



JOINT STOCK COMPANY ECO BALTIA

**UNAUDITED CONSOLIDATED
ANNUAL REPORT FOR THE
PERIOD ENDED 31 DECEMBER
2023**

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

RIGA, 2024



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GENERAL INFORMATION

GENERAL INFORMATION



Name of the Parent Company	Eco Baltia AS
Legal status of the Parent Company	Joint stock company
Registration number, place and date of the Parent Company	40103435432 Riga, 08 July 2011
Registered office of the Parent Company	Latgales iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Parent 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%)
Supervisory Board Members of the Parent 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
Management Board Members of the Parent Company	Māris Šimanovičs - Chairman of the Management Board Santa Spūle - Management Board Member Sigita Namatēva - Management Board Member Saulius Budrevičius - Management Board Member since 21.07.2023
Reporting period	1 January - 31 December 2023



MISSION

Find value in each
and every thing



Provides **full cycle**
of waste
management



>2500 employees



40 000 clients in Latvia
and abroad



25+ operational facilities
across Latvia, Lithuania,
Czech Republic and
Poland



MANAGEMENT REPORT

MANAGEMENT REPORT

Management of JSC (AS) Eco Baltia (hereinafter referred - the Company or the Parent Company) reports on the consolidated unaudited annual financial statements of Eco Baltia group (hereinafter referred to - Group) for the period from 1 January 2023 until 31 December 2023.

Group business profile

Eco Baltia is the largest environmental resource management and recycling group in the Baltics, providing a complete waste management cycle, starting with waste collection and sorting, continuing with logistics and wholesale of recycled materials, and concluding with recycling of recycled materials, including PET and PE/PP plastics, as well as PET fibre production. Eco Baltia's business is strategically divided into two business segments - polyethylene terephthalate (PET) and plastics recycling and environmental management services.

The Group currently employs more than 2 500 people in Latvia, Lithuania, Poland and the Czech Republic. The main subsidiaries managed by the Group are PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, JUMIS in Sigulda, the Ecoservice group in Lithuania and TESIL Fibres in the Czech Republic. During the 2023, the Group also completed the acquisition of Pilsētas Eko Serviss, a street and road maintenance company.

In November 2023, Eco Baltia also expanded into Poland by acquiring, together with its shareholder, INVL Baltic Sea Growth Fund, shares in Metal-Plast Sp.z.o.o, Poland's largest recycler of PVC window and door profiles.

Development and financial performance of the Group during the reporting period

In addition to the acquisitions completed in the previous year, during the reporting period, the Group continued to evaluate new business areas and acquisitions to further strengthen the Group's position and market share both in Latvia and internationally, as well as develop and expand the full-cycle waste chain within the Group's overall service portfolio.

At the beginning of the year, Group company Eco Baltia vide, through its subsidiary Latvijas Zaļais punkts, concluded a transaction for the acquisition of road maintenance company Pilsētas Eko Serviss. The transaction resulted in the acquisition of 100% of the shares in

Pilsētas Eko Serviss, PES serviss, and B 124. A reorganisation process was initiated in 2023 and finished on 1 December 2023. All rights and obligations of the company were transferred to 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 consolidated 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%).

During the period, the Group's two largest environmental subsidiaries, Eco Baltia vide and Ecoservice, continued to develop a number of projects, including the establishment and expansion of specialised construction waste sorting sites and the promotion of the sorting of household waste, textiles and other materials. During the period, the brand Tocha and service continued to be promoted in the market, strengthening its market position in Latvia. Work is now continuing on the service to ensure a consistently high level of quality.

During the period, the Group's environmental companies also submitted bids for a number of public tenders for the provision of waste management services, road maintenance and other services. During the period, the bid submitted by the environmental management company Eco Baltia vide in an open tender for waste management in the municipality of Salaspils was considered to be the most appropriate and financially advantageous, and the company will continue to provide municipal waste management services to residents and businesses in the municipality of Salaspils after the expiry of the current contract (from 1 October). The total value of the contract is EUR 7 million (excluding VAT) for a period of three years, with an option to extend.

MANAGEMENT REPORT

Eco Baltia vide also won the tender for the maintenance of the administrative districts of Saldus and Brocēni for the next five years, worth EUR 1.28 million. Ecoservice was awarded the right to provide waste management services in Klaipeda and Vilnius for the next five years, as well as these and other services for various periods in other regions of Lithuania.

Eco Baltia vide, the Group's environmental services company, was granted a six-month extension to the deadline for providing waste management services in Vecumnieki, Bauska municipality. The extension was granted after Eco Baltia vide challenged the results of a tender in Bauska Municipality before the administrative district, claiming that the winning bid was unreasonably low in several cost items and that the tender did not comply with EU Green Deal requirements.

In accordance with the expiry of the contract, from 1 February 2023 the Company ceased to provide waste management services in the Tērvete Union (Tērvete, Bukaiši and Augstkalne municipalities) of Dobele County.

At the beginning of August, the recycling center of Eco Baltia's Lithuanian subsidiary Ecoservice in Vilnius was affected by a fire. In order to ensure the continuity of the company's operations, materials for sorting were diverted to subcontractors and other branches. Following the event, the construction waste sorting line and the temporary packaging sorting line have resumed operations and the insurance claim is underway, with the circumstances and extent of the damage still being assessed.

During 2023 the Group's producer responsibility system operator Latvijas Zaļais punkts, which maintains waste management systems for packaging waste, electrical and electronic equipment, and environmentally hazardous goods, continued to provide services by the requirements of regulatory enactments and the agreements concluded with the State Environmental Service (SES). The activities of Latvijas Zaļais punkts were organised in accordance with the management programs for 2023-2025 approved by the State Environment Service. In order to further streamline the internal organisational processes and management structure of the Group companies, Latvijas Zaļais punkts changed its legal form of business activity from a joint stock company (JSC) to a limited liability company (LLC) during the reporting period.

A producer responsibility system for tobacco products with filters and filters intended for use with tobacco products is due to be introduced in Latvia this year. A market study and survey carried out by the Association of Traditional and Smokeless Tobacco Products, which includes manufacturers and importers of tobacco products, to select a tobacco product manager in Latvia to ensure the operation of this system in accordance with the Law on the Reduction of Consumption of Products Containing Plastics, identified the offer of the Group company Latvijas Zaļais punkts as the most economically advantageous. In accordance with the conditions, contracts were signed with local governments and tobacco traders during the reporting period, and a management plan was developed. Following approval by the State Environmental Service, the scheme was implemented in Latvia.

In the Group's PET bottles and plastic packaging recycling sector, capacity expansion projects continued during the reporting period. "Nordic Plast completed the testing of its new plastic sorting and recycling line, where it has invested more than EUR 2.8 million last year, ensuring stable operation and a gradual increase in production capacity. Nordic Plast's production capacity is expected to increase by at least 29% as a result of the modernisation of the plant, although the increase may vary according to the current volatile situation in the recycled market.

The Group's PET bottle recycler PET Baltija continues to work on the development of its new production facility in Olaine. The project is being carried out in cooperation with PICHE Ltd, the leading industrial park developer in Latvia, with a total investment of more than EUR 35 million, including more than EUR 10 million from PET Baltija. The project is being implemented in several phases. The total area of the building will be approximately 26 250 m² and it will be one of the largest industrial buildings in Latvia and one of the largest PET recycling plants in Northern Europe.

Taking into account the situation in the secondary raw materials market, which particularly deteriorated in the fourth quarter of 2022, contributing to the decrease in the net realisable value of the subsidiary PET Baltija's inventories, PET Baltija and the Parent Company have agreed with the Latvian branch of Luminor Bank on the Parent Company's decision, during the first

MANAGEMENT REPORT

quarter, to grant PET Baltija a subordinated short-term loan of EUR 1.5 million.

The loan to TESIL Fibres S.r.o. was approved for a total amount of EUR 5.5 million from Eco Baltia and during 2023 a long-term loan EUR 4 million has been issued to TESIL Fibres S.r.o. The purpose of the loans is to expand production capacity, ensuring its maximum utilisation and further business development, including in new market segments.

During the reporting period, PET Baltija continued to promote sales and production in cooperation with its Czech subsidiary Tesil Fibres.

In order to further accelerate the development of PET Baltija and the implementation of investment projects, the composition of the Board of Directors was changed during the reporting period. On 17 July, new member and PET Baltija's CEO Kaspars Ezernieks joined the existing Board, while the previous Chairman of PET Baltija's Board Salvis Lapiņš performed his duties in the company until 21 July. On 11 September, Jūlija Zandersone joined PET Baltija's management team as Chairman of the Board and Head of the Recycling Sector at Eco Baltia group.

There have also been changes in the management of PET Baltija's subsidiary Tesil Fibres. Jiří Novák has been appointed CEO of Tesil Fibres. As part of the efforts to strengthen the recycling sector, Mr Novák's employment has been terminated and his duties as CEO have been temporarily transferred to Sergei Malishev, PET Baltija's Business Development Project Manager.

In order to strengthen the corporate governance of Tesil Fibres, a four-member Supervisory Board was also established. Salvis Lapiņš, the former Chairman of the Board of PET Baltija, the parent company of TESIL Fibres, was initially appointed as the Chairman of the newly established Supervisory Board, but following changes in the Management Board of PET Baltija, Julia Zandersone, the current Chairman of the Management Board of PET Baltija, has been acting as the Chairman of the Supervisory Board of Tesil Fibres since 11 September. The vice-chairman of the board is Māris Simanovičs, chairman of the board of the group's parent company Eco Baltia AS, while the members of the supervisory board are Justas Bučelis, senior partner at INVL Baltic Sea Growth Fund, and Matīss Leitīns, CFO and member of the board of PET Baltija.

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.

As the business model and operations of the Group companies are focused on embedding circular economy principles through the implementation of various sustainable business practices on a daily basis, the active work on the development and implementation of a consolidated ESG (Environmental, Social and Governance) strategy for the Company and its major subsidiaries, which started in 2022, continues during this reporting period. One of the objectives is to implement a common ESG performance and strategy monitoring and reporting system at all levels of the business. During the reporting period, the strategy was already implemented in several Group companies.

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 first bond was issued in the amount of EUR 8 million. 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 the reporting period 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 Group closed the year 2023 with a historically highest consolidated turnover of 218,5 million euros, an increase of 4% compared to the year 2022. Turnover was mainly driven by the solid and convincing performance of the environmental management sector in 2023 and due to the acquisition of new businesses, and the focus on productivity, efficiency and automation. This is Eco Baltia's best result ever, demonstrating its strategic and focused

MANAGEMENT REPORT

growth in Baltics and internationally.

Group's unaudited consolidated profit before tax at the end of the reporting period was EUR 2 million and consolidated EBITDA was EUR 27,6 million.

In the reporting period Eco Baltia has risen from 36th place last year to 29th place in the TOP 101 of Latvia's most valuable companies. TOP101 is compiled annually by assessing business in Latvia, comparing value indicators of local market companies, including turnover, EBITDA and others.

Future development of the Group

In 2024, Eco Baltia will continue its development in following business segments - polyethylene terephthalate (PET) and plastics recycling, environmental management services and recently acquired segment of PVC window and door profiles recycling in Poland.

In line with its strategic goals, the company's main objectives in 2024 will be to improve working conditions, support employees, ensure the highest level of occupational safety and improve ESG and sustainability.

Investment in recycling and waste and environmental management will continue in 2024 to support the continued growth, efficiency and competitiveness of the Group's businesses. Full production at the new PET Baltija plant is planned to start in 2024, with the aim of tripling PET production over time. In 2024, the Group will continue to promote synergies between Group companies in order to achieve maximum benefit from the full-cycle waste management process.

Events after the reporting date

Eco Baltia's company, Eco Baltia vide, has approved an investment of EUR 2.3 million for the construction of two construction waste sorting and recycling yards. The sites will be located in the Baltic Sea region (Rumbula) and in Liepaja, and are scheduled to open this spring. The investment aims to consolidate the company's commitment to the circular economy by reducing and reusing construction waste.

After the reporting period, Eco Baltia approved a plan to assess the Group's strategic environmental business options. Eco Baltia is considering different potential alternatives that can add value to the companies' shareholders, customers and employees. Together with external advisors, Eco Baltia is reviewing its business portfolio. As part of this process, the management board of the company may consider a sale, merger or other transaction

involving Eco Baltia companies. However, there is no certainty whether the assessment will result in any transactions. The market will be informed on progress as appropriate.

On February 16, Kaspars Ezernieks, a member of the board and executive director of PET bottle recycling company JSC (AS) PET Baltija, that is part of JSC (AS) Eco Baltia, resigned due to personal reasons. Currently, the functions of the board will be carried out by its remaining members, while the responsibilities of the executive director will be internally reassigned within the company.

In February 2024 the downstream merger procedures of the Group's subsidiary Homecourt Sp.z.o.o. and its subsidiary Metal-Plast Sp. z.o.o. has started, after which the surviving entity will be Metal-Plast Sp. z.o.o. At the date of publishing these consolidated 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%).

UAB Ecoservice, the Lithuania-based waste management company of Eco Baltia group, the largest environmental management and waste recycling group in the Baltics, is committed to invest up to EUR 18 million in the rebuilding the Vilnius Sorting Centre, which was devastated by a fire last year. The investment will also be used to improve the infrastructure of the sorting center and modernise it to contribute more to the circular economy.

The Group continues expanding its activities and range of environmental services. In March the purchase agreement concluded by the parties, which requires merger authorisation from the Latvian Competition Council (CC), provides for the acquisition of 100% of the shares in Eko Osta. With the conclusion of the transaction, Eko Osta will become one of the companies in the environmental management sector of the Eco Baltia group, specialising in the management of hazardous and environmentally harmful waste.

There have been no other events between the last day of the reporting year and the date of signing these consolidated unaudited financial statements that require adjustment or explanation in these consolidated unaudited financial statements.

STATEMENT OF MANAGEMENT RESPONSIBILITIES



The management of Eco Baltia AS confirms that the unaudited consolidated annual 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 group as of 31 December 2023, and of the results of its operations and its cash flows for the period then ended.

The management report provides a clear summary of the business development and financial performance of Eco Baltia group. The unaudited consolidated annual financial statements have been prepared in accordance with the International Financial Standards as adopted by the European Union. At the time of preparation of the unaudited consolidated annual 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 International Financial Standards as adopted by the European Union.



CONSOLIDATED FINANCIAL STATEMENTS

eco baltia
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (audited)
Net turnover	1	218 525 495	210 031 623
Production cost of goods sold	2	(181 865 970)	(178 535 194)
Gross profit		36 659 525	31 496 429
Selling and distribution expenses		(7 265 034)	(7 565 813)
Administrative expenses		(20 131 953)	(15 192 777)
Other operating income		1 269 866	1 944 358
Other operating expenses		(2 757 393)	(1 305 058)
Finance income		721 045	22 784
Finance costs		(6 484 967)	(2 808 916)
Profit before tax		2 011 089	6 591 007
Corporate income tax		(36 939)	(22 803)
Deferred corporate income tax		(279 141)	1 737 899
PROFIT FOR THE REPORTING PERIOD		1 695 009	8 306 103
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations			-
Total comprehensive income for the period after tax		1 695 009	8 306 103
Total comprehensive income attributable to:			
Majority interests		2 044 119	8 378 078
Non-controlling interests		(349 110)	(71 975)
Profit attributable to:			
Majority interests		2 044 119	8 378 078
Non-controlling interests		(349 110)	(71 975)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
ASSETS		
Non-current investments		
Intangible investments		
Licences, trade marks and other intangible investments	2 261 352	2 071 371
Development costs	1 555 692	822 654
Goodwill	62 647 698	40 155 615
Total intangible investments	66 464 742	43 049 640
Property, plant and equipment		
Land, buildings and constructions	10 199 899	5 216 420
Right-of-use assets	34 177 387	37 436 780
Non-current investments in leased property, plant and equipment	70 867	214 936
Equipment and machinery	44 228 462	22 801 801
Other property, plant and equipment, and inventories	12 275 456	7 918 548
Construction in progress	5 379 556	11 610 991
Prepayments for property, plant and equipment	4 167 150	1 270 228
Total property, plant and equipment	110 498 776	86 469 704
Non-current financial investments		
Other securities and investments	21 608	21 200
Prepaid expenses	201 906	258 239
Other non-current receivables	568 636	26 000
Total non-current financial assets	792 150	305 439
Total non-current investments	177 755 668	129 824 783
Current assets		
Inventories	15 756 369	18 445 415
Receivables		
Trade receivables	23 122 760	18 214 506
Other loans	-	290
Other receivables	2 299 906	1 422 288
Prepaid expenses	1 052 542	778 521
Accrued income	6 946 352	3 688 202
Total receivables	33 421 560	24 103 807
Current investments	725 834	-
Non-current assets held for sale	-	485 000
Cash and cash equivalents	10 167 007	8 063 375
Total current assets	60 070 770	51 097 597
TOTAL ASSETS	237 826 438	180 922 380

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



EUR	Note	31.12.2023 (Unaudited)	31.12.2022 (Audited)
LIABILITIES			
Equity			
Share capital		35 005	35 005
Share premium		20 623 389	20 623 389
Consolidated reserves		20 133 948	19 926 630
Translation reserves		(397 210)	131 709
Retained earnings brought forward		19 317 887	10 939 809
Profit for the reporting period		2 044 119	8 378 078
Equity attributable to the shareholders of the Parent Company		61 757 138	60 034 620
Non-controlling interests		9 403 792	714 055
Total equity		71 160 930	60 748 675
Liabilities			
Non-current liabilities			
Long-term debt securities - bonds	5	18 000 000	-
Loans from credit institutions	3	50 029 714	28 263 863
Obligations under finance leases	4	8 691 658	8 907 148
Lease liabilities		21 669 295	14 127 497
Deferred income		1 634 388	1 425 261
Other payables		330 905	22 803
Deferred income tax liability		1 914 852	1 463 138
Total non-current liabilities		102 270 812	54 209 710
Current liabilities			
Loans from credit institutions	3	16 582 676	23 828 135
Obligations under finance leases	4	4 554 543	3 718 448
Lease liabilities		2 437 414	2 886 020
Loans from related companies	3	614 393	-
Prepayments received from customers		823 192	894 373
Trade payables		23 718 518	23 240 631
Corporate income tax		88 118	23 705
Taxes payable		3 613 321	2 792 287
Other payables		3 736 233	3 270 274
Deferred income		432 374	535 476
Accrued liabilities		7 773 954	4 754 686
Unpaid dividends		19 960	19 960
Total current liabilities		64 394 696	65 963 995
Total liabilities		166 665 508	120 173 705
TOTAL EQUITY AND LIABILITIES		237 826 438	180 922 380

CONSOLIDATED 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 before tax	2 011 089	6 591 007
Adjustments for:		
Depreciation and amortization	19 823 161	16 023 177
Interest payments and similar expense	6 419 445	2 808 916
Interest (income) and similar (income)	(21 639)	(6 705)
(Gain)/loss on disposal of property, plant and equipment	(559 585)	(97 670)
(Income) from external co-financing	(373 597)	(1 257 629)
Changes in provisions and allowances	834 058	1 651 902
Revenue from participation in fixed capital of related, associated or other companies	(19 213)	
Goodwill impairment	1 409 552	451 573
Revenue from other securities and loans which formed long-term financial investments	(727 410)	(16 079)
Profit before adjustments for the effect of changes in current assets and current liabilities	28 795 861	26 148 492
Adjustments for:		
(Increase)/decrease in receivables	(1 902 899)	(3 846 288)
Increase/(decrease) in payables	(3 647 501)	9 144 933
(Increase)/decrease in inventories	7 400 195	(5 671 860)
CASH FLOWS FROM OPERATING ACTIVITIES	30 645 656	25 775 277
Interest paid	(5 469 600)	(2 540 177)
Corporate income tax paid	(113 411)	(172 226)
Net cash flows from operating activities	25 062 645	23 062 874
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible investments	(23 198 873)	(16 572 535)
Proceeds from sale of property, plant and equipment	2 792 343	394 816
Acquisition of subsidiaries, net of cash acquired	(30 403 686)	(8 799 663)
Received interest from other companies	290	15 208
Revenue from alienation of stocks or shares of related, associated or other companies	2 000	-
Net cash flows used in the investing activities	(50 807 926)	(24 962 174)

CONSOLIDATED STATEMENT OF CASH FLOWS

continued



EUR	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (Audited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	24 709 541	18 043 018
Repayment of borrowings	(9 280 392)	(6 261 181)
Repayment of the lease liabilities	(4 240 224)	(2 770 474)
Payments of obligations under finance leases	(4 861 529)	(4 964 244)
Subsidies, grants, gifts or donations	498 369	1 627 670
Issued debt securities (bonds)	18 000 000	-
Disbursed dividends	-	(8 000 000)
Net cash flows used in the financing activities	25 420 766	(2 325 211)
rates	(355 297)	20 593
Net cash flow for the reporting period	(679 813)	(4 203 918)
Cash and cash equivalents at the beginning of the period	8 063 375	11 818 727
Cash from acquisition of company	2 783 445	448 566
Cash and cash equivalents on the reporting date	10 167 007	8 063 375

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



EUR	Share capital	Consolidated reserves	Share premium	Translation reserves	Retained earnings	Equity distributed to the shareholders of the Parent Company	Non-controlling interests	Total equity
Balance as at 31 December 2021								
(Audited)	35 005	19 926 630	20 623 389	-	18 621 850	59 206 874	1 639 366	60 846 240
Profit for the reporting period	-	-	-	-	8 378 078	8 378 078	(71 975)	8 306 103
Dividend payout	-	-	-	-	(8 000 000)	(8 000 000)	-	(8 000 000)
Non-controlling interest change	-	-	-	-	317 959	317 959	(853 336)	(535 377)
Translation reserve	-	-	-	131 709	-	131 709	-	131 709
Balance as at 31 December 2022								
(Audited)	35 005	19 926 630	20 623 389	131 709	19 317 887	60 034 620	714 055	60 748 675
Profit for the reporting period	-	-	-	-	2 044 119	2 044 119	(349 110)	1 695 009
Acquisition of a subsidiaries	-	207 318	-	-	-	207 318	9 038 847	9 246 165
Translation reserve	-	-	-	(528 919)	-	(528 919)	-	(528 919)
Balance as at 31 December 2023								
(Unaudited)	35 005	20 133 948	20 623 389	(397 210)	21 362 006	61 757 138	9 403 792	71 160 930

Notes

1. Net turnover

EUR	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (Audited)
Income from processing of recyclable materials	83 568 162	100 024 795
Income from waste management	111 994 106	86 389 721
Income from organisation of packaging management system	12 663 782	10 397 135
Income from sorting and sale of recyclables	9 328 359	13 167 416
Other income	971 086	52 556
Total	218 525 495	210 031 623

Income by geographical markets are distributed as follows:

EUR	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (Audited)
Other Member States of the European Union	53 022 042	65 858 223
Republic of Lithuania	67 813 982	63 164 928
Republic of Latvia	70 645 931	51 746 658
Republic of Czechia	11 847 742	6 713 146
Republic of Poland	12 108 434	19 381 156
Outside the Member States of the European	3 087 364	3 167 512
Total	218 525 495	210 031 623

2. Production cost of goods sold

EUR	01.01.2023- 31.12.2023 (Unaudited)	01.01.2022- 31.12.2022 (Audited)
Raw materials and other material costs	60 508 574	83 272 638
Remuneration for work	37 780 486	27 351 374
Waste utilization costs	23 457 330	20 627 707
Depreciation of property, plant and equipment and intangible investments	18 060 958	13 199 867
Costs of outsourced services	14 611 335	11 237 161
Cost of production energy and other resources	9 511 083	9 499 886
Transport costs	8 564 631	7 119 834
State mandatory social insurance contributions	4 278 815	3 213 761
Professional services costs	1 690 368	821 887
Lease of industrial premises and related costs	636 720	435 173
Insurance costs	928 231	737 525
Other production costs	1 837 439	1 018 381
Total	181 865 970	178 535 194

Notes

3. Loans

EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
Non-current loans		
Bank (non-current part, repayable within 2-5 years)	50 029 714	28 263 863
Total	50 029 714	28 263 863
Non-current loan current part		
Bank (non-current part, repayable within 1 year)	11 091 093	18 914 522
Bank (credit line)	5 248 471	4 739 478
Other loans	613 636	-
Total	16 953 200	23 654 000
Loan interest		
Bank	243 112	174 135
Other	757	-
Total	243 869	174 135
Total current	17 197 069	23 828 135
Total loans	67 226 783	52 091 998

In accordance with bank loans, leasing and factoring contracts, financial covenants are set on the Group Consolidated level excluding newly established and acquired companies - Eco Recycling, Homecourt and Metal-Plast.

As at 31.12.2022 Equity ratio covenant according to one subsidiary Loan agreements was breached. Accordingly portion of Loans from credit institutions with non-current terms of mentioned loans as at 31.12.2022 in amount of EUR 11 049 891 was presented as Current. However, Luminor Bank AS Latvian Branch and respective Group subsidiary have reached an agreement after balance sheet date than non-compliance with the specific covenants will not be considered as a case of Event of default in accordance with the General Financing Terms after the reporting date.

As at 31.12.2023 covenants set at Group Consolidated level were met; Adjusted Equity ratio covenant is set for and can not be lower than 35% and Net Financial Debt to EBITDA not higher than 3.5.

As at 16.11.2023 Homecourt Sp.z o.o. received a loan from mBank S.A. In accordance with a facility agreement, covenants for the received loan is calculated based on consolidated Homecourt and Metal-Plast financials. Financial Leverage ratio (Net debt / Adjusted EBITDA) covenant is set for and can not be higher than 4,25. As at 31 December 2023 covenants were met.

Eco Recycling UAB has received an unsecured loan from related party INVL Baltic Sea Growth Fund with fixed interest rate.

4. Obligations under finance lease

EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
Year 1	4 554 543	3 718 448
Year 2 - 5	8 691 658	8 907 148
Total	13 246 201	12 625 596

Due to covenant breach mentioned in Note 3, accordingly portion of Obligations under Finance leases non-current terms of mentioned lease as at 31 December 2022 in amount of EUR 186 559 was presented as Current. In 2023 financial covenants are set on the Group Consolidated level. As at 31 December 2023 there was covenant calculation which determined classification as at 31 December 2023 as Non-current.

Notes

5. Long-term debt securities - bonds

EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
Debt securities - bonds	18 000 000	-
Total	18 000 000	-

On 17 February 2023 Eco Baltia AS issued bonds in the amount of EUR 8 million. The bonds mature on 17 February 2026, with an option for the issuer to redeem them after two years. On 2 November 2023 Eco Baltia AS issued bonds in the amount of EUR 10 million. 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'.

6. Financial risk management

In the ordinary course of business, the Group is exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management activities are undertaken to support the underlying operating transactions of the Group. The Group companies do not undertake any high risk transactions that would increase exposure to currency or interest rate risks.

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has subsidiaries TESIL Fibres registered and operating in the Czech Republic and Metal-Plast registered and operating in the Poland, accordingly Assets and Liabilities included in Groups consolidation amounts to 40 million EUR equivalent on stand alone basis. The Group has no material financial assets and liabilities denominated in currencies other than the euro. Consequently, the Group's exposure to foreign currency risk was insignificant in the reporting year.

Interest rate risk

The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and finance lease liabilities (see Notes 3 and 4) bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense, which may be caused by growing interest rates.

The Group companies SIA "Eco Baltia vide", UAB "Ecoservice", SIA "Nordic Plast" and AS "PET Baltija" and "Metal-Plast" Sp.z o.o. have non-current loans from credit institutions bearing interest at a floating EURIBOR rate; therefore, these companies are exposed to interest rate risk, which are not hedged by means of interest rate swap contracts.

Credit risk

Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank, trade receivables and issued non-current and current other loans.

Cash at bank

Credit risk related to cash at bank 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 losses. The Group companies evaluate credit ratings assigned to banks by international credit rating agencies and financial performance of banks on a regular basis.

Notes

6. Financial risk management - *continued*

Trade receivables

The Group companies have no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

The Group controls its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group maximum permissible exposure to credit risk is defined to the extent of the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by allowances made for doubtful and bad trade receivables. In addition Group uses factoring services.

Issued non-current and current loans

The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by allowance made for doubtful and bad loans and receivables.

Categories of financial instruments EUR	31.12.2023 (Unaudited)	31.12.2022 (Audited)
Financial assets		
Cash at bank and on hand at amortised cost	10 167 007	8 063 375
Other investments and securities at fair value	21 608	21 200
Loans and receivables carried at amortized cost value	32 369 018	23 325 286
Total financial assets	42 557 633	31 409 861
Financial liabilities		
Financial liabilities carried at amortized cost value	160 226 025	115 000 202
Total financial liabilities	160 226 025	115 000 202

Liquidity Risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 3), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month. As at 31 December 2023 Groups current liabilities were by EUR 4 323 926 more than current assets (as at 31 December 2022 currents liabilities were by EUR 14 866 398 more than current assets, from which EUR 11 049 891 in current liabilities represents Group's subsidiary AS PET Baltija reclassified portion of Loans from credit institutions with non-current terms. After the reporting year AS PET Baltija received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022 therefore in 2023 reclassification is canceled and mentioned amount presented as Non-current liabilities). The Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negatively jeopardized.

Notes

6. Financial risk management - *continued*

The following table demonstrates undiscounted contractual maturities of financial liabilities:

31.12.2022	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
EUR					
Non-derivative financial liabilities					
Trade and other payables	34 143 504	34 143 504	32 159 964	535 476	1 448 064
Obligations under finance leases	12 625 596	14 015 977	1 632 489	2 644 289	9 739 199
Lease liabilities	17 013 517	19 648 038	1 268 217	2 978 421	15 401 400
Borrowings	52 091 998	53 351 924	17 378 234	5 603 134	30 370 556
Total non-derivative financial liabilities	115 874 615	121 159 443	52 438 904	11 761 320	56 959 219
Total financial liabilities	115 874 615	121 159 443	52 438 904	11 761 320	56 959 219

31.12.2023	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
EUR					
Non-derivative financial liabilities					
Trade and other payables	38 449 563	32 014 283	27 350 800	3 705 768	957 715
Long-term debt securities - bonds	18 000 000	22 300 000	320 000	1 220 000	20 760 000
Obligations under finance leases	13 246 201	13 553 373	1 159 101	3 121 904	9 272 369
Lease liabilities	24 106 709	24 283 132	696 920	1 749 447	21 836 765
Borrowings	66 612 390	74 780 847	4 302 950	12 796 124	57 681 772
Total non-derivative financial liabilities (Unaudited)	160 414 863	166 931 635	33 829 770	22 593 244	110 508 621
Total financial liabilities (Unaudited)	160 414 863	166 931 635	33 829 770	22 593 244	110 508 621

Fair value

Based on the Group's management's assessment, the carrying amounts of financial assets and liabilities approximated to their fair value as at 31 December 2023 and 31 December 2022.

7. Business combinations and acquisition of non-controlling interests

In January 2023, the Group's subsidiary, Latvijas Zaļais punkts, completed the acquisition of the road and street maintenance company Pilsētas Eko Serviss, including acquisition of 100% of PES serviss and B124.

In Q4 2023 in order to further streamline the management and structure of Eco Baltia and improve the quality of services offered to customers, the Group's leading environmental management company, Eco Baltia vide, was reorganised by adding the road maintenance company Pilsētas Eko Serviss and the associations PES serviss and B 124. All rights and obligations of the company were transferred to Eco Baltia vide on 1 December.

To further support the Group's growth in the international market, in Q4 2023 INVL Baltic Sea Growth Fund together with Eco Baltia completed a transaction to acquire a stake in Metal-Plast, the largest PVC window and door profile recycler in Poland. At the date of acquisition, INVL Baltic Sea Growth Fund together with Eco Baltia acquired 82,42% stake.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

Fair value recognised on acquisition EUR'000	Pilsētas Eko Serviss	Metal-Plast	Acquired subsidiaries (Unaudited)
Assets			
Intangible assets*	1 178	185	1 363
Property, plant and equipment*	1 864	7 576	9 440
Inventories	126	3 883	4 009
Receivables	2 441	3 565	6 006
Cash	182	1 267	1 449
Liabilities			
Trade payables and other liabilities	(2 123)	(3 391)	(5 514)
Total net assets	3 668	13 085	16 753
Goodwill*	4 177	19 478	23 655
Purchase consideration transferred	7 845	32 563	40 408

8. Financial indicators

There are restrictions in the "Terms and Conditions" for the Unsecured Fixed Rate bonds issued (ISIN LV0000860120 and 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	As at 31.12.2023
Equity ratio	35,2%
Net debt to Adjusted EBITDA ratio	2,9

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



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