



JOINT STOCK COMPANY ECO BALTIA

**UNAUDITED CONSOLIDATED
REPORT FOR THE THREE
MONTHS PERIOD ENDED 31
MARCH 2023**

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

RIGA, 2023



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A hand is shown holding a clump of shredded white paper and plastic waste, with small bits of colored paper (pink, blue, green) visible. Below the hand is a large, overflowing pile of the same shredded material. The background is a blurred industrial setting with metal structures. A green curved line is positioned to the left of the text.

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	Maskavas 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 - Superviosry Board Member
Management Board Members of the Parent Company	Māris Simanovičs - Chairman of the Management Board Santa Spūle - Management Board Member Sigita Namatēva - Management Board Member
Reporting period	1 January - 31 March 2023



MISSION

Find value in each
and everything



Provides **full cycle**
of waste
management



>2200 employees



40 000 clients in Latvia
and abroad



25 **operational facilities**
across Latvia, Lithuania
and Czech Republic



MANAGEMENT REPORT

Management of the JSC (AS) “Eco Baltia” (hereafter refer to - the Company or Parent Company) hereby presents a management report regarding the unaudited consolidated annual financial statements of the JSC (AS) “Eco Baltia” group (hereafter referred to - the Group) for the business period from January 1st 2023 until March 31st 2023.

Group business profile

Eco Baltia is the largest environmental and waste management group in the Baltics, providing the full-cycle waste management solutions from waste collection and sorting to secondary raw material logistics, wholesale and raw material processing as well as PET and PE/PP plastics recycling. Eco Baltia business are strategically divided into two business segments - Polyethylene Terephthalate (“PET”) and plastic recycling and environmental management services.

Currently the Group employs over 2,200 people in Latvia, Lithuania and Czech Republic with leading companies in the existing portfolio including PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, Jumis, Lithuanian group of companies Ecoservice and Czech Republic TESIL Fibres. During the reporting period the acquisition of the street and road maintenance company Pilsētas Eko Serviss was concluded within the Group.

Development and financial performance of the Group during the reporting period

Along with the acquisitions implemented last year, in the reporting period work continued on the evaluation of new business lines and acquisitions, thus aiming to further strengthen the Group's position and market share both in Latvia and internationally, while developing and expanding the full-cycle waste chain in the Group's overall service portfolio.

At the beginning of 2023, the Group company Eco Baltia vide, through its subsidiary Latvijas Zaļais punkts, concluded a deal to acquire the street and 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. In 2023, the reorganisation process has been initiated, in accordance with the requirements of the regulatory enactments and the process foreseen therein, all three companies in several stages of the process will be incorporated into the Group's subsidiary Eco Baltia vide.

The Group's two largest subsidiaries in the environmental segment, Eco Baltia vide and Ecoservice, continue to develop a number of projects during this reporting period, including the establishment and expansion of specialised sites for sorting construction waste and the promotion of the sorting of household waste, textiles and other materials. At the same time, the “Tocha” brand and its portable toilets service are being further promoted in the Latvian market, strengthening the market position while maintaining a consistently high quality bar.

During the reporting period, the Group's environmental sector companies also submitted bids for a number of public tenders for the provision of waste management services, road maintenance and other services.

During the reporting period, 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 in accordance with the requirements of the Ministry of Environmental Protection and Regional Development of the Republic of Latvia and the State Environmental Service (“SES”). The activities of Latvijas Zaļais punkts were organised in accordance with the management programmes for 2023-2025 approved by the SES.

In the Group's PET bottle and plastic packaging recycling sector, capacity expansion projects continued during the reporting period. Nordic Plast completed the testing of the new plastic sorting and recycling line, which was built last year with an investment of more than EUR 2.8 million, ensuring stable operation and a gradual increase in production capacity. Nordic Plast's production capacity is expected to increase by at least 29% in 2023 thanks to the modernisation of the plant, although the increase may vary in line with the current volatile situation in the recycled market.

PET Baltija, the Group's PET bottle recycler, continues work on the development of its new production facility in Olaine. Considering 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 inventories of the subsidiary PET Baltija, PET Baltija and the Parent Company have agreed with Luminor Bank Latvian Branch on the Parent Company's decision on the subordinated short-term loan to PET Baltija of EUR 1.5 million and long-term loan to TESIL Fibres EUR 4 million. The purpose of the loans is to expand the production capacity, ensuring its maximum utilisation and further development of the business, including activities in new market segments.

During the reporting period, Eco Baltia issued its first bonds of EUR 8 million with significant investor interest, demand exceeding the maximum offer volume by 3.5 times. The first bonds were issued in the amount of EUR 8 million. The bonds mature on 17 February 2026 with an option for the issuer to redeem the bonds after two years. The bonds are listed on Nasdaq Baltic's alternative market "First North" since 2 March 2023.

Given that the Group's business model and operations are geared towards embedding circular economy principles in the daily implementation of various sustainable business practices, active work on the development and implementation of a consolidated ESG (environmental, social and governance) strategy for the Company and its key subsidiaries, which commenced 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 business levels.

The Group closed the first three months of 2023 with a profit of EUR 2 765 692 (three months of 2022: profit of EUR 2 735 575). The Group's turnover for the first three months of 2023 is EUR 56 356 044, an increase of 21% compared to EUR 46 472 279 in the first three months of 2022, mainly due to the acquisition of new businesses, the solid and convincing performance of the environmental management sector in the first quarter of 2023 and the focus on productivity, efficiency and automation.

During the period under review, the Group's consolidated EBITDA amounted to EUR 8.3 million, compared to EUR 7 million in the first quarter of 2022.

Future prospects

The Company's main objectives in 2023, in line with its strategic objectives, are to improve working conditions, support employees, ensure the highest level of occupational safety and improve ESG and sustainability.

In 2023, investments in the recycling sector and waste and environmental management will continue to support the further growth, efficiency and competitiveness of the Group companies. In 2023, production at the new PET Baltija plant is planned to start gradually, tripling PET production.

Investments in efficiency and automation are also important to reduce the impact of rising energy and labour costs.

In 2023, the Group will continue to promote synergies between Group companies to achieve maximum benefit from the full-cycle waste management process involving all companies.

Events after the reporting date

At the end of the reporting period, the offer submitted by the Company's environmental management company Eco Baltia vide in the open tender for waste management in Salaspils municipality was recognised as the most appropriate and financially advantageous offer for Salaspils, therefore the company will continue to provide municipal waste management services to residents and businesses in Salaspils municipality after the expiry of the current contract (from 1 October). The total amount of the contract is EUR 7 million (excluding VAT) for a contractual period of three years with an option to extend the contract.

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 that provides natural resource tax relief under 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.

The further implementation of the system is in the process of concluding contracts with municipalities and tobacco traders, as well as establishing a management plan. The system will be launched in Latvia after approval by the State Environmental Service.

The reorganisation process of Eco Baltia vide, Pilsētas Eko Serviss, PES Serviss and B 124 continues and is planned to be completed by the end of this year. The mergers are taking place in several stages throughout the year.

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

STATEMENT OF MANAGEMENT RESPONSIBILITIES



The management of Eco Baltia AS confirms that the unaudited interim 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 March 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 AS. 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.



CONSOLIDATED FINANCIAL STATEMENTS

eco baltia

677 60 000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR	Note	01.01.2023- 31.03.2023 (Unaudited)	01.01.2022- 31.03.2022 (Unaudited)
Net turnover	1	56 356 044	46 472 279
Production cost of goods sold	2	(45 867 732)	(38 467 020)
Gross profit		10 488 312	8 005 259
Selling and distribution expenses		(1 961 803)	(1 494 388)
Administrative expenses		(4 509 518)	(3 266 503)
Other operating income		257 552	170 369
Other operating expenses		(277 459)	(251 593)
Finance income		1 728	1 552
Finance costs		(1 258 988)	(515 317)
Profit before tax		2 739 824	2 649 379
Corporate income tax		-	(693)
Deferred corporate income tax		25 868	86 889
PROFIT FOR THE REPORTING PERIOD		2 765 692	2 735 575
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		37 673	-
Total comprehensive income for the period after tax		2 803 365	2 735 575
Profit and comprehensive income attributable to:			
Majority interests		2 810 900	2 695 699
Non-controlling interests		(7 535)	39 876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



EUR	31.03.2023 (Unaudited)	31.12.2022 (Audited)
ASSETS		
Non-current investments		
Intangible investments		
Licences, trade marks and other intangible investments	1 766 015	2 071 371
Development costs	708 989	822 654
Goodwill	46 656 525	40 155 615
Total intangible investments	49 131 529	43 049 640
Property, plant and equipment		
Land, buildings and constructions	5 388 041	5 216 420
Right-of-use assets	36 145 876	37 436 780
Non-current investments in leased property, plant and equipment	193 026	214 936
Equipment and machinery	22 498 211	22 801 801
Other property, plant and equipment, and inventories	8 536 585	7 918 548
Construction in progress	12 418 243	11 610 991
Prepayments for property, plant and equipment	2 095 785	1 270 228
Total property, plant and equipment	87 275 767	86 469 704
Non-current financial investments		
Other securities and investments	21 200	21 200
Prepaid expenses	25 262	258 239
Other non-current receivables	443 314	26 000
Total non-current financial assets	489 776	305 439
Total non-current investments	136 897 072	129 824 783
Current assets		
Inventories	15 437 909	18 445 415
Receivables		
Trade receivables	21 294 886	18 214 506
Other loans	-	290
Other receivables	1 617 637	1 422 288
Prepaid expenses	1 358 071	778 521
Accrued income	5 142 368	3 688 202
Total receivables	29 412 962	24 103 807
Non-current assets held for sale	-	485 000
Cash and cash equivalents	9 848 582	8 063 375
Total current assets	54 699 453	51 097 597
TOTAL ASSETS	191 596 525	180 922 380

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



EUR	Note	31.03.2023 (Unaudited)	31.12.2022 (Audited)
LIABILITIES			
Equity			
Share capital		35 005	35 005
Share premium		20 623 389	20 623 389
Consolidated reserves		19 926 630	19 926 630
Translation reserves		169 382	131 709
Retained earnings brought forward		19 317 887	10 939 809
Profit for the reporting period		2 765 692	8 378 078
Equity attributable to the shareholders of the Parent Company		62 837 985	60 034 620
Non-controlling interests		706 520	714 055
Total equity		63 544 505	60 748 675
Liabilities			
Non-current liabilities			
Long-term debt securities - bonds	5	8 000 000	-
Loans from credit institutions	3	42 589 087	28 263 863
Obligations under finance leases	4	9 150 668	8 907 148
Lease liabilities		14 137 605	14 127 497
Deferred income		1 392 888	1 425 261
Other payables		18 581	22 803
Deferred income tax liability		1 742 504	1 463 138
Total non-current liabilities		77 031 333	54 209 710
Current liabilities			
Loans from credit institutions	3	9 710 103	23 828 135
Obligations under finance leases	4	2 746 946	3 718 448
Lease liabilities		2 541 379	2 886 020
Prepayments received from customers		1 184 874	894 373
Trade payables		21 707 398	23 240 631
Corporate income tax		9 225	23 705
Taxes payable		2 828 443	2 792 287
Other payables		3 865 188	3 270 274
Deferred income		460 492	535 476
Accrued liabilities		5 946 679	4 754 686
Unpaid dividends		19 960	19 960
Total current liabilities		51 020 687	65 963 995
Total liabilities		128 052 020	120 173 705
TOTAL EQUITY AND LIABILITIES		191 596 525	180 922 380

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR	01.01.2023- 31.03.2023 (Unaudited)	01.01.2022- 31.03.2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	2 739 824	2 649 379
Adjustments for:		
Depreciation and amortization	4 261 471	3 688 811
Interest payments and similar expense	1 258 988	515 317
Interest (income) and similar (income)	(1 728)	(1 552)
(Gain)/loss on disposal of property, plant and equipment	(23 577)	(32 839)
(Income) from external co-financing	(106 141)	(86 936)
Changes in provisions and allowances	(607 669)	39 802
Profit before adjustments for the effect of changes in current assets and current liabilities	7 521 168	6 771 982
Adjustments for:		
(Increase)/decrease in receivables	(2 424 882)	(2 085 695)
Increase/(decrease) in payables	(347 030)	(1 668 160)
(Increase)/decrease in inventories	3 244 447	5 193 083
CASH FLOWS FROM OPERATING ACTIVITIES	7 993 703	8 211 210
Interest paid	(1 396 674)	(561 556)
Corporate income tax paid	(7 328)	(46 022)
Net cash flows from operating activities	6 589 701	7 603 632
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible investments	(3 383 339)	(3 450 448)
Proceeds from sale of property, plant and equipment	18 289	341 698
Acquisition of subsidiaries, net of cash acquired	(7 663 487)	-
Acquisition of shares in associates and other companies	-	(489 007)
Received interest from other companies	1 709	-
Net cash flows used in the investing activities	(11 026 828)	(3 597 757)

CONSOLIDATED STATEMENT OF CASH FLOWS

continued

CASH FLOWS FROM FINANCING ACTIVITIES

Revenue from investment sold	2 000	-
Proceeds from borrowings	7 810 145	145 000
Repayment of borrowings	(7 847 768)	(1 415 440)
Repayment of the lease liabilities	(1 005 199)	(587 845)
Payments of obligations under finance leases	(643 865)	(1 169 182)
Subsidies, grants, gifts or donations	(100 000)	220 935
Issued debt securities (bonds)	8 000 000	-
Net cash flows used in the financing activities	6 215 313	(2 806 532)
Net cash flow for the reporting period	1 778 186	1 199 343
Result of fluctuations of foreign currency exchange rates	7 021	-
Cash and cash equivalents at the beginning of the period	8 063 375	11 818 727
Cash and cash equivalents on the reporting date	9 848 582	13 018 070

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	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	-	-	-	-	2 695 699	2 695 699	39 876	2 735 575
Translation reserve	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	2 695 699	2 695 699	39 876	2 735 575
Balance as at 31 March 2022 (Unaudited)	35 005	19 926 630	20 623 389	-	21 317 549	61 902 573	1 679 242	63 581 815
Profit for the reporting period	-	-	-	-	5 682 379	5 682 379	(111 851)	5 570 528
Translation reserve	-	-	-	131 709	-	131 709	-	131 709
Total comprehensive income	-	-	-	131 709	5 682 379	5 814 088	(111 851)	5 702 237
Dividend payout	-	-	-	-	(8 000 000)	(8 000 000)	-	(8 000 000)
Non-controlling interest change	-	-	-	-	317 959	317 959	(853 336)	(535 377)
Balance as at 31 December 2022	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	-	-	-	-	2 765 692	2 765 692	(7 535)	2 758 157
Translation reserve	-	-	-	37 673	-	37 673	-	37 673
Total comprehensive income	-	-	-	37 673	2 765 692	2 803 365	(7 535)	2 795 830
Non-controlling interest change	-	-	-	-	-	-	-	-
Balance as at 31 March 2023 (Unaudited)	35 005	19 926 630	20 623 389	169 382	22 083 579	62 837 985	706 520	63 544 505

Notes

1. Net turnover

EUR	01.01.2023- 31.03.2023 (Unaudited)	01.01.2022- 31.03.2022 (Unaudited)
Income from processing of recyclable raw materials	26 919 012	21 135 527
Income from waste management	24 681 008	19 219 067
Income from organisation of packaging management system	2 625 585	2 286 281
Income from sorting and sale of recyclables	2 018 601	3 803 897
Other income	111 838	27 507
Total	56 356 044	46 472 279

Income by geographical markets are distributed as follows:

EUR	01.01.2023- 31.03.2023 (Unaudited)	01.01.2022- 31.03.2022 (Unaudited)
Other Member States of the European Union	21 438 131	17 785 555
Republic of Lithuania	14 747 478	11 800 594
Republic of Latvia	16 063 490	14 006 221
Republic of Czechia	3 141 736	769 526
Outside the Member States of the European Union	965 209	2 110 383
Total	56 356 044	46 472 279

2. Production cost of goods sold

EUR	01.01.2023- 31.03.2023 (Unaudited)	01.01.2022- 31.03.2022 (Unaudited)
Raw materials and other material costs	18 898 376	17 781 083
Remuneration for work	7 881 594	6 052 401
Waste utilization costs	5 397 779	3 674 745
Depreciation of property, plant and equipment and intangible investments	3 784 657	3 304 484
Costs of outsourced services	2 309 192	3 160 354
Cost of production energy and other resources	2 449 266	1 514 924
Transport costs	1 619 829	1 272 239
State mandatory social insurance contributions	1 045 979	676 160
Professional services costs	625 362	165 568
Insurance costs	261 578	159 326
Lease of industrial premises and related costs	508 922	94 565
Other production costs	1 085 198	611 171
Total	45 867 732	38 467 020

3. Loans from credit institutions

EUR	31.03.2023 (Unaudited)	31.12.2022 (Audited)
Non-current loans		
Bank (non-current part, repayable within 2-5 years)	42 589 087	28 263 863
Total	42 589 087	28 263 863
Non-current loan current part		
Bank (non-current part, repayable within 1 year)	9 165 055	18 914 522
Bank (credit line)	545 048	4 739 478
Total	9 710 103	23 654 000
Loan interest		
Bank	-	174 135
Total	-	174 135
Total current	9 710 103	23 828 135
Total loans from credit institutions	52 299 190	52 091 998

In accordance with bank loans, leasing and factoring contracts, financial covenants are set on the Group's subsidiaries level and Group Consolidated level.

According to the subsidiaries' managements' calculations performed using normalised EBITDA and other financial data as of 31.03.2023 the Group companies has complied with the above requirements.

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. Thus, as at 31.03.2023 the loan was presented as Non-current.

In addition covenants set at Eco Baltia Consolidated lever where 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.

4. Obligations under finance lease maturity

EUR	31.03.2023 (Unaudited)	31.12.2022 (Audited)
Year 1	2 746 946	3 718 448
Year 2 - 5	9 150 668	8 907 148
Total	11 897 614	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 31.12.2022 in amount of EUR 186 559 was presented as Current.

5. Long-term debt securities - bonds

EUR	31.03.2023 (Unaudited)	31.12.2022 (Audited)
Debt securities - bonds	8 000 000	-
Total	8 000 000	-

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. The accrued interest on the issued bonds as of 31 March 2023 amounts to EUR 78 222 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 subsidiary TESIL Fibres registered and operating in the Czech Republic, accordingly Assets and Liabilities included in Groups consolidation amounts to 28.5 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" 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

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	31.03.2023 (Unaudited)	31.12.2022 (Audited)
Financial assets		
Cash at bank and on hand at amortised cost	9 848 582	8 063 375
Other investments and securities at fair value	21 200	21 200
Loans and receivables carried at amortized cost value	28 054 892	23 325 286
Total financial assets	37 924 674	31 409 861
Financial liabilities		
Financial liabilities carried at amortized cost value	122 286 974	115 000 202
Total financial liabilities	122 286 974	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. The Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negatively jeopardized. As at 31.03.2023 Groups current assets are by EUR 3 678 766 more than current liabilities, (As at 31.12.2022: 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).

Notes

The following table demonstrates undiscounted contractual maturities of financial liabilities:

31.12.2022					
EUR	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
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
31.03.2023					
EUR	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
Non-derivative financial liabilities					
Trade and other payables	34 576 100	34 576 100	29 801 686	3 362 946	1 411 468
Long-term debt securities - bonds	8 000 000	9 838 222	160 000	480 000	9 198 222
Obligations under finance leases	11 897 615	13 391 237	1 025 594	2 799 048	9 566 595
Lease liabilities	16 678 984	16 678 984	842 276	1 699 103	14 137 605
Borrowings	52 299 190	56 300 808	3 458 286	9 768 543	43 073 979
Total non-derivative financial liabilities (Unaudited)	123 451 889	130 785 351	35 287 842	18 109 640	77 387 869
Total financial liabilities (Unaudited)	123 451 889	130 785 351	35 287 842	18 109 640	77 387 869

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 March 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 B 124.

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

Fair value recognised on acquisition	Acquired subsidiaries (Unaudited)
EUR	
Assets	
Non-current assets	718 662
Current assets	2 567 313
Cash	181 701
Liabilities	-
Other liabilities	(2 123 397)
Total net assets	1 344 279
Goodwill	6 500 908
Purchase consideration transferred	7 845 187

8. Financial indicators

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

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 31.03.2023
Equity ratio	36,5%
Net debt to Adjusted EBITDA ratio	2,6



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MĀRIS SIMANOVIČS
ECO BALTIA
CHAIRMAN OF
THE MANAGEMENT BOARD



SANTA SPŪLE
ECO BALTIA
MEMBER OF THE
MANAGEMENT BOARD,
CFO



SIGITA NAMATĒVA
ECO BALTIA
MEMBER OF THE
MANAGEMENT BOARD,
CLO