



JOINT STOCK COMPANY ECO BALTIA

**UNAUDITED REPORT FOR THE
TWELVE MONTHS PERIOD
ENDED 31 DECEMBER 2023**

PREPARED IN ACCORDANCE WITH LAW ON ANNUAL STATEMENTS AND
CONSOLIDATED ANNUAL STATEMENTS

RIGA, 2024



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GENERAL INFORMATION

GENERAL INFORMATION



Name of the Company	Eco Baltia AS
Legal status of the Company	Joint stock company
Registration number, place and date of the Company	40103435432 Riga, 08 July 2011
Registered office of Company	Latgales iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Company	BSGF Salvus UAB, 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%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Management Board Members of the Company	Māris Simanovičs – Chairman of the Management Board Santa Spūle – Management Board Member Sīgita Namatēva – Management Board Member Saulius Budrevičius - Management Board Member from 21.07.2023
Supervisory Board Members of the Company	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
Subsidiaries	AS „PET Baltija” Aviācijas iela 18G, Jelgava, Latvia (94,9%) SIA „Eco Baltia vide” Getliņu iela 5, Stopiņu novads, Rumbula, Latvia (100%) SIA „Nordic Plast” Rūpnīcu iela 4, Olaine, Latvia (100%) SIA „Polimēru parks” Latgales iela 240-3, Riga, Latvia (100%) SIA „Vaania” Latgales iela 240-3, Riga, Latvia (100%, Siguldas municipality LLC „Jumis” concessionaire) Siguldas PSIA „Jumis” R. Blaumaņa iela 10, Sigulda, Latvia (100% - Siguldas regional municipality, JSC "Eco Baltia" concession holder) UAB Eco Recycling, Gyneju g. 14, Vilnius, Lithuania (55%) from 29.09.2023
Reporting period	1 January 2023 – 31 December 2023



MANAGEMENT REPORT

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, and Lithuania. 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 the PET and plastics recycling segment, the Company implemented and continued its work on a number of capacity expansion projects during the reporting period, including the construction of a new PET Baltija plant in Olaine, the installation of new manufacturing equipment there, and the gradual relocation of the Jelgava production facility to Olaine. In the environmental management services segment, 2023 saw a continued increase in recycling capacity, as well as the development of other environmental management services, such as the cleaning of sites and grounds, pickup of construction waste, management of electrical and other environmentally hazardous waste, as well as transport and road management services. Furthermore, the two biggest environmental management subsidiaries, Eco Baltia vide and Ecoservice group, launched projects to set up and expand specialised construction waste sorting sites in 2023, while Eco Baltia vide began working on the construction of a new waste sorting plant in Acone, Salaspils Municipality.

On 17 February 2023, Eco Baltia issued its first bonds worth EUR 8 million, enjoying considerable investor interest. The funds raised were used in further development projects of the group's companies. The bonds mature on 17 February 2026, with an option for the issuer to pay the bonds off after two years. The bonds have been listed on the First North Nasdaq Baltic alternative market since 2 March 2023. In November 2023, with the total demand exceeding the value of bonds issued 1.7 times, the Company issued bonds again, for EUR 10 million. 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, long-time 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 had received no 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.

Further 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, 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.

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 no significant credit risk concentration for any single transaction partner or similarly defined group of transaction partners.

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.

* 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 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 1.21 (on 31.12.2022: 1.70).

* 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 period

During the period from the last day of the reporting year and until the signing of these annual accounts, there have been no significant events as a result of which these annual accounts would need corrections or clarifications.

STATEMENT OF MANAGEMENT RESPONSIBILITIES



The management of Eco Baltia confirms that the unaudited report has been prepared in accordance with the requirements of applicable law and gives a true and fair view of the financial position of the company as of 31 December 2023 and its financial performance and cash flows for the period.

The management report provides a clear summary of the business development and financial performance of Eco Baltia. The unaudited interim financial statements have been prepared in accordance with the Law of Annual Statements and Consolidated Annual Statements of the Republic of Latvia. At the time of preparation of the unaudited interim report, management:

- used and applied appropriate accounting policies;
- made reasonable and prudent judgements and estimates;
- applied the going concern basis except where the application of that basis would not be reasonable.

The management board is also responsible for maintaining appropriate accounting records that would provide a true and fair presentation of the financial position at a particular date and financial performance and cash flows and enable the management to prepare the financial statements according to the Law of Annual Statements and Consolidated Annual Statements of the Republic of Latvia.



MĀRIS SIMANOVIČS
ECO BALTIA
CHAIRMAN OF
THE MANAGEMENT BOARD



SANTA SPŪLE
ECO BALTIA
MANAGEMENT BOARD MEMBER,
CFO



SIGITA NAMATĒVA
ECO BALTIA
MANAGEMENT BOARD MEMBER,
CLO



SAULIUS BUDREVIČIUS
ECO BALTIA
MANAGEMENT BOARD MEMBER



FINANCIAL STATEMENTS

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INCOME STATEMENT



EUR	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (Audited)
Net turnover	1 790 374	2 472 367
Production cost of goods sold	(520 495)	(478 941)
Gross profit	1 269 879	1 993 426
Selling and distribution expenses	(70 420)	(29 346)
Administrative expenses	(1 830 171)	(1 673 764)
Other operating income	598 638	102 819
Other operating expenses	(67 787)	48 793)
Income from participation	-	4 519 420
• <i>in the capital of related companies</i>	-	4 519 420
Revenue from other securities and loans which formed long-term financial investments	435 648	40 125
• <i>from related companies</i>	435 648	40 125
Other revenue from interest and similar revenue	126 034	3 162
• <i>from related companies</i>	126 034	3 162
Interest payments and similar costs	(782 786)	(113 689)
• <i>from related companies</i>	(38 704)	(112 011)
• <i>other persons</i>	(744 082)	(1 678)
Profit or loss before tax	(320 965)	4 793 360
Corporate income tax	(7 275)	(11 397)
Profit or loss after calculation of corporate income tax	(328 240)	4 781 963
PROFIT OR LOSS FOR THE REPORTING PERIOD	(328 240)	4 781 963

STATEMENT OF FINANCIAL POSITION



EUR	Notes	31.12.2023 (Unaudited)	31.12.2022 (Audited)
LIABILITIES			
Equity			
Share capital		35 005	35 005
Share premium		20 623 389	20 623 389
Retained earnings		21 396 122	16 614 159
Profit or loss for the reporting period		(328 240)	4 781 963
Total equity		41 726 276	42 054 516
Accruals			
Other accruals		34 105	48 709
Total accruals		34 105	48 709
Liabilities			
Non-current liabilities			
Long-term debt securities - bonds	3	17 780 020	-
Obligations under finance leases		-	10 413
Loans from related companies		-	997 028
Total non-current liabilities		17 780 020	1 007 441
Current liabilities			
Obligations under finance leases		10 464	18 718
Accounts payable to suppliers		260 184	62 479
Payables to related companies		1 258 545	83 372
Taxes payable		36 273	59 353
Other payables		41 000	34 014
Accrued liabilities		714 684	309 358
Total current liabilities		2 321 150	567 294
Total liabilities		20 101 170	1 574 735
TOTAL EQUITY AND LIABILITIES		61 861 551	43 677 960

STATEMENT OF CASH FLOWS



EUR	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss before tax	(320 965)	4 793 360
Adjustments for:		
Corrections of decrease in value of fixed assets	36 702	45 378
Corrections of decrease in value of intangible assets	25 844	61 000
Accruals (except of accruals for doubtful debts)	(14 604)	(49 586)
Profit or loss from fluctuations of foreign currency rates	-	284
Revenue from participation in fixed capital of related, associated or other companies	-	(4 519 420)
Revenue from other securities and loans which formed long-term financial investments; from related companies	(435 648)	(40 125)
Interest income or similar income	(126 034)	(3 162)
Interest payments and similar costs	782 786	113 689
Profit or loss before adjustments for the effect of changes in current assets and current liabilities	(51 919)	401 418
Changes in trade receivables	(1 167 572)	8 118 667
Changes in trade payables	384 012	(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 stocks or shares of related, associated or other companies	(8 250 000)	-
Acquisition of fixed assets and intangible assets	(416 181)	(254 622)
Revenue from sale of fixed assets and intangible investments	230 964	25 729
Issued loans	(7 110 000)	(400 000)
Loan repayments	210 000	400 000
Received interest	382 990	39 862
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
Issued debt securities (bonds)	18 000 000	-
Subsidies, grants, gifts or donations received	2 500	1 118
Repayment of loans	-	(580)
Payments of obligations under finance leases	(18 667)	(37 248)
Disbursed dividends	-	(8 000 000)
Net cash flows used in the financing activities	18 133 833	(236 710)
Net cash flow for the reporting period	1 768 565	224 026
Cash and cash equivalents at the beginning of the period	872 439	648 413
Cash and cash equivalents on the reporting date	2 641 004	872 439

STATEMENT OF CHANGES IN EQUITY



EUR				
	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
Profit for the reporting period	-	-	4 781 963	4 781 963
Dividend payout	-	-	(8 000 000)	(8 000 000)
Balance as at 31 December 2022	35 005	20 623 389	21 396 122	42 054 516
Loss for the reporting period	-	-	(328 240)	(328 240)
Balance as at 31 December 2023 (Unaudited)	35 005	20 623 389	21 067 882	41 726 276

Notes

1. Investments in related companies

EUR				
Company	%	Initial investment	31.12.2022. (Audited)	31.12.2023. (Unaudited)
AS „PET Baltija”, Aviācijas iela 18G, Jelgava, Latvia	94.09	9 116 698	12 920 471	12 920 471
SIA „Eco Baltia vide”, Getliņu iela 5, Stopiņu novads, Rumbula, Latvia	100	7 835 884	22 779 284	22 779 284
SIA „Nordic Plast”, Rūpnīcu iela 4, Olaine, Latvia	100	5 169 908	5 169 908	5 169 908
SIA „Vaania”, Latgales iela 240-3, Rīga, Latvia (Sigulda municipality LLC "Jumis" concessionaire)	100	77 590	11 000	11 000
SIA „Polimēru parks”, Latgales iela 240-3, Rīga, Latvia	100	5 000	5 000	5 000
Siguldas PSIA „Jumis”, R. Blaumaņa iela 10, Sigulda, Latvia (JSC "Eco Baltia" concession holder)	100	241 463	241 463	241 463
UAB Eco Recycling, Gyneju g. 14, Vilnius, Lithuania*	55	8 250 000	-	8 250 000
TOTAL:		30 696 543	41 127 126	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 member.

2. Loans to related companies

EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
Loans issued with a maturity of more than one year*	6 544 000	672 000
Loans issued with a maturity of one year**	1 028 500	500
TOTAL:	7 572 500	672 500

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

**Loans are repayable on 31 December 2024. The currency of the loans is EUR. The loans are with fixed interest rate and not secured.

Notes

3. Long-term debt securities - bonds

EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
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. The accrued interest on the issued bonds as of 31 December 2023 amounts to EUR 385 722 and is included under 'Accrued liabilities'.

4. Financial indicators

There are restrictions in the "Terms and Conditions" for the Unsecured Fixed Rate bonds issued (ISIN LV0000860120 and ISIN LV0000860138).

The Issuer undertakes to comply with the following financial covenants from the issue Date and for as long as any Notes are outstanding:

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.

Net Debt to Adjusted EBITDA Ratio - the Issuer ensures that Net Debt to Adjusted EBITDA Ratio at all times is 4 (four) or lower.

Financial indicator	Result as at 31.12.2023
Equity Ratio	35,2%
Net Debt to Adjusted EBITDA Ratio	2.9

Financial indicators calculated based on consolidated AS Eco Baltia financial results.

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FIND VALUE IN EACH AND EVERY THING



**MĀRIS
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CHAIRMAN OF
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SANTA SPŪLE
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