulting.

The Company prepares a consolidated annual statement. Copies of the consolidated annual report are available at: www.nasdaqbaltic.com, www.lursoft.lv, www.ecobaltia.lv on the website in the section "For investors".

2. Summary of significant accounting policies

Guidelines for the preparation of the financial statement

AS " Eco Baltia" the financial statement has been prepared in accordance with the Law on the Annual Reports and Consolidated Annual Reports of the Republic of Latvia.

The financial statement has been prepared in accordance with the historical value accounting principle. The euro (EUR) shall be used as a monetary unit in the financial statement. The financial statement covers the period from 1 January 2023 to 31 December 2023.

The profit or loss statement is formed according to the scheme of turnover costs. The cash flow statement is formed according to the indirect method.

The law provides for additional reliefs for small and medium-sized companies in the preparation of a financial statement, but at the same time stipulates that the financial statement must give a true and fair view of the financial condition and profit or loss of the company, and the annual report of a medium and large company - also of cash flow. According to Article 5 of the "Law on Annual Reports and Consolidated Annual Reports", the Company can be classified as a small company in 2023.

A single accounting policy has been developed for the company and other companies of the Eco Baltia Group, the main principles of which are described in this Note.

The report is prepared in Latvian and English. In case of any contradictions or inconsistencies, the Latvian language version of the report takes precedence over this translation.

Accounting principles applied

The items in the financial statement are valued according to the following accounting principles:

a) It is assumed that the Company will continue to operate.
b) The same valuation methods have been used as in the previous year.
c) The assessment has been carried out with due care:
    - only profits made up to the balance sheet date are included in the accounts;
    - account has been taken of all foreseeable amounts of risk and losses incurred in the reporting year or previous years, even if they become known between the balance sheet date and the date of preparation of the financial statements;
    - calculated and taken into account all amounts of depreciation and depreciation, regardless of whether the reporting year is concluded with profit or loss.
d) Revenues and costs related to the reporting year are taken into account, regardless of the date of payment and the date of receipt or issue of the invoice. Costs are aligned with revenues in the reporting period.
e) The components of the asset and liability items are valued separately.
f) All items that have a material impact on the assessment or decision-making of the users of the financial statement are indicated, the minor items are combined and their details are given in the notes on the accounts.
g) Operating transactions are presented in the financial statement on the basis of their economic content and nature, and not only on their legal form.

Related parties

Related parties are legal and natural persons related to the Company, in accordance with the following provisions.

a) A person or a close family member of that person shall be associated with the reporting company if:
    i. that person has control or joint control over the reporting company;
    ii. that person has significant influence over the reporting company; or
    iii. that person is a senior management representative of the reporting company or of its parent company.
b) A company is related party with a reporting company if it meets the following conditions:

2. Summary of significant accounting policies (continued)

i. the company and the reporting company belong to the same group of companies (which means that the parent company, subsidiary and nursing companies are related parties to each other);
ii. one company is an associate or joint venture of the other (or associate or joint venture to a company of the group to which the other company belongs);
iii. both companies are joint ventures to the same third party;
iv. one company is a joint venture of a third party and the other company is an associate of the same third party;
v. company means a post-employment benefit plan for employees of the reporting company or employees of a related company with the reporting company; If the reporting company itself has this type of plan, the related parties are also their sponsoring employers.
vi. the company is controlled or jointly controlled by a person identified in point (a);
vii. the person identified in point (a)(i) has a significant influence over the company or is a representative of the senior management of the company (or its parent company);
viii. a company, or any member of a group of which the company belongs, provides management staff services to the company or to the company's parent company.

Transactions with related parties – the transfer of resources, services or liabilities between the reporting company and its related party, regardless of whether there is a remuneration for it.

Use of estimates

In preparing the financial statement, management is required to rely on certain estimates and assumptions that affect the balances of the balance sheet and profit or loss statement items reflected in individual statements and the amount of contingent liabilities. Future events may affect the assumptions on the basis of which the relevant estimates are made. Any effects of changes in estimates are reflected in the financial statement at the time of their determination.

The following lists the key assumptions and the most significant estimates for the future, as well as the main causes of estimation uncertainty at the balance sheet date, which entail a significant risk of material adjustments to the carrying amounts of net balance sheet assets or liabilities in the following reporting period:

Investment in subsidiaries and book value of loans granted

The management of the Company evaluates the carrying amount of the investments in subsidiaries and assess whether there is any indication that the recoverable amount of those assets is lower than their book value. For the purposes of impairment testing, the Company classifies investments in equity of subsidiaries as cash-generating units (CGUs) - each subsidiary is considered a separate CGU. To determine whether there are signs of impairment, the company's management examines the results presented by each NIV: a) profit/(loss) of the reporting period; b) the ratio of current assets and short-term liabilities; c) net asset value (equity). The investment amount is then compared to net asset value, a key factor that could indicate impairment. Next, an assessment is made at the level of each NIV to determine how much impairment should be recognized The Company's management calculates and recognises a loss on impairment of investments in subsidiaries based on estimates of their future returns. The management of the Company considers that significant adjustments to the value of investments in subsidiaries as of December 31, 2022 are not necessary. For more information, see Notes 17, 31, 32.

Carrying amount of intangible investments and fixed assets

The company's management evaluates the carrying amount of intangible investments and fixed assets and assesses whether there are any indications that the recoverable amount of assets is lower than the carrying amount. The company's management calculates and recognises a loss on impairment of intangible assets and property, plant and equipment based on estimates of their future use, disposal or sale. Taking into account the planned amounts of economic activity of the Company and the possible market value of the assets, the management of the Company considers that significant adjustments to the value of intangible investments and fixed assets as of December 31, 2023 are not necessary.

Allowances for doubtful and bad debtors

The Company's management evaluates the carrying amount of receivables and assesses their recoverability, creating, if necessary, allowances for doubtful and bad receivables. The company's management has assessed the receivables and believes that significant additional allowances as of December 31, 2023 are not necessary.

Translation of foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company's functional and presentation currency. All transactions in foreign currencies are denominated in EUR at the euro reference rate published by the European Central Bank on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into euro at the euro reference rate published by the European Central Bank on the last day of the reporting year. Exchange

2. Summary of significant accounting principles (continued)

differences arising from settlements in currencies or from the presentation of asset and liability items using exchange rates different from those originally used to account for transactions are recognized in the profit or loss statement at net value. Non-monetary items carried at historical cost in a foreign currency are stated using the exchange rate at the date of the original transaction. Non-monetary items are presented at their original cost and no subsequent currency revaluations are made.

Intangible assets

Intangible assets are accounted for at their initial value, which is amortised over the useful life of the assets using the straight-line method. If any events or changes in circumstances indicate that the book value of intangible assets is likely to be irrecoverable, the value of the related intangible assets is revised to determine their impairment. Impairment losses are recognised when the book value of intangible assets exceeds their recoverable amount. Gains or losses on derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

Property, plant and equipment are accounted for at their initial value less accumulated depreciation and impairment. For land, depreciation is not calculated. Depreciation is calculated over the following useful life of the asset using the linear method:

Vehicles	3 – 12 years
Other fixed assets	2 – 10 years

Inventory with a value above EUR 300 and a period of use of more than one year shall be accounted for in the composition of fixed assets. An exception may be a large quantity with the same fixed assets, where the value of one piece is less than EUR 300, but the period of use is more than one year, for example, containers. To facilitate the accounting of such fixed assets, they are combined into groups according to the purchase documents.

Depreciation is calculated starting from the next month after the commissioning of fixed assets or involvement in economic activity. For each part of the fixed asset, the cost of which is significant in relation to the total cost of this fixed asset, depreciation must be calculated separately. If the Company depreciates separately some parts of a fixed asset, it shall also depreciate separately the remaining parts of the same asset. The balance consists of those parts of the fixed asset that are not separately important. Depreciation of the remaining parts is calculated using approximation methods in order to truly reflect their useful life.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Repair and maintenance costs incurred after the assets have been put into operation are normally charged to the profit or loss statement in the period when incurred.

If any events or changes in circumstances indicate that the book value of property, plant and equipment is likely to be irrecoverable, the value of the asset in question is revised to determine its impairment. If there are signs of irrecoverability of value and if the asset's book value exceeds the estimated recoverable amount, the asset or money-generating unit is written off to its recoverable amount. The recoverable amount of a fixed asset is the higher of net realisable value and value in use. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market projections regarding changes in the asset's value and the risks associated with it. For an asset that does not generate significant cash flows on its own, the recoverable amount is determined according to the cash flow-generating asset to which it belongs. Impairment losses are recognised in the profit or loss statement as a cost.

Properties such as land and buildings that are held for the purpose of increasing the value of rental income or investment, rather than for use for production, delivery of goods or services, administration purposes or sale as part of day-to-day business, are valued by the Company at the cost of acquisition. The cost of the acquisition includes all costs associated with the purchase of the corresponding object.

The recognition of such property ceases when it is disposed of or permanently removed from use and no economic benefit is expected from its disposal in the future. Profit or loss arising from the write-down or disposal of investment property is recognised in the profit or loss statement during the period of disposal or liquidation.

The recognition of the carrying amount of items of property, plant and equipment is discontinued if it is disposed of or if no economic benefits are expected from future use of the asset. Any profit or loss arising from the derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the book value of the property, plant and equipment) is recognised in the profit or loss statement in the period in which the derecognition of the property, plant and equipment occurs.

Costs associated with improvements to leased property are capitalized and reflected as fixed assets. Depreciation of these assets is calculated over the entire lease period using the linear method.

2. Summary of significant accounting principles (continued)

The cost of creating fixed assets and unfinished construction objects is accounted for at the initial value. The initial value includes construction costs and other direct costs. For work in progress, depreciation is not calculated until the corresponding assets are completed and put into operation.

If investments have been made in the leased asset (for example, reconstruction, improvement or renewal), then such costs are recognized in the balance sheet item "Long-term investments in leased fixed assets" and depreciation is calculated over the lease term.

Investments in subsidiaries and associates of the group

Investments in subsidiaries (i.e. companies in which the Company owns more than 50% of the share capital or which it controls in some other way) and associates (i.e. companies in which the Company has significant influence but does not own a controlling stake in shares / shares in which it owns 20-50% of the share capital) are accounted for using the cost method. After initial recognition, investments in subsidiaries and associates are accounted for at their original value less impairment losses. Where events or changes in circumstances indicate that the book value of investments in subsidiaries and associates is likely to be irrecoverable, the value of the related investments in subsidiaries and associates shall be revised to determine their impairment. The Company recognises income from participating interests only to the extent that the Company receives a portion of the accumulated profits of its subsidiary or associate earned after the date of acquisition of the shares. The share of profit received that exceeds such profit is considered to be the recovery of investments and is accounted for as a decrease in the initial value of investments. At the end of each reporting year, it is assessed whether there is indication that the investment may be impaired. If any such indication exists, the impairment test is performed. The Company calculates the impairment as the difference between the recoverable amount of the subsidiary and the carrying amount of the investment, recognizing the loss in the profit or loss statement.

Dividends received from subsidiaries are recognized in the profit or loss statement in the period in which the right to receive the payment is established.

Other financial assets

Financial assets are classified as investments that are initially recognized by the Company at fair value through revaluation recognition in the profit or loss statement, investments that are by definition loans and receivables, held-to-maturity investments and available-for-sale investments as required. On initial recognition, financial assets are carried at fair value plus directly attributable transaction costs to the extent that the related investments in profit or loss are not carried at fair value. After initial recognition Company determine the classification of its financial assets and, if permissible and appropriate, revise that classification at the end of each reporting year.

Ordinary acquisitions or sales of financial assets are recognised and their recognition ceases on the date of the transaction, i.e. the date on which Company undertakes to acquire the asset in question. An ordinary acquisition or sale of financial assets is the acquisition or sale of financial assets that requires the delivery of assets within a period of time specified in the regulations or conventions in force on the market.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment schedule that are not listed on the active market. Such assets are accounted for at amortised cost using the effective interest rate method. Profit and loss are recognised in the profit or loss statement at the time of derecognition or impairment of these assets, as well as in the amortisation process.

Trade receivables and other receivables

Trade receivables are initially recognised at fair value. They are subsequently stated at amortised cost using the effective interest method. Provisions for impairment are made when there is objective evidence that the Company will not be able to receive receivables in full in accordance with the original terms of repayment. The impairment provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is included in "Other operating expenses" in the profit or statement. The receivables of buyers and customers are reflected in the short-term part with a maturity within a year, in the long-term part with a payment term after one year, but not more than five years.

Deferred expenses

Payments made before the balance sheet date but relating to subsequent reporting years are shown in the balance sheet item "Deferred expenses".

2. Summary of significant accounting principles (continued)

Accrued revenue

The balance sheet item "Accrued revenue" indicates the clearly known amounts of settlements with buyers and customers for the supply of goods or services in the reporting year, in respect of which, according to the terms of the contract, the deadline for submitting the supporting document (invoice) for payment has not yet arrived at the balance sheet date. These settlement amounts shall be calculated on the basis of the price fixed in the contract in question and the documents certifying the actual delivery of the goods or provision of services.

Cash

Cash consists of cash in the bank and in cash and short-term deposits with an initial maturity of not more than three months.

Loans and borrowings

Loans and borrowings are initially reflected at their initial value, which is determined by adding or subtracting the costs associated with obtaining the loan to the fair value of the loan or borrowing amount.

After initial recognition, loans and borrowings are accounted for at their amortised value using the effective interest rate method. The amortised value is calculated taking into account the cost of issuing a loan or receiving a loan, as well as any discounts or premiums associated with the loan or borrowing.

Loans and borrowings shall be reflected in the short-term part with a maturity of one year, in the long-term part with a maturity of one year, but not more than five years.

The profit or loss arising from amortization is reflected in the profit or loss statement as interest income and costs.

Provisions

Provisions are recognized when the Company has a present obligation (legal or temporary) caused by a past event and there is a likelihood that the fulfilment of that obligation will require an outflow of resources embodying economic benefits from the Company and the amount of the commitment can be measured with sufficient reliability. If Company provides that the expenses necessary for the creation of provisions will be partially or fully reimbursed, for example under an insurance contract, the reimbursement of these expenses being recognized as a separate asset only when it is practically clear that these expenses will actually be reimbursed. The costs associated with any provision are reflected in the profit or loss statement net of amounts recovered. In the event that the time value of money has a significant impact, the provision is calculated by discounting the expected future cash flow using a pre-tax rate that reflects the current assessment of the time value of money in the market and the risks pertaining to the specific liability, if any. If discounting is carried out, an increase in provisions over time is recognized as a borrowing cost.

Contingent liabilities and assets

Contingent liabilities has not recognized per these financial statements but are disclosed. As contingent liabilities has been recognized only when an outflow of resources embodying economic benefits becomes probable. Contingent assets has not recognized per these financial statements, as they are recognized if the possibility of an inflow of resources embodying economic benefits becomes probable.

Accrued liabilities

The balance sheet item "Accrued liabilities" indicates the clearly known amounts of liabilities to suppliers of goods and services for goods or services received during the reporting year, for which, due to the conditions of delivery, purchase or contract or for other reasons, the relevant supporting document (invoice) intended for payment has not yet been received at the balance sheet date. These amounts of obligations shall be calculated on the basis of the price fixed in the relevant contract and the documents confirming the actual receipt of the goods or services.

Accrued liabilities for unused employee vacations

The amount of the accrued liability is determined by multiplying the average daily earnings of employees for the last 6 months by the number of unused vacation days accumulated at the end of the reporting year, additionally calculating the employer's state mandatory social insurance contributions.

2. Summary of significant accounting principles (continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Accordingly, grants whose primary condition is that the Company should purchase or construct non-current assets are recognized as deferred revenue in the balance sheet and transferred to the statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the statement of profit or loss in the period in which they become receivable

Trade payables

Trade payables are liabilities related to operational expenses. Trade payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are classified as non-current liabilities.

Financial lease

Financial leasing transactions in the framework of which: Company all risks and rewards arising from ownership of the leasehold are transferred, are recognised in the balance sheet as property, plant and equipment for an amount which, at the commencement of the lease, corresponds to the fair value of the leased property or, if less, to the present value of the minimum lease payments. Financial lease payments are divided between financial costs and a reduction in liabilities in order to ensure a constant interest rate on the balance of liabilities in each period. Financial costs are included in the profit or loss statement as interest costs.

If there are reasonable grounds for believing that, at the end of the lease period, the relevant lease object will become the property of the lessee, the expected useful life of the asset is taken as the expected useful life of that asset. In all other cases, depreciation of capitalised leased assets is calculated using the straight-line method, over the estimated useful life of assets or lease period, whichever is shorter.

An asset lease, in which virtually all the risks arising from ownership are borne and remunerated by the lessor, is classified as an operating lease. Lease payments within the framework of an operating lease are accounted for as costs throughout the lease period using the linear method. Operating leases Company's liabilities are reflected as off-balance-sheet liabilities.

Recognition of revenue

Revenues are recognised when it is probable that the Company will obtain economic benefits and to the extent that it can be reasonably determined, net of value added tax and sales rebates. The following conditions are also taken into account when recognizing revenue:

Sale of goods

Revenue is recognised when: Company has transferred to the buyer the most significant risks and rewards associated with ownership of the goods.

Services

Company provides mainly financial, legal, information technology, marketing and management services. Revenue from services is recognised in the period in which the services were provided.

If the outcome of a service-related transaction cannot be reasonably measured, revenue is recognized only to the extent that the recognized costs are recoverable.

Dividends

Dividend income is recognized when the right to receive the payment is established.

Recognition of expenses

Expenses are a decrease in resources of economic benefit in the reporting period in the form of return or use of assets, or an increase in liabilities, resulting in a decrease in equity, except for the decrease caused by distribution among participants. Expenses can be as follows: expenses incurred in the course of normal operations, for example, production costs of sold products, wages and depreciation; losses are expenses that show a decrease in resources of economic benefit, such as losses from the disposal of long-term investments.

Under the accrual basis, transactions and events are recognized in the period in which they occur, regardless of when they are settled. Expenses are recognized in the profit or loss statement based on the direct relationship between the occurrence of the expense and the earning of a specific item of income.

2. Summary of significant accounting principles (continued)

Corporate income tax

(a) Tax payable

As of 1 January 2018, a new Corporate Income Tax Law has been in force in the Republic of Latvia, which was adopted on 28 July 2017 and provides for a conceptually new tax payment regime. The tax rate is 20% (until January 1, 2018 - 15%), the tax period is a month, not a year, and the taxable base includes:

- distributed profits (imputed dividends, distributions equivalent to dividends, notional dividends), and
- deemed distribution of profit (expenses not related to economic activity, doubtful receivables, increased interest payments, loans to a related person, reduction of income or excess of expenses arising from carrying out transactions at prices different from market prices, the calculation methods of which are determined by the Cabinet, benefits granted by a non-resident to his employees or members of the board (council), regardless of whether the recipient is a resident or a non-resident, if they are attributed to the activities of a permanent establishment in Latvia, the liquidation quota).

Events after the reporting date

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the balance sheet. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Net turnover

From the main activity		2023	2022
Revenue from services provided		1 790 374	2 472 367
	TOTAL:	**1 790 374**	**2 472 367**

4. Cost of production of products sold, purchase costs of goods sold or services provided

		2023	2022
Professional services costs		331 503	478 941
	TOTAL:	**331 503**	**478 941**

5. Selling expenses

		2023	2022
Marketing and advertising costs		51 231	28 249
Remuneration for work*		13 208	-
State mandatory social insurance contributions*		3 116	-
Depreciation and amortization		2 014	893
Other		851	204
	TOTAL:	**70 420**	**29 346**

*See Note 14

6. Administration expenses

		2023	2022
Remuneration for work*		684 358	777 934
Cost of legal services		260 221	86 645
State mandatory social insurance contributions*		147 365	161 830
Annual audit costs**		118 957	53 079
Employee training costs		68 775	25 238
Cost of communication services		60 860	175 646
Lease of premises and office maintenance expenses		57 352	54 392
Recruitment costs		52 453	8 626
Depreciation and amortization		52 392	110 631
Transport costs		41 746	53 977
Cost of professional services		28 208	5 500
Insurance costs		23 957	26 211
Business trip expenses		11 655	13 310
Representation costs		4 526	6 646
Bank commissions		791	946
Other		105 009	113 153
	TOTAL:	**1 718 625**	**1 673 764**

*See note 14
**Incl. audit costs for the Annual Report 2023 of EUR 64 000 (2022: EUR 22 600)

7. Other operating income

		2023	2022
Restatement of acquisition costs of related party*		300 538	-
Restatement of personnel training costs		108 251	17 831
Net profit from sale of property, plant and equipment		10 749	24 035
Revenue from external co-financing		2 500	1 118
Other		176 600	59 835
	TOTAL:	**598 638**	**102 819**

*During 2023, the Company assumed the legal and other costs of the acquisition of the Group's subsidiary, which were recharged to the acquirer-subsidiary after the closing of the transaction at the end of 2023.

8. Other operating expenses

		2023	2022
Cost of professional and legal services*		300 538	-
Non-operating costs		48 464	29 589
Depreciation		18 889	18 889
Net loss on foreign currency exchange rate fluctuations		383	284
Penalty charges		51	31
	TOTAL:	**368 325**	**48 793**

*In 2023 the Company has costs to ensure acquisition process of a Group subsidiary 2023

9. Income from participating interests

		2023	2022
Dividends received from subsidiary SIA "Eco Baltia vide"		-	4 519 420
	TOTAL:	**-**	**4 519 420**

10. Income from other securities and loans constituting financial long-term investments

		2023	2022
Interest income on long-term loans from related parties		435 648	40 125
	TOTAL:	**435 648**	**40 125**

11. Other interest income and similar income

		2023	2022
Interest income on short-term loans to related parties		435 648	3 162
	TOTAL:	**435 648**	**9 835**

12. Interest expenses and similar charges

		2023	2022
Interest payments on debt securities - bonds*		705 722	-
Interest on borrowings from related parties		38 704	112 011
Bank fees for credit agreements		37 163	-
Interest on finance leases		1 197	1 678
	TOTAL:	**782 786**	**113 689**

*The Company issued bonds in the amount of EUR 8 million on 17 February 2023. The bonds mature on 17 February 2026 (ISIN code: LV0000860120), bonds have a fixed interest rate (coupon) of 8% per year. The Company issued bonds in the amount of EUR 10 million on 2 November 2023. The bonds mature on 2 November 2026 (ISIN code: LV0000860138), bonds have a fixed interest rate (coupon) of 9% per year.

13. Corporate income tax for the reporting year

		2023	2022
Corporate income tax calculated for the reporting year		7 275	11 397
	Corporate income tax reflected in the profit or loss statement:	**7 275**	**11 397**

14. Remuneration for work and number of employees

		2023	2022
Remuneration for work		697 566	777 934
State mandatory social insurance contributions		150 481	161 830
	TOTAL:	**848 047**	**939 764**

Including key management personnel compensation:

		2023	2022
Board Members			
Remuneration for work		233 924	295 399
State mandatory social insurance contributions		55 078	69 685
	TOTAL:	**289 002**	**365 084**

		2023	2022
Average number of board members in the reporting year		4	4
Average number of other employees in the reporting year		15	16
	TOTAL:	**19**	**20**

15. Intangible assets

	Licences, trade marks and other intangibles	Intangible asset development costs	TOTAL
December 31st, 2021			
Cost	562 141	107 971	**670 112**
Accumulated amortisation and impairment	(357 474)	-	**(357 474)**
Book value at 31 December	204 667	107 971	**312 638**
Year 2022			
Book value at 1 January	204 667	107 971	**312 638**
Additions	34 572	223 859	**258 431**
Reclassified	10 880	(10 880)	**-**
Amortisation	(61 000)	-	**(61 000)**
Increase in value	27 006	-	**27 006**
Book value at 31 December	216 125	320 950	**537 075**
December 31st, 2022			
Cost	634 599	320 950	**955 549**
Accumulated amortisation and impairment	(418 474)	-	**(418 474)**
Book value at 31 December	216 125	320 950	**537 075**
Year 2023			
Book value at 1 January	216 125	320 950	**537 075**
Additions	-	426 043	**426 043**
Disposals	(597 762)	-	**(597 762)**
Disposed accumulated amortisation	431 305	-	**431 305**
Reclassified	475	(475)	**-**
Amortisation	(25 843)	-	**(25 843)**
Increase in value	73 777	(73 777)	**-**
Book value at 31 December	98 077	672 741	**770 818**
December 31st, 2023			
Cost	111 089	672 741	**783 830**
Accumulated amortisation and impairment	(13 012)	-	**(13 012)**
Book value at 31 December	98 077	672 741	**770 818**

16. Property, plant and equipment

	Other fixed assets	**TOTAL**
December 31st, 2021		
Cost	455 761	**455 761**
Accumulated depreciation and impairment	(240 382)	**(240 382)**
Book value at 31 December	215 379	**215 379**
Year 2022		
Book value at 1 January	215 379	**215 379**
Additions	10 248	**10 248**
Historical cost of disposed fixed assets	(224 846)	**(224 846)**
Accumulated depreciation of disposed fixed assets	156 578	**156 578**
Depreciation	(69 413)	**(69 413)**
Increase in value	249	**249**
Book value at 31 December	88 195	**88 195**
December 31st, 2022		
Cost	241 412	**241 412**
Accumulated depreciation and impairment	(153 217)	**(153 217)**
Book value at 31 December	88 195	**88 195**
Year 2023		
Book value at 1 January	88 195	**88 195**
Additions	6 209	**6 209**
Historical cost of disposed fixed assets	(3 643)	**(3 643)**
Accumulated depreciation of disposed fixed assets	2 116	**2 116**
Depreciation	(47 452)	**(47 452)**
Book value at 31 December	45 425	**45 425**
December 31st, 2023		
Cost	243 978	**243 978**
Accumulated depreciation and impairment	(198 553)	**(198 553)**
Book value at 31 December	45 425	**45 425**

17. Investments in subsidiaries

Company	%	Initial investment	31.12.2022.	Increase/ (Decrease)	31.12.2023.
AS "PET Baltija", Aviācijas Street 18, Jelgava, Latvia	94.90	9 116 698	12 920 471	-	12 920 471
SIA "Eco Baltia vide", Getliņu Street 5, Stopiņi district, Rumbula, Latvia*	100	7 835 884	26 059 284	-	22 779 284
SIA "Nordic Plast", Aviācijas Street 18G, Jelgava, Latvia	100	5 169 908	5 169 908	-	5 169 908
Siguldas PSIA "Jumis", R. Blaumaņa Street 10, Sigulda, Latvia (concession winner of AS"Eco Baltia")	100	241 463	241 463	-	241 463
SIA " Polimēru Parks", Latgales Street 240-3, Riga, Latvia	100	5 000	5 000	-	5 000
SIA "Vaania", Latgales Street 240-3, Riga, Latvia (Siguldas PSIA "Jumis" concessionaire)	100	77 590	11 000	-	11 000
UAB "Eco Recycling", Gynėjų g. 14, Vilnius, Lietuva*	55	9 000 000	-	(750 000)	8 250 000
	TOTAL:	**31 446 543**	**41 127 126**	**(750 000)**	**49 377 126**

*On September 29, 2023 the Company made a long-term investment EUR 7 500 in the subsidiary company UAB "Eco Recycling" and acquired 60% of the shares of the subsidiary company. On November 14, 2023 the Company together with a minority member made additional investments in the subsidiary company. The Company additionally invested EUR 8 992 500 in the share capital of the subsidiary company. After the investment, the Company retained 60% of the shares of the subsidiary company. On December 29, 2023 the Company expropriated 5% of the subsidiary's shares in favor of a minority shareholder.

Financial information on Company's subsidiaries:

Company	Equity		Profit/(loss) for the reporting year	
	31.12.2023.	31.12.2022.	2023	2022
AS "PET Baltija"	7 288 608	10 112 581	(2 823 973)	(45 128)
SIA "Eco Baltia vide"	44 862 898	32 684 339	12 178 559	5 546 048
SIA "Nordic Plast"	350 424	2 304 192	(1 953 768)	192 146
Siguldas PSIA "Jumis"	528 719	495 427	183 292	166 920
SIA "Polimēru Parks"	(31 383)	(28 591)	(2 792)	(2 829)
SIA "Vaania"	244 531	70 930	173 600	17 313
UAB "Eco Recycling"	14 985 004	-	(14 996)	-

17. Investments in subsidiaries (continued)

Financial information on subsidiaries of Company's subsidiaries:

Company	Equity		Profit/(loss) for the reporting year	
	31.12.2023.	31.12.2022.	2023	2022
SIA "Latvijas Zaļais punkts", Latvia (100% SIA "Eco Baltia vide"	4 986 852	6 746 069	2 843 098	2 158 355
UAB "Ecoservice", Lithuania (100% SIA "Eco Baltia vide")	14 169 999	13 395 834	774 165	(305 718)
"Tesil Fibres s.r.o", Czech Republic (100% AS "PET Baltija")*	(8 330)	2 521 936	(2 542 257)	(1 718 233)
"Homecourt sp.z.o.o.", Poland (100% UAB "Eco Recycling")*	528 719	495 427	183 292	166 920

*Unaudited financial report data for 2023

At the end of 2023, the Company made a calculation of the recoverable value of investments in subsidiaries. It was assessed whether there had been a participatory subsidiaries impairment in the capital of companies. In order to carry out the impairment test for interests in the capital of subsidiaries, the recoverable amount – value in use – is determined by discounting the future cash flow of each company. The calculation of the value of subsidiary was based on discounted cash flow method, applying the following discount rates. In 2023 discount rate applied – 8,4% for SIA "Eco Baltia vide" and Siguldas PSIA „Jumis", 7,8% for AS „PET Baltija", 12,3 % for SIA „Nordic Plast". Cash flow estimates have been made for the next five years using 2024 budget data and further growth based on companies' operational plans. Taking into account the performance results of the subsidiaries, the recycling segment was identified, which has an increased risk of a decrease in the value of investments. The future growth of JSC "PET Baltija" is planned with a slight 1% increase in turnover in 2025 and a 20% increase in turnover in 2026 and 2027 compared to the previous financial year, based on the fact that in 2025 the creation of a new production line is planned. The future growth of SIA "Nordic Plast" is planned with a 23% increase in turnover in 2025 and a 28% increase in turnover in 2026 compared to the previous financial year, based on additional capital investments in the creation of new production lines and the improvement and modernization of existing production lines. According to the value recoverability calculations referred to in this paragraph, no impairment allowances should be recognized for investments in subsidiaries as of 31 December 2023.

The recoverable value of long-term investments depends to a significant extent on the assumptions used in the valuation in relation to the growth and timing of net turnover, as well as on the ability of the Company's management to implement these assumptions. Any adverse changes in these assumptions that may be caused by the volatility of the market in which the subsidiaries operate may adversely affect the book value of the Company's participation, as reflected in the balance sheet as at 31 December 2023.

In 2023, the Company made a long-term investment of EUR 8 250 000 in UAB Eco Recycling. The Company owns 55% of the shares. The share capital of UAB Eco Recycling is EUR 15 000 000, with a nominal value of EUR 1 per share.

18. Other loans and other non-current receivables

			31.12.2023.	31.12.2022.
Deferred expenses*	EUR		3 168	1 030
		TOTAL:	**3 168**	**1 030**

*See note 20

19. Other receivables

	31.12.2023.	31.12.2022.
Advance payments for suppliers	12 769	18 222
Security deposit	7 742	7 706
Tax overpayment (see note 28 "Taxes and state mandatory social insurance contributions")	50 417	-
TOTAL:	**70 928**	**25 928**

20. Deferred expenses

Non - current portion	31.12.2023.	31.12.2022.
Subscription fee	1 668	1 030
Insurance	6	-
Other expenses	1 494	-
TOTAL non – current deferred expenses (see Note 18):	**3 168**	**1 030**

Current portion	31.12.2023.	31.12.2022.
Subscription fee	8 291	9 203
Insurance	1 426	1 582
Other expenses	5 395	19 265
TOTAL current deferred expenses:	**15 112**	**30 050**
Total prepaid expenses	**18 280**	**31 080**

21. Accrued revenue

	31.12.2023.	31.12.2022.
Accrued revenue from related companies	34 317	27 960
Accrued revenue other	-	94
TOTAL:	**34 317**	**28 054**

22. Cash

	31.12.2022.	31.12.2022.
Cash at current bank accounts	2 641 004	872 439
TOTAL:	**2 641 004**	**872 439**

23. Share capital

As of 31 December 2023 and 2022, the paid-in share capital of the Company amounts to 35 005 EUR and consists of 35 005 shares with a nominal value of 1 EUR per share. All shares of the capital are fully paid up. All shares have equal voting and dividend rights.

As of 31 December 2023 the shareholders of the Company are as follows:

UAB "BSGF SALVUS"	52,81%	18 487
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	30,51%	10 680
SIA "ENRIAL HOLDINGS"	15,93%	5 575
"PENVI INVESTMENT LTD"	0,75%	263
TOTAL:	**100%**	**35 005**

24. Other provisions

	31.12.2023.	31.12.2022.
Provision for bonuses on reporting year result	34 105	48 709
TOTAL:	**34 105**	**48 709**

25. Bank Borrowings

Pledges

Eco Baltia Group companies have received borrowings from Luminor Bank AS (Latvian and Lithuanian branches). Commercial pledges, capital shares or shares of the assets of the group companies, as well as guarantees of group companies and assignment agreements on the transfer of claims against debtors to the bank for the payment of outstanding money serve as collateral for the financing granted to Luminor Bank AS to Eco Baltia group companies. The subject of a commercial pledge of shares is shares which the commercial pledger owns at this moment and which the commercial pledger will acquire during the period of validity of the loan agreements. The object of the commercial pledge of assets is the property of the group companies as a community of things at the time of the pledge, as well as the next components of this community of things. All unsecured and unsubordinated payment obligations in relation to the obligations specified in the loan agreements of Luminor Bank AS are and will always be at least equivalent to the unsecured and unsubordinated payment claims of all other creditors of the respective company, except for those creditors whose claims take precedence in accordance with the generally applicable laws and regulations (Pari passu).

26. Long – term debt securities – bonds

		31.12.2023.	31.12.2022.
Long-term debt securities - bonds		18 000 000	-
Costs for attracting bonds		(219 980)	-
	TOTAL:	**17 780 020**	**-**

Eco Baltia AS issued bonds in the amount of EUR 8 million on 17 February 2023. The bonds mature on 17 February 2026, with an option for the issuer to redeem them after two years. Eco Baltia AS issued bonds in the amount of EUR 10 million on 2 November 2023. The bonds mature on 2 November 2026, with an option for the issuer to redeem them after two years. There are restrictions in the "Terms and Conditions" for the Unsecured Fixed Rate bonds issued (ISIN LV0000860120 and ISIN LV0000860138). Equity Ratio - the Issuer ensures that Equity Ratio of the Issuer at all times is 30 (thirty) per cent or greater. Equity Ratio is tested each quarter and as of 31.12.2023 Eco Baltia Group's equity ratio was over 30 percent. Net Debt to Adjusted EBITDA Ratio – the Issuer ensures that Net Debt to Adjusted EBITDA Ratio at all times is 4 (four) or lower. The financial conditions mentioned above refer to the consolidated financial indicators of AS "Eco Baltia". The accrued interest on the issued bonds as of 31 December 2023 amounts to EUR 385 722 and is included under "Accrued liabilities".

27. Other borrowings

Financial lease liabilities

Finance leases apply to other fixed assets. At the end of the financial lease term, the asset shall become the property of the Company. The company's financial lease obligations are secured by the lessor's ownership of the leased assets. As at 31 December 2023, the effective interest rate applied to finance leases was the 3-month EURIBOR + added rate (31.12.2022: 3-month EURIBOR + added interest rate).

	31.12.2023. EUR		**31.12.2022. EUR**	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	10 744	10 464	19 758	18 718
In a year, but not longer than five years	-	-	10 628	10 413
Total minimum rental payments	10 744	10 464	30 386	29 131
Financial costs	(280)	-	(1 255)	-
Current value of minimum lease payments	**10 464**	**10 464**	**29 131**	**29 131**

28. Taxes and state mandatory social insurance contributions

	31.12.2023.	31.12.2022.
State mandatory social insurance contributions	22 757	27 705
Personal income tax	12 969	15 641
Corporate income tax	541	351
State business risk duty	6	6
Value added tax	(50 417)	15 650
TOTAL:	**(14 144)**	**59 353**
Total claims (included under "Other receivables")	**(50 417)**	**-**
Total commitments	**36 273**	**59 353**

29. Other payables

	31.12.2023.	31.12.2022.
Remuneration for work	40 828	33 891
Advances for employees	172	123
TOTAL:	**41 000**	**34 014**

30. Accrued liabilities

	31.12.2023.	31.12.2022.
Accrued liabilities for issued securities – bonds*	385 722	-
Accrued liabilities for services received	305 675	289 626
Accrual for vacation pay reserve	23 287	19 732
TOTAL:	**714 684**	**309 358**

*See Note 26

31. Loans to related companies

	31.12.2023.	31.12.2022.
Loans issued with a maturity of more than one year*	6 544 000	672 000
TOTAL:	**6 544 000**	**672 000**

*Loans are repayable on 31 December 2025 and 31 January 2026. The currency of the loans is EUR, loans are not secured.

32. Due from related companies

	31.12.2023.	31.12.2022.
Receivables from related companies	1 144 736	287 838
Loan issued with a maturity of one year*	1 028 500	500
Loan interest to related companies	186 416	7 725
TOTAL:	**2 359 652**	**296 063**

*The loan is repayable on 31 December 2024. The currency of the loan is EUR, the loan is not secured.

33. Due to related companies, non - current part

	31.12.2023.	31.12.2022.
Borrowings with a maturity of more than one year but less than five years	-	997 028
TOTAL:	**-**	**997 028**

34. Due to related companies, current part

	31.12.2023.	31.12.2022.
Borrowings with a maturity of one year *	1 147 028	-
Payables to related companies	91 696	80 367
Interest on borrowings	19 821	3 005
TOTAL:	**1 258 545**	**83 372**

*Borrowings are repayable on 31 July 2024 and 31 December 2024. The currency of borrowings is EUR, borrowings are not secured.

35. Contingent liabilities

35. (a) Issued guarantees

On December 17, 2021, the Company has issued a guarantee as from the Parent company in the amount of EUR 6 555 292 for the outstanding obligations of AS "PET Baltija" on the basis of the terms of the lease agreement concluded between the subsidiary AS "PET Baltija" (lessee) and the developer and lessor of its new plant. In case of termination of the lease agreement before the end of the minimum lease period (Minimum term - 180 months from the acceptance of the premises - signing of the transfer deed). At the time of issuing this annual report, the acceptance act has not been signed.
The Company has issued its guarantees for all loans of daughter companies from Luminor Bank Latvia and Lithuania branches.

35. (b) Real estate lease agreements

In accordance with the concluded real estate lease agreements, the Company has the following future lease payment obligations at the end of the reporting year:

	31.12.2023.	31.12.2022.
With a maturity of one year to other companies	28 232	27 872
With a term of more than one year but less than five years to other companies	37 642	65 034
TOTAL:	**65 874**	**92 906**

35. (c) Operating lease agreements

In accordance with concluded transport lease agreements. The total minimum lease payments under the irrevocable operating leases may be reflected as follows:

	31.12.2023.	31.12.2022.
With a maturity of one year to other companies	10 141	9 612
With a term of more than one year but less than five years to other companies	11 632	20 622
TOTAL:	**21 773**	**30 234**

36. Events after the reporting date

After the reporting period there have been changes in the Company's Supervisory Board. The shareholders' meeting of Eco Baltia AS (JSC) was held on 3 April. During the meeting, the current Eco Baltia Supervisory Board was re-elected and it was also decided to increase the number of members of the existing Supervisory Board from five to six. Algimantas Markauskas was elected as a new member of the Supervisory Board. The changes are aimed at strengthening the Eco Baltia Group's governance and further development in the international market.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Board Member

Santa Spūle,
Board Member

Saulius Budrevičius,
Board member

Dace Namiķe,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

Deloitte Audits Latvia
Republikas laukums 2a
Riga LV-1010
Latvia

Tel: +371 67 07 4100
Latvia@deloittece.com
www2.deloitte.com/lv/en.html

Translation from Latvian

Independent Auditor's Report

To the shareholders of AS Eco Baltia

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS Eco Baltia ("the Company") set out on pages 5 to 30 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2023,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of *AS Eco Baltia* as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountant International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

Key Audit Matter

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.

Deloitte.

Deloitte Audits Latvia
Republikas laukums 2a
Riga LV-1010
Latvia

Tel: +371 67 07 4100
Latvia@deloittece.com
www2.deloitte.com/lv/en.html

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investments in subsidiaries and loans issued to related parties	
As disclosed in Note 17 and 31, 32 to the financial statements the Company has made significant investments in subsidiaries. As at 31 December 2023 investments in subsidiaries and loans issued to related parties amount to 57.1 mil. EUR which represents 92% of total assets and 136.9 % of equity. The Company performs an annual impairment test of investments in subsidiaries and loans issued to related parties to identify impairment losses arising when the recoverable amount of investment is lower than the carrying amount recorded. Based on the impairment test performed, no impairment losses have been identified as at 31 December 2023. Cash flow projections and discount rates applied to the projected future cash flows involve significant management judgement. The recoverable value significantly depends on the assumptions used with respect to sales growth, timing of this growth, profitability targets, discount rates as well as the management's ability to realize those assumptions and overall development of the economics. Adverse changes to these assumptions caused by volatility of the market where the subsidiaries of the Company operate may negatively influence the carrying value of investments in subsidiaries and loans issued to related parties presented in the Company's balance sheet as of 31 December 2023. Accordingly, the impairment test of investments in subsidiaries and loans issued to related parties is considered to be a key audit matter.	Our audit procedures were focused on the assessment of key assumptions used by the management in calculations, including the cash flow projections and discount rates. In our assessment, we have involved internal valuation specialists. We assessed assumptions used in cash flow projections which the outcome of impairment test is most sensitive to and evaluated the reasonableness of assumptions made by management by comparing them to internal sources of information available within the Company and also to externally available industry, economic and financial data. Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 to 4 of the accompanying Annual Report,
- the Management Report, as set out on page 5 to 7 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

Deloitte.

Deloitte Audits Latvia
Republikas laukums 2a
Riga LV-1010
Latvia

Tel: +371 67 07 4100
Latvia@deloittece.com
www2.deloitte.com/lv/en.html

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

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 the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia 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 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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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.

Deloitte Audits Latvia
Republikas laukums 2a
Riga LV-1010
Latvia

Tel: +371 67 07 4100
Latvia@deloittece.com
www2.deloitte.com/lv/en.html

- 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 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 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 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 a fair presentation.

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.

Deloitte Audits Latvia SIA

Licence No.43

Inguna Staša
Member of the Board

Certified auditor
Certificate No. 145

Riga, Latvia

THIS DOCUMENT IS SIGNED WITH SECURE DIGITAL SIGNATURE AND CONTAINS A TIMESTAMP