

AS Eco Baltia Offering Document

Issue of up to EUR 10,000,000
unsecured 9 per cent Notes due 2
November 2026

ID number: 2/2023



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IMPORTANT NOTICE

This Offering Document (the “**Offering Document**” or the “**Document**”) was prepared for the private placement of Notes (the “**Notes**”) of AS Eco Baltia (the “**Company**”, “**Issuer**” or “**Eco Baltia**”) in the amount of up to EUR 10,000,000 (the “**Offering**”) and admission thereof (the “**Admission**”) to trading on the *First North* of Nasdaq Riga AS (“**Nasdaq**” or “**Nasdaq Riga**”).

This Offering Document, including its part Terms and Conditions for AS Eco Baltia up to EUR 10,000,000 Unsecured 9 per cent Notes due 2 November 2026 (the “**Terms and Conditions**”) provides basic information about the Issuer and the Notes issued by the Issuer and should be read together with any supplements hereto (if any) and with any information incorporated by reference herein and any other documents attached herein.

This Offering Document does not constitute an offer to sell or a solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Furthermore, the distribution of this Offering Document in certain jurisdictions may be restricted by law. Thus, persons in possession of this Offering Document are required to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The information contained herein has been prepared using information available to the Company at the time of preparation of the Offering Document. External or other factors may have impacted on the business of the Company (together with its consolidated subsidiaries, the “**Group**”) and the content of this Offering Document, since its preparation. The statements of fact, information, opinions and estimates contained in this document have been obtained, compiled or arrived at from sources believed to be reliable and in good faith, but no representation or warranty expressed or implied is made as to their accuracy, completeness or correctness. Expressions of opinion herein are subject to change without notice. No person has been authorised to give any information or make any statements, other than those contained herein. Any other information or representations must not be relied upon as having been authorised by the Issuer.

This Document may contain forward-looking statements that are based on current expectations, estimates and projections about, inter alia, the industry and markets in which the Issuer will operate, as well as the Issuer’s beliefs and assumptions. Words such as „aims“, „expects“, „anticipates“, „intends“, „plans“, „contemplates“, „believes“, „seeks“, „estimates“, „assumes“, “objective”, variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guaranteeing of or firm commitments for future performance and involve risks, uncertainties and assumptions that are difficult to predict, so that actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements.

This Offering Document is not a prospectus for the purposes of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and no competent authority of any Member State has examined or approved the contents thereof. This Offering Document has been prepared on the basis that the Notes are issued by the Issuer according to this Offering Document and will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.

This Offering Document shall not be treated as legal, financial or tax advice of any kind. The Investors shall conduct their own investigation as to the potential legal risks and tax consequences related to the issue of and investment into the Notes. Nothing in this Document shall be construed as the giving of investment advice by the Issuer or any other person. If you are in any doubt as to whether to invest in the Notes proposed to be offered by the Issuer and described herein, you should consult an independent financial adviser who is qualified to advise on investments of this nature.

The investment into the Notes involves a degree of risk appropriate to the specific area of activity of the Issuer and only those persons or entities that are able to bear the risks associated with the Notes should consider making commitments that expose them to such risk. The Document and any use hereof are governed by the laws of the Republic of Latvia, without regard to Latvian rules on choice of law and venue.

Investors are advised to familiarize themselves with the information provided in this Offering Document and risk factors to consider before deciding to subscribe to the Notes. This Offering Document is not and cannot be understood as a recommendation or advice to invest into Notes. The Issuer does not provide recommendations or advice regarding the Notes subscription. To fully understand the benefits and risks associated with subscribing to the Notes, every potential investor should contact financial, legal, business, or tax consultants.

PRESENTATION OF FINANCIAL INFORMATION

References in this Offering Document to the financial statements for 2022, 2021 and 2020 of the Issuer and of the Group are to the audited consolidated financial statements of the Issuer for the years ended 31 December 2022, 31 December 2021 and 31 December 2020, and references in this Offering Document to the financial statements for 6-month period, ended 30 June 2023 are to the interim condensed consolidated financial statements of the Issuer for the 6-month period, ended 30 June 2023, incorporated by reference in this Offering Document. Such financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

Certain figures included in this Offering Document have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Alternative Performance Measures

This Offering Document contains certain financial measures that are not defined or recognised under IFRS and which are considered to be alternative performance measures and they are described in detail in “Key Financial Highlights”.

VERIFICATION OF RESPONSIBLE PERSONS

The Issuer and the members of its Management Board (the “**Responsible Persons**”) are responsible for the information contained in this Offering Document and in the attachments.

Hereby, the Responsible Persons confirm and certify that, to their knowledge, the information provided in this Offering Document is true, in accordance with the facts, no important information that could affect its meaning is omitted and that the Responsible Persons, as well as other persons of the Company, have taken all reasonable measures to ensure this.

Māris Simanovičs

Chairman of the Management Board

Santa Spūle

Member of the Management Board

Sigita Namatēva

Member of the Management Board

Saulius Budrevičius

Member of the Management Board

BASIS AND PURPOSE OF ISSUING THE NOTES

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Purpose of issuing the Notes:


The net proceeds from the issue of Notes will be used for general corporate purposes, including financing upcoming investment projects and/or acquisitions carried out by the Issuer or its Subsidiaries.

Basis for issuing the Notes:

Notes are issued based on the decisions of the Shareholders Meeting dated 12 January 2023, the Supervisory Board dated 27 September 2023, and the Management Board dated 19 October 2023 and the applicable laws of the Republic of Latvia.

Limitation regarding Russia and Belarus:

- In accordance with Articles 5e and 5f of Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine (as amended), the Notes may not be offered or sold in Russia, and the Offer is not addressed to investors who are Russian nationals or natural person residing in Russia, or any legal person, entity or body established in Russia. The latter shall not apply to nationals of a Member State of the European Union, of a country member of the European Economic Area or of Switzerland, or to natural persons having a temporary or permanent residence permit in a Member State of the European Union, in a country member of the European Economic Area or in Switzerland.
- In accordance with Articles 1x and 1y of Council Regulation (EC) No 765/2006 of 18 May 2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus (as amended), the Notes may not be offered or sold in Belarus, and the Offer is not addressed to investors who are any Belarusian national or natural person residing in Belarus or any legal person, entity or body established in Belarus. The latter shall not apply to nationals of a Member State of the European Union or natural persons having a temporary or permanent residence permit in a Member State of the European Union.

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KEY INFORMATION ABOUT THE ISSUER

NAME OF THE ISSUER	AS Eco Baltia
Legal form of the Issuer	Joint stock company (AS)
Registration date	08.07.2011
LEI code	984500F3ETBEAC0E2D46
Legal entity code	40103435432
Authorized capital	EUR 35,005
Registered address	Maskavas str. 240-3, LV-1063, Riga, the Republic of Latvia
Jurisdiction	The Issuer operates in accordance with the relevant applicable laws and regulations of the Republic of Latvia.
Contacts	Santa.Spule@ecobaltia.lv , +371 29495612

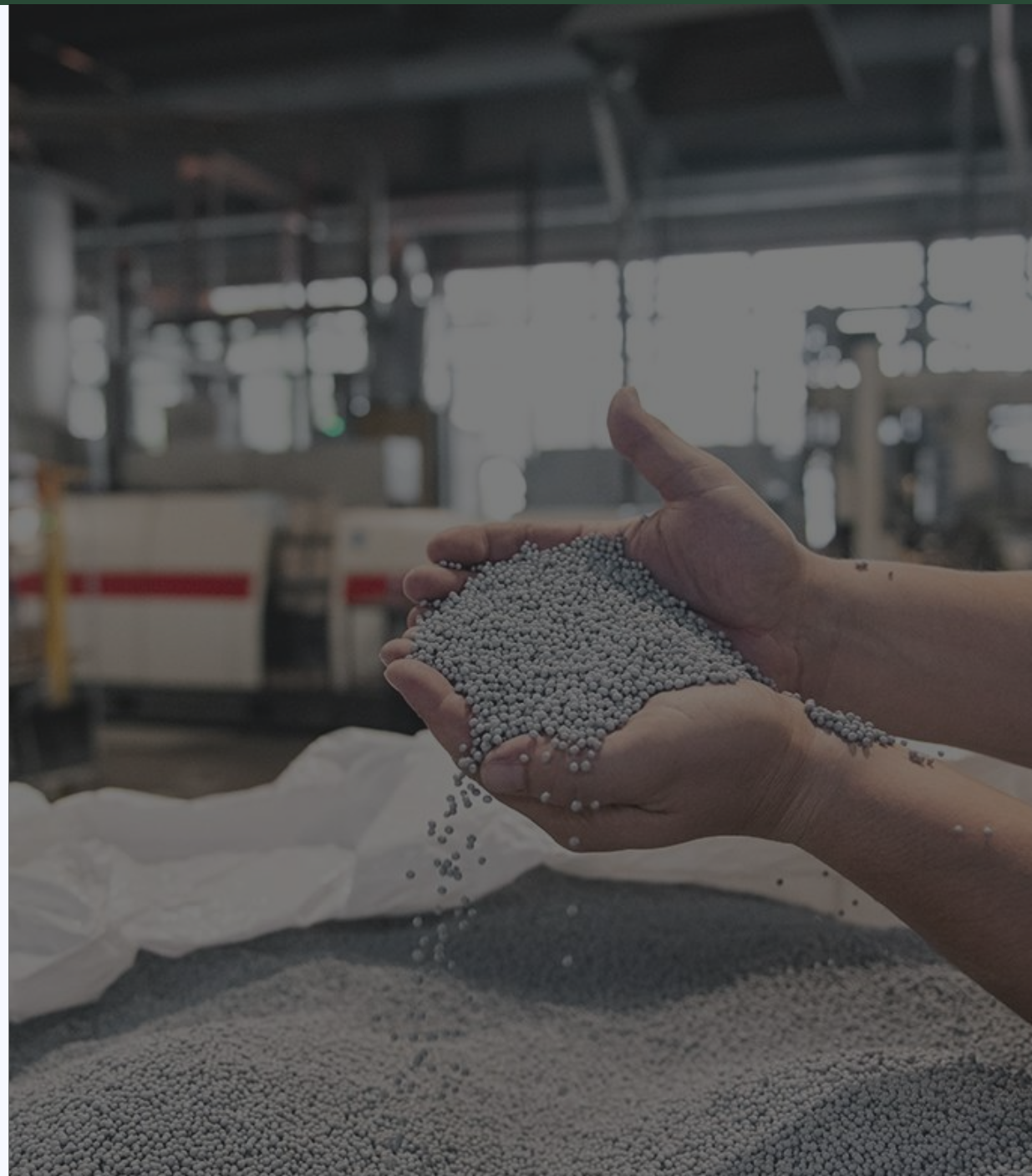
THE LATEST CHANGES IN THE REGISTER DATA OF THE ISSUER:

DATE	CHANGE OF THE REGISTER DATA
21.07.2023	Saulius Budrevičius a new member of the Management Board has been appointed
10.11.2022	Anita Saulīte a Member of the Management Board has been revoked
03.10.2022	New composition of the Supervisory Board has been appointed
30.05.2022	New wording of the Articles of Association has been adopted
09.09.2021	Sigita Namatēva, a new member of the Management Board has been appointed in place of Jānis Aizbalts and Salvis Lapiņš

GENERAL OVERVIEW

Eco Baltia is the leading environmental services operator in the Baltic States

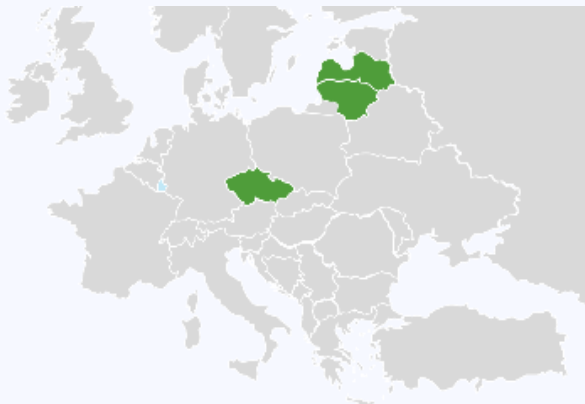
- **As pioneers in the industry**, Eco Baltia was the first to establish a PET bottle recycling plant in the Baltic States under PET Baltija
- **Eco Baltia has a modern asset base**, able to meet the most demanding needs of our customers
- **Backbone of Circular Economy in Baltics** with high growth potential



ECO BALTIA CORE STRENGTHS

The leading high-growth Baltics waste management provider,

which covers the entire waste management value chain, making it a **unique investment opportunity in circular economy and ESG frontrunner in the region**



HIGH ENTRY BARRIERS

Eco Baltia owns a very optimized distribution network of plants across Latvia and Lithuania, making it difficult for any company to compete

COMPREHENSIVE SERVICES PORTFOLIO

Eco Baltia companies represent unique one-stop shop for B2B clients with waste management needs

VERTICAL INTEGRATION

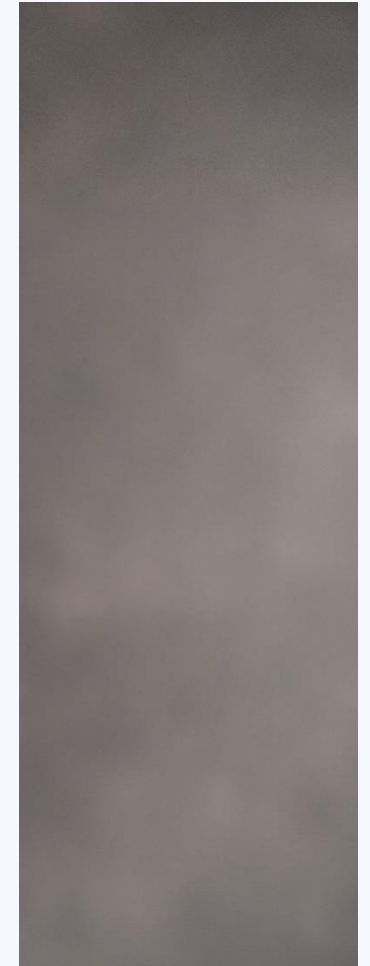
Eco Baltia, thanks to its vertically integrated business units, is able to offer comprehensive waste services that ultimately allow for higher margins

LONG-TERM COOPERATION WITH MUNICIPALITIES

HIGHLY EXPERIENCED C-LEVEL TEAM

RESILIENT AND SUSTAINABLE FINANCIAL PERFORMANCE

SUPPORTIVE EU REGULATIONS FOR POLYMERS INDUSTRY AND PACKAGING RECYCLING



ECO BALTIA KEY POINTS

Leading waste management provider

WELL-INVESTED ASSET BASE...

24 Number of facilities, across Latvia, Lithuania and Czech Republic

...RESULTING IN LARGE CAPACITIES

>250 kt p.a. Processing capacity

LEADER IN THE BALTICS REGION

#1 Leading waste management provider in the Baltics

SIZABLE AND GROWING BUSINESS

EUR240 M 2022 Revenue

Accelerated revenue growth fueled by strategic M&A and operational enhancements.

GROWTH THROUGH INVESTMENT

> EUR15 M Average CAPEX investments p.a. since 2020

EXCELLENT PROFITABILITY

EUR27 M 2022 EBITDA

Substantial improvement of profitability results reinforced by operational efficiency

Notes:

Company rankings are determined through peer comparison based on turnover data sourced from commercial registries.

Revenue and EBITDA results are pro-forma to reflect full-year effect of Tesil Fibres.

Pro-forma EBITDA reported as per IFRS, with the exception of 1.2m EUR for Tesil fibres Jan-Sept'22, which is according to Czech GAAP due to carve-out

KEY INVESTMENT CONSIDERATIONS



LEADER IN THE BALTIC REGION

- #1 waste management solutions provider in the Baltics
- #1 producers' responsibility organization ("green-dot") in Latvia
- One of the largest PET recyclers in Northern Europe and leading in Latvia
- Leading PET fibre producer in Czech Republic
- Largest owner of infrastructure critical to achieve national waste recycling targets



SOLID BUSINESS MODEL AND FINANCIAL PERFORMANCE

- Multi-service business mix, meeting needs of most demanding investors
- Business model supported by ESG trends in the EU
- Diversified customer and supplier base
- Long-lasting relationships with key customers and municipalities
- Solid experience and capacity to grow organically or through M&A
- Systematic effort invested in improvements in operational efficiency
- Resilience to market uncertainty



ESTABLISHED ASSET BASE

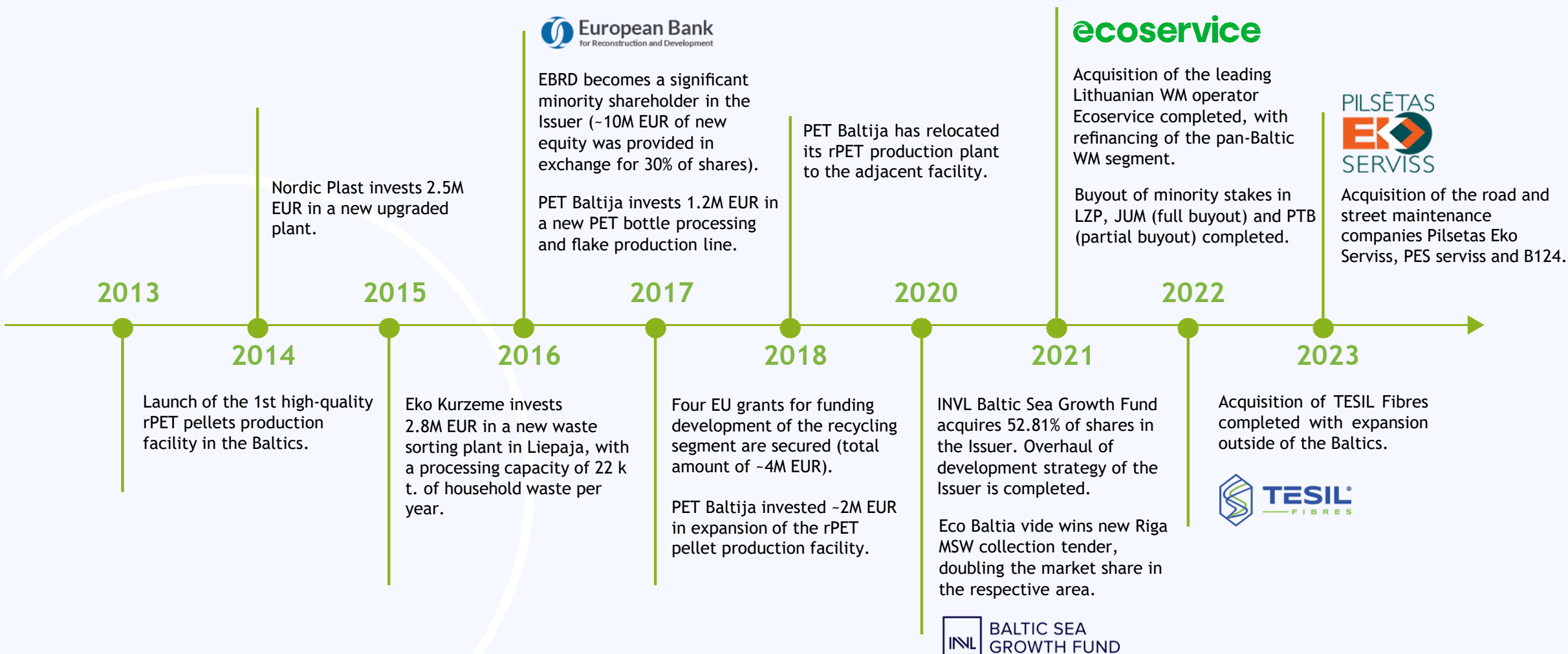
- Heavily asset-based, with a focus on long-term contracts
- 24 facilities in the Baltic States and one in Czech Republic
- Advanced technological capacities, more than 260 specialised vehicles
- Over 2200 employees
- Significant industry know-how
- High entrance barriers due to nature of asset-intensive business model



BACKED BY INSTITUTIONAL INVESTORS

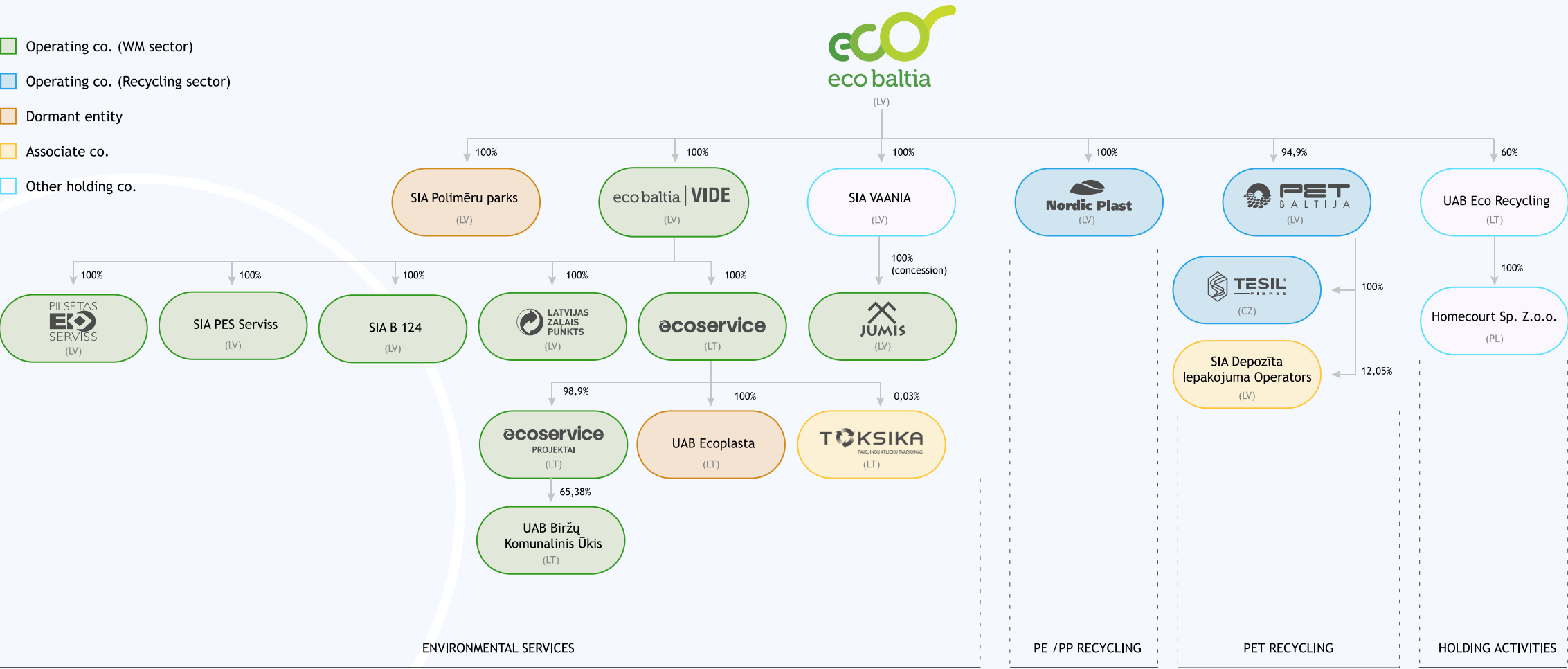
- Experienced management team and the supervision of:
 - INVL: top Baltic private equity management player; acquired control in July 2020 indirectly through UAB "BSGF Salvus"
 - European Bank for Reconstruction and Development: became a shareholder in 2015

LAST 10 YEARS OF ECO BALTIA



GROUP STRUCTURE

- Operating co. (WM sector)
- Operating co. (Recycling sector)
- Dormant entity
- Associate co.
- Other holding co.



KEY SEGMENTATION OF THE GROUP



ENVIRONMENTAL SERVICES

WASTE COLLECTION

TRADE OF SORTED RECYCLABLES

PRODUCERS RESPONSIBILITY
ORGANISATION

OUTDOOR CLEANING

LIQUID WASTE & BIO TOILETS

STREET CLEANING AND STREET
MAINTENANCE SERVICES



PLASTICS RECYCLING

POLYETHYLENE / POLYPROPYLENE (PE
/ PP) RECYCLING

POLYETHYLENE TEREPHTHALATE (PET)
RECYCLING

FIBRE PRODUCTION



ENVIRONMENTAL SERVICES



PLASTICS RECYCLING



LATVIJAS
ZAĻAIS
PUNKTS



ecoservice



TESIL[®]
FIBRES



ENVIRONMENTAL SERVICES COMPANIES

ecobaltia | VIDE

Roots dating back to 1996, through consolidation of three experienced waste management companies. Eco Baltia vide is a leading environmental management company offering a comprehensive spectrum of services, including household and sorted waste removal, used packaging management, handling of debris and large-scale waste, territory cleanup, seasonal services, and composting toilet solutions



~500
employees



49.3M EUR
revenue (2022)



Established in 2000 as the first business unit of Eco Baltia and acts as an organizer of the regeneration system. Organizes recycling of packaging waste, waste of electrical goods and environmentally harmful products in accordance with a multi-year action plan of the Latvian State Environmental Service.



~15
employees



10.4M EUR
revenue (2022)

PILSĒTAS EKOSERVISS

Founded in 2003, company is engaged in daily maintenance of streets and cleaning of external territories. Other services include pavement repairs, water drainage maintenance, equipment rental, waste removal and sale of anti-slip materials.



~70
employees



7.2M EUR
revenue (2022)



Established 1991, the Company provides waste management services in the Sigulda City and Eco Baltia is managing JUMIS under concession agreement with Sigulda Municipality till 2033 by using all rights and obligations of the shareholder.



~15
employees



1.7M EUR
revenue (2022)

ecoservice

Established in 1995, market-leading environmental services company in Lithuania, specializing in collection, transportation and processing of municipal solid waste, sorted recyclable materials, construction waste, auxiliary waste and mobile toilet rental services. Owns critically significant infrastructure in this segment.



~1 220
employees




55.6M EUR
revenue (2022)

RECYCLING SEGMENT COMPANIES



Founded in 2003, specialises in used PET (polyethylene terephthalate) bottle secondary recycling by producing high quality PET flakes and pellets. One of the largest in Northern Europe and the only recycling company of this kind in Latvia. Currently executing major capacity increase project.

 ~250
employees

 **79.0M EUR**
revenue (2022)



Established by spin-off in 2022, primary producer of polyester fiber in the Czech Republic. Known for its high-quality standards, TESIL Fibres is the leading recycled fibre supplier in the European market for the: automotive, hygiene, textile and furniture industry segments.

 ~135
employees


 **39.8M EUR¹**
revenue (2022)



Nordic Plast

Established in 2000, recycling company specialising in recycling PP, LDPE film and hard plastic HDPE. One of the leading polyethylene recycling companies in Latvia.

 ~110
employees

 **13.4M EUR**
revenue (2022)

¹ Pro-forma for full-year 2022, acquired in September 2022.

SHAREHOLDER STRUCTURE OF ECO BALTIA



INVL Baltic Sea Growth Fund

Managed by INVL, leading Baltic investment management and life insurance group

Founded in 1991, has solid experience in managing private equity assets and building market players that are leaders in their respective fields in the Baltic countries and Central and Eastern Europe. Over its life-time INVL group has executed deals worth more than EUR 1,8bn.

INVL Baltic Sea Growth Fund holds 52.81% of the shares indirectly via UAB "BSGF Salvus" (LT).



European Bank for Reconstruction and Development (EBRD)

First Institutional investor in Eco Baltia

The European Bank for Reconstruction and Development is an international financial institution founded in 1991. As a multilateral developmental investment bank, the EBRD uses investment as a tool to build market economies.

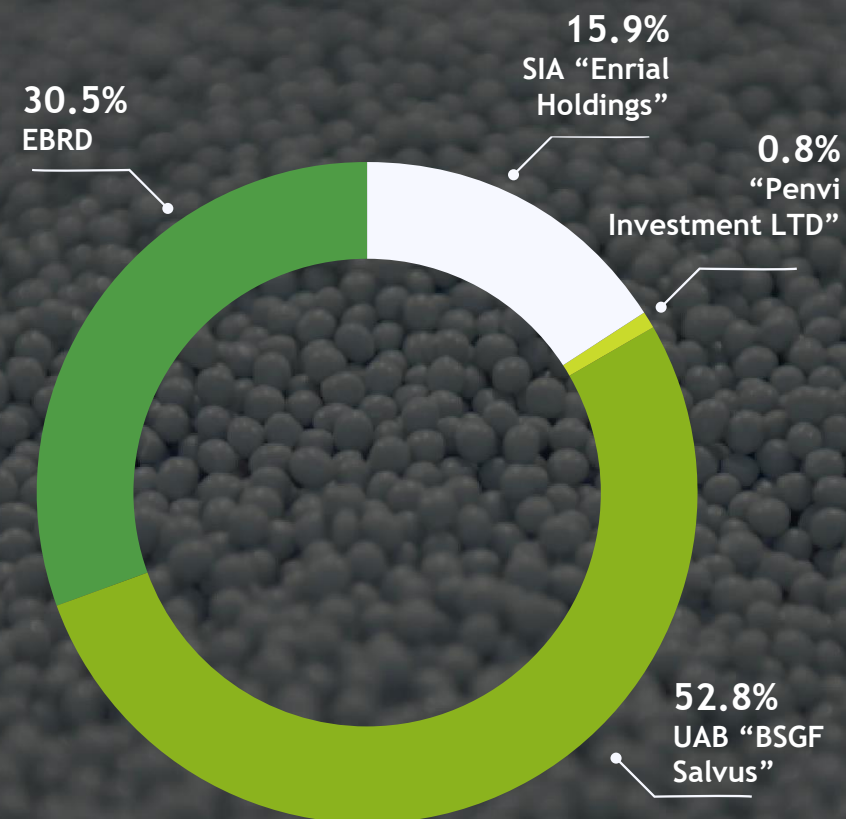


Māris Simanovičs

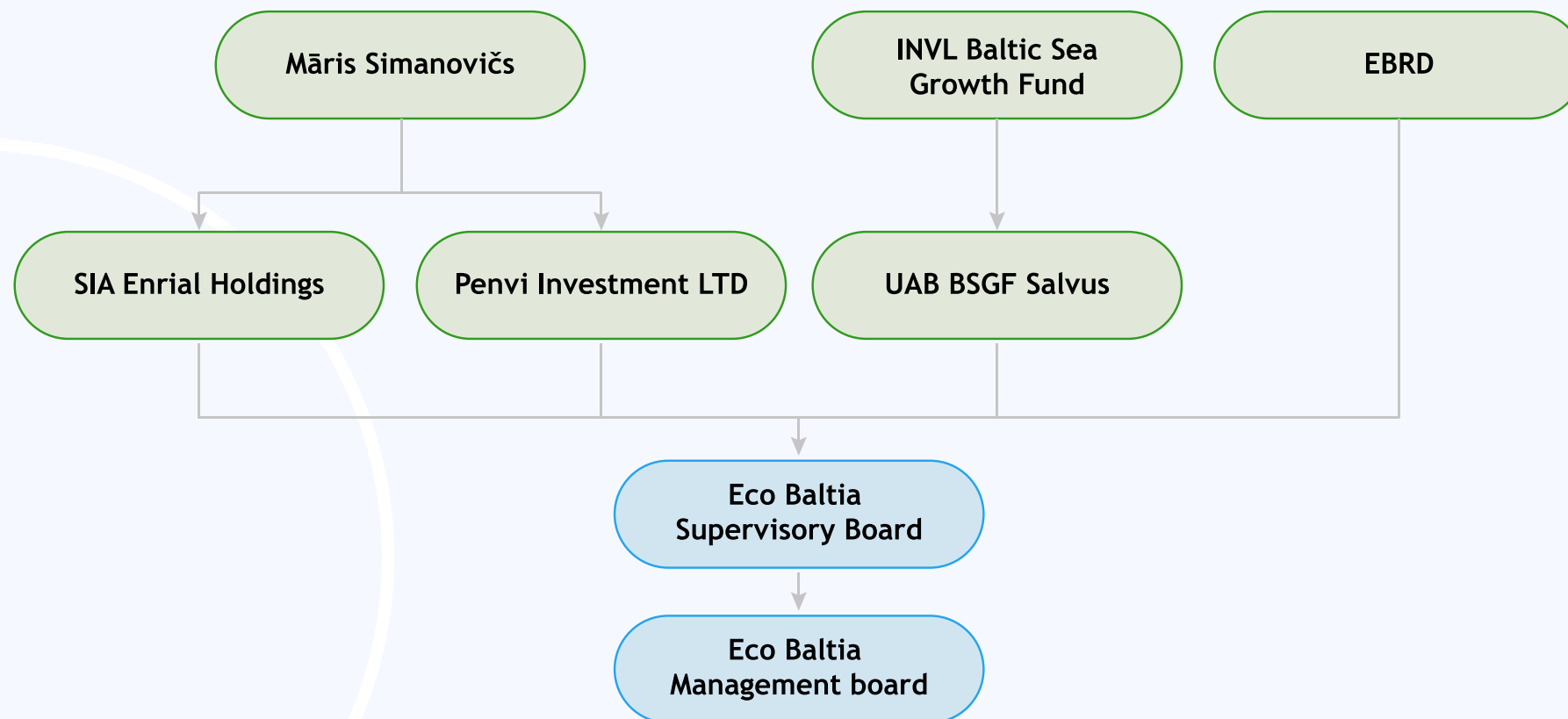
CEO of Eco Baltia

Since 2007 Māris has led the consolidation of waste management market in Latvia. Under Maris' management Eco Baltia has grown into a regional player in the Baltic States with well-established regional supply, sales channels and strong shareholder's structure.

Māris holds 16.68% of the shares indirectly through SIA "Enrial Holdings" (LV) and "Penvi Investment LTD" (CY).



MANAGEMENT STRUCTURE



SUPERVISORY BOARD



VYTAUTAS PLUNKSNIS
Chairman of Supervisory
Board at Eco Baltia

Vytautas has extensive experience in international investment management. As Head of INVL Private Equity, Vytautas has been involved in various large-scale investment projects for INVL in Lithuania, Latvia, Moldova and Norway.



DEIMANTE KORSAKAITE
Deputy Chair of the Supervisory
Board at Eco Baltia

Deimante is recognized as one of the leading M&A experts in Lithuania with extensive experience in transaction structuring and negotiations, legal due diligence. Advised local and international clients on deals with the combined value of almost €2 bn.



ALBERTO ATIENZA GUELL
Member of Supervisory Board
at Eco Baltia

Alberto has extensive experience in public and private equity and quasi-equity transactions across a wide range of industries (with a focus on healthcare & pharma, manufacturing & services, consumer goods, and retail) and geographies, having executed high profile investments in CEE, SEE and Turkey. Currently he is Associate Director in EBRD's Equity team based in London.



JURGITA PETRAUSKIENE
Independent Member of
Supervisory Board at Eco Baltia

Jurgita is a certified board member (with 15+ years of industry experience in water supply, waste-water, waste management) with competencies in investment projects, innovation, strategic planning and management.



GINTS PUCĒNS
Member of Supervisory Board
at Eco Baltia

Gints has extensive experience in advising on acquisitions, disposals, and restructuring of companies. Gints provides legal advice on corporate governance and shareholders issues. Legal support in fundraising for both established businesses and agile start-ups.

GROUP MANAGEMENT TEAM



MĀRIS SIMANOVIČS
Chief Executive Officer
& Founder

More than 20 years in the environment industry

One of the most highly regarded managers in the environmental segment in Latvia. Under Māris' management Eco Baltia has successfully evolved into an regional player with significant growth opportunities. He is actively seeking new ways to foster further business development



SANTA SPŪLE
Chief Financial Officer &
Board member

More than 20 years in accounting, audit and finance

In her professional career Santa has served as a CFO in various companies. Santa's key priorities are oriented towards budgeting, performance assessment, fundraising, standardization of accounting across the group, internal and external audits



SIGITA NAMATĒVA
Chief Legal Officer & Board member

More than 20 years in law

Sigita is one of the most experienced lawyers in the field of waste management and environmental issues. She has taken part in development of numerous waste management legislation changes in Latvia and Brussels



SAULIUS BUDREVIČIUS
Board member

More than 20 years in the environment industry

Saulius is responsible for overseeing research and development initiatives, as well as the successful implementation of various investment projects within the Group

ENVIRONMENTAL SERVICES SEGMENT MANAGEMENT TEAM



JĀNIS AIZBALTS
Head of Environmental services

More than 15 years in the environment industry

Jānis has consistently achieved stable growth for the company. His ability to effectively target and secure new market shares has been evident, including securing a significant market share in Riga, the largest city in the Baltics



KASPARS ZAKULIS
Chief Executive Officer of Latvijas Zaļais Punkts

More than 20 years in the environment industry

Kaspars is a leading expert in waste management and sorting industry in Latvia, who has played a pivotal role in shaping the waste management industry in Latvia



JURGITA NACEVIČIENĖ
Chief Executive Officer of Ecoservice

More than 20 years in the environment, agriculture and other industries

Jurgita has doubled the sorting capacities and made a significant contribution to group results, since joining the company



ANDRIS TRUMARS
Chief Executive Officer of Nordic Plast

More than 9 years in the production industry

Andris has high expertise in innovations, project management, business administration and also investment planning

PET RECYCLING MANAGEMENT TEAM



KASPARS EZERNIEKS
Chief Executive Officer of
PET Baltija

**More than 14 years in
production and commerce**

Kaspars has joined PET Baltija in 2023 as an expert in production and commerce processes, to create added value and promote development of PET bottle recycling and facilitate an increase in production capacity



JŪLIJA ZANDERSONE
Chairman of the
Management Board and Head
of the Recycling segment

**More than 10 years in
senior positions**

Julia has joined PET Baltija in 2023. Her role is to implement the objectives set by the shareholders, which include accelerating PET Baltija's development into a regional market leader, together with its subsidiary Tesil Fibres.



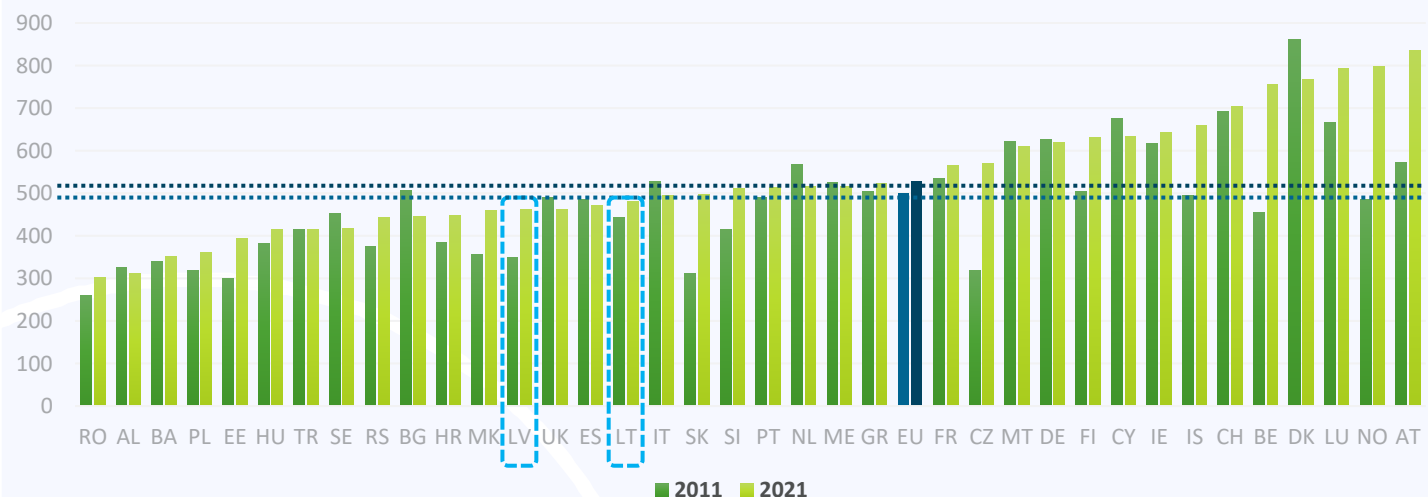
SERGEJS MALIŠEVS
Interim Chief Executive
Officer of
Tesil Fibres

**More than 26 years in plastic
recycling industry**

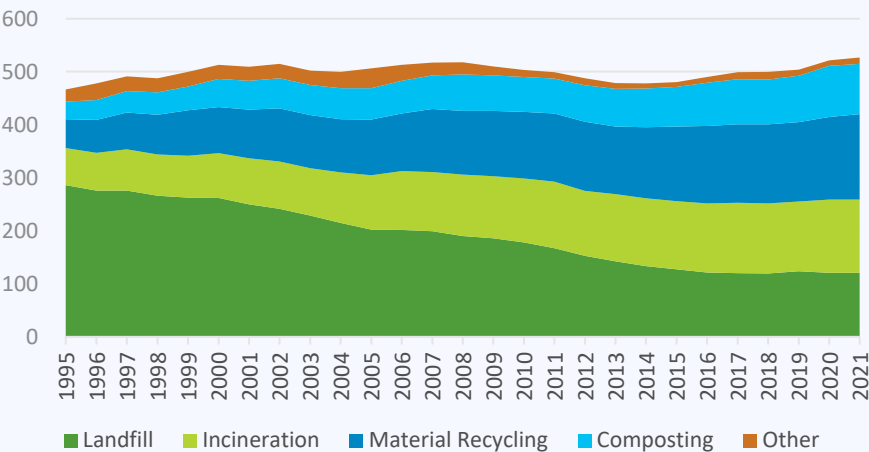
Sergejs has consistently demonstrated his professional knowledge and competencies in business development at PET Baltija. He has also served as a Chief Operating Officer (COO) for 10 years, managing a branch of an international company in Latvia, and has 6 years of experience in leading projects in the automotive segment.

BUSINESS ENVIRONMENT

Municipal Waste Generated by Country, 2011 & 2021 (Kg per capita) ¹



Municipal Waste Treatment, EU, 1995-2021 (Kg per capita) ²



Although the waste management market in the Baltics is relatively smaller when compared to larger regions like Western Europe, Eco Baltia maintains a strong foothold in its operational domain. Eco Baltia holds the following positions:

- Eco Baltia is the largest entity within the environmental services segment in Lithuania;
- It ranks as the second largest privately-owned municipal waste collection company in Latvia and stands as the primary market leader in waste recovery organization within Latvia.

Latvia and Lithuania are far behind Nordic economies and fall below the European Union's average in waste generation. As the Baltic states continue to narrow the gap in terms of GDP and living standards compared to the EU average, we can anticipate a similar convergence in waste generation trends.

The flow of waste generation is steadily on the rise, and as we move toward reduced landfill usage, we anticipate a significant enhancement in both the processing and recycling segments of the business.

Recycling rate of municipal waste, 2011 & 2021 ³




¹ <https://ec.europa.eu/eurostat/databrowser/bookmark/490c5bef-d685-408b-a44b-ca1ce0d5b137?lang=en>

² <https://ec.europa.eu/eurostat/databrowser/bookmark/5e5554c6-c458-443d-90d6-13f4ca887f33?lang=en>

³ <https://ec.europa.eu/eurostat/databrowser/bookmark/61efd146-a202-4b30-9ecf-f24d86accaf1?lang=en>

REGULATORY ENVIRONMENT

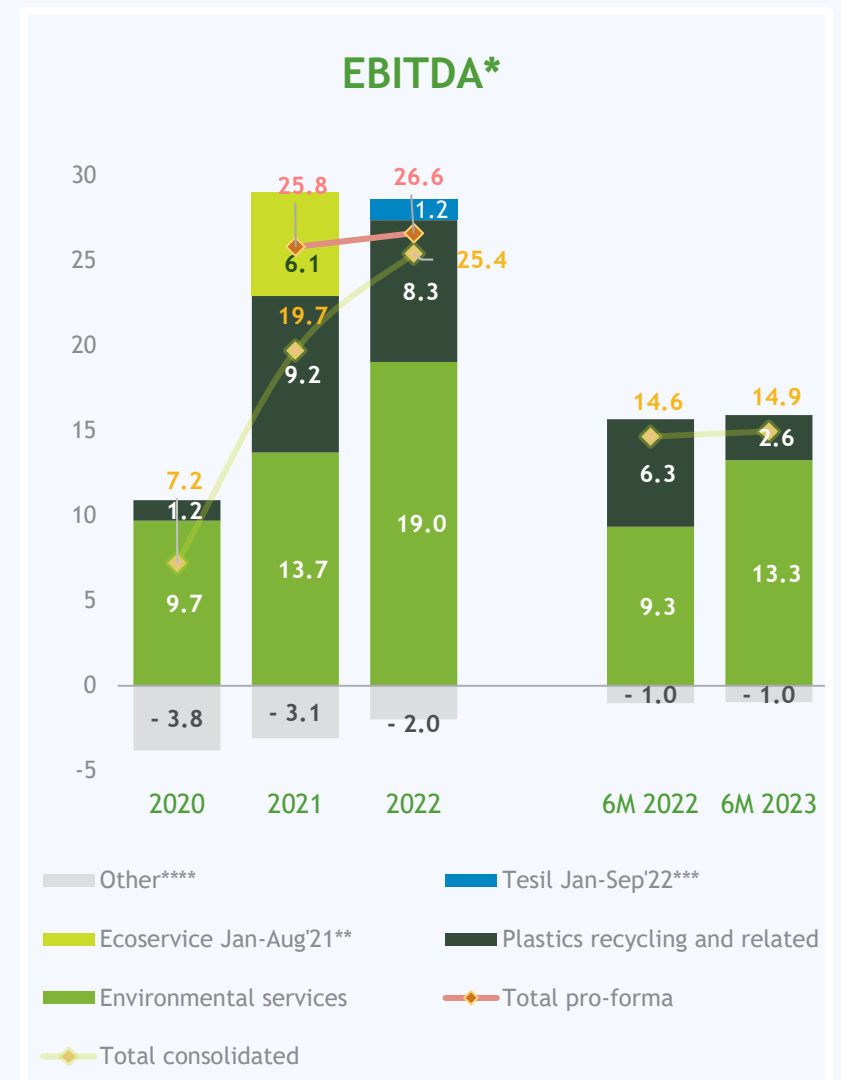
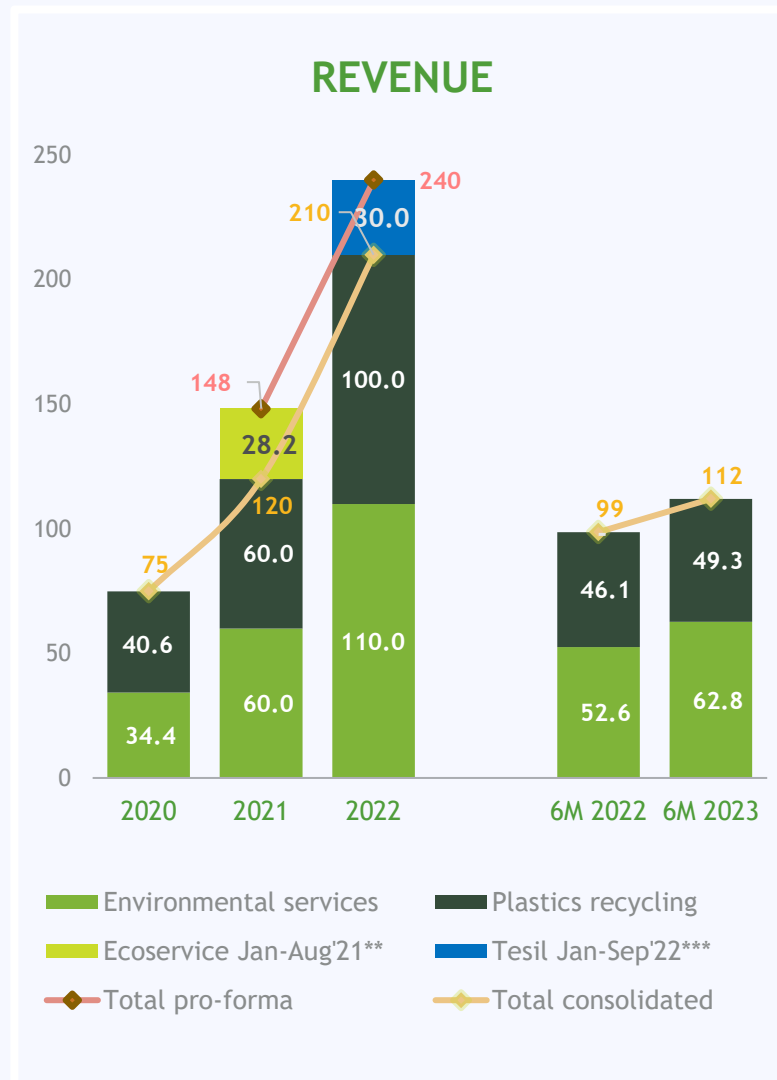
- The business operations and activities undertaken by Eco Baltia Group companies are subject to regulatory requirements imposed by regulatory enactments, including requirements to obtain certain environmental licenses and permits from state environmental institutions. Pursuant to the general principles provided in the waste management enactments of the Republics of Latvia and Lithuania as well as Czech Republic, waste management should not negatively affect the environment and should be performed in such a way, which would not threaten human life and health. Accordingly, the operations of waste management companies are subject to various mandatory environmental and licensing requirements. Regarding performing activities, which fall within the category of polluting activities, a separate permit for performance of polluting activities must be obtained in accordance with the legal enactments of each country. In addition, the Group companies are performing their commercial activities according to various certifications, e.g. ISO 9001:2015; ISO 14001:2015; 50001:2018.
- Latvijas Zaļais punkts as producers' responsibility organization has to receive approval for its management plans by State Environmental Service (SES) and enter into agreements with SES for each 3-year period on the application of collection and recycling systems and achievement of state established recycling targets. Based on these agreements all clients of LZP have received exempt from payment of Natural Resources tax (NRT) for respective type of goods (packaging, electronics or hazardous waste). In case if LZP fails to achieve recycling targets, SES should impose NRT extra charge to LZP for non-recycled amount on behalf of its clients. NRT rates in average are 10 times higher than fees paid by clients to LZP and may result in significant amount. SES also has rights to terminate unilaterally agreements with LZP in case of a serious breach by LZP. In case of termination of any of agreements, LZP will lose the rights to manage collection and recycling of respective type of material for certain period of time (at least for one quarter). It may lead also to claims from clients to compensate damages caused by the termination.

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KEY FINANCIAL HIGHLIGHTS

Strong growth with robust profitability

- **EBITDA growth:** considerable increase, M&A activities contributing 30-40% to total growth
- **Environmental Services segment Growth:**
 - 2021: Driven by Riga MSW agreement and market share
 - 2022: Continued unit revenue growth
 - 2023: Acquisition effect of Pilsētas Eko Serviss
- **Plastics Recycling segment Growth:**
 - Driven by "Green" trend
 - Major brands using reusable materials
 - Increased packaging demand due to COVID-19.



Notes:

Revenue and EBITDA results are pro-forma to reflect full-year effect of acquisitions.

* Pro-forma EBITDA reported as per IFRS, with the exception of 1.2m EUR Tesil fibres Jan-Sept '22, which is according to Czech GAAP due to carve-out.

** Ecoservice pro-forma result for Jan-Aug'21.

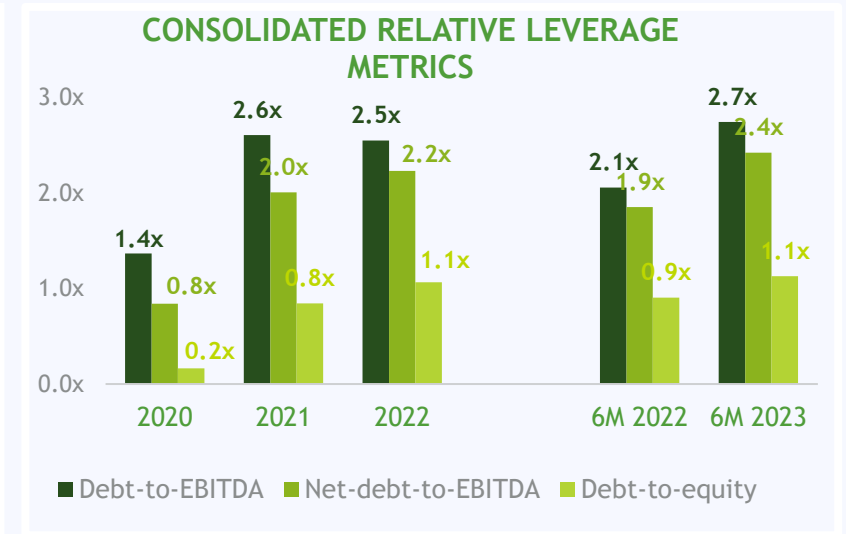
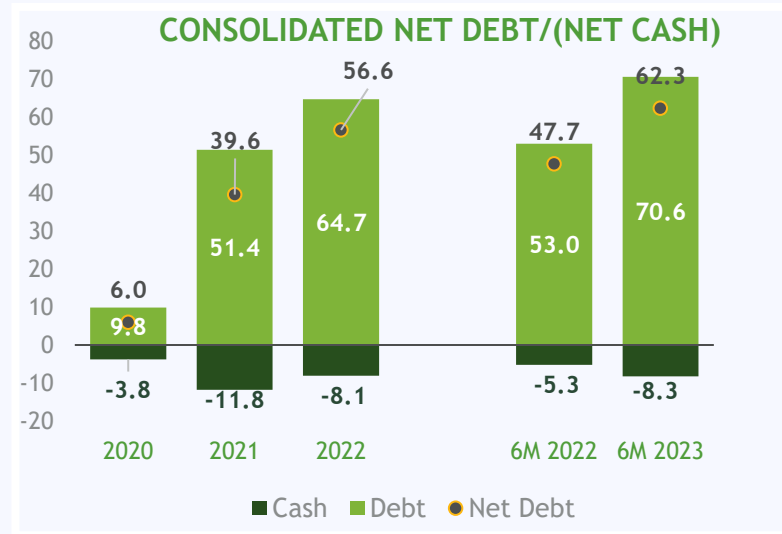
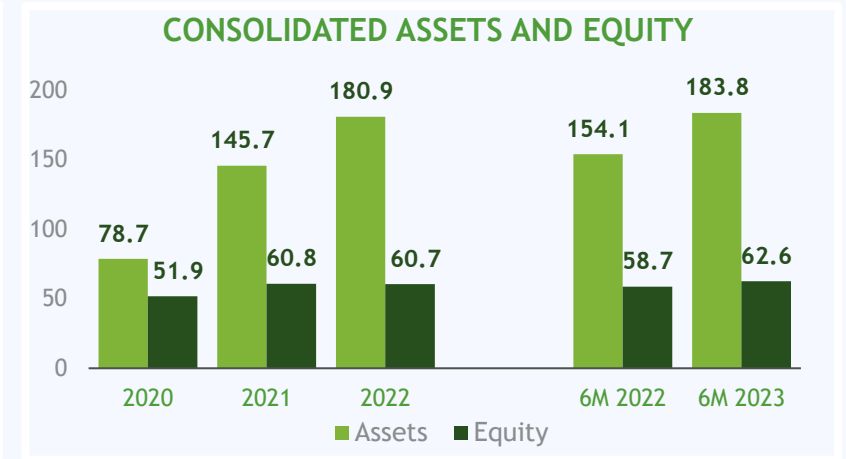
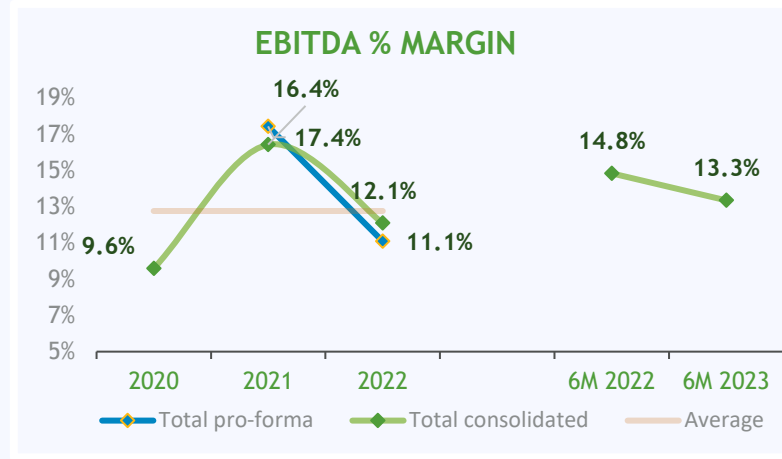
*** Tesil fibres pro-forma result for Jan-Sep'22.

**** Includes Hold co. and other cost centers.

KEY FINANCIAL HIGHLIGHTS

Increasing leverage driven by growth

- **Total book assets** have been growing along with the overall business expansion
- **Substantial growth of balance sheet**, associated with recent development CAPEX and M&A
- **The decline in EBITDA margin** in 2022 was primarily influenced by fluctuations in energy prices. However, the focus remains on achieving favorable terms in the medium to long term
- **Moderate level** of net debt presents growth opportunities through M&A or CAPEX



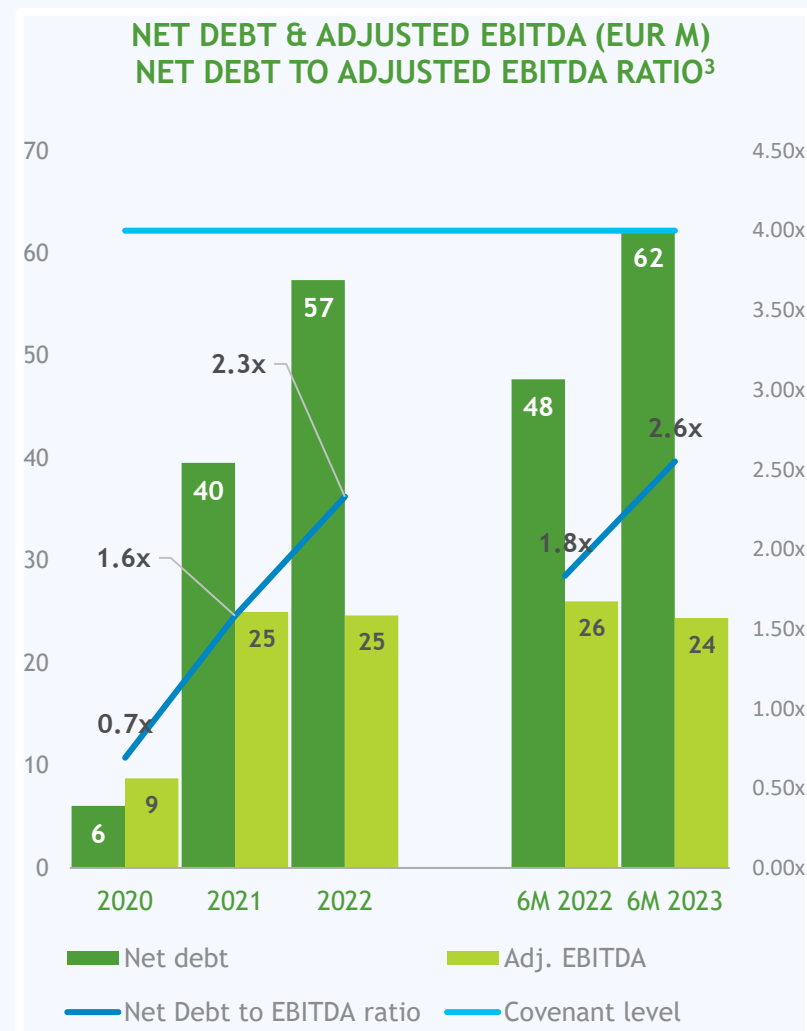
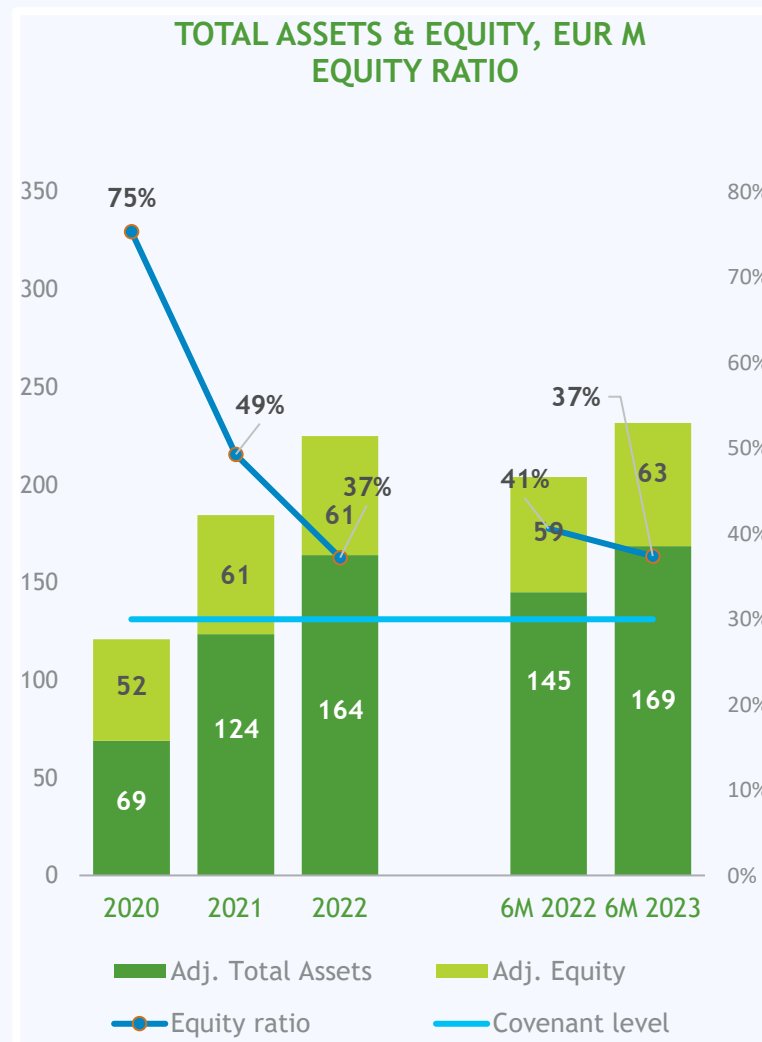
Notes: Financials are reported as per IFRS. Debt exc. IFRS16 lease liabilities.

FINANCIAL COVENANTS

Covenants at consolidated level

The Issuer has two financial covenants applicable to the Notes :

- Equity Ratio: $\geq 30\%$ ¹
- Net debt to Adjusted EBITDA Ratio: $\leq 4.0x$ ²
- The Issuer calculates these covenants by adjusting Total Assets and Equity for the Equity Ratio and using Adjusted EBITDA for the Net Debt to Adjusted EBITDA ratio on a quarterly basis. Refer to details in Clause 14 of the Terms and Conditions, "Special Undertakings".
- The use of adjusted EBITDA is justified to account for the impact of new entity/business acquisitions, preventing immediate increases in debt levels due to associated financing costs. This approach ensures a more accurate representation of the Issuer's financial situation, considering the full inclusion of debt and EBITDA from acquisitions after 12 months from the acquisition date.



The covenants applicable to the Note issue have only been exercised starting with 30.09.2022, the graphs represent the historical performance of applicable covenants.

Provided consolidated financials are according to IFRS and adjusted as explained in the Terms & Conditions.

¹ Equity divided by Total Assets, for a more detailed description please refer to Clause 13 of the Terms and Conditions.

² For a detailed description please refer to Clause 13 of the Terms and Conditions.

³ Adjusted EBITDA as reflected in 6M 2023 is for the last 12 months ending at 30.06.2023

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

(EUR Thousand)	2020	2021	2022	6M 2022	6M 2023
	Audited	Audited	Audited	Interim	Reviewed
Revenue	74 953	120 020	210 032	98 723	112 041
Cost of sales	-62 232	-95 467	-178 535	-80 537	-93 370
Gross profit	12 722	24 553	31 496	18 186	18 671
Selling expenses	-4 449	-5 602	-7 566	-3 630	-3 452
Administrative expenses	-5 228	-8 839	-15 193	-7 329	-8 465
Other operating income	1 649	909	1 944	345	481
Other operating expenses	-4 028	-811	-1 305	-453	-1 923
EBIT	665	10 210	9 377	7 120	5 312
Interest income and similar income	31	16	23	5	2
Interest expenses and similar expenses	-588	-1 135	-2 809	-1 121	-2 996
Loss from participation in the capital of associated company	-	-	-	-	-30
EBT	108	9 092	6 591	6 004	2 287
Corporate income tax	-	-46	-23	-5	-151
Deferred income tax	-	280	1 738	282	-58
Net profit	108	9 326	8 306	6 281	2 078
EBITDA	7 187	19 693	25 400	14 639	14 947
EBITDA margin %	10%	16%	12%	15%	13.3%
D&A	-6 521	-9 482	-16 023	-7 519	-9 635

- **Revenue** | Consolidated revenue of the Group has almost tripled in the last 3 years as a result of a combined effect of organic growth (both business volume and prices) and M&A effect.
- **EBITDA** | For the most part, YoY EBITDA increase in FY21 is associated with the full-year operations of the new Riga collection tender and M&A effect and in 2022 – due to kick-in effect for full-year of Ecoservice.
- **EBITDA % margin** | EBITDA margin fluctuated between 10% and 16% in FY20-22, with the average of 13%, and last 2 years witnessed a solid recovery from the bottom level experienced in FY20 when the COVID-19 pandemic unfolded.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS (EUR thousand)	2020	2021	2022	6M 2022	6M 2023
	Audited	Audited	Audited	Interim	Reviewed
Non-current assets	60 318	100 806	129 825	109 327	132 844
Intangible assets	32 713	42 206	43 050	41 412	46 758
Total fixed assets	27 536	58 159	86 470	67 740	85 639
Non-current financial assets	70	441	305	176	446
Current assets	18 398	44 886	51 098	44 753	51 004
Inventories	6 528	12 774	18 930	16 585	13 839
Receivables	8 087	20 294	24 104	22 913	28 876
Cash and cash equivalents	3 782	11 819	8 063	5 255	8 289
Total Assets	78 716	145 692	180 922	154 079	183 848
LIABILITIES					
Equity	51 948	60 846	60 749	58 666	62 569
Non-current liabilities	10 457	49 707	54 810	53 459	72 321
Loans from credit institutions	2 783	34 686	28 264	35 251	39 225
Long-term debt securities - bonds	-	-	-	-	8 000
Finance lease	3 243	7 287	8 907	7 817	8 796
Lease liabilities according to IFRS16	1 794	4 393	14 127	6 924	13 073
Other	2 637	3 341	3 512	3 468	3 227
Current liabilities	16 310	35 139	65 363	41 954	48 958
Loans from credit institutions	1 865	5 827	23 828	6 639	11 450
Finance lease	1 938	3 555	3 718	3 247	3 082
Lease liabilities according to IFRS16	955	2 011	2 886	2 037	2 338
Other	11 553	23 746	34 931	30 031	32 089
Total equity and liabilities	78 716	145 692	180 922	154 079	183 848


- Debt** | Debt stood at a level of 2.5x EBITDA at e/o'22, and the last twelve months debt at the e/o Jun'23 stood at a level of 2.7x EBITDA with the increase mostly as a result of the acquisitions of Pilsētas Eko Serviss and operational CAPEX.

- Assets** | Total assets stood at ca.183.8M EUR at e/o' Jun'23 (~2.3x the amount from FY20).

- Loans from credit institutions** | e.o. 2022 Portion of Loans from credit institutions and Lease liabilities with non-current terms in amount of EUR 11.2 million presented as Current due to breach of covenants including Equity covenant set at Group's subsidiary AS PET Baltija level. However, Luminor Bank AS Latvian Branch and respective Group subsidiary have reached an agreement than non-compliance with the mentioned Equity ratio covenant will not be considered as a case of Event of default in accordance with the General Financing Terms after the reporting date.
- As of 30.06.2023 the Group complied with Luminor Bank covenants.

INFORMATION INCORPORATED BY REFERENCE

- The documents set out below that are incorporated by reference in this Offering Document are, where indicated, direct translations into English from the original languages of the documents. To the extent that there are any inconsistencies between the original language versions and the translations, the original language versions shall prevail. The Issuer provides information to investors on its website: <https://ecobaltia.lv/en/>, where financial information might be found under subsection “Financial results” of section “Investors” and articles of association might be found under subsection “Corporate Governance” of section “Investors”. The information set out shall be deemed to be incorporated in, and to form part of, this Offering Document:
- the Issuer’s reviewed interim condensed consolidated financial statements for a 6-month period ended 30 June 2023, together with the report on the review of the independent auditor (may be found at https://ecobaltia.lv/wp-content/uploads/2023/10/6M-IFRS-Eco-Baltia-AS-consolidated-FS-2023_6m_ENG_FINAL_FINAL-19.10.23-plkst-12.13_with_rewiew-opinion.pdf);
- the Issuer’s audited consolidated and stand-alone financial statements for the year ended 31 December 2022 together with the independent auditor’s report (consolidated financial statements may be found at <https://ecobaltia.lv/wp-content/uploads/2023/06/Eco-Baltia-AS-IFRS-CON-FS-EN-31.12.2022-combined.pdf> and stand-alone financial statements may be found at <https://ecobaltia.lv/wp-content/uploads/2023/06/Eco-Baltia-AS-Standalone-ENG-28.04.2023-combined.pdf>);
- the Issuer’s audited consolidated and stand-alone financial statements for the year ended 31 December 2021, together with the independent auditor’s report (consolidated financial statements may be found at <https://ecobaltia.lv/wp-content/uploads/2023/01/consil-2021.pdf> and stand-alone financial statements may be found at <https://ecobaltia.lv/wp-content/uploads/2023/01/EB-gada-parskats-2021-2.pdf> (*available only in Latvian*));
- the Issuer’s audited consolidated and stand-alone financial statements for the year ended 31 December 2020 together with the independent auditor’s report (consolidated financial statements may be found at https://ecobaltia.lv/wp-content/uploads/2023/01/2020_consil_EB_group.pdf and stand-alone financial statements in Latvian may be found at <https://ecobaltia.lv/wp-content/uploads/2023/01/2020.-gada-parskats-EB.pdf> (*available only in Latvian*));
- Articles of Association of the Issuer (they may be found at https://ecobaltia.lv/wp-content/uploads/2022/11/EcoBaltia_Statuti_23.05.2022_LV_ENG.pdf).
- It is possible to get acquainted with the aforementioned documents on the website of the Issuer at <https://ecobaltia.lv/>, or Nasdaq at www.nasdaqbaltic.com.

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 - **RISK FACTORS**
 - TERMS AND CONDITIONS OF THE NOTES
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RISK FACTORS ASSOCIATED WITH THE ISSUER

Risks related to macroeconomic situation and general business environment

The Issuer's Group business, financial performance and conditions may be materially affected by changes in general economic, political, and financial market conditions, such as a global or local recession, inflation and/or fluctuations in interest rates, geographical uncertainty due to war in Ukraine, changes in the demand for and prices of secondary raw materials on the world markets, and disruptions in the regional supply chains and demand for secondary raw materials. Risks related to increase in transportation costs may have a substantial impact on the profitability of Issuer's Group exports. Issuer's financial performance might be impacted, by an increase in energy prices and production costs and non-fulfilment of contractual obligations by business partners (suppliers, subcontractors, customers). The ongoing uncertainty has and may continue to adversely affect the global economy and Issuer's Group business, results of operations, financial condition, and prospects.

Success of previous, current, and future investment projects

The Issuer through its subsidiaries has implemented and may implement in the future investment projects of a large scope, including merger and acquisition deals. Even though the Issuer's Group and its employees use all their best knowledge and analytical resources when planning investments, there is no guarantee that all such information is always true and comprehensive, or that investments will generate the planned return of investment or that investment will not cost more than anticipated. Failure of already implemented or anticipated investment projects in a similar way, including unsuccessful merger and acquisition deals, failed acquisition, or unsuccessful purchase, may have a significant adverse effect on the Issuer's activities, its financial situation and business results.

Operational and safety risks

Issuer's Group services involve risks, such as accidents, equipment defects, malfunctions and failures and natural disasters. These risks expose the Issuer to potential liability for pollution and other environmental damages, personal injury, loss of life, business interruption and property damage or destruction. For example, on 5 August 2023 a fire destroyed the Vilnius sorting centre, causing damage to the environment, the property of the company and other persons, and a temporary interruption in operations. The total damage has not yet been fully estimated. The company is cooperating with the investigating authorities and insurers and has relocated its operations to other sorting sites thus ensuring business operations of the Group's subsidiary are continued and services are provided as per agreements.

Group has implemented internal controls and procedures to avoid potential pollution or damage to the environment incidents as well as has various insurance policies in place to manage the financial effects of such risks. Nevertheless, The Group's insurance policies could be inadequate to fully compensate for losses associated with damage to its property, assets and liability for third-party claims. In certain situations, the Issuer's Group is not able to increase insurance coverage significantly due to economically unreasonable insurance premiums or may not be able to insure certain risks at all. Any losses exceeding amounts covered by insurance contracts may have an adverse effect on the Group's business operations, financial position, and cash flows.

RISK FACTORS ASSOCIATED WITH THE ISSUER

Mandatory prepayment of the Group's debt portfolio

Issuer's group is dependent on external financing provided by commercial banks. The Group's existing long-term loan agreements include certain financial covenant clauses and other obligations and representations, the violation of which could lead to an event of default and acceleration of repayment of the loans and bonds issued. Its ability to comply with covenants and restrictions contained in the loan agreements may be affected by events beyond its control, including prevailing economic, financial, legal, and industry conditions. For example, high and volatile energy prices may have adverse effect on the Group's EBITDA, but in combination with the acquisition of new companies may increase Group's net debt and therefore also a risk to breach the covenants. If these obligations were to be breached, the creditors involved would be able to declare an event of default pursuant to the relevant loan agreements and require prepayment of the entire outstanding loan amounts. Due to the cross-default clauses in the loan agreements, the Group might need to refinance a substantial part of its outstanding debt. The ability to raise funding for the refinancing of debt or negotiate other terms with existing lenders might be limited, thus causing significant going concern risk for the Group. The Group's policy is, among other things, to maintain a common list of covenants included in the loan agreements.

Holding company risk

The Issuer is the ultimate holding company of the Group. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries and loan balances receivable from Group entities. As a result, the Issuer is largely dependent on loans, interest, dividends, and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of interest and principal to its creditors, including the Noteholders. The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. Consequently, if amounts that the Issuer receives from its subsidiaries are not sufficient, the Issuer may not be able to service its obligations under the Notes.

In addition, pursuant to the Terms and Conditions the Issuer is not prohibited to create or permit to subsist share pledges on the Issuer's shares in its subsidiaries securing the respective subsidiary's financing arrangements. At the date of this Offering Document the Issuer has pledged in favor of Luminor Bank AS shares in the following subsidiaries: SIA Eco Baltia vide, SIA Latvijas Zaļais punkts, UAB Ecoservice, UAB Ecoservice projektai, SIA Nordic Plast and AS PET Baltija. It is also anticipated that the Issuer will pledge in favour of Luminor Bank AS shares in the Issuer's subsidiary UAB Eco Recycling. In case Luminor Bank AS or any other lender in whose favor the Issuer has pledged its shares in the subsidiaries would enforce the share pledges, the shares of the Issuer's subsidiaries would be sold and the Issuer would not be able to receive any distributions and other payments from these subsidiaries. Moreover, in case of a default by the Issuer under the Notes, the Noteholders would not be able to recover any amounts from the sale of the shares in the aforementioned subsidiaries before the claims of Luminor Bank AS or any other lender in whose favor the Issuer has pledged its shares in the subsidiaries are satisfied.

Risk associated with the ongoing war in Ukraine

The war against Ukraine, launched on February 24, 2022, by Russia does not currently pose a significant impact on the Issuer's operations, but affects production costs and overall sentiment in the markets. The Issuer's Group has stopped all trade relations with Russia and Belarus. The Issuer's Group strictly complies with all the sanction regulations introduced by the EU and the local governments concerning the cooperation with Russia and Belarus. Political instability in Russia, Belarus and potential further economic sanctions, tensions and conflicts between Russia and Ukraine, including the ongoing war in Ukraine, e.g., possible new restrictive measures and sanctions (EU natural gas import ban) in response to Russian aggression, could have a negative effect on the countries where Issuer's Group companies are operating. As at the date of this Offering Document it is impossible to fully estimate the impact of the war in Ukraine on the Issuer and its subsidiaries. The ongoing uncertainty has and may continue to adversely affect the global economy and Issuer's Group business, results of operations, financial condition, and prospects.

RISK FACTORS ASSOCIATED WITH THE ISSUER

Commodity markets related risks

The Issuer's Group services are exposed to commodity market price risk. Increase of electricity prices affects plastics segment and increase of fuel prices affects all business lines of the Issuer's Group. Company uses various measures how to mitigate those risks, including implementing energy price element in product price formulas, diversifying energy sources. Nevertheless, the applied mitigation measures may not be sufficient and future commodity market price fluctuations may result in Issuer's Group incurring additional costs, reduced profitability, a drop in market share and outputs and lost cash flows.

Counterparty risk

The Issuer's Group is dependent on key contracts. The environmental segment is dependent on several key contracts with municipalities on providing waste management services as key income source. Issuer's Group companies are also dependent on material equipment supply and construction agreements. Default of the Issuer's Group counterparty, non-fulfillment, or early termination of any of key contracts may affect the completion of the Issuer's Group commenced investment projects, the quality of services provided by the Issuer or harm the Issuer's reputation. Although, the Issuer's Group monitors and manages its counterparty risk, the occurrence of any of the mentioned counterparty risks may have an adverse impact on the Issuer's Group business and financial position.

Liquidity risk

The Group is exposed to liquidity risk resulting from mismatches between the revenue generated by its business and the Group's capital requirements to meet its payment obligations as they fall due or to fund its capital investments. The Group's future capital requirements and level of costs will depend on numerous factors, including, weather conditions, the amount of cash generated from its operations and general industry and economic conditions. An inability to cover funding costs through revenue streams could have a material adverse effect on the Group's business, financial condition, and results of operations

or prospects, which could impact the ability of the Issuer to meet its payment obligations under the Notes. The Group's policy is to maintain sufficient reserves of cash and cash equivalents and the availability of long and short-term funding through an adequate amount of committed credit facilities to meet its payment commitments according to its strategic plans and to balance fluctuations in the cash flows.

Interest rate risk

The Issuer's Group is exposed to interest rate risk, which mainly arises from borrowings at variable interest rates. Variable interest rates expose the Issuer's Group to the risk that financing costs might increase significantly as EUR benchmark rates rise. Most of the borrowings from commercial banks have a variable interest rate, comprising 3-month EURIBOR rate and a margin. The Issuer's Group has used interest rate swaps in the past to alleviate the effect of interest rate fluctuations and is closely following the market developments to potentially lock-in fixed rates or at least some portion of Issuer's Group loan portfolio.

Risks related to non-compliance with environmental regulation

The Issuer's Group has a considerable exposure to environmental compliance risks as it has to comply with various environmental regulations, and it may be held liable for improper compliance with such rules. Non-compliance may result in loss of any environmental permit and suspension of specific Group activity. In addition to the liability for current activities, the Issuer may also be liable for any previous operations if it appears that such operations caused damages to the environment. Furthermore, any changes in environmental regulations, both national and international, may bind the Issuer to introduce measures that would meet required standards. Breach of requirements of environmental regulations leading to fines may substantially influence the reputation of the Issuer or its subsidiaries, which, in turn may have an adverse effect on the Issuer's sales and financial situation.

RISK FACTORS ASSOCIATED WITH THE ISSUER

Risk of non-performance of producer's responsibility organisation

Issuer's Group company LATVIJAS ZAĻAIS PUNKTS (LZP) as producers' responsibility organization has received approval for its management plans by State Environmental Service (SES) on achievement of state established recycling targets for respective type of goods (packaging, electronics or hazardous waste). Based on these approvals all clients of LZP have received exempt from payment of Natural Resources tax (NRT). In case if LZP fails to achieve collection and recycling targets SES could impose NRT extra charge to LZP for non-recycled amount on behalf of its clients. NRT rates in average are 10 times higher than fees paid by clients to LZP and may result in significant amount. SES also have the rights to unilaterally terminate agreements with LZP due to serious breach by LZP. In case of termination of any of agreements LZP will lose the rights to manage collection and recycling of respective type of materials for a certain period (at least for one quarter). It may lead also to claims from clients to compensate damages caused by the termination. All above mentioned sanctions may negatively impact financial situation of LZP and harm its reputation.

Dependence on the team of top managers and key personnel

Issuer's Group business depends on the team of top managers and executives, responsible for the development, growth of business and appropriate day-to-day activities. Changes in senior management might influence achievement of short-term goals and delay delivery of strategic goals. Loss of such employees or the Issuer's inability to hire new managing personnel with appropriate knowledge and capabilities or shortage of such people in the market can have a negative effect Issuer's Group business, and financial situation.

Ability to attract qualified and semi-qualified personnel in the market

The Issuer's competitive strength depends upon its ability to attract, train, and retain employees. If the Issuer is unable to offer satisfactory pay and working conditions, the Issuer could experience labor shortage. Labor shortage may also arise due to low unemployment and increased competition for workers, which may increase personnel costs. Thus, the Issuer's inability to attract and retain the required number of qualified employees could have a material adverse effect on its business, financial performance, and financial condition.

Increase of salaries in the Baltic States

Labour costs comprise a considerable part of the cost of the Issuer's Group services. As economies in the Baltic states are catching up with more developed EU countries, salary levels are growing as well towards the average levels of the EU. Since waste management segment employs significant number of low-skilled workers, the segment is experiencing a proportionately higher salary increase than other segments. Willing to remain competitive and retain its employees, the Issuer may be forced to increase its labour costs at a faster pace than it used to do previously, which may have considerable adverse effect on the Issuer's Group financial situation and business results.

Dependence on IT

The Issuer's Group is dependent on an efficient and uninterrupted operation of its information and communication systems. Information and communication systems are generally prone to failures, damage, power outages, computer viruses, cyberattacks (risk increased due to war in Ukraine), fire and similar events. Failures or interruptions in the operation of the computer and data processing systems used by the Issuer's Group could result in interruption or loss of business and/or cause reputational damage to the Issuer's Group. This could have a material adverse effect on the net assets, financial position, and financial performance.

RISK FACTORS ASSOCIATED WITH THE NOTES

Credit risk

An investment into the Notes is subject to credit risk of the Issuer that the issuer may fail to meet its obligations arising from the Notes in a duly and timely manner. The issuer's ability to meet its obligations arising from the Notes and the ability of the Noteholders to receive payments arising from the Notes depends on the financial position and the results of operations of the issuer.

Liquidity risk

The Notes will be distributed through private placement and although the issuer intends to apply for listing of the Notes in the First North of Nasdaq Riga alternative market, there is no guarantee that such listing shall be approved, and the Notes will be listed. Even if the Notes are listed, and even more so in case they are not listed, a liquid secondary market for the Notes is not guaranteed. Noteholders might bear a loss due to not being able to sell the Notes on the secondary market or having to sell them at an unfavorable price.

Inflation risk

Inflation reduces the purchasing power of a Notes future coupons and principal. Inflation may lead to higher interest rates which could negatively affect the Notes price.

Fixed rate note risk

The Notes bear coupon on its outstanding Nominal Amount at a fixed interest rate. In the secondary market the price of the Note may decrease due to market situation or events related to the Issuer. Besides the activities of the issuer, the value of the Notes may be affected by the developments in financial markets. Thus, the Investors are exposed to the risk that the value of the Notes falls as a result of changes in the market interest rate. While the coupon rate of the Note is fixed until its redemption, the prevailing capital market rates change on a daily basis. If the market interest rate increases, the market value of the Note may fall.

Early redemption risk


According to the Terms and Conditions, the Notes may be redeemed prematurely on the initiative of the Issuer. If this early redemption right is exercised by the Issuer, the rate of return from an investment into the Notes may be lower than initially anticipated. Also, the Noteholders might not have an option to invest in financial instruments offering the similar risk/return characteristics at the time of the early redemption or could face additional costs in selecting a new investment.

Refinancing risk

The Issuer may be required to refinance certain or all its outstanding debt, including the Notes. The Issuer's ability to successfully refinance its debt depends on the conditions of the debt capital markets and its financial state at such time. Even if the debt capital markets improve, the Issuer's access to financing sources at a particular time may not be available on favorable terms, or at all. Thus, it could have a negative impact on the Group's operations, financial condition, earnings and on the Noteholders' recovery under the Notes.

Regulatory and tax risk

Any changes to the laws and other legal acts applicable in the Republic of Latvia and/or the Noteholder's domicile, or the implementation of any new laws or other legal acts may cause additional expenses or taxes and/or reduce return on investment for the Noteholders. Furthermore, tax assessment and withholding procedures applicable to the tax residents and non-residents of the Republic of Latvia may change. From the Investors perspective, risk of alterations in tax regime could affect the value of the interest income. The issuer shall not compensate Investors for any losses related to changes in tax regime.

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TERMS AND CONDITIONS OF THE NOTES

Term sheet of the Notes

Notes	Unsecured Fixed Rate Notes with the maturity of 3 years
Status of the Notes	The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Issuer's rating	The Notes to be issued are not rated
ISIN	LV0000860138
Specified Currency	Euro (EUR)
Issue Price per Note	100% of Nominal Amount
Interest rate (coupon)	9%
Issue Amount	Up to EUR 10,000,000
Issue Date	2 November 2023
Maturity and Final Redemption	Subject to any early redemption, the Notes will be redeemed on 2 November 2026 at 100% per Nominal Amount
Denominations	Nominal Amount of the Note is EUR 1,000 with minimum subscription amount of EUR 100,000
Use of Proceeds	For general corporate purposes, including financing upcoming investment projects and/or acquisitions
Early Redemption (Issuer Call option)	At 101% per Nominal Amount in case of the Redemption Date falling on or after the date falling 2 (two) years after Issue Date At 100% per Nominal Amount in case of the Redemption Date falling within the last 3 (three) months before Maturity Date At 100% per Nominal Amount for tax reasons
Early Redemption (Investor Put option)	At 102% per Nominal Amount only in case of Change of Control, De-listing Event or Listing Failure

The slide presents a short and fractional summary of certain sections of the Terms and Conditions of the Issue. For full overview please refer to the Terms and Conditions (attached as Annex 2 of the Offering Document)

TERMS AND CONDITIONS OF THE NOTES

Term sheet of the Notes

Interest Payment Date(s)	2 May and 2 November each year, adjusted in accordance with the relevant Business Day Convention
Day Count Fraction	30E/360
Financial covenants	According to the consolidated financial reports of the Issuer: <ul style="list-style-type: none">• Equity Ratio $\geq 30\%$• Net Debt to Adjusted EBITDA Ratio $\leq 4.0x$
Other Special Undertakings	Financial Reporting; Negative Pledge; Limits on dividends; Financial Indebtedness restrictions
Form of the Notes	The Notes shall be issued in dematerialized form. The book-entry and accounting of the dematerialized securities in the Republic of Latvia shall be made by Nasdaq CSD. Entity in charge of keeping the records will be the Issuer. The Notes shall be valid from the date of their registration until the date of their redemption. No physical certificates will be issued to the Investors. Principal and interest accrued will be credited to the Noteholders' accounts through Nasdaq CSD.
Target market	Qualified clients and Retail clients
Certified Adviser	ZAB COBALT SIA, registration No 40203333511, registered at address Marijas iela 13 k-2 – 3, Riga, Latvia
Arranger	Luminor Bank AS, registration No 11315936, registered at address Liivalaia str. 45, Tallinn, Estonia, registered with the Estonian Commercial Register, represented within the Republic of Lithuania by Luminor Bank AS Lithuanian Branch, registered at Konstitucijos ave. 21A, 03601 Vilnius, Lithuania, registration No 304870069
Trustee	ZAB Eversheds Sutherland Bitāns, registration No 40203329751, registered at address Lāčplēša str. 20A-9, Riga, Latvia
Admission to Trading	To be admitted to the <i>First North</i> (Nasdaq Riga) Bond list within 6 months after the Issue Date
Information about the securities of the Issuer that are already admitted to trading	EUR 8,000,000 8% coupon bond due 17.02.2026, ISIN LV0000860120, is listed on <i>First North</i> (Nasdaq Riga)

TERMS AND CONDITIONS OF THE NOTES

Subscription, allocation, and settlement of the Notes

By subscribing the Notes, each Investor confirms having read this Offering Document, including Terms and Conditions, having accepted the terms and conditions set out in this Offering Document and having made the subscription according to the terms herein.

Subscription of the Notes	<p>In order to subscribe to the Notes, a Retail Investor¹ must have a securities account with a financial institution that is a member of Nasdaq Riga or has relevant arrangements with a member of Nasdaq Riga. A Retail Investor wishing to purchase Notes should contact its financial institution and submit a subscription order (a "Subscription Order") using the Subscription Order forms and methods (e.g. physically at the client service venue of the financial institution, over the internet or by other means) made available by the financial institution. Subscription Orders by the financial institution shall be filed through the Nasdaq Riga trading system Genium INET.</p> <p>Bank charges or any other charges, including any applicable commissions of the relevant market institutions, relating to the payment of the subscription price shall be borne separately by the Investors. Such charges cannot be quantified by the Company or the Arranger.</p> <p>Qualified Investors² may subscribe the Notes through the Arranger or through any other financial institution which is a participant of Nasdaq CSD and participates in Nasdaq CSD Latvian Securities Settlement System or has indirect access to Nasdaq CSD Latvian Securities Settlement System.</p>
Subscription Period	<p>From 23 October 2023 10.00 am (Riga time) to 27 October 2023 3.30 pm (Riga time)</p> <p>The Issuer has a right to shorten the subscription period by publishing the relevant announcement on Nasdaq Riga website at least one business day in advance before the new subscription period end date.</p> <p>Subscription to the Notes by the Investor can be made during the Subscription Period only and the Investor may submit multiple subscriptions which shall be merged for the purposes of allocation.</p>
Minimum number of the Notes that could be subscribed by one Investor	100 Notes
Minimum Investment Amount	EUR 100,000. Total amount of the Notes to be acquired and indicated in each Subscription Order shall be for at least Minimum Investment Amount.
Maximum number of the Notes that could be subscribed by one Investor	Unlimited. Investors will have to specify the maximum number of the Notes they wish to subscribe in the Subscription Order.

The slide presents a short and fractional summary of certain sections of the Terms and Conditions of the Issue. For full overview please refer to the Terms and Conditions (attached as Annex 2 of the Offering Document)

¹ Retail Investor means any individual or legal person, who does not meet criteria to be qualified as Qualified Investor as defined in Article 1(36) of the Financial Instrument Market Law of the Republic of Latvia.

² Qualified Investor as defined in Article 1(36) of the Financial Instrument Market Law of the Republic of Latvia.

TERMS AND CONDITIONS OF THE NOTES

Subscription, allocation, and settlement of the Notes

Change and Withdrawal of Subscriptions

Investors may withdraw their initial subscription to the Notes (and place new orders) until the last day of the Subscription Period (inclusive). A change of subscription will be subject to the same submission, processing and validation requirements as for the initial subscription. All fees payable in connection with an annulment of a Subscription Order shall be payable by the Retail Investor according to the applicable price list of the financial institution or the relevant subscription place.

Payment by the Retail Investor

A Retail Investor may subscribe the Notes through any financial institution which is a member of Nasdaq Riga. If Retail Investor subscribes the Notes through its financial institution, Investor must familiarize himself with the rules of that financial institution whether the payment for the submitted Subscription Orders will be exercised in the same manner as it would be applied by the Arranger (as described below). If Retail Investor submits the Subscription Order to Arranger, the Retail Investor authorises and instructs the Arranger as financial institution operating such Retail Investor's cash account linked to its securities account to immediately block the whole transaction amount on the retail Investor's cash account until the settlement is completed or funds are released in accordance with the terms set out in *Return of funds to Retail Investors* below. The transaction amount to be blocked will be equal to the investment amount (EUR) subscribed by the Investor via Subscription Order. Transaction-related charges of the financial institution operating the Retail Investor's securities account may also be blocked on the cash account as agreed between the Retail Investor and the financial institution operating the Retail Investor's securities account. A Retail Investor may submit a Subscription Order only when there are sufficient funds on the cash account linked to its securities account to cover the whole transaction amount for that particular Subscription Order.

TERMS AND CONDITIONS OF THE NOTES

Subscription, allocation, and settlement of the Notes

Allocation Date	Allocation of the Notes will take place, and the final number of offer Notes sold will be publicly announced as soon as practicable after the Subscription Period is expired.
Allocation Rules	The Notes will be allocated to Investors by the Issuer on the Allocation Date. The final number of Notes to be issued will be decided on the Allocation Date by the Issuer, based on the level of subscriptions. In addition, the number of Notes to be allocated to each Investor shall be determined upon the discretion of the Issuer. Accordingly, Investors who subscribe the Notes may not receive all of the Notes they have subscribed for and it is possible they may not receive any. In case the Investor has not been allocated any Notes or allocation is less than the number of subscribed Notes, the relevant amount shall be released in accordance with the terms set out in <i>Return of funds to Retail Investors</i> .
Maximum number of the Notes to be issued	The maximum number of issued Notes is 10 000, but the Issuer is not obligated to issue this number of Notes and may, at its discretion, decide to issue a smaller amount of the Notes and, therefore, will not satisfy all submitted Subscription Orders. Investors confirm that they understand that the Issuer may, at its discretion, decide to issue a smaller amount of the Notes than the specified maximum amount and therefore, the Issuer may not allocate the Notes to the Investor and/or allocate a smaller number of the Notes subscribed by the Investor.
Payable amount for the Notes	The specific amount to be paid by the Investor for allocated Notes is calculated by multiplying the number of allocated Notes to Investor by the Issue Price per Note.
Return of funds to Retail Investors	If (i) the offering is cancelled in full or (ii) the Subscription Order is rejected or withdrawn by the Investor, or (iii) allocation is less than the number of the subscribed Notes, the funds blocked on the Retail Investor's cash account in excess of the payment for the allocated Notes will be released a) by the Arranger as Investor's financial institution within five business days, or b) by any other Investor's financial institution defined period after the relevant event or settlement occurs. The Issuer and the Arranger will not be liable for the payment of interest on any amount for the time it is blocked.
Settlement Date	2 November 2023. Settlement of the Notes will be made through the Nasdaq CSD settlement system, as DVP (Delivery versus payment) payments, in compliance with Nasdaq CSD rules.
Settlement Method	The Notes allocated to investors will be transferred to their securities accounts through the "delivery versus payment" method pursuant to the applicable rules of Nasdaq CSD simultaneously with the transfer of payment for such Notes and it will be executed by the Arranger in its issuer agent capacity.

RIGHTS PROVIDED BY THE NOTES

The Issuer having issued the Notes shall become a debtor of the Noteholders of the Notes and shall undertake obligations for his/her/its benefit.

During the period from the Issue Date up until all Notes are duly redeemed, the Noteholders of the Notes shall have the right to receive nominal amount for available Notes calculated in the currency of issue, provided the Notes have been held until the Redemption Date as indicated in the Terms and Conditions of the Notes, as well as receive Interest during the Notes validity period, to be paid on the days of Interest Payment Dates pursuant to the Terms and Conditions.

The Notes cannot be converted into the Issuer's shares. No restrictions are applied to the transfer of the Notes in the secondary market (purchase and sale or other transfer) and/or pledge all or part of the Notes.

In addition, the Noteholders will other rights indicated in applicable legal acts, this Offering Document or the Terms and Conditions of the Notes.

Agreements concluded by the Issuer and Third Parties related to the issuance of the Notes



AGREEMENT ON THE NOTES DISTRIBUTION

The Issuer and the Arranger on 13 June 2023 have concluded a service agreement regarding the distribution of the Notes and other matters related to the issuance of the Notes

ESSENTIAL TERMS AND CONDITIONS OF THE AGREEMENT

In this Agreement and the conditions stipulated therein, the Issuer assigns to the Arranger, and the Arranger undertakes to provide the Company with Notes distribution services and to act as an exclusive financial agent advisor on issues of offering and distribution of the Notes. According to this Agreement, the parties also undertake to use their best efforts and to cooperate to make the offering of the Notes successful. The Agreement will be valid until the complete fulfilment of the obligations under this Agreement.



AGREEMENT ON THE PROTECTION OF NOTEHOLDERS' INTERESTS IN RELATIONS WITH THE ISSUER

The Issuer and the Trustee on 17 October 2023 have concluded a service agreement (Trustee Agreement) regarding the protection of Noteholders' interests in relations with the Issuer and other related matters.

ESSENTIAL TERMS AND CONDITIONS OF THE AGREEMENT

In compliance with this Agreement, laws, and other legal acts, the Trustee undertakes to defend all the rights, and legal interests of the Noteholders in relations with the Issuer, and the Issuer undertakes to pay the Trustee the remuneration specified in the Agreement. The Agreement expires when the Issuer fulfils all obligations for the Noteholders assumed during the issuance of the Notes; when the Trustee acquires a bankrupt or liquidator entity status or loses the right to provide services as Trustee of the Noteholder; and (or) provided by other laws and/or other legal acts of the Republic of Lithuania cases.




AGREEMENT FOR THE SERVICES OF A CERTIFIED ADVISER

The Issuer and the Certified Adviser on 7 June 2023 have concluded an agreement for the provision of the services of the Certified Adviser.

ESSENTIAL TERMS AND CONDITIONS OF THE AGREEMENT

Law firm COBALT undertakes to provide the services of the Certified Adviser in connection with the admission of the Notes to *First North* (Nasdaq Riga) Bond list. The agreement is valid until the first admission day in the *First North* (Nasdaq Riga).

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TRANSACTIONS OF THE ISSUER

- **ECO BALTIA MATERIAL CONTRACTS**

Eco Baltia vide | Riga waste management agreement with Riga City Council on waste management in the administrative territory of the Riga Northern Executive Directorate of Riga Vidzeme Suburbs and Riga Northern District with contract amount 96 800 000 EUR and contract duration from 19.02.2020 to 18.02.2027.

The development of sorting facility for Municipal Solid Waste and Secondary Raw Material total estimated investment of approx. 11.9m EUR, to be invested into site construction and purchase of the main technological equipment.

VAANIA and JUMIS | On 2003 SIA Vaania has concluded a concession agreement with Sigulda City Council according to which SIA Vaania is the holder of the capital shares of Sigulda City SIA Jumis and rights of SIA Vaania arising from this agreement include the rights to vote and to receive dividends. The agreement is concluded for a period of 30 years and provides that Sigulda City SIA Jumis has the right to provide waste management services in the territory of Sigulda municipality.

Issuer's Group - Luminor | Issuer Eco Baltia has no loans from credit institutions nor available credit line, nevertheless Eco Baltia group companies have received financing from Luminor Bank AS (Latvian and Lithuanian branches). As collateral for the financing granted by Luminor Bank AS Eco Baltia group companies have provided commercial pledges on assets (assets as an aggregation of property as at the moment when pledge is given and future parts of such aggregation of property), commercial pledges on shares of group companies (as well as any and all of the shares which the respective pledgor will obtain into ownership during the effective period of the pledge agreement), as well as mortgages on real estate belonging to the group companies, suretyships from the group companies, assignment agreements for the transfer of claims against debtors to the bank for payment of the outstanding amounts. The financing agreements provide payment obligations under the financing agreements rank at least *pari passu* with the claims of all other unsecured and unsubordinated creditors. The total amount of loan facilities granted to Eco Baltia group is 60.4m EUR and the available credit line 6.4m EUR. As of 30 June 2023, loans and used credit line liabilities were 52.3m EUR. Credit lines expire in end of June 2024. Loan repayment schedules vary, starting from June 2023 until September 2027. Interest rates applied – 3-month EURIBOR + bank margin.

Ecoservice :

- Ecoservice contract with the Šiauliai Regional Waste Management Centre regarding Mixed municipal waste collection and transportation in Šiauliai with the total contract amount 7 000 000 EUR and contract duration from 28.02.2019 to 28.02.2026
- Ecoservice contract with the Marijampolė County Waste Management Centre regarding collection and transport of mixed municipal waste with the total contract amount 6 978 347 EUR and contract duration from 13.11.2017 to 12.11.2023. A new public procurement for services in all Marijampolė region was announced, for which UAB "Ecoservice" submitted an offer on 02.10.2023, worth EUR 19 969 926.34 without VAT for a period of 7 years. New tender results are not yet announced.
- Ecoservice contract with the Vilnius City Municipality regarding sanitation of common areas of Vilnius City and cleaning and plantation maintenance services with the total contract amount 6 476 616 EUR and contract duration from 22.12.2021 to 31.12.2025.
- Ecoservice contract with the Šiauliai Regional Waste Management Centre regarding Collection of packaging and secondary raw materials in the city of Šiauliai with the total contract amount 5 507 852 EUR and contract duration from 02.05.2023 to 02.05.2030.

PET Baltija :

- Luxembourg-based manufacturer purchases of Clear PET flakes, which are made on a monthly purchase order basis, amounts to 24 845 526 EUR aggregated turnover during the last 2 years. ¹
- Germany-based manufacturer purchases of Clear PET flakes, which are made on a monthly purchase order basis, amounts to 10 384 913 EUR aggregated turnover during the last 2 years. ¹
- Agreement with real estate developer on the construction of new premises for PET Baltija (production center, warehouse, office premises) and lease and buy-out of these premises. PET Baltija investment of over 10 mEUR as part of the development of a new PET recycling plant in Olaine, Latvia.

¹ June 2021 – June 2023

TRANSACTIONS OF THE ISSUER

- **ECO BALTIA RELATED PARTY TRANSACTIONS**
- **Related Party** | Eco Baltia has entered into agreements with related parties to shareholders and members of the Supervisory Boards on providing consultancy services. Eco Baltia also has entered into agreements with other group companies on providing management consultancy and IT services.
 - **Loans** | Intragroup loan agreements;
 - **Admin** | Agreements on management and consultancy services (re, finances, legal, HR, administrative, corporate governance, marketing, communication, insurance, data processing etc.);
 - **IT** | Agreements on IT services, data processing, use of programs and systems, mobile apps, website maintenance;
 - **Premises** | Agreements on subleasing head office premises from AS Eco Baltia.
- In 2022 and 6 months ended 30.06.2023, the Issuer and its subsidiaries were engaged in transactions with the shareholders or related companies controlled by the members of Management board and Supervisory board members of the Issuer.
- All intra-group agreements are concluded under market terms and conditions. Related party transactions compose an insignificant amount of the total transactions, assets and liabilities.
- All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.
- List of transaction with related parties is provided into *Annex 1* Eco Baltia related parties transactions.

ISSUERS INTRA-GROUP ASSETS AND LIABILITIES	31.12.2022	30.06.2023
ISSUER'S INTRA-GROUP ISSUED LOANS	672 500	2 172 500
ISSUER'S INTRA-GROUP RECEIVED LOANS	997 028	997 028
ISSUER'S INTRA-GROUP RECEIVABLES	323 522	752 199
ISSUERS INTRA-GROUP PAYABLES	83 372	49 750
ISSUERS RELATED PARTY ASSETS AND LIABILITIES	31.12.2022	30.06.2023
ISSUER'S RELATED PARTY PAYABLES	62 686	2 210
ISSUERS RELATED PARTY TRANSACTIONS (2022) (EUR)	2022	6M 2023
ISSUER'S PAYMENTS TO RELATED PARTIES FOR RENDERED SERVICES	358 674	12 000
ISSUERS INTRA-GROUP TRANSACTIONS (2022) (EUR)	2022	6M 2023
ISSUER'S INTRA-GROUP TRANSACTIONS FOR RENDERED SERVICES	2 517 702	977 982
ISSUER'S INTRA-GROUP TRANSACTIONS FOR RECEIVED SERVICES	50 323	33 957
ISSUER'S % INTRA-GROUP % PAYMENTS	112 011	17 545
ISSUER'S % INTRA-GROUP % RECEIVED PAYMENTS	43 287	66 279

INFORMATION REGARDING SHAREHOLDERS' AGREEMENT, DIVIDEND POLICY AND STOCK OPTION POLICY


- **Shareholders' agreement** | On December 20, 2019 all shareholders and the Company entered into a Shareholders' agreement (SHA). SHA was amended and restated in a new wording on April 1, 2022. SHA determines furnishing of information and reporting by the Company, corporate governance principles of the Company and its subsidiaries, including decision making scope, thresholds and veto rights of shareholders' representatives in the supervisory board of the Company on certain issues like budget approval, election of members of corporate bodies, agreements with related parties or with less than arms-length terms etc.

The Agreement also provides terms and conditions for the future of sale of the Company's shares – mandated sale of all shares held by the shareholders to a third party or by implementing IPO, tag-along and drag-along rights and other conditions for share sale and purchase process.

- **Dividends** | At the end of each financial year all shareholders vote on the distribution of dividends in an amount of at least EUR 1 000 000. The dividend declaration and distribution is subject to the Company's prior compliance with laws, contractual obligations and any applicable financial covenants imposed on the Company by its creditors. The Company shall pay each such annual dividend within 6 months after the end of the relevant financial year.
- **Share-based incentive programmes - Stock Option policy** | In year 2021 Issuer's Stock Option Policy has been approved, which allows to issue up to 3500 personnel options of Issuer in nominal value of up to EUR 3500 for the period of 5 years. The Supervisory Board of the Issuer with its decision is entitled to grant the issued personnel options to the employees of the Issuer's Group, including department managers, directors and management board members and other senior management and senior employees, which have made a significant contribution to the business development of the Group. One personnel option gives the right to acquire one dematerialized bearer preference share (new shares category) of the Issuer with a nominal value of EUR 1,00 per share that are without voting rights, however which gives to a shareholder rights to receive dividends and liquidation quotas according to the Commercial Law of Latvia. The Issuer issues the shares at the expense of retained earnings of the Issuer. When exercising personnel options, the newly issued preference shares are acquired according to the terms and conditions of the Issuer's Stock Option Policy.
- The allocated personnel options grant the right to change the options to the Shares of the Company in accordance with the terms and conditions of the Stock Option Policy and Agreement only upon the exit of the shareholders from the Company by way of a sale by the shareholders to a third party of all of their shares or an IPO by which the shareholders sell all or at least 60% of their shares, and only subject to the threshold price being reached and shareholders have received cash proceeds. If all conditions are not met, all the personnel options vested to the Beneficiaries are cancelled and option agreements automatically expire without the need to perform any additional actions.
- There are no other share-based incentive or extraordinary bonus programmes or similar programmes, including market value of such programmes, in place.

INFORMATION REGARDING ISSUER'S AUDITORS, LEGAL PROCEEDINGS, ISSUER'S STATEMENTS AND MATERIAL INVESTMENTS

- **Auditors** | Economic activities of the Company shall be controlled by a sworn auditor, elected simultaneously with approval of the annual accounts of the Company on annual basis by the General Meeting of Shareholders, to act during the next accounting year. The approved auditor for the current financial year is SIA "Deloitte Audits Latvia", legal address: Republikas laukums 2a, Rīga LV-1010, Latvia, Reg. No. 40003606960.
- **Legal proceedings** | Management of the Issuer is not aware of any ongoing legal proceedings or legal proceedings during previous reporting periods against the Issuer, any insolvency applications, instituted insolvency proceedings, as well as any legal proceedings in connection with fraud, economic violations, or other violations. The Issuer is not engaged in or, to the Management's knowledge, has currently threatened against it any governmental, legal, or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Offering Memorandum, a significant effect on our financial position or profitability.
- **Litigation Statement of the Executives of the Issuer** | As of the date of this Offering Document, none of the Executives (CEO, CFO, CLO) of the Issuer and/or the members of the Management Board and/or Supervisory Board of the Issuer: (i) has had any convictions in relation to fraudulent or other economic offences; nor (ii) has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies, of any company, or a partner in any partnership, at the time of or preceding any bankruptcy, receivership or forced liquidation; nor (iii) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.
- **Confirmation of the Issuer on the Adequacy of Working Capital** | In the opinion of the Issuer, the working capital of the Issuer is sufficient to satisfy the existing claims of the Issuer's creditors.
- **Information regarding material existing and/or future investments:**
 - SIA Eco Baltia vide through its subsidiary acquired road and street maintenance company SIA PILSĒTAS EKO SERVISS (100%), including acquisition of 100% of SIA PES serviss and SIA B 124 on 20th January 2023.
 - SIA Eco Baltia vide development of municipal solid waste & mixed recycled materials sorting facility in Riga, project expected to finalize in 2024.
 - SIA Nordic Plast has invested into modernization of existing and new sorting line that leads to an upwards of 30% increase in Nordic Plast's recycling capacities.
 - AS PET Baltija investments into the development of a new PET recycling plant in Olaine, Latvia.
 - Companies shareholders INVL Baltic Sea Growth Fund together with the Company, agreed to acquire a 70 percent stake in the largest Polish PVC windows recycler Metal-Plast. Transaction closing is planned in Q4 2023, after fulfilling agreed conditions precedent.
 - Eco Baltia is actively involved with other potential M&A targets.

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Annexes

Annex 1

Eco Baltia related party transactions

Annex 2

Terms and Conditions for AS Eco Baltia up to EUR 10,000,000 Unsecured 9 per cent Notes due 2 November 2026

ANNEX 1

Eco Baltia related party transactions

Intra-Group loans (EUR)				Intra-Group Receivables/Payables (EUR)				Related Party Receivables/Payables (EUR)			
Loans Issued	Loans received	Balance 31.12.2022	Balance 30.06.2023	Receivables	Payables	Balance 31.12.2022	Balance 30.06.2023	Receivables	Payables	Balance 31.12.2022	Balance 30.06.2023
AS Eco Baltia	AS PET Baltija	278 000	1 778 000	AS Eco Baltia	AS PET Baltija	17 652	140 318	EBRD	AS Eco Baltia	12 000	-
AS Eco Baltia	SIA Nordic Plast	369 000	369 000	AS Eco Baltia	SIA Eco Baltia vide	247 460	486 082	SIA Advanti	AS Eco Baltia	1 210	1 210
AS Eco Baltia	SIA Polimēru parks	25 500	25 500	AS Eco Baltia	SIA Latvijas Zaļais punkts	43 309	41 820	UAB Anel	AS Eco Baltia	1 000	1 000
AS Eco Baltia	Tesil Fibres s.r.o.	-	4 000 000	AS Eco Baltia	SIA Vaania	115	40	Riga Consulting Group	AS Eco Baltia	48 476	-
SIA Latvijas Zaļais punkts	AS Eco Baltia	997 028	997 028	AS Eco Baltia	SIA Polimēru parks	4 318	5 586				
Intra-Group transactions % paid on loans (EUR)				AS Eco Baltia	SIA Jumis Siguldas P	1 650	6 805				
Revenue	Expenses	Transaction amounts 2022	Transaction amounts 6M 2023	AS Eco Baltia	SIA Nordic Plast	9 020	71 549				
AS Eco Baltia	SIA Nordic Plast	24 839	10 760	SIA Eco Baltia vide	AS Eco Baltia	59 318	44 986				
AS Eco Baltia	AS PET Baltija	15 891	54 251	SIA Jumis Siguldas P	AS Eco Baltia	51	-				
AS Eco Baltia	SIA Polimēru parks	2 557	1 268	SIA Latvijas Zaļais punkts	AS Eco Baltia	3 189	3 111				
SIA Eco Baltia vide	AS Eco Baltia	76 630	-	SIA Nordic Plast	AS Eco Baltia	14 291	-				
SIA Latvijas Zaļais punkts	AS Eco Baltia	35 381	17 545	AS PET Baltija	AS Eco Baltia	6 523	1 653				
Intra-Group transactions for rendered services and supplied goods (EUR)				Related Party transactions for rendered services and supplied goods (EUR)							
Revenue	Expenses	Transaction amounts 2022	Transaction amounts 6M 2023	Revenue	Expenses	Transaction amounts 2022	Transaction amounts 6M 2023				
AS Eco Baltia	AS PET Baltija	621 052	254 190	INVL BSGF	AS Eco Baltia	273 000	-				
AS Eco Baltia	SIA Jumis Siguldas P	73 530	27 459	EBRD	AS Eco Baltia	13 198	-				
AS Eco Baltia	SIA Eco Baltia vide	1 059 885	395 704	SIA Advanti	AS Eco Baltia	12 000	6 000				
AS Eco Baltia	Eko Reverss SIA	1 545	-	UAB Anel	AS Eco Baltia	12 000	6 000				
AS Eco Baltia	SIA Nordic Plast	273 524	105 773	Riga Consulting Group	AS Eco Baltia	48 476	-				
AS Eco Baltia	SIA Latvijas Zaļais punkts	486 832	194 855								
AS Eco Baltia	SIA Vaania	400	-								
AS Eco Baltia	UAB Ecoservice	933	-								
AS PET Baltija	AS Eco Baltia	8 548	8 196								
SIA Eco Baltia vide	AS Eco Baltia	38 201	23 916								
SIA Latvijas Zaļais punkts	AS Eco Baltia	3 574	1 845								



**TERMS AND CONDITIONS FOR
AS “ECO BALTIA”**

(a joint stock company incorporated and existing under the laws of the Republic of Latvia, registration No 40103435432)

up to EUR 10,000,000

UNSECURED 9 PER CENT NOTES DUE 2026

ISIN: LV0000860138

No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes or the possession, circulation or distribution of this document or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required.

The distribution of this document and the private placement of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about, and to observe, such restrictions.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither these Terms and Conditions nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer, the Trustee or the Arranger to any person to subscribe for or to purchase any Notes.

The offering is not addressed to investors who are Russian or Belarussian nationals or natural person residing in Russia or Belarus. The latter shall not apply to nationals of Member States of the European Union or natural persons holding a temporary or permanent residence permit in a Member State of the European Union. The Offering is also not addressed to investors that is a legal person, entity or body established in Russia or Belarus.¹

*The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or with any security’s regulatory authority of any state of the United States. These Terms and Conditions are not to be distributed to the United States or in any other jurisdiction where it would be unlawful. The Notes may not be offered, sold, pledged or otherwise transferred, directly or indirectly, within the United States or to, for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (the “**Regulation S**”), except to a person who is not a U.S. Person (as defined in Regulation S) in an offshore transaction pursuant to Regulation S.*

Dated 20 October 2023

¹ The prohibitions imposed in accordance with Article 5e and 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328 and 2022/394) and Article 1x and 1y of Regulation (EC) No. 765/2006 (as amended by Council Regulation (EU) No 2022/398).

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The following is the text of the Terms and Conditions which constitutes terms and conditions of each Note issued under these Terms and Conditions.

1. INTRODUCTION

AS "Eco Baltia" (the "**Issuer**") has approved these Terms and Conditions (the "**Terms and Conditions**") for the issuance of up to EUR 10,000,000 (ten million euros) in aggregate principal amount of unsecured 9 per cent notes due 2026 (the "**Notes**").

2. INTERPRETATION

2.1. *Definitions:* In these Terms and Conditions the following expressions have the following meanings:

"Accounting Principles" means the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time).

"Business Day" means a day when the Nasdaq CSD system is open for business.

"Business Day Convention" means that the relevant date shall be postponed to the first following day that is a Business Day.

"Compliance Certificate" means a certificate, in form and substance reasonably satisfactory to the Trustee, signed by an authorised signatory of the Issuer certifying that (A) the financial covenants set forth in Clause 14.2. were met at as per the last day of each Relevant Period to which the Compliance Certificate refers to; (B) there was no breach of any other undertakings set forth in Clauses 14.1. and 14.3.-14.7.; (C) so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it, and if provided in connection with an additional Financial Indebtedness, that the financial covenants are met calculated pro forma including the additional Financial Indebtedness.

The first reporting period will be for the period ending 31 December 2023.

"CSDR" means Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 as amended.

"Dealer" and **"Arranger"** means Luminor Bank AS, registration No 11315936, registered at address Liivalaia 45, 10145, Tallinn, Estonia, registered with the Estonian Commercial Register, represented within the Republic of Lithuania by Luminor Bank AS Lithuanian Branch, registration No 304870069, registered at address Konstitucijos ave. 21A, 03601 Vilnius, Lithuania.

"Early Redemption Amount" has the meaning set forth in Clause 13.2.

"EBRD" means the European Bank of Reconstruction and Development.

"EUR" means the lawful currency of Latvia.

"Event of Default" means an event or circumstance specified in Clause 15.3.

"Event of Default Notice" has the meaning set forth in Clause 15.2.

"Excluding IFRS 16 effect" means not applying IFRS 16 (Leases) standard which was adopted by IFRS Foundation for reporting periods beginning on or after 1 January 2019 and specifies how an IFRS reporter will recognise, measure, present and disclose leases (<https://www.ifrs.org/issued-standards/list-of-standards/ifrs-16-leases/>).

“Financial Report” means the annual consolidated and stand-alone financial statements of the Issuer and the quarterly consolidated and stand-alone interim statements of the Issuer prepared in accordance with the applicable law.

“Final Redemption Amount” has the meaning set forth in Clause 13.1.

“First North” means the multilateral trading facility (as defined in Directive 2014/65/EU on markets in financial instruments) First North in Latvia, administrated by the market operator Nasdaq Riga.

“Group” means the Issuer and all the Subsidiaries from time to time (each a **“Group Company”**).

“Interest” means the interest on the Notes calculated in accordance with Clause 12.3.

“Interest Commencement Date” means the Issue Date.

“Interest Payment Date” means 2 May and 2 November each year, adjusted in accordance with the relevant Business Day Convention.

“Interest Period” means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

“Interest Rate” the fixed rate of interest 9 per cent per annum in respect of the period from (and including) the Interest Commencement Date to (but excluding) the Maturity Date payable in arrears on each Interest Payment Date.

“INVL” means INVL Sea Growth Fund, closed-end investment fund for professional investors, managed by INVL Asset Management UAB, legal entity code 126263073, registered at address Gynėjų str. 14, Vilnius, the Republic of Lithuania.

“Issue Date” means 2 November 2023.

“Issuer” means AS “Eco Baltia”, a joint stock company, registration No 40103435432, registered at address Maskavas str. 240-3, Riga, the Republic of Latvia.

“Market Loan” means any loan or other indebtedness where an entity issues commercial paper, certificates, convertibles, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Riga or any other regulated market or unregulated recognised marketplace.

“Material Company” means the Subsidiary of the Issuer representing more than 5.00 (five) per cent of total assets value of the Issuer pursuant to the latest stand-alone Financial Report.

“Maturity Date” means 2 November 2026.

“Nasdaq CSD” means Nasdaq CSD SE, registration number 40003242879, registered at address Valnu str. 1, Riga, the Republic of Latvia.

“Nasdaq Riga” means AS Nasdaq Riga, registration number 40003167049, registered at address Valnu str. 1, Riga, the Republic of Latvia.

“Nominal Amount” has the meaning set forth in Clause 6.1.

“Noteholder” means the Person who’s Notes are registered on the Securities Account.

“Noteholders’ Meeting” means a meeting among the Noteholders held in accordance with Clause 16 (Noteholders’ Meeting and Procedure in Writing, Modification and Waiver).

“Optional Redemption Amount” means a price of the Note provided in Clause 13.4., Clause 13.3. or Clause 13.5.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, unincorporated organisation, contractual fund, government, or any agency or political subdivision thereof, or any other entity, whether or not having a separate legal personality.

“Procedure in Writing” means the written or electronic procedure for decision making among the Noteholders in accordance with Clause 16 (*Noteholders’ Meeting and Procedure in Writing, Modification and Waiver*).

“Redemption Amount” means, as appropriate, the Final Redemption Amount, the Early Redemption Amount and/or the Optional Redemption Amount.

“Redemption Date” means the date on which the relevant Notes are to be redeemed or repurchased in accordance with Clause 13 (*Redemption and Repurchase of the Notes*).

“Relevant Period” means each period of 3 (three), 6 (six), 9 (nine) or 12 (twelve) consecutive calendar months of the relevant Financial Report.

“Securities Account” means the account for dematerialised securities opened in the name of a Noteholder with a financial institution which is a member of Nasdaq CSD.

“Subsidiary” means, in relation to the Issuer, any legal entity, in respect of which the Issuer, directly or indirectly, (i) owns shares or ownership rights representing more than 50 (fifty) per cent. of the total number of votes held by the owners, (ii) otherwise controls more than 50 (fifty) per cent. of the total number of votes held by the owners, (iii) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body or (iv) exercises control as determined in accordance with the Accounting Principles.

“Trustee” means the Noteholders’ Trustee under these Terms and Conditions from time to time; initially ZAB Eversheds Sutherland Bitāns SIA, registration No 40203329751, registered at address Lāčplēša str. 20A-9, Riga, the Republic of Latvia.

“Trustee Agreement” means the agreement entered into on or before the Issue Date between the Issuer and the Trustee, or any replacement Trustee agreement entered into after the Issue Date between the Issuer and the Trustee.

2.2. *Interpretation:* In these Terms and Conditions:

- (a) Any reference to principal shall be deemed to include the Redemption Amount, any withheld amounts in respect of principal which may be payable under Clause 11 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Terms and Conditions.
- (b) Any reference to interest shall be deemed to include any withheld amounts in respect of interest which may be payable under Clause 11 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Terms and Conditions.
- (c) Unless a contrary indication appears, any reference in these Terms and Conditions to:
 - “assets” includes present and future properties, revenues and rights of every description;
 - any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;

- a “regulation” includes any regulation, rule or official directive (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency or department;
 - a provision of law is a reference to that provision as amended or re-enacted; and
 - a time of day is a reference to Latvian local time.
- (d) An Event of Default is continuing if it has not been remedied or waived.
- (e) When ascertaining whether a limit or threshold specified in EUR has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against EUR for the previous Business Day, as published by the European Central Bank on its website (www.ecb.europa.eu). If no such rate is available, the most recently published rate shall be used instead.
- (f) A notice shall be deemed to be sent by way of press release if it is made available to the public within Latvia promptly and in a non-discriminatory manner.
- (g) No delay or omission of the Trustee or of any Noteholder to exercise any right or remedy under these Terms and Conditions shall impair or operate as a waiver of any such right or remedy.

3. PRINCIPAL AMOUNT AND ISSUANCE OF THE NOTES

- 3.1. Under these Terms and Conditions for the issuance of notes the Issuer shall issue the Notes in the aggregate principal amount of up to EUR 10,000,000 (ten million euros).
- 3.2. By subscribing for Notes, each initial Noteholder agrees that the Notes shall benefit from and be subject to these Terms and Conditions, and by acquiring Notes each subsequent Noteholder confirms these Terms and Conditions.

4. STATUS OF THE NOTES

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

5. USE OF PROCEEDS

The net proceeds from the issue of the Notes will be applied by the Issuer for general corporate purposes, including financing of upcoming investment projects and/or acquisitions carried out by the Issuer or its Subsidiaries.

6. DENOMINATION, MINIMUM INVESTMENT AMOUNT, ISIN, TITLE, ISSUE PRICE, TRANSFER, UNDERWRITING, RATING

- 6.1. **Denomination:** Denomination of each Note is EUR 1,000 (one thousand euros) (the “**Nominal Amount**”).
- 6.2. **Minimum Investment Amount:** The Notes are offered for subscription for a minimum investment amount of EUR 100,000 (one hundred thousand euro).
- 6.3. **ISIN:** ISIN (International Security Identification Number) of the Notes allocated by Nasdaq CSD is LV0000860138.
- 6.4. **Title to Notes:** The title to the Notes will pass to the relevant investors when the respective entries regarding the ownership of the Notes are made in their Securities Accounts.
- 6.5. **Issue Price:** The Notes shall be issued at their nominal amount (the “**Issue Price**”).

The yield of the Notes is 9 per cent per annum. The yield is calculated at Issue Date on an annual basis using the Issue Price. It is not an indication of future yield.

- 6.6. **Transfers of Notes:** The Notes are freely transferrable. Notes subscribed and paid for shall be entered to the respective book-entry Securities Accounts of the subscriber(s) in accordance with the Latvian legislation governing the book-entry system and book-entry accounts as well as the Nasdaq CSD Rules.
- 6.7. **No charge:** The transfer of a Note will be effected without charge by or on behalf of the Issuer. However, the investors may be obliged to cover expenses which are related to the opening of Securities Accounts with credit institutions or investment brokerage firms, as well as commissions which are charged by the credit institutions or investment brokerage firms in relation to the execution of the investor's purchase or selling orders of the Notes, the holding of the Notes or any other operations in relation to the Notes. The Issuer and or the Dealer will not compensate the Noteholders for any such expenses.
- 6.8. **Underwriting:** The Notes will not be underwritten.
- 6.9. **Rating:** The Notes to be issued have not been rated.

7. NOTES IN BOOK-ENTRY FORM

The Notes shall be issued as dematerialised securities registered in Nasdaq CSD in a book-entry form with the securities settlement system governed by Latvian law. Nasdaq CSD is licensed under the CSDR and authorised and supervised by the Bank of Latvia.

8. ADMISSION TO TRADING AND LISTING

The Issuer shall ensure that the Notes issued under these Terms and Conditions are admitted to trading and listing on the First North within 6 (six) months after the Issue Date.

9. RIGHT TO ACT ON BEHALF OF A NOTEHOLDER

- 9.1. If any Person other than a Noteholder wishes to exercise any rights under these Terms and Conditions, it must obtain a power of attorney (or, if applicable, a coherent chain of powers of attorney), a certificate from the authorised nominee or other sufficient proof of authorisation for such Person.
- 9.2. A Noteholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Notes held by it. Any such representative may act independently under these Terms and Conditions in relation to the Notes for which such representative is entitled to represent the Noteholder.
- 9.3. The Trustee shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clauses 9.1. and 9.2. and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

10. PAYMENTS TO THE NOTEHOLDERS

- 10.1. **Principal payments:** Payments of principal amounts (including on the final redemption) due on the Notes will be made to the Noteholders who hold the Notes on the Business Day preceding the due date for such payment ("**Principal Record Date**"). The Issuer shall determine the list of Noteholders for payments of principals amounts on the Principal Record Date. All payments of principal amounts shall be made via Nasdaq CSD in accordance with applicable Nasdaq CSD regulations.
- 10.2. **Interest Payments:** Payments of interest (including on the final redemption) due on the Notes will be made to the Noteholders who hold the Notes on the 5th (fifth) Business Day preceding the due date for such payment (the "**Interest Record Date**"). The Issuer shall determine the list

of Noteholders for payments of interest on the Interest Record Date. All payments of interest shall be made via Nasdaq CSD in accordance with applicable Nasdaq CSD regulations.

- 10.3. **Payments due on the final redemption:** Payment of amounts due on the final redemption of the Notes will be made simultaneously with deletion of the Notes. The Noteholders shall not be required to provide any requests to redeem the Notes, as upon Maturity Date of the Notes, the nominal value thereof with the cumulative interest accrued shall be transferred to the accounts indicated by the Noteholders without separate requests/requirements of the Noteholders. As of that moment the Issuer shall be deemed to have fully executed the obligations, related to the Notes and their redemption, disregarding the fact, whether the Noteholder actually accepts the funds or not.
- 10.4. **Payments subject to fiscal laws:** All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Clause 11 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments by the Issuer except for taxes applicable under Latvian law. However, the investors may be obliged to cover commissions and/or other expenses, which are charged by the credit institutions or investment brokerage firms in relation to such payments. The Issuer and/or the Dealer will not compensate the Noteholders for any such expenses.
- 10.5. **Payments on Business Days:** If any date for payment in respect of any Note or Interest is not a Business Day, the Noteholder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.

11. TAXATION

11.1. **Overview of taxation in Latvia:**

Natural persons: For tax purposes, an individual shall be considered a resident of the Republic of Latvia if the individual's declared place of residence is in the Republic of Latvia, or it stays in the Republic of Latvia 183 days or more within any 12-month period, or it is a citizen of the Republic of Latvia employed abroad by the government of the Republic of Latvia government.

In a case, if an individual has close personal and economical relationships also with other countries, a tax treaty concluded between the Republic of Latvia and this country has to be taken into consideration to determine a country of tax residence for the individual.

In accordance with the regulatory enactments (Law "On Personal Income Tax") interest income and interest equivalent income from the Notes for individuals that are residents of the Republic of Latvia is subject to a 20% tax withheld by the Issuer at the time of disbursement. Income from the sale of the Notes is subject to a 20% tax, but in this case, the tax is paid by the individual directly. Special rules apply if the transactions with the Notes are made through an investment account within the meaning of the Law "On Personal Income Tax". In such case taxation of income is deferred until the moment when the amount withdrawn from the investment account exceeds the contributed amount.

In accordance with the regulatory enactments (Law "On Personal Income Tax") interest income and interest equivalent income from the Notes that are not circulated publicly for individuals that are not residents of the Republic of Latvia is subject to a 20% tax withheld by the Issuer at the time of disbursement. The reduced tax rate on interest income can be applicable in the Republic of Latvia only if it is provided by provisions of the tax treaty concluded between the Republic of Latvia and other relevant country. For the application of the reduced tax rate described in this paragraph, the Noteholder might be required to take additional steps and file documents for the reduced tax rate to be applied.

Furthermore, in accordance with the regulatory enactments (Law "On Personal Income Tax") interest income and interest equivalent income from the Notes for individuals that are not tax residents of the Republic of Latvia is subject to a 5% tax withheld by the Issuer at the time of

disbursement if (i) individual receiving interest is resident of European Union member state or European Economic Zone state and is not economic operator; (ii) Notes are not publicly traded; (iii) payment is made via the investment service provider including central securities depository; and (iv) issue of the Notes is organised by investment service provider supervised by competent authority supervising financial markets and participants thereof.

Legal persons: For tax purposes, a legal person is considered to be a resident of the Republic of Latvia if it has been established and registered or had it must be established and registered in the Republic of Latvia in accordance with the legislation of the Republic of Latvia. This applies to also to permanent establishments of foreign companies in the Republic of Latvia.

In accordance with the regulatory enactments (Corporate Income Tax Law) payments for Notes received by legal persons that are residents of the Republic of Latvia are not subject to withholding tax. Corporate income tax shall be paid at the time of profit distribution. The corporate income tax rate applicable to gross profit distribution is 20%.

Interest income on the Notes, as well as gains from the sale of the Notes of a permanent establishment of a legal person, is to be regarded as taxable income and is taxed at the time of the distribution of the profits.

In accordance with the regulatory enactments (Corporate Income Tax Law), interest income on the Notes, as well as gains from the sale of the Notes of legal persons that are not residents of the Republic of Latvia is not taxable in the Republic of Latvia.

In general, interest payments and other payments (except principal loan) to non-residents located, registered or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers No. 333 "Regulations on No-Tax or Low-Tax Countries and Territories", adopted on 27 June 2023; effective as of 1 July 2023 are subject to withholding tax of 20% if the payer is a Latvian legal entity or 23% if the payer is a Latvian individual resident having obligation to withhold tax.

Disclaimer: The information provided in this Clause is not to be treated as legal or tax advice; and prospective Noteholders are advised to consult their own tax advisors as to the tax consequences of the subscription, ownership, and disposal of the Notes applicable to their particular circumstances.

11.2. **No Gross up:**

All interest and interest equivalent income payments in the case of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Latvia or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, in respect of interest, interest equivalent income or other payments related to the Notes, should any amounts payable be subject to withholding or deduction of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Republic of Latvia or any authority having the power to tax, the Issuer shall be entitled to withhold or deduct the respective taxes or duties. For the avoidance of doubt, any such withholdings or deductions shall be made by the Issuer on behalf of the Noteholders having no obligation to compensate the withheld or deducted tax amounts to the Noteholders. If the applicable treaty for the avoidance of double taxation or Latvian law sets forth lower withholding rates than those otherwise applicable to the respective payment under Latvian law, the respective Noteholder shall provide the documents necessary for the application of the respective treaty (including, but not limited to, residence certificate issued or attested by the tax authority of the residence state of the Noteholders and application form for tax relief in a form prescribed by applicable tax regulations) or exemption provided under Latvian law at least 15 (fifteen) days prior to the payment. In each case, it is within the discretion of the Issuer whether to accept the documents as complete and appropriate for the purposes of the application of the treaty or exemption

provided under Latvian law. If the Issuer finds the documents incomplete or inappropriate, the Issuer will withhold the tax according to the laws of the Republic of Latvia.

The Issuer having withheld taxes at the rates set forth by the laws of the Republic of Latvia shall not limit the rights of the Noteholders to file relevant applications and documents with the State Revenue Service of the Republic of Latvia to receive the return of withheld tax in a part or in a whole by filling the documents necessary for the application of the respective treaty.

- 11.3. **Taxing jurisdiction:** If the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Latvia, references in these Terms and Conditions (except Clause 11.1. above) to the Republic of Latvia shall be construed as references to the Republic of Latvia and/or such other jurisdiction.

12. INTEREST

- 12.1. **Accrual of interest:** The Notes bear interest from the Interest Commencement Date at the Interest Rate payable in arrears on each Interest Payment Date, subject as provided in Clause 10 (*Payments to the Noteholders*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Clause 12 (as well after as before judgment) until the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder.
- 12.2. Interest accrues during an Interest Period. Payment of Interest in respect of the Notes shall be made semi-annually in arrears to the Noteholders on each Interest Payment Date for the preceding Interest Period.
- 12.3. Interest in respect of the Notes will be calculated on the basis of a year of 360 (three hundred and sixty) days and a month of 30 (thirty) days, i.e., a day count convention 30E/360 shall be used.

13. REDEMPTION AND REPURCHASE OF THE NOTES

- 13.1. **Scheduled redemption at the Maturity Date:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on the Maturity Date at an amount equal to 100 (one hundred) per-cent of their Nominal Amount (the “**Final Redemption Amount**”) together with accrued but unpaid Interest, subject as provided in Clause 10 (*Payments to the Noteholders*).
- 13.2. **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 (thirty) but no more than 60 (sixty) calendar days’ irrevocable notice to the Noteholders at an amount equal to 100 (one hundred) per-cent of their Nominal Amount (the “**Early Redemption Amount**”) together with any accrued but unpaid interest to, but excluding, the Redemption Date, if:
- (a) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Clause 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Latvia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the Initial Note Issue; and
 - (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by a board member of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a

statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. Upon the expiry of any such notice as is referred to in this Clause 13.2., the Issuer shall be bound to redeem the Notes in accordance with this Clause 13.2.

13.3. **Redemption at the option of the Issuer (call option):** Notes may be redeemed at the option of the Issuer in whole, but not in part on any Business Day:

- (a) falling on or after the date falling 2 (two) years after Issue Date, at a price equal to 101.00 (one hundred and one) per cent of Nominal Amount together with accrued interest to but excluding the Redemption Date; or
- (b) within last 3 (three) months before Maturity Date, at a price equal to 100 (one hundred) per cent of Nominal Amount together with accrued interest to but excluding the Redemption Date.

Redemption in accordance with Clause 13.3. shall be made by the Issuer giving not less than 30 (thirty) but no more than 60 (sixty) calendar days' notice to the Noteholders and the Trustee (which notice shall be irrevocable and shall specify the date fixed for redemption) as well as on the Issuer's website www.ecobaltia.lv, and on Nasdaq Riga website www.nasdaqbaltic.com when Notes are listed on the First North. In addition, the Issuer will inform Nasdaq CSD on the redemption in accordance with Clause 13.3.

13.4. **De-listing Event or Listing Failure Put Option**

If at any time while any Note remains outstanding, there occurs (A) a De-listing Event (as defined below), or (B) a Listing Failure (as defined below), each Noteholder will have the option (the "**De-listing Event or Listing Failure Put Option**") (unless, prior to the giving of the De-listing Event or Listing Failure Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Clause 13.2. or 13.3.) to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of, all or part of its Notes, on the De-listing Event or Listing Failure Put Date (as defined below) at a price per Note equal to 102.00 (one hundred and two) per cent of the Nominal Amount together with interest accrued to, but excluding, the De-listing Event or Listing Failure Put Date.

Where:

"**De-listing Event**" shall be deemed to have occurred if at any time following the listing of the Notes, trading in the Notes on First North is suspended for a period of 15 (fifteen) consecutive Business Days (when First North is at the same time open for trading).

"**Listing Failure**" shall be deemed to have occurred if the Notes are not admitted to trading and listing on the First North within 6 (six) months after the Issue Date.

Promptly upon the Issuer becoming aware that a De-listing Event or Listing Failure has occurred, the Issuer shall give notice (a "**De-listing Event or Listing Failure Notice**") to the Noteholders in accordance with Clause 17 (*Notices*) specifying the nature of the De-listing Event or Listing Failure and the circumstances giving rise to it and the procedure for exercising the De-listing Event or Listing Failure Put Option contained in this Clause 13.4.

To exercise the De-listing Event or Listing Failure Put Option, the Noteholder must notify the Issuer at any time falling within the period of 30 (thirty) days after a De-listing Event or Listing Failure Notice is given (the "**De-listing Event or Listing Failure Put Period**"), accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Issuer or Trustee within the De-listing Event or Listing Failure Period (a "**De-listing Event or Listing Failure Put Exercise Notice**"). Payment in respect of any Notes will be made, if the Noteholder duly specified a bank account in the De-listing Event or Listing Failure Put Exercise Notice to which payment is to be made, on the date which is the 5th (fifth) Business Day following the expiration of the De-listing Event or Listing Failure Put Period (the "**De-listing**

Event or Listing Failure Put Date") by transfer to that bank account. A De-listing Event or Listing Failure Put Exercise Notice, once given, shall be irrevocable.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, any De-listing Event or Listing Failure Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 75 (seventy-five) percent or more in principal amount of the Notes have been redeemed pursuant to this Clause 13.4., the Issuer may, on not less than 30 (thirty) but not more than sixty (60) calendar days' irrevocable notice to the Noteholders in accordance with Clause 17 (*Notices*) given within 30 (thirty) days after the De-listing Event or Listing Failure Put Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at a price per Note equal to 102.00 (one hundred and two) per cent. of the Nominal Amount, together with interest accrued to, but excluding, the Redemption Date.

The Issuer shall not be required to repurchase any Notes pursuant to this Clause 13.4., if a third party in connection with the occurrence of a De-listing Event or Listing Failure, as applicable, offers to purchase the Notes in the manner and on the terms set out in this Clause 13.4. (or on terms more favourable to the Noteholders) and purchases all Notes validly tendered in accordance with such offer. If the Notes tendered are not purchased within the time limits stipulated in this Clause 13.4., the Issuer shall repurchase any such Notes within 5 (five) Business Days after the expiry of the time limit.

13.5. **Redemption at the option of Noteholders upon a Change of Control**

If at any time while any Note remains outstanding, there occurs a Change of Control Event (as defined below) each Noteholder will have the option (the "**Change of Control Put Option**") (unless, prior to the giving of the Change of Control Event Notice (as defined below), the Issuer gives notice to redeem the Notes under Clause 13.2. or 13.3. to require the Issuer to redeem or, at the Issuer's option, to procure the purchase of all of its Notes, on the Change of Control Put Date (as defined below) at a price per Note equal to 102.00 (one hundred and two) per cent. of the Nominal Amount together with interest accrued to, but excluding, the Change of Control Put Date.

Where:

"Change of Control Event" shall be deemed to have occurred if at any time following the Issue Date of the Notes INVL (directly or indirectly) jointly with EBRD ceases to own, directly or indirectly, at least 50 (fifty) per cent +1 share of the paid-up share capital of the Issuer.

Promptly upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Clause 17 (*Notices*) specifying the nature of the Change of Control Event and the circumstances giving rise to it and the procedure for exercising the Change of Control Put Option contained in this Clause 13.5.

To exercise the Change of Control Put Option, the Noteholder must notify the Issuer at any time falling within the period (the "**Change of Control Put Period**") of 30 (thirty) days after a Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the Issuer or Trustee within the Change of Control Put Period (a "**Change of Control Put Exercise Notice**"). Payment in respect of any Notes will be made, if the Noteholder duly specified a bank account in the Change of Control Put Exercise Notice to which payment is to be made, on the date which is the 5th (fifth) Business Day following the expiration of the Change of Control Put Period (the "**Change of Control Put Date**") by transfer to that bank account. A Change of Control Put Exercise Notice, once given, shall be irrevocable.

For the avoidance of doubt, the Issuer shall have no responsibility for any cost or loss of whatever kind (including breakage costs) which the Noteholder may incur as a result of or in connection with such Noteholder's exercise or purported exercise of, or otherwise in connection with, Change of Control Put Option (whether as a result of any purchase or redemption arising therefrom or otherwise).

If 75 (seventy-five) percent or more in principal amount of the Notes then outstanding have been redeemed pursuant to this Clause 13.5., the Issuer may, on not less than 30 (thirty) but not more than 60 (sixty) calendar days' irrevocable notice to the Noteholders in accordance with Clause 17 (Notices) given within 30 (thirty) days after the Change of Control Put Date, redeem on a date to be specified in such notice at its option, all (but not some only) of the remaining Notes at a price per Note equal to 102.00 (one hundred and two) per cent. of the Nominal Amount, together with interest accrued to but excluding the Redemption Date.

The Issuer shall not be required to repurchase any Notes pursuant to this Clause 13.5. if a third party in connection with the occurrence of a Change of Control Event, as applicable, offers to purchase the Notes in the manner and on the terms set out in this Clause 13.5. (or on terms more favourable to the Noteholders) and purchases all Notes validly tendered in accordance with such offer. If the Notes tendered are not purchased within the time limits stipulated in this Clause 13.5., the Issuer shall repurchase any such Notes within 5 (five) Business Days after the expiry of the time limit.

- 13.6. **Purchase:** The Issuer, or any of its Subsidiaries, may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, resold or surrendered by the purchaser through the Issuer for cancellation. Notes held by or for the account of the Issuer or any of its Subsidiaries for their own account will not carry the right to vote at the Noteholders' Meetings or within Procedure in Writing and will not be taken into account in determining how many Notes are outstanding for the purposes of these Terms and Conditions of the Notes.

14. SPECIAL UNDERTAKINGS

So long as any Notes remains outstanding, the Issuer undertakes to comply with the special undertakings set forth in this Clause 14.

- 14.1. **Nature of business:** The Issuer shall procure that no substantial change is made to the general nature of the business as carried out by the Issuer on the Issue Date.
- 14.2. **Financial covenants:** The Issuer shall ensure compliance with the following financial covenants:
- (a) Equity Ratio – the Issuer shall ensure that Equity Ratio of the Issuer at all times is 30 (thirty) per cent or greater. Equity Ratio is tested each quarter.

Where:

"Equity Ratio" shall mean Equity divided by Total Assets.

"Equity" shall mean the aggregate book value of total equity of the Issuer at the end of any Relevant Period according to the latest consolidated Financial Report of the Relevant Period, Excluding IFRS 16 effect.

"Total Assets" shall mean the aggregate book value of the Issuer's total assets according to the latest consolidated Financial Report of the Relevant Period, Excluding IFRS 16 effect.

In case of the breach of Equity Ratio requirement, the Issuer together with the Compliance Certificate has to provide the Trustee with the list of measures which would evidence the restoration of Equity Ratio during next 3 (three) months but not later than until next Equity Ratio testing date. The Issuer shall provide the Trustee with such further information as the Trustee may request (acting reasonably), including, for the avoidance of doubt, calculations, figures and supporting documents in respect of Equity Ratio covenant.

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

Where:

"Net Debt" shall mean the Financial Debt less Cash and Cash Equivalents of the latest consolidated Financial Report of the Relevant Period of the Issuer in accordance with the Accounting Principles.

A **"Financial Debt"** shall mean a sum of:

- a) debt obligations, obligations to credit institutions, other financial obligations arising out of credit agreements;
- b) debt securities issued; and
- c) other transactions of financial debt nature, excluding current payment obligations (to suppliers, employees, taxes payable and etc.), arising from the main activity of the company that are to be settled on the arm's length basis,

Excluding IFRS 16 effect.

"EBITDA" shall mean the net profit or loss indicated in the profit or loss statement for the Relevant Period of the Group determined in accordance with the Accounting Principles plus (A) depreciation of fixed assets and amortization of intangible assets; (B) interest expenses, upfront fees and similar expenses; (C) corporate income tax or dividend tax expenses; and (D) one-off, extraordinary and non-cash expenses (for instance, expenses related to write-off of deferred tax asset), minus (A) interest income and similar income; (B) non-cash income included in the profit or loss statement (for instance, positive revaluation of long term assets, profit from currency fluctuations); and (C) one-off and extraordinary income (for instance, profit from sale of fixed assets, income from positive court decision), Excluding IFRS 16 effect.

"Adjusted EBITDA" shall mean EBITDA adjusted as follows: in case the Group has acquired any entity or business within last 12 (twelve) months immediately preceding the last day of the Relevant Period, it is assumed for the purposes of Adjusted EBITDA calculation that the respective entity or business has been acquired before the Relevant Period, i.e. EBITDA of the acquired entity/business for full 12 (twelve) months immediately preceding the last day of the Relevant Period is included into Adjusted EBITDA calculation.

In case of the breach of Net Debt to Adjusted EBITDA Ratio requirement, the Issuer together with the Compliance Certificate has to provide the Trustee with the list of measures which would evidence the restoration of Net Debt to Adjusted EBITDA Ratio during next 3 (three) months but not later than until next Net Debt Adjusted EBITDA Ratio testing date. The Issuer shall provide the Trustee with such further information as the Trustee may request (acting reasonably), including, for the avoidance of doubt, calculations, figures and supporting documents in respect of Net Debt to Adjusted EBITDA Ratio covenant.

14.3. **Financial reporting:** The Issuer shall:

- (a) prepare annual audited consolidated Financial Reports according to IFRS, annual audited stand-alone – according to local accounting standards and publish them on the Issuer's website www.ecobaltia.lv not later than in 6 (six) months after the expiry of each financial year;
- (b) prepare the condensed quarterly interim unaudited consolidated Financial Reports according to IFRS and quarterly interim unaudited stand-alone – according to the local accounting standards and publish them on the Issuer's website www.ecobaltia.lv not later than in 3 (three) months after the expiry of each relevant interim period;

- (c) prepare and make available a Compliance Certificate to the Trustee and on the Issuer's website (i) when a Financial Report is made available, and (ii) at the Trustee's reasonable request, within 20 (twenty) calendar days from such request; and
- (d) in addition to (a)-(c) above, prepare the Financial Reports in accordance with the Accounting Principles and publish them together with Compliance Certificate in accordance with the rules and regulations of Nasdaq Riga and the applicable laws upon listing of the Notes in First North.

14.4. **Negative Pledge**

The Issuer shall not, as long as the Notes are not redeemed in full, incur, create or permit to subsist any security over all or any of its present or future assets or revenues or rights or enter into arrangements having a similar effect, other than share pledges on the Issuer's shares in its Subsidiaries securing the respective Subsidiary's financing arrangements.

14.5. **Limits on dividends**

As long as the Notes are not redeemed in full, the Issuer undertakes to ensure that any payment of Distribution shall be subject to that a Compliance Certificate duly signed by the Issuer is provided to the Trustee confirming that:

- (a) no Event of Default is outstanding, continuing or would occur from such Distribution; and
- (b) the Financial covenants set forth in Clause 14.2. are met and continued compliance immediately after such Distribution.

Where:

"Distribution" shall mean any (i) payment of dividend on shares, (ii) repurchase of own shares, (iii) redemption of share capital or other restricted equity with repayment to the Issuer's shareholders, or (iv) any other similar distribution or transfers of value to the direct and/or indirect shareholders of the Issuer without mutual consideration.

14.6. **Financial Indebtedness restrictions**

The Issuer shall not, as long as the Notes are not redeemed in full, incur, create or permit to subsist any Financial Indebtedness, unless: (A) a Compliance Certificate duly signed by the Issuer is provided to the Trustee additionally confirming that no Event of Default is continuing, or would result from the additional borrowing and immediately after receiving such additional borrowing the Financial covenants as set forth in Clause 14.2. will not be breached; and (B) such other documents and information as agreed between the Trustee and the Issuer are provided to the Trustee.

Where:

"Financial Indebtedness" shall mean any indebtedness as defined in accordance with the Accounting Principles in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) the amount of any liability in respect of any leases, to the extent the arrangement is or would have been treated as lease in accordance with the Accounting Principles as applicable on the Issue Date (a lease which in the accounts of the Group is treated as an asset and a corresponding liability);
- (c) receivables sold or discounted (other than on a non-recourse basis, provided that the requirements for de-recognition under the Accounting Principles are met);
- (d) any amount raised under any other transaction having the commercial effect of a borrowing (including forward sale or purchase arrangements);

- (e) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account);
- (f) any counter-indemnity obligation in respect of a guarantee, indemnity, note, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a) to (f).

For the avoidance of doubt, deferred tax liability shall not be treated as Financial Indebtedness.

Clause 14.6. will not prohibit the incurrence of Financial Indebtedness under item (b) above and there is no requirement to provide any Compliance Certificate if the Financial Indebtedness under item (b) above does not exceed EUR 150,000 (one hundred fifty thousand euros) per year.

14.7. General warranties and undertakings

The Issuer warrants to the Noteholders and the Trustee at the date of these Terms and Conditions and for as long as any of the Notes are outstanding that:

- (a) the Issuer is a duly registered as a joint stock company operating in compliance with the laws of Latvia;
- (b) all the Issuer's obligations assumed under the Terms and Conditions are valid and legally binding to the Issuer and performance of these obligations is not contrary to law or the Articles of Association of the Issuer;
- (c) the Issuer has all the rights and sufficient authorizations to and the Issuer has performed all the formalities required for issuing the Notes;
- (d) all information that is provided by the Issuer to the Trustee or the Noteholders is true, accurate, complete and correct as of the date of presenting the respective information and is not misleading in any respect;
- (e) the Issuer is solvent, able to pay its debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer;
- (f) there are no legal or arbitration proceedings pending or initiated against the Issuer which may have, or have had significant effects on the Issuer's or Group's financial position or profitability; and
- (g) there are no criminal proceedings pending or initiated against the Issuer.

15. EVENTS OF DEFAULT

- 15.1. If an Event of Default (as defined below) occurs, any Noteholder may at any time falling within the period of 60 (sixty) days after an Event of Default Notice (as defined below) is given (the "**Early Repayment Notice Period**"), by written notice to the Issuer declare any Note held by it and the interest accrued on such Note to be prematurely due and payable, provided that an Event of Default is continuing on the date of receipt of the Noteholder's notice by the Issuer. Payment in respect of such Notes will be made on the date which is the 5th (fifth) Business Day following the expiration of the Early Repayment Notice Period (the "**Early Repayment Date**"). Interest on such Note accrues until the Early Repayment Date (excluding the Early Repayment Date).
- 15.2. The Issuer shall notify the Noteholders and the Trustee about the occurrence of an Event of Default (and the steps, if any, taken to remedy it) in accordance with Clause 17 (*Notices*) promptly upon becoming aware of its occurrence (the "**Event of Default Notice**").
- 15.3. Each of the following events shall constitute an event of default (an "**Event of Default**"):
 - (a) **Non-payment:** The Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of

the Notes on the due date for payment thereof and the default continues for a period of 5 (five) days.

- (b) **Breach of other obligations:** The Issuer does not comply with these Terms and Conditions in any other way than as set out under Clause 15.3.(a) above, excluding with Financial covenants as set out under Clause 14.2. above, and it is not remedied within 30 (thirty) calendar days of the earlier of the Trustee giving notice or the Issuer should have become aware of the non-compliance.
- (c) **Breach of Financial covenants:** The Issuer does not comply with any financial covenant as set forth in Clause 14.2. and such non-compliance is not remedied within 3 (three) months period when Equity Ratio or Net Debt to EBITDA Ratio covenant under Clause 14.2.(a) or 14.2.(b) were tested in accordance with the next relevant Financial Report.
- (d) **Cross-Default:**
 - (i) Any Financial Indebtedness of the Issuer or any Group Company is not paid when due nor within any originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity because of an event of default howsoever described under any document relating to Financial Indebtedness of the Issuer or any Group Company; or
 - (ii) Any security interest securing Financial Indebtedness over any asset of the Issuer or any Group Company is enforced,provided however that the amount of Financial Indebtedness referred to under item (i) and/or (ii) above, individually or on the consolidated basis exceeds an amount corresponding to EUR 1,500,000 (one million five hundred thousand euros).
- (e) **Insolvency:** The Issuer is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors (other than under these Terms and Conditions) with a view to rescheduling its Financial Indebtedness or the value of the assets of the Issuer is less than its liabilities (taking into account contingent and prospective liabilities).
- (f) **Insolvency proceedings:** Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 30 (thirty) calendar days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to the Subsidiaries, voluntary liquidations) in relation to:
 - (i) winding-up, dissolution, administration, insolvency or legal protection proceedings (in and out of court) (in Latvian: *maksātnespēja, tiesiskās aizsardzības process*) (by way of voluntary agreement, scheme of arrangement or otherwise) of the Issuer or any Material Company;
 - (ii) the appointment of a liquidator, receiver, administrator, administrative receiver or other similar officer in respect of the Issuer or any Material Company or any of its assets; or
 - (iii) any analogous procedure or step is taken in any jurisdiction in respect of the Issuer or any Material Company.
- (g) **Mergers and demergers:**
 - (i) a decision is made that any Material Company (other than the Issuer) shall be merged or demerged into a company which is not a Group Company, unless the Trustee has given its consent (not to be unreasonably withheld or delayed) in writing prior to the merger and/or demerger (where consent is not to be understood as a waiver of the rights that applicable law at the time assigns the concerned creditors); or

- (ii) the Issuer merges with any other Person or is subject to a demerger, with the effect that the Issuer is not the surviving entity.
 - (h) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Issuer to fulfil or perform any of the provisions of these Terms and Conditions or if the obligations under these Terms and Conditions are not, or cease to be, legal, valid, binding and enforceable.
- 15.4. If the Issuer is declared insolvent, the Trustee shall represent the Noteholders in all legal proceedings and take every reasonable measure necessary to recover the amounts outstanding under the Notes. The Issuer shall notify the Trustee about being declared insolvent in accordance with Clause 17. (*Notices*) promptly upon becoming aware of its occurrence. In such a case, all payments by the Issuer relating to the Notes shall be transferred to the Trustee, or to someone appointed by the Trustee, and shall constitute escrow funds and must be held on a separate interest-bearing account on behalf of the Noteholders. The Trustee shall arrange for payments of such funds in the following order of priority as soon as reasonably practicable.
- (a) *first*, in or towards payment *pro rata* of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Trustee, (ii) other costs, expenses and indemnities relating to the protection of the Noteholders' rights, (iii) any non-reimbursed costs incurred by the Trustee for external experts, and (iv) any non-reimbursed costs and expenses incurred by the Trustee in relation to a Noteholders' Meeting or a Written Procedure;
 - (b) *secondly*, in or towards payment *pro rata* of accrued but unpaid Interest under the Notes (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
 - (c) *thirdly*, in or towards payment *pro rata* of any unpaid principal under the Notes; and
 - (d) *fourthly*, in or towards payment *pro rata* of any other costs or outstanding amounts unpaid under these Terms and Conditions.

If the Trustee makes any payment under this Clause 15.4., the Trustee, as applicable, shall notify the Noteholders of any such payment at least 5 (five) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid.

16. NOTEHOLDERS' MEETING AND PROCEDURE IN WRITING, MODIFICATION AND WAIVER

- 16.1. **General provisions:** The decisions of the Noteholders (including decisions on amendments to these Terms and Conditions or granting of consent or waiver) shall be passed at the Noteholders' Meeting or in Procedure in Writing at the choice of the Trustee.

The Trustee shall have a right to convene the Noteholders' Meeting or instigate the Procedure in Writing at any time and the Trustee shall do so following a written request from the Issuer or Noteholders who, on the day of the request, represent not less than 1/10 (one-tenth) of the aggregate principal amount of the outstanding Notes (excluding the Issuer and its Subsidiaries). As a general rule, the Noteholders' Meeting or in Procedure in Writing is convened by a decision of the Trustee.

The Trustee may refrain from convening the Noteholders' Meeting or instigating the Procedure in Writing if (i) the suggested decision does not fall under the competence of Noteholders, or (ii) the suggested decision is not in accordance with applicable laws.

In case convening of the Noteholders' Meeting or instigation of the Procedure in Writing is requested by the Issuer or Noteholders, the Trustee shall be obliged to convene the Noteholders' Meeting or instigate the Procedure in Writing within 1 (one) month after receipt of the respective Issuer's or Noteholders' written request.

Only those who were registered as the Noteholders by the end of the 5th (fifth) Business Day prior to convening the Noteholders' Meeting and only those who were registered as the Noteholders by the end of the 5th (fifth) Business Day after publishing an announcement on

instigation of the Procedure in Writing or proxies authorised by such Noteholders, may exercise their voting rights at the Noteholders' Meeting or in the Procedure in Writing.

Notes held by or for the account of the Issuer or any of its Subsidiaries will not carry the right to vote at the Noteholders' Meetings and will not be taken into when a quorum is calculated.

Without amending or varying these Terms and Conditions, the Trustee may prescribe such further regulations regarding the convening and holding of the Noteholders' Meeting or the Procedure in Writing as the Trustee may deem appropriate. Such regulations may include e.g. a possibility for Noteholders to vote without attending the meeting in person, holding the Noteholders' Meeting in the form of a video conference etc.

- 16.2. **Quorum:** Quorum at the Noteholders' Meeting or in respect of the Procedure in Writing only exists if (i) at least 2 (two) or more persons representing at least 50 (fifty) per cent or (ii) one Noteholder holding 100 (one hundred) per cent of the principal amount of the Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

If quorum does not exist at the Noteholders' Meeting or in respect of the Procedure in Writing, the Issuer can convene an adjourned Noteholders' Meeting or instigate a second Procedure in Writing, as the case may be, on a date no earlier than 14 (fourteen) days and no later than 28 (twenty-eight) days after the original meeting at a place to be determined by the Issuer.

The adjourned Noteholders' meeting constitutes a quorum, if (i) at least 2 (two) or more persons representing at least 10 (ten) per cent or (ii) one Noteholder holding 100 (one hundred) per cent of the principal amount of the Notes outstanding are present in the meeting or provide replies in the Procedure in Writing.

The notice of the adjourned meeting or, in the Procedure in Writing, information regarding the extended time for replies, must be given in the same manner as the notice of the original meeting or the Procedure in Writing. The notice must also include the requirements for a constitution of a quorum.

The voting rights of the Noteholders will be determined on the basis of the principal amount of the Notes held.

- 16.3. **Noteholders decisions:** A Noteholders' Meeting or a Procedure in Writing may, at the request of the Issuer, make decisions that are binding on the Noteholders on:

- (a) any amendments to the Terms and Conditions, and
- (b) a temporary waiver regarding the Terms and Conditions.

The consent of Noteholders representing at least 75 (seventy-five) per cent of the aggregate principal amount of the outstanding Notes represented at the Noteholders' Meeting or participating in the Procedure in Writing (i.e. providing replies) will be required to make the following amendments to the Terms and Conditions, regarding:

- (a) change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes; or
- (b) change Clause 4 (*Status of the Notes*), Clause 15 (*Events of Default*) or Clause 19 (*Governing Law and Jurisdiction*); or
- (c) waive a breach of or amend undertakings set out in Clause 14 (*Special undertakings*);
- (d) change the quorum requirements of the Noteholders' Meeting or Procedure in Writing; and/or
- (e) change the majority required for the decisions of the Noteholders' Meeting or Procedure in Writing.

Consent of simple majority (more than 50 (fifty) per cent) of all Noteholders attending the Noteholders' Meeting or participating in the Procedure in Writing (i.e. providing replies) is required for other amendments to the Terms and Conditions or for a temporary waiver regarding the Terms and Conditions.

The Noteholders' Meeting and the Procedure in Writing can authorise a named person to take any necessary actions to enforce the decisions of the Noteholders' Meeting or the Procedure in Writing.

A matter decided at the Noteholders' Meeting or the Procedure in Writing is binding on all Noteholders, irrespective of whether they were present at the Noteholders' Meeting or participated in the Procedure in Writing. Decisions made at the Noteholders' Meeting or in the Procedure in Writing are deemed to have been received by the Noteholders at the time notified to the Noteholders in accordance with Clause 17. (*Notices*), provided that a failure to do so shall not invalidate any decision made or voting result achieved.

All expenses in relation to the convening and holding the Noteholders' Meeting or a Procedure in Writing shall be covered by the Issuer.

- 16.4. **Meetings of Noteholders:** If a decision of the Noteholders is intended to be passed at the Noteholders' Meeting, then a respective notice of the Noteholders' Meeting shall be provided to the Noteholders in accordance with Clause 17. (*Notices*) no later than 10 (ten) Business Days prior to the meeting. Furthermore, the notice shall specify the time, place and agenda of the meeting, as well as any action required on the part of the Noteholders that will attend the meeting. No matters other than those referred to in the notice may be resolved at the Noteholders' Meeting.

The Noteholders' Meeting shall be held in Riga, Latvia, and its chairman shall be appointed by the Noteholders' Meeting.

The Noteholders' Meeting shall be organised by the chairman of the Noteholders' Meeting.

The Noteholders' Meeting shall be held in Latvian with translation into English, unless the Noteholders present in the respective Noteholders' Meeting unanimously decide that the respective Noteholders' Meeting shall be held only in Latvian or English.

Representatives of the Issuer and persons authorised to act for the Issuer may attend and speak at the Noteholders' Meeting.

Minutes of the Noteholders' Meeting shall be kept, recording the day and time of the meeting, attendees, their votes represented, matters discussed, results of voting, and resolutions which were adopted. The minutes shall be signed by the keeper of the minutes, which shall be appointed by the Noteholders' Meeting. The minutes shall be attested by the chairman of the Noteholders' Meeting, if the chairman is not the keeper of the minutes, as well as by one of the persons appointed by the Noteholders' Meeting to attest the minutes. The minutes from the relevant Noteholders' Meeting shall at the request of a Noteholder be sent to it by the Issuer.

- 16.5. **Procedure in Writing:** If a decision of the Noteholders is intended to be passed by the Procedure in Writing, then a respective communication of the Procedure in Writing shall be provided to the Noteholders in accordance with Clause 17. (*Notices*). Communication to the Noteholders shall include:

- (a) each request for a decision by the Noteholders;
- (b) a description of the reasons for each request;
- (c) a specification of the Business Day on which a person must be registered as a Noteholder in order to be entitled to exercise voting rights;
- (d) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote "yes" or "no" for each request), as well as a form of a power of attorney; and

- (e) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least 10 (ten) Business Days from the communication pursuant to paragraph e) above) and a manner of a reply.

When the requisite majority consents have been received in a Procedure in Writing, the relevant decision shall be deemed to be adopted even if the time period for replies in the Procedure in Writing has not yet expired.

- 16.6. **Minor modification:** These Terms and Conditions may be amended by the Issuer without the consent of the Noteholders to correct a manifest error or to comply with mandatory provision of the applicable law. In addition, the Issuer shall have a right to amend the technical procedures relating to the Notes in respect of payments or other similar matters without the consent of the Noteholders, if such amendments are not prejudicial to the interests of the Noteholders. Corresponding information shall be published on the Issuer's website at www.ecobaltia.lv as well as on www.nasdaqbaltic.com when Notes are listed on the First North.

17. NOTICES

Noteholders shall be advised of matters relating to the Notes by a notice published in English and Latvian on the Issuer's website at www.ecobaltia.lv and on www.nasdaqbaltic.com when the Notes are listed on the First North. Any such notice shall be deemed to have been received by the Noteholders when sent or published in the manner specified in this clause.

18. APPOINTMENT AND REPLACEMENT OF THE TRUSTEE

- 18.1. **Appointment of Trustee:** By subscribing for the Notes, each initial Noteholder appoints the Trustee to act as its agent in all matters relating to the Notes and these Terms and Conditions, and authorises the Trustee to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Notes held by such Noteholder, including the winding-up, dissolution, liquidation or insolvency (or its equivalent in any other jurisdiction) of the Issuer. By acquiring Notes, each subsequent Noteholder confirms such appointment and authorisation for the Trustee to act on its behalf.

Each Noteholder shall immediately upon request by the Trustee provide the Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Trustee), as the Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under these Terms and Conditions. The Trustee is under no obligation to represent a Noteholder which does not comply with such request.

The Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in these Terms and Conditions and the Trustee Agreement, and the Trustee's obligations under these Terms and Conditions are conditioned upon the due payment of such fees and indemnifications. The Trustee is not obliged to expend or risk its own funds or otherwise incur any financial liability (including, but without limitation, legal fees) in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds is not reasonably assured to it. For this purpose, the Trustee may demand, prior to taking any such action, payment in advance as it considers (without prejudice to any further demand) shall be sufficient to prefund it.

The Issuer shall on demand by the Trustee pay all costs for external experts engaged by it (i) after the occurrence of an Event of Default, (ii) for the purpose of investigating or considering (A) an event or circumstance which the Trustee reasonably believes is or may lead to an Event of Default or (B) a matter relating to the Issuer or the Notes which the Trustee reasonably believes may be detrimental to the interests of the Noteholders under the Terms and Conditions, and (iii) in connection with any Noteholders' Meeting or Procedure in Writing, or (iv) in connection with any amendment (whether contemplated by the Terms and Conditions or not) or waiver under the Terms and Conditions.

When acting pursuant to these Terms and Conditions, the Trustee is always acting with binding effect on behalf of the Noteholders. The Trustee is never acting as an advisor to the Noteholders or the Issuer. Any advice or opinion from the Trustee does not bind the Noteholders or the Issuer.

The Trustee is entitled to delegate its duties to other professional parties and to engage external experts when carrying out its duties as trustee, without having to first obtain any consent from the Noteholders or the Issuer, but the Trustee shall remain liable for the actions of such parties under these Terms and Conditions.

The Trustee may act as agent for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

- 18.2. **Duties of the Trustee:** The Trustee shall represent the Noteholders in accordance with these Terms and Conditions and shall carry out its duties under these Terms and Conditions in a reasonable, proficient and professional manner, with reasonable care and skill. However, the Trustee is not responsible for the execution or enforceability of these Terms and Conditions.

The Trustee shall keep the latest version of these Terms and Conditions (including any document amending these Terms and Conditions) and they will be available on Nasdaq Riga website www.nasdaqbaltic.com upon listing of the Notes on First North.

Upon request by a Noteholder, the Trustee shall promptly distribute to the Noteholders any information from such Noteholder which relates to the Notes (at the discretion of the Trustee). The Trustee may require that the requesting Noteholder reimburses any costs or expenses incurred, or to be incurred, by the Trustee in doing so (including a reasonable fee for the work of the Trustee) before any such information is distributed. The Trustee shall upon request by a Noteholder disclose the identity of any other Noteholder who has consented to the Trustee in doing so.

The Trustee shall treat all Noteholders equally and, when acting pursuant to these Terms and Conditions, act with regard only to the interests of the Noteholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in these Terms and Conditions and the Trustee Agreement.

If in the Trustee's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Trustee) in complying with instructions of the Noteholders, or taking any action at its own initiative, will not be covered by the Issuer, the Trustee may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require. The Trustee shall give a notice to the Noteholders (i) before it ceases to perform its obligations under these Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Trustee under these Terms and Conditions or the Trustee Agreement, or (ii) if it refrains from acting for any reason described in this Clause.

Other than as specifically set out in the Terms and Conditions, the Trustee shall not be obliged to monitor (i) whether any Event of Default has occurred, (ii) the performance, default or any breach by the Issuer or any other party of its obligations under Terms and Conditions, or (iii) whether any other event specified in any finance document of the Issuer has occurred. Should the Trustee not receive such information, the Trustee is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Trustee does not have actual knowledge of such event or circumstance.

The Trustee shall (i) review each Compliance Certificate delivered to it to determine that it meets the requirements set out in these Terms and Conditions and as otherwise agreed between the Issuer and the Trustee, (ii) check that the information in the Compliance Certificate is correctly extracted from the financial statements delivered pursuant to Clause 14.3. or other relevant documents supplied together with the Compliance Certificate, and (iii) verify that the Issuer according to its reporting in the Compliance Certificate meets the relevant financial covenant(s) or tests. For the avoidance of doubt, the Trustee shall only perform the review of Compliance

Certificate described hereunder only to the extent the information provided in each Compliance Certificate corresponds to these Terms and Conditions, financial statements delivered pursuant to Clause 14.3. or other relevant documents supplied together with the Compliance Certificate. The Issuer shall promptly upon request provide the Trustee with such information as the Trustee reasonably considers necessary for the purpose of being able to comply with this clause.

The Trustee shall neither be liable to the Issuer or the Noteholders for damage due to any documents and information delivered to the Trustee, including the Compliance Certificate not being accurate, correct and complete, unless it has actual knowledge to the contrary, nor be liable for the content, validity, perfection or enforceability of such documents.

The Trustee shall give a notice to the Noteholders (i) before it ceases to perform its obligations under the Terms and Conditions by reason of the non-payment by the Issuer of any fee or indemnity due to the Trustee under the Terms and Conditions or the Trustee Agreement or (ii) if it refrains from acting for any reason described above.

- 18.3. **Limited Liability of the Trustee:** The Trustee will not be liable to the Noteholders for damage or loss caused by any action taken or omitted by it under or in connection with these Terms and Conditions, unless directly caused by its negligence or wilful misconduct. The Trustee shall never be responsible for indirect loss.

The Trustee shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Trustee or if the Trustee has acted with reasonable care in a situation when the Trustee considers that it is detrimental to the interests of the Noteholders to delay the action in order to first obtain instructions from the Noteholders.

The Trustee shall have no liability to the Issuer or the Noteholders for damage caused by the Trustee acting in accordance with instructions of the Noteholders given in accordance with these Terms and Conditions.

- 18.4. **Replacement of the Trustee:** The Trustee may resign by giving notice to the Issuer and the Noteholders, in which case the Noteholders shall appoint a successor Trustee at a Noteholders' Meeting convened by the retiring Trustee or by way of Procedure in Writing initiated by the retiring Trustee.

If the Trustee is insolvent or becomes subject to bankruptcy proceedings, the Trustee shall be deemed to resign, and the Issuer shall within 10 (ten) Business Days appoint a successor Trustee which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

Noteholders representing not less than 1/10 (one-tenth) of the Nominal Amount may, by notice to the Issuer require that a Noteholders' Meeting is held for the purpose of dismissing the Trustee and appointing a new Trustee. The Issuer may, at a Noteholders' Meeting convened by it or by way of Procedure in Writing initiated by it, propose to the Noteholders that the Trustee be dismissed, and a new Trustee appointed.

If the Noteholders have not appointed a successor Trustee within 90 (ninety) calendar days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Trustee was dismissed through a decision by the Noteholders, the Issuer shall appoint a successor Trustee which shall be an independent financial institution or other reputable company which regularly acts as agent under debt issuances.

The Trustee's resignation or dismissal shall only take effect upon the appointment of a successor Trustee and acceptance by such successor Trustee of such appointment and the execution of all necessary documentation to effectively substitute the retiring Trustee.

- 18.5. **Limitation of liability:** The Trustee is only liable for the breach of any of its obligations under these Terms and Conditions, in the event of gross negligence or wilful misconduct of the Trustee. The liability of the Trustee is limited to EUR 300,000, save in case of wilful breach by the Trustee

of its obligations giving rise to the liability of the Trustee. The professional liability of the Trustee is insured with an insurance company and Trustee shall ensure that its professional liability continues to be insured with an insurance company until the Notes are redeemed.

- 18.6. **Other provisions:** For the purpose of or in connection with any Noteholders' Meeting or any Procedure in Writing, at the request of the Trustee, the Issuer shall promptly obtain the list of the Noteholders and provide it to the Trustee.

The Issuer shall issue any necessary power of attorney to Trustee, or such persons employed by the Trustee, as notified by the Trustee, in order for such individuals to independently obtain information directly from the Nasdaq CSD in respect of the Notes and Noteholders. The Issuer may not revoke any such power of attorney unless directed by the Trustee or unless consent thereto is given by the Noteholders.

19. GOVERNING LAW AND JURISDICTION

- 19.1. **Governing law:** These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of the Republic of Latvia.
- 19.2. **Courts of the Republic of Latvia:** Any dispute or claim arising out of or in relation to these Terms and Conditions and the Notes, including any non-contractual obligation arising out of or in connection with the Notes, shall be finally settled by the courts of the Republic of Latvia.



THANK YOU!

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