



JOINT STOCK COMPANY ECO BALTIA

**UNAUDITED CONSOLIDATED  
REPORT FOR THE SIX  
MONTHS PERIOD ENDED 30  
JUNE 2023**

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

RIGA, 2023



# TABLE OF CONTENTS

|  |    |
|--|----|
| GENERAL INFORMATION                            | 3  |
| MANAGEMENT REPORT                              | 6  |
| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | 12 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION   | 13 |
| CONSOLIDATED STATEMENT OF CASH FLOWS           | 15 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY    | 17 |
| NOTES  | 18 |



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



|  |   |
|--|---|
| <b>Name of the Parent Company</b>                                | Eco Baltia AS   |
| <b>Legal status of the Parent Company</b>                        | Joint stock company   |
| <b>Registration number, place and date of the Parent Company</b> | 40103435432<br>Riga, 08 July 2011   |
| <b>Registered office of the Parent Company</b>                   | Maskavas iela 240-3, Riga, LV-1063, Latvia  |
| <b>Shareholders of the Parent Company</b>                        | BSGF Salvus UAB, Gyneju g.14, Vilnius, Lithuania (52.81%)<br>European Bank for Reconstruction and Development, Broadgate City of London One Exchange Square, London EC2A 2JN (United Kingdom) (30.51%)<br>Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%)<br>PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%) |
| <b>Supervisory Board Members of the Parent Company</b>           | Vytautas Plunksnis – Chairman of the Supervisory Board<br>Deimante Korsakaite – Deputy Chairperson of the Supervisory Board<br>Jurgita Petrauskiene - Supervisory Board Member<br>Gints Pucēns - Supervisory Board Member<br>Atienza Guell Alberto - Superviosry Board Member   |
| <b>Management Board Members of the Parent Company</b>            | Māris Simanovičs - Chairman of the Management Board<br>Santa Spūle - Management Board Member<br>Sigita Namatēva - Management Board Member<br>Saulius Budrevičius - Management Board Member since 21.07.2023   |
| <b>Reporting period</b>  | 1 January - 30 June 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 interim financial statements of the JSC (AS) Eco Baltia group (hereafter referred to - the Group) for the business period from January 1st 2023 until June 30th 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 as well as the production of PET fibres. 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 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 the public tender for waste management in the municipality of Salaspils was recognised as 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 €7 million (excluding VAT) for a period of three years with an option to extend. Ecoservice has been awarded the right to provide waste management services in Klaipėda and Vilnius for the next five years, as well as these and other services in other regions of Lithuania for varying periods.

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 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 programmes 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 (SIA) 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 to select a tobacco product manager in Latvia to ensure the operation of this system in compliance with the Law on the Reduction of Consumption of Products Containing Plastics found the offer of the Concern company Latvijas Zaļais punkts to be the most economically advantageous. Further implementation of the system involves the conclusion of contracts with municipalities and tobacco traders, as well as the development of a management plan. The system will be launched in Latvia after approval by the State Environmental Service.

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. At the same time, Eco Baltia is evaluating financing opportunities in the capital markets with the potential to issue new bonds of up to EUR 10 million with a maturity of up to three years in the form of a closed offer to facilitate the implementation of new business development projects.



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 company is also working to create an effective internal environment, which has resulted in this year's "Family Friendly Workplace" status under the national program implemented by the Social Integration Fund.

The Group closed the first six months of 2023 with a profit of EUR 2.9 million (six months of 2022: profit of EUR 6.3 million). The Group's turnover for the first six months of 2023 is EUR 112 million, an increase of 13% compared to EUR 98.7 million in the first six 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.

The market for recycled PET and other plastics materials experienced a significant decline in the last quarter of 2022, where the situation remained unfavourable in the first half of 2023. This is due to the unregulated European market for the use of recycled materials in the production of final products. This market situation has contributed to the uncontrolled flow of cheap virgin raw materials from Asian regions into Europe. In addition, rising energy costs have led to a preference for cheap virgin materials, which has reduced the demand for recycled raw materials.

In view of this situation, the Group recognized impairment of EUR 1.3 million on the goodwill of TESIL Fibres, a subsidiary of PET Baltija acquired last year, following a review of the goodwill. In accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), Eco Baltia has been given 12 months to assess the initial accounting for the acquisition for consolidated financial reporting purposes, which is incomplete at the date of these financial statements as some fair value measurements of the acquired fixed assets have not yet been finalised.

In the period under review, the Group's consolidated EBITDA, calculated before the non-cash goodwill impairment of 1.3 million EUR, amounted to 16.7 million EUR, compared to 14.6 million EUR in the first six months 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 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

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.

Eco Baltia's environmental services provider, Eco Baltia vide, has won several tenders, including the tender announced by Saldus Municipality for the maintenance of the administrative area of the towns of Saldus and Brocēni for the next five years, for a total of EUR 1.28 million.

After the reporting period, Eco Baltia's shareholder, INVL Baltic Sea Growth Fund, a private equity fund in the Baltic States, agreed with Eco Baltia to acquire 70% of Metal-Plast, the largest PVC window recycler in Poland, in order to assess the Group's future development opportunities. The transaction is expected to close in the fourth quarter of 2023, subject to clearance by the Polish Competition and Consumer Office and other conditions.

At the beginning of August, the recycling centre of Eco Baltia's Lithuanian subsidiary Ecoservice in Vilnius suffered a fire. In order to ensure the continuity of the company's operations, materials for sorting were diverted to sub-companies and other branches. At present, the construction waste sorting line and the temporary packaging sorting line have been reopened and the insurance recovery process is underway, with the circumstances and extent of the damage still being assessed.

After the reporting period, there were changes in the composition of the Management Board of both Eco Baltia's parent company and its recycling company PET Baltija. Saulius Budrevičius, Supervisory Board member of the environmental management company Eco Baltia vide, joined Eco Baltia's Board, while Kaspars Ezernieks, the company's current CEO and board member, joined PET Baltija's board in July and Jūlija Zandersone, the board's chairwoman, in September. Salvis Lapiņš, the previous chairman of PET Baltija's board, worked for the company until 21st of July this 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 consolidated 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 30 June 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 interim 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 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 International Financial Standards as adopted by the European Union.





# **CONSOLIDATED FINANCIAL STATEMENTS**

eco baltia

677 80 000

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR   | Note | 01.01.2023-<br>30.06.2023<br>(Unaudited) | 01.01.2022-<br>30.06.2022<br>(Unaudited) |
|---|------|--|--|
| Net turnover  | 1    | 112 041 267                              | 98 722 805                               |
| Production cost of goods sold   | 2    | (92 070 077)                             | (80 536 660)                             |
| <b>Gross profit</b>   |      | <b>19 971 190</b>                        | <b>18 186 145</b>                        |
| Selling and distribution expenses   |      | (3 452 450)                              | (3 629 958)                              |
| Administrative expenses   |      | (8 981 879)                              | (7 328 533)                              |
| Other operating income  |      | 481 489                                  | 345 403                                  |
| Other operating expenses  |      | (1 922 813)                              | (453 184)                                |
| Finance income  |      | 1 770                                    | 4 807                                    |
| Finance costs   |      | (2 996 447)                              | (1 120 635)                              |
| Adjustments of reduction in the value of long-term and short-term financial investments |      | (29 762)                                 | -  |
| <b>Profit before tax</b>  |      | <b>3 071 098</b>                         | <b>6 004 045</b>                         |
| Corporate income tax  |      | (150 848)                                | (4 819)                                  |
| Deferred corporate income tax   |      | (58 424)                                 | 281 946                                  |
| <b>PROFIT FOR THE REPORTING PERIOD</b>  |      | <b>2 861 826</b>                         | <b>6 281 172</b>                         |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                   |      |  |  |
| Exchange difference on translation of foreign operations                                |      | -  | -  |
| <b>Total comprehensive income for the period after tax</b>                              |      | <b>2 861 826</b>                         | <b>6 281 172</b>                         |
| <b>Profit and comprehensive income attributable to:</b>                                 |      |  |  |
| Majority interests  |      | 2 860 832                                | 6 227 872                                |
| Non-controlling interests   |      | 994                                      | 53 300                                   |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



| EUR   | 30/06/2023<br>(Unaudited) | 31/12/2022<br>(Audited) |
|---|---------------------------|-------------------------|
| <b>ASSETS</b>   |                           |                         |
| Non-current investments   |                           |                         |
| Intangible investments  |                           |                         |
| Licences, trade marks and other intangible investments          | 1 556 922                 | 2 071 371               |
| Development costs   | 1 368 298                 | 822 654                 |
| Goodwill  | 45 310 761                | 40 155 615              |
| <b>Total intangible investments</b>                             | <b>48 235 981</b>         | <b>43 049 640</b>       |
| Property, plant and equipment                                   |                           |                         |
| Land, buildings and constructions                               | 5 346 748                 | 5 216 420               |
| Right-of-use assets   | 34 021 118                | 37 436 780              |
| Non-current investments in leased property, plant and equipment | 145 791                   | 214 936                 |
| Equipment and machinery   | 24 282 894                | 22 801 801              |
| Other property, plant and equipment, and inventories            | 8 815 067                 | 7 918 548               |
| Construction in progress  | 9 393 368                 | 11 610 991              |
| Prepayments for property, plant and equipment                   | 2 488 043                 | 1 270 228               |
| <b>Total property, plant and equipment</b>                      | <b>84 493 029</b>         | <b>86 469 704</b>       |
| Non-current financial investments                               |                           |                         |
| Other securities and investments                                | 21 200                    | 21 200                  |
| Prepaid expenses  | 111 295                   | 258 239                 |
| Other non-current receivables                                   | 313 418                   | 26 000                  |
| <b>Total non-current financial assets</b>                       | <b>445 913</b>            | <b>305 439</b>          |
| <b>Total non-current investments</b>                            | <b>133 174 923</b>        | <b>129 824 783</b>      |
| Current assets  |                           |                         |
| <b>Inventories</b>  | <b>14 291 276</b>         | <b>18 445 415</b>       |
| Receivables   |                           |                         |
| Trade receivables   | 20 468 939                | 18 214 506              |
| Other loans   | -                         | 290                     |
| Other receivables   | 1 302 978                 | 1 422 288               |
| Prepaid expenses  | 1 236 055                 | 778 521                 |
| Accrued income  | 5 868 841                 | 3 688 202               |
| <b>Total receivables</b>  | <b>28 876 813</b>         | <b>24 103 807</b>       |
| <b>Non-current assets held for sale</b>                         | <b>-</b>                  | <b>485 000</b>          |
| <b>Cash and cash equivalents</b>                                | <b>8 288 705</b>          | <b>8 063 375</b>        |
| <b>Total current assets</b>                                     | <b>51 456 794</b>         | <b>51 097 597</b>       |
| <b>TOTAL ASSETS</b>   | <b>184 631 717</b>        | <b>180 922 380</b>      |



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



| EUR  | Note | 30/06/2023<br>(Unaudited) | 31/12/2022<br>(Audited) |
|--|------|---------------------------|-------------------------|
| <b>LIABILITIES</b>   |      |                           |                         |
| <b>Equity</b>  |      |                           |                         |
| Share capital  |      | 35 005                    | 35 005                  |
| Share premium  |      | 20 623 389                | 20 623 389              |
| Consolidated reserves  |      | 19 926 630                | 19 926 630              |
| Translation reserves   |      | (125 847)                 | 131 709                 |
| Retained earnings brought forward                                    |      | 19 317 887                | 10 939 809              |
| Profit for the reporting period                                      |      | 2 860 832                 | 8 378 078               |
| <b>Equity attributable to the shareholders of the Parent Company</b> |      | <b>62 637 896</b>         | <b>60 034 620</b>       |
| Non-controlling interests  |      | 715 049                   | 714 055                 |
| <b>Total equity</b>  |      | <b>63 352 945</b>         | <b>60 748 675</b>       |
| <b>Liabilities</b>   |      |                           |                         |
| <b>Non-current liabilities</b>                                       |      |                           |                         |
| Long-term debt securities - bonds                                    | 5    | 8 000 000                 | -                       |
| Loans from credit institutions                                       | 3    | 39 224 504                | 28 263 863              |
| Obligations under finance leases                                     | 4    | 8 796 210                 | 8 907 148               |
| Lease liabilities  |      | 13 072 583                | 14 127 497              |
| Deferred income  |      | 1 206 977                 | 1 425 261               |
| Other payables   |      | 18 580                    | 22 803                  |
| Deferred income tax liability  |      | 2 001 721                 | 1 463 138               |
| <b>Total non-current liabilities</b>                                 |      | <b>72 320 575</b>         | <b>54 209 710</b>       |
| <b>Current liabilities</b>   |      |                           |                         |
| Loans from credit institutions                                       | 3    | 11 450 092                | 23 828 135              |
| Obligations under finance leases                                     | 4    | 3 081 694                 | 3 718 448               |
| Lease liabilities  |      | 2 337 860                 | 2 886 020               |
| Prepayments received from customers                                  |      | 943 324                   | 894 373                 |
| Trade payables   |      | 15 889 033                | 23 240 631              |
| Corporate income tax   |      | 92 824                    | 23 705                  |
| Taxes payable  |      | 3 201 894                 | 2 792 287               |
| Other payables   |      | 3 567 317                 | 3 270 274               |
| Deferred income  |      | 378 595                   | 535 476                 |
| Accrued liabilities  |      | 7 995 604                 | 4 754 686               |
| Unpaid dividends   |      | 19 960                    | 19 960                  |
| <b>Total current liabilities</b>                                     |      | <b>48 958 197</b>         | <b>65 963 995</b>       |
| <b>Total liabilities</b>   |      | <b>121 278 772</b>        | <b>120 173 705</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                  |      | <b>184 631 717</b>        | <b>180 922 380</b>      |

# CONSOLIDATED STATEMENT OF CASH FLOWS



| EUR  | 01.01.2023-<br>30.06.2023<br>(Unaudited) | 01.01.2022-<br>30.06.2022<br>(Unaudited) |
|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |  |
| Profit before tax  | 3 071 098                                | 6 004 045                                |
| Adjustments for:   |  |  |
| Depreciation and amortization  | 9 303 279                                | 7 519 007                                |
| Interest payments and similar expense  | 2 996 447                                | 1 120 635                                |
| Interest (income) and similar (income)   | (1 770)                                  | (2 874)                                  |
| (Gain)/loss on disposal of property, plant and equipment   | (71 352)                                 | (62 737)                                 |
| (Income) from external co-financing  | (295 049)                                | (179 586)                                |
| Changes in provisions and allowances   | 804 246                                  | 484 312                                  |
| Goodwill impairment  | 1 345 764                                | -  |
| Revenue from other securities and loans which formed long-term financial investments                 | -  | (1 933)                                  |
| <b>Profit before adjustments for the effect of changes in current assets and current liabilities</b> | <b>17 152 663</b>                        | <b>14 880 869</b>                        |
| Adjustments for:   |  |  |
| (Increase)/decrease in receivables   | (2 795 320)                              | (1 931 421)                              |
| Increase/(decrease) in payables  | (4 241 078)                              | 5 822 100                                |
| (Increase)/decrease in inventories   | 4 154 139                                | (3 811 274)                              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  | <b>14 270 404</b>                        | <b>14 960 274</b>                        |
| Interest paid  | (2 550 921)                              | (1 095 472)                              |
| Corporate income tax paid  | 19 823                                   | (107 842)                                |
| <b>Net cash flows from operating activities</b>  | <b>11 739 306</b>                        | <b>13 756 960</b>                        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |  |
| Purchase of property, plant and equipment and intangible investments                                 | (6 572 667)                              | (10 195 314)                             |
| Proceeds from sale of property, plant and equipment  | 322 312                                  | 384 280                                  |
| Acquisition of subsidiaries, net of cash acquired  | (7 663 487)                              | (498 007)                                |
| Received interest from other companies   | 1 752                                    | 1 933                                    |
| Revenue from alienation of stocks or shares of related, associated or other companies                | 2 000                                    | -  |
| <b>Net cash flows used in the investing activities</b>   | <b>(13 910 090)</b>                      | <b>(10 307 108)</b>                      |

# CONSOLIDATED STATEMENT OF CASH FLOWS

## *continued*

| EUR   | 01.01.2023-<br>30.06.2023 | 01.01.2022-<br>30.06.2022 |
|---|---------------------------|---------------------------|
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |                           |                           |
| Revenue from investment sold                              | -                         | -                         |
| Proceeds from borrowings                                  | 8 410 345                 | 3 910 158                 |
| Repayment of borrowings                                   | (9 647 022)               | (2 449 962)               |
| Repayment of the lease liabilities                        | (1 963 743)               | (1 229 749)               |
| Payments of obligations under finance leases              | (2 339 408)               | (2 662 255)               |
| Subsidies, grants, gifts or donations                     | -                         | 417 926                   |
| Dividends paid  | -                         | -                         |
| Issued debt securities (bonds)                            | 8 000 000                 | -                         |
| Disbursed dividends                                       | -                         | (8 000 000)               |
| <b>Net cash flows used in the financing activities</b>    | <b>2 460 172</b>          | <b>(10 013 882)</b>       |
| Net cash flow for the reporting period                    | 289 388                   | (6 564 030)               |
| Result of fluctuations of foreign currency exchange rates | (64 058)                  | -                         |
| Cash and cash equivalents at the beginning of the period  | 8 063 375                 | 11 818 727                |
| <b>Cash and cash equivalents on the reporting date</b>    | <b>8 288 705</b>          | <b>5 254 697</b>          |



# 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        | -             | -                     | -             | -                    | 6 227 872         | 6 227 872  | 53 300                    | 6 281 172    |
| Translation reserve                    | -             | -                     | -             | -                    | -                 | -  | -                         | -            |
| Total comprehensive income             | -             | -                     | -             | -                    | 6 227 872         | 6 227 872  | 53 300                    | 6 281 172    |
| Balance as at 30 June 2022 (Unaudited) |               |                       |               |                      |                   |  |                           |              |
| (Audited)                              | 35 005        | 19 926 630            | 20 623 389    | -                    | 24 849 722        | 65 434 746   | 1 692 666                 | 67 127 412   |
| Profit for the reporting period        | -             | -                     | -             | -                    | 2 150 206         | 2 150 206  | (125 275)                 | 2 024 931    |
| Translation reserve                    | -             | -                     | -             | 131 709              | -                 | 131 709  | -                         | 131 709      |
| Total comprehensive income             | -             | -                     | -             | 131 709              | 2 150 206         | 2 281 915  | (125 275)                 | 2 156 640    |
| 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         |               |                       |               |                      |                   |  |                           |              |
| (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        | -             | -                     | -             | -                    | 2 860 832         | 2 860 832  | 994                       | 2 861 826    |
| Translation reserve                    | -             | -                     | -             | (257 556)            | -                 | (257 556)  | -                         | (257 556)    |
| Total comprehensive income             | -             | -                     | -             | (257 556)            | 2 860 832         | 2 603 276  | 994                       | 2 604 270    |
| Non-controlling interest change        | -             | -                     | -             | -                    | -                 | -  | -                         | -            |
| Balance as at 30 June 2023 (Unaudited) |               |                       |               |                      |                   |  |                           |              |
| (Unaudited)                            | 35 005        | 19 926 630            | 20 623 389    | (125 847)            | 22 178 719        | 62 637 896   | 715 049                   | 63 352 945   |

# Notes

## 1. Net turnover

| EUR   | 01.01.2023-<br>30.06.2023<br>(Unaudited) | 01.01.2022-<br>30.06.2022<br>(Unaudited) |
|---|--|--|
| Income from processing of recyclable materials          | 49 271 590                               | 50 194 937                               |
| Income from waste management                            | 52 216 868                               | 39 717 252                               |
| Income from organisation of packaging management system | 5 828 079                                | 4 853 766                                |
| Income from sorting and sale of recyclables             | 4 292 343                                | 3 694 096                                |
| Other income  | 432 387                                  | 262 754                                  |
| <b>Total</b>  | <b>112 041 267</b>                       | <b>98 722 805</b>                        |

Income by geographical markets are distributed as follows:

| EUR   | 01.01.2023-<br>30.06.2023<br>(Unaudited) | 01.01.2022-<br>30.06.2022<br>(Unaudited) |
|---|--|--|
| Other Member States of the European Union       | 39 164 088                               | 40 875 842                               |
| Republic of Lithuania                           | 33 043 067                               | 29 979 237                               |
| Republic of Latvia                              | 31 767 536                               | 24 189 137                               |
| Republic of Czechia                             | 6 886 468                                | 1 736 518                                |
| Outside the Member States of the European Union | 1 180 108                                | 1 942 071                                |
| <b>Total</b>                                    | <b>112 041 267</b>                       | <b>98 722 805</b>                        |

## 2. Production cost of goods sold

| EUR  | 01.01.2023-<br>30.06.2023<br>(Unaudited) | 01.01.2022-<br>30.06.2022<br>(Unaudited) |
|--|--|--|
| Raw materials and other material costs                                   | 35 190 226                               | 37 531 375                               |
| Remuneration for work  | 16 615 480                               | 12 685 466                               |
| Waste utilization costs  | 11 372 832                               | 10 033 940                               |
| Depreciation of property, plant and equipment and intangible investments | 8 357 307                                | 6 046 609                                |
| Costs of outsourced services   | 7 645 773                                | 5 178 787                                |
| Cost of production energy and other resources                            | 4 781 950                                | 3 479 601                                |
| Transport costs  | 3 264 134                                | 3 071 976                                |
| State mandatory social insurance contributions                           | 2 162 548                                | 1 452 752                                |
| Professional services costs  | 832 868                                  | 334 792                                  |
| Lease of industrial premises and related costs                           | 310 708                                  | 144 136                                  |
| Insurance costs  | 495 396                                  | 354 381                                  |
| Other production costs   | 1 040 855                                | 222 845                                  |
| <b>Total</b>   | <b>92 070 077</b>                        | <b>80 536 660</b>                        |

## 3. Loans from credit institutions

| EUR   | 30/06/2023<br>(Unaudited) | 31/12/2022<br>(Audited) |
|---|---------------------------|-------------------------|
| <b>Non-current loans</b>                            |                           |                         |
| Bank (non-current part, repayable within 2-5 years) | 39 224 504                | 28 263 863              |
| <b>Total</b>  | <b>39 224 504</b>         | <b>28 263 863</b>       |
| <b>Non-current loan current part</b>                |                           |                         |
| Bank (non-current part, repayable within 1 year)    | 9 302 564                 | 18 914 522              |
| Bank (credit line)                                  | 2 147 528                 | 4 739 478               |
| <b>Total</b>  | <b>11 450 092</b>         | <b>23 654 000</b>       |
| <b>Loan interest</b>                                |                           |                         |
| Bank  | -                         | 174 135                 |
| <b>Total</b>  | <b>-</b>                  | <b>174 135</b>          |
| <b>Total current</b>                                | <b>11 450 092</b>         | <b>23 828 135</b>       |
| <b>Total loans from credit institutions</b>         | <b>50 674 596</b>         | <b>52 091 998</b>       |

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 30.06.2023 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 30.06.2023 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

| EUR          | 30/06/2023<br>(Unaudited) | 31/12/2022<br>(Audited) |
|--------------|---------------------------|-------------------------|
| Year 1       | 3 081 694                 | 3 718 448               |
| Year 2 - 5   | 8 796 210                 | 8 907 148               |
| <b>Total</b> | <b>11 877 904</b>         | <b>12 625 596</b>       |

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 and presented as Non-current as at 30.06.2023 due to waiver received as disclosed in Note 3.

## 5. Long-term debt securities - bonds

| EUR                     | 30/06/2023<br>(Unaudited) | 31/12/2022<br>(Audited) |
|-------------------------|---------------------------|-------------------------|
| Debt securities - bonds | 8 000 000                 | -                       |
| <b>Total</b>            | <b>8 000 000</b>          | <b>-</b>                |

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 30 June 2023 amounts to EUR 238 222 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 23 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.



## 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<br>EUR            | 30.06.2023<br>(Unaudited) | 31.12.2022<br>(Audited) |
|---|---------------------------|-------------------------|
| <b>Financial assets</b>                               |                           |                         |
| Cash at bank and on hand at amortised cost            | 8 288 705                 | 8 063 375               |
| Other investments and securities at fair value        | 21 200                    | 21 200                  |
| Loans and receivables carried at amortized cost value | 27 640 758                | 23 325 286              |
| <b>Total financial assets</b>                         | <b>35 950 663</b>         | <b>31 409 861</b>       |
| <b>Financial liabilities</b>                          |                           |                         |
| Financial liabilities carried at amortized cost value | 115 039 009               | 115 000 202             |
| <b>Total financial liabilities</b>                    | <b>115 039 009</b>        | <b>115 000 202</b>      |

### 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 30.06.2023 Groups current assets are by EUR 2 498 597 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

## 6. Financial risk management - *continued*

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 |
| <b>Non-derivative financial liabilities</b>       |                    |                              |                   |                     |                   |
| 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        |
| <b>Total non-derivative financial liabilities</b> | <b>115 874 615</b> | <b>121 159 443</b>           | <b>52 438 904</b> | <b>11 761 320</b>   | <b>56 959 219</b> |
| <b>Total financial liabilities</b>                | <b>115 874 615</b> | <b>121 159 443</b>           | <b>52 438 904</b> | <b>11 761 320</b>   | <b>56 959 219</b> |

| 30/06/2023  |                    |                              |                   |                     |                   |
|---|--------------------|------------------------------|-------------------|---------------------|-------------------|
| EUR   | Carrying amount    | Total contractual cash flows | 3 months or less  | From 3 to 12 months | From 1 to 5 years |
| <b>Non-derivative financial liabilities</b>                   |                    |                              |                   |                     |                   |
| Trade and other payables                                      | 29 999 430         | 29 999 430                   | 25 001 309        | 3 774 925           | 1 223 196         |
| Long-term debt securities - bonds                             | 8 000 000          | 9 838 222                    | 160 000           | 480 000             | 9 198 222         |
| Obligations under finance leases                              | 11 877 904         | 13 266 093                   | 956 517           | 2 780 392           | 9 529 184         |
| Lease liabilities   | 15 410 443         | 15 410 443                   | 646 906           | 1 690 954           | 13 072 583        |
| Borrowings  | 50 674 596         | 53 960 941                   | 3 368 412         | 9 830 560           | 40 761 969        |
| <b>Total non-derivative financial liabilities (Unaudited)</b> | <b>115 962 373</b> | <b>122 475 128</b>           | <b>30 133 144</b> | <b>18 556 831</b>   | <b>73 785 154</b> |
| <b>Total financial liabilities (Unaudited)</b>                | <b>115 962 373</b> | <b>122 475 128</b>           | <b>30 133 144</b> | <b>18 556 831</b>   | <b>73 785 154</b> |

### 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 30 June 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.

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

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

## 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 30.06.2023 |
|-----------------------------------|------------------|
| Equity ratio                      | 37.7%            |
| Net debt to Adjusted EBITDA ratio | 2.5              |

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



# eco baltia

FIND VALUE IN EACH AND EVERY THING



**MĀRIS  
SIMANOVIČS**  
ECO BALTIA  
CHAIRMAN OF  
THE MANAGEMENT  
BOARD



**SANTAS PŪLE**  
ECO BALTIA  
MANAGEMENT  
BOARD MEMBER,  
CFO



**SIGITA NAMATĒVA**  
ECO BALTIA  
MANAGEMENT  
BOARD MEMBER,  
CLO



**SAULIUS  
BUDREVIČIUS**  
ECO BALTIA  
MANAGEMENT  
BOARD MEMBER