



JOINT STOCK COMPANY ECO BALTIA

**UNAUDITED INTERIM REPORT
FOR THE NINE MONTHS
PERIOD ENDED 30
SEPTEMBER 2023**

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

RIGA, 2023



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GENERAL INFORMATION

GENERAL INFORMATION



Name of the Company	Eco Baltia AS
Legal status of the Company	Joint stock company
Registration number, place and date of the Company	40103435432 Riga, 08 July 2011
Registered office of Company	Maskavas iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Company	BSGF Salvus UAB, Gyneju g.14, Vilnius, Lithuania (52.81%) European Bank for Reconstruction and Development, Broadgate City of London One Exchange Square, London EC2A 2JN (United Kingdom) (30.51%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Management Board Members of the Company	Māris Simanovičs – Chairman of the Management Board Santa Spūle – Management Board Member Sigita Namatēva – Management Board Member Saulius Budrevičius - Management Board Member from 21.07.2023
Supervisory Board Members of the Company	Vytautas Plunksnis — Chairman of the Supervisory Board Deimante Korsakaite — Deputy Chairperson of the Supervisory Board Jurgita Petrauskiene – Supervisory Board Member Gints Pucēns – Supervisory Board Member Atienza Guell Alberto – Supervisory Board Member
Subsidiaries	AS „PET Baltija” Aviācijas iela 18, Jelgava, Latvia (94,9%) SIA „Eco Baltia vide” Getliņu iela 5, Stopiņu novads, Rumbula, Latvia (100%) SIA „Nordic Plast” Rūpnīcu iela 4, Olaine, Latvia (100%) SIA „Polimēru parks” Maskavas iela 240-3, Riga, Latvia (100%) SIA „Vaania” Maskavas iela 240-3, Riga, Latvia (100%, Siguldas municipality LLC „Jumis” concessionaire) Siguldas PSIA „Jumis” R. Blaumaņa iela 10, Sigulda, Latvia (100% - Siguldas regional municipality, JSC "Eco Baltia" concession holder) UAB Eco Recycling, Gyneju g. 14, Vilnius, Lithuania (60%) from 29.09.2023
Reporting period	1 January 2023 – 30 September 2023



MANAGEMENT REPORT

Type of Company business

Eco Baltia JSC (AS) (hereinafter referred to as the Company) is the parent company (holding company) of subsidiary companies operating in the field of secondary raw material processing and waste management in Latvia, Czech Republic, and Lithuania. The Company actively monitors its investments by participating in the management of subsidiary companies, as well as in the development and implementation of their strategies. Eco Baltia provides financial, legal, personnel management, and executive services to its subsidiary companies. The main subsidiary companies managed by the Company are PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, Sigulda city's SIA JUMIS, Lithuania's Ecoservice enterprise group, and Czech Republic's TESIL Fibres S.r.o. During the reporting period, a transaction for the acquisition of the street and road maintenance company Pilsētas Eko Serviss was also concluded within the group.

Development and financial performance of the Company during the reporting period

During the first nine months of 2023, the Company actively continued its work on the management of the Group companies and contributed to the expansion of both business segments - PET and plastics recycling and environmental management - both through organic growth and by participating in the monitoring of acquisitions.

With the acquisitions completed last year and in the first quarter of this year, work continues on the evaluation of new business lines and acquisitions, with the aim of further strengthening the Company's position and market share both in Latvia and internationally, while developing and expanding the full-cycle waste stream in the Company's overall service portfolio.

At the beginning of 2023, the group company Latvijas Zaļais punkts concluded a transaction for the acquisition of the street and road maintenance company Pilsētas Eko Serviss. As a result of the transaction, 100% of the share capital in the companies Pilsētas Eko Serviss, PES serviss, and B 124 were acquired. In 2023, a reorganisation process was initiated to merge them into Eco Baltia vide.

During the reporting period, the parent company Eco Baltia issued its first bonds with a value of EUR 8 million, generating significant investor interest and demand exceeding the maximum offering volume by 3.5 times. The bond redemption deadline is February 17, 2026, with the issuer having the option to redeem the bonds after two years. Since March 2, 2023, the bonds have been included in the Nasdaq Baltic alternative market First North.

Considering that the Company's business model and operations are focused on implementing the principles of the circular economy and incorporating various sustainable business practices on a daily basis, active work continues during this reporting period on the development and implementation of a consolidated ESG (environmental, social, and governance) strategy in the Company and its most significant subsidiary companies. One of the goals is to introduce a unified system for monitoring and reporting ESG indicators and strategies at all business levels.

The Company closed the first nine months of 2023 with a loss of EUR 184 783 (nine month 2022: profit of EUR 4 865 086 including dividend income). The nine month results were mainly influenced by interest expenses on the bonds issued and administrative expenses related to future development projects. The Parent Company's turnover for the first nine months of 2023 is EUR 1 343 099, a decrease of 31% compared to EUR 1 944 799 for the first nine months of 2022. This is due to the transfer of previously performed support functions in the area of administrative management to Group companies.

Considering the situation in the secondary raw material market, which deteriorated significantly in the fourth quarter of 2022, leading to a decrease in the net realization value of inventories for the subsidiary company PET Baltija, PET Baltija and the parent Company have reached an agreement with Luminor Bank Latvian branch for a subordinated short-term loan in the amount of EUR 1.5 million for PET Baltija and a long-term loan of EUR 4 million for TESIL Fibres S.r.o. The purpose of the loans is to expand production capacity, ensuring maximum utilization and further business development, including in new market segments.

To strengthen Eco Baltia's strategic development and implementation of investment projects, Saulius Budrevičius, long-time CEO of Ecoservice, Lithuania's leading environmental management company, and member of Eco Baltia's Supervisory Board, joined Eco Baltia's Management Board during the reporting period, where he is responsible for the implementation and execution of research and development as well as various investment projects.

Further development of the Company

The main objectives of the company in 2023, in line with the strategic objectives and the shareholders' goals, are to continue to manage the subsidiaries, to improve the quality of customer service, to strengthen and expand the market shares of the Group companies in the waste management sector and in the markets for the treatment and recycling of secondary raw materials, as well as to improve technological processes and diversify the range of recyclable materials. Efficiency and digitalisation will continue to be a key focus. Work will also continue on acquisitions and mergers of new businesses to further strengthen the market position in the Baltic States and Northern Europe as the largest full-cycle environmental resource manager.

Events after the last day of the reporting period

After the reporting period, Eco Baltia successfully completed for the second time a EUR 10 million three-year bond issue. The issue, which was conducted as a private placement, again attracted strong investor interest, with total demand exceeding the issue size by 1.7 times. Bond orders were received from more than 100 institutional and retail investors in Latvia, Estonia and Lithuania.

To further support the company's growth in the international market, after the period INVIL Baltic Sea Growth Fund together with Eco Baltia completed a transaction to acquire a 70% stake in Metal-Plast, the largest PVC window and door profile recycler in Poland. As a result of the transaction, Eco Baltia and INVIL Baltic Sea Growth Fund own 38.5% and 31.5% of the shares in Metal-Plast, respectively. The SIDN family fund retains a 30% stake in the company.

To support the transaction, Eco Baltia invested EUR 9 million in UAB Eco Recycling, a subsidiary registered in Lithuania, where it owns 60% of the share capital.

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

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

STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of Eco Baltia confirms that the unaudited interim report has been prepared in accordance with the requirements of applicable law and gives a true and fair view of the financial position of the company as of 30 September 2023 and its financial performance and cash flows for the period.

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

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

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



MĀRIS SIMANOVIČS
ECO BALTIA
CHAIRMAN OF
THE MANAGEMENT BOARD



SANTA SPŪLE
ECO BALTIA
MANAGEMENT BOARD MEMBER,
CFO



SIGITA NAMATĒVA
ECO BALTIA
MANAGEMENT BOARD MEMBER,
CLO



SAULIUS BUDREVIČIUS
ECO BALTIA
MANAGEMENT BOARD MEMBER



FINANCIAL STATEMENTS

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INCOME STATEMENT



EUR	01.01.2023- 30.09.2023 (Unaudited)	01.01.2022- 30.09.2022 (Unaudited)
Net turnover	1 343 099	1 944 799
Production cost of goods sold	(273 952)	(368 456)
Gross profit	1 069 147	1 576 343
Selling and distribution expenses	(51 524)	(17 908)
Administrative expenses	(1 307 397)	(1 135 612)
Other operating income	237 912	30 431
Other operating expenses	(50 958)	(35 650)
Income from participation	-	4 519 420
• <i>in the capital of related companies</i>	-	4 519 420
Revenue from other securities and loans which formed long-term financial investments	277 641	30 353
• <i>from related companies</i>	277 641	30 353
Other revenue from interest and similar revenue	93 517	17
• <i>from related companies</i>	93 517	17
Interest payments and similar costs	(447 621)	(92 781)
• <i>from related companies</i>	(27 801)	(91 487)
• <i>other persons</i>	(419 820)	(1 294)
Profit or loss before tax	(179 283)	4 874 613
Corporate income tax	(5 500)	(9 527)
Profit or loss after calculation of corporate income tax	(184 783)	4 865 086
PROFIT OR LOSS FOR THE REPORTING PERIOD	(184 783)	4 865 086

STATEMENT OF FINANCIAL POSITION



EUR	Notes	30.09.2023 (Unaudited)	31.12.2022 (Audited)
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments		76 658	216 125
Prepayments for intangible investments		574 042	320 950
Total intangible investments		650 700	537 075
Property, plant and equipment			
Other property, plant and equipment, and inventories		55 014	88 195
Total property, plant and equipment		55 014	88 195
Non-current financial investments			
Investments in related companies	1	41 134 626	41 127 126
Loans to related companies	2	4 672 000	672 000
Prepaid expense		53 331	1 030
Total non-current financial assets		45 859 957	41 800 156
Total non-current investments		46 565 671	42 425 426
Current assets			
Receivables			
Trade receivables		81 180	-
Trade receivables to related companies		946 666	295 563
Loans to related companies	2	1 500 500	500
Other receivables		8 423	25 928
Prepaid expenses		58 950	30 050
Accrued income		27 960	28 054
Total receivables		2 623 679	380 095
Cash		2 514 918	872 439
Total current assets		5 138 597	1 252 534
TOTAL ASSETS		51 704 268	43 677 960

STATEMENT OF FINANCIAL POSITION

EUR	Notes	30.09.2023 (Unaudited)	31.12.2022 (Audited)
LIABILITIES			
Equity			
Share capital		35 005	35 005
Share premium		20 623 389	20 623 389
Retained earnings		21 396 122	16 614 159
Profit or loss for the reporting period		(184 783)	4 781 963
Total equity		41 869 733	42 054 516
Accruals			
Other accruals		30 426	48 709
Total accruals		30 426	48 709
Liabilities			
Non-current liabilities			
Long-term debt securities - bonds	3	8 000 000	-
Obligations under finance leases		-	10 413
Loans from related companies		997 028	997 028
Total non-current liabilities		8 997 028	1 007 441
Current liabilities			
Obligations under finance leases		14 260	18 718
Accounts payable to suppliers		48 960	62 479
Payables to related companies		223 632	83 372
Taxes payable		47 542	59 353
Other payables		42 307	34 014
Accrued liabilities		430 380	309 358
Total current liabilities		807 081	567 294
Total liabilities		9 804 109	1 574 735
TOTAL EQUITY AND LIABILITIES		51 704 268	43 677 960

STATEMENT OF CASH FLOWS

EUR	01.01.2023- 30.09.2023 (Unaudited)	01.01.2022- 30.09.2022 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit or loss before tax	(179 283)	4 874 613
Adjustments for:		
Corrections of decrease in value of fixed assets	36 884	52 293
Corrections of decrease in value of intangible assets	11 329	44 710
Accruals (except of accruals for doubtful debts)	(18 283)	(34 315)
Profit or loss from fluctuations of foreign currency rates	-	240
Revenue from participation in fixed capital of related, associated or other companies	-	(4 519 420)
Revenue from other securities and loans which formed long-term financial investments; from related companies	(277 641)	(30 353)
Interest income or similar income	(93 517)	(17)
Interest payments and similar costs	447 621	92 781
Profit or loss before adjustments for the effect of changes in current assets and current liabilities	(72 890)	480 532
Changes in trade receivables	(713 672)	4 813 736
Changes in trade payables	70 312	(4 661 473)
CASH FLOWS FROM OPERATING ACTIVITIES	(716 250)	632 795
Interest paid	(415 905)	(78 746)
Corporate income tax paid	(5 276)	(13 296)
Net cash flows from operating activities	(1 137 431)	540 753
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of stocks or shares of related, associated or other companies	(7 500)	-
Acquisition of fixed assets and intangible assets	(316 491)	(192 432)
Revenue from sale of fixed assets and intangible investments	230 944	25 729
Issued loans	(5 500 000)	-
Received interest	235 327	28 562
Net cash flows used in the investing activities	(5 357 720)	(138 141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	150 000	7 800 000
Issued debt securities (bonds)	8 000 000	-
Subsidies, grants, gifts or donations received	2 500	1 118
Payments of obligations under finance leases	(14 870)	(28 096)
Disbursed dividends	-	(8 000 000)
Net cash flows used in the financing activities	8 137 630	(226 978)
Net cash flow for the reporting period	1 642 479	175 634
Cash and cash equivalents at the beginning of the period	872 439	648 413
Cash and cash equivalents on the reporting date	2 514 918	824 047

STATEMENT OF CHANGES IN EQUITY

EUR

	Share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2021	35 005	20 623 389	24 614 159	45 272 553
Profit for the reporting period	-	-	4 865 086	4 865 086
Dividend payout	-	-	(8 000 000)	(8 000 000)
Balance as at 30 September 2022 (Unaudited)	35 005	20 623 389	21 479 245	42 137 639
Loss for the reporting period	-	-	(83 123)	(83 123)
Balance as at 31 December 2022	35 005	20 623 389	21 396 122	42 054 516
Loss for the reporting period	-	-	(184 783)	(184 783)
Balance as at 30 September 2023 (Unaudited)	35 005	20 623 389	21 211 339	41 869 733

Notes

1. Investments in related companies

EUR				
Company	%	Initial investment	31.12.2022. (Audited)	30.09.2023. (Unaudited)
AS „PET Baltija”, Aviācijas iela 18, Jelgava, Latvia	94.09	9 116 698	12 920 471	12 920 471
SIA „Eco Baltia vide”, Getliņu iela 5, Stopiņu novads, Rumbula, Latvia	100	7 835 884	22 779 284	22 779 284
SIA „Nordic Plast”, Rūpnīcu iela 4, Olaine, Latvia	100	5 169 908	5 169 908	5 169 908
SIA „Vaania”, Maskavas iela 240-3, Rīga, Latvia (Sigulda municipality LLC "Jumis" concessionaire)	100	77 590	11 000	11 000
SIA „Polimēru parks”, Maskavas iela 240-3, Rīga, Latvia	100	5 000	5 000	5 000
Siguldas PSIA „Jumis”, R. Blaumaņa iela 10, Sigulda, Latvia (JSC "Eco Baltia" concession holder)	100	241 463	241 463	241 463
UAB Eco Recycling, Gyneju g. 14, Vilnius, Lithuania*	60	7 500	-	7 500
TOTAL:		22 454 043	41 127 126	41 134 626

*The Company made a long-term investment in UAB Eco Recycling in amount of 7 500 EUR on September 29, 2023. The Company owns 60% of the capital of UAB Eco Recycling. Total share capital of UAB Eco Recycling is 12 500 EUR, the nominal value of a share is 1 EUR.

2. Loans to related companies

EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
Loans issued with a maturity of more than one year*	4 672 000	672 000
Loans issued with a maturity of one year**	1 500 500	500
TOTAL:	6 172 500	672 500

* Loans are repayable on 31 December 2024, 31 December 2025 and 31 January 2026. The currency of the loans is EUR. The loans are with fixed interest rate and not secured.

**Loans are repayable on 31 December 2023. The currency of the loans is EUR. The loans are with fixed interest rate and not secured. In November 2023 the amendments to the loan agreements were concluded extending loans repayments till the 31 December 2025.

Notes

3. Long-term debt securities - bonds

EUR	30.09.2023 (Unaudited)	31.12.2022 (Audited)
Long-term debt securities – bonds	8 000 000	-
TOTAL:	8 000 000	-

Eco Baltia AS issued bonds in the amount of EUR 8 million on 17 February 2023. The bonds mature on 17 February 2026, with an option for the issuer to redeem them after two years. The accrued interest on the issued bonds as of 30 September 2023 amounts to EUR 78 222 and is included under 'Accrued liabilities'.

4. Financial indicators

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

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

Equity Ratio - the Issuer ensures that Equity Ratio of the Issuer at all times is 30 (thirty) per cent or greater. Equity Ratio is tested each quarter.

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

Financial indicator	Result as at 30.09.2023
Equity Ratio	36.8%
Net Debt to Adjusted EBITDA Ratio	2.9

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



eco baltia

FIND VALUE IN EACH AND EVERY THING



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



SANTAS PŪLE
ECO BALTIA
MANAGEMENT BOARD MEMBER,
CFO



SIGITA NAMATĒVA
ECO BALTIA
MANAGEMENT BOARD MEMBER,
CLO



**SAULIUS
BUDREVIČIUS**
ECO BALTIA
MANAGEMENT BOARD
MEMBER