AS "ECO BALTIA"

(UNIFIED REGISTRATION NUMBER 40103435432)

2022 ANNUAL REPORT

(12th reporting year)

PREPARED IN ACCORDANCE WITH
LAW ON THE ANNUAL FINANCIAL STATEMENTS
AND CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT *

Riga, 2023

** This version of annual report is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of annual report takes precedence over this translation.*

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Corporate information

Name of the Company	AS "ECO BALTIA"
Legal status of the Company	Joint Stock Company
Registration number, place and date	40103435432, Riga, 8 July 2011
Legal address	240-3 Maskavas Street Riga, Latvia, LV-1063
NACE code	7022 - management and business consulting
Shareholder	UAB “BSGF Salvus”, 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%) SIA “Enrial Holdings”, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) “PENVI INVESTMENT LTD”, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Cyprus (0.75%)
Members of the Board	Māris Simanovičs, Chairman of the Board Santa Spūle, Member of the Board Sigita Namatēva, Member of the Board Anita Saulīte, Member of the Board until 10.11.2022
Members of the Council	Vytautas Plunksnis, Chairman of the Council Deimante Korsakaite, Member of the Council Jurgita Petrauskiene, Member of the Council Gints Pucēns, Member of the Council Atienza Guell Alberto Member of the Council from 03.10.2022 Peter Niklas Hjelt, Member of the Council until 03.10.2022

Corporate information (continued)

Subsidiaries	AS "PET Baltija" 18 Aviation Street, Jelgava, Latvia (94.9%)
	SIA "Eco Baltia vide" 5 Getliņu Street, Stopiņi district, Rumbula, Latvia (100%)
	SIA "Nordic Plast" 4 Rupnicu Street, Olaine, Latvia (100%)
	SIA „Polimēru parks” 240-3 Maskavas Street, Riga, Latvia (100%)
	SIA "Vaania" 240-3 Maskavas Street, Riga, Latvia (100%, Siguldas PSIA "Jumis" concessionaire)
	Siguldas PSIA "Jumis" 10 R. Blaumaņa Street, Sigulda, Latvia (100% - Sigulda municipality, AS "Eco Baltia" concession winner)
Reporting year	1 January 2022 – 31 December 2022
Previous reporting year	1 January 2021 – 31 December 2021
Independent auditors and their address	SIA “Deloitte Audits Latvia” Republikas laukums 2A, Riga, LV-1010 Company license No. 43
	Certified auditor Inguna Staša Certificate No 145

Management report

The Company’s type of operations

"Eco Baltia" AS (hereinafter - the Company) is the Parent company (holding company) of subsidiaries operating in the recycling and waste management sector of secondary raw materials in Latvia, the Czech Republic and Lithuania. The Company actively monitors its investments by participating in the management of subsidiaries, as well as in the development and implementation of the strategy of these companies. "Eco Baltia" AS provides financial, legal, information technology, personnel management, as well as management services to its subsidiaries. The main subsidiaries managed by the Company are AS "PET Baltija", SIA "Nordic Plast", SIA "Eco Baltia vide", AS "Latvijas Zaļais punkts", SIA "JUMIS”, companies of the Lithuanian "Ecoservice" group and the Czech Republic "TESIL Fibres S.r.o.". After the reporting period, the acquisition of street and road maintenance SIA "Pilsētas Eko Serviss" has also been concluded within the Group.

The Company's development and financial performance during the reporting year

In 2022, the Company actively managed the companies of the Group, as well as promoted the expansion of both business segments – PET and plastic recycling and environmental management – both through organic growth and by participating in the monitoring of company acquisition transactions. In September 2022, PET Baltija AS acquired TESIL Fibres S.r.o., the leading Czech producer of polyester fibres, while UAB Ecoservice acquired the liquid waste management company in Lithuania UAB "Mano Aplinka Plius".

During the reporting period in PET and plastic recycling business segment, there were several projects implemented to increase capacity of production, for example, modernization of the sorting line of SIA "Nordic Plast" by investing EUR 2.8 million. EUR, and work continued on the project of the new production facility of AS "PET Baltija" located in Olaine. In the segment of environmental management services, in 2022, the increase of sorting capacities for secondary raw materials continued, as well as the development of other environmental management services – cleaning of territories, removal of construction waste, management of electrical equipment and other environmentally harmful waste, as well as transport services. Also, in 2022, the two largest subsidiaries of the environmental segment, SIA "Eco Baltia vide" and UAB "Ecoservice" group of companies launched projects to create and expand specialized areas for sorting construction waste.

In 2022, parent company focused on further improvements in governance structure and efficiency, ensuring governance in line with good corporate governance practices. The process was started already in 2021 by merging and reorganizing several companies in order to ensure a more efficient structure and introduce uniform legal and financial management principles in all Group companies.

Taking into account that the business model and activities of the Company and subsidiaries are aimed at implementing the principles of the circular economy by implementing various sustainable business practices on a daily basis, in 2022 Company started to develop consolidated strategy of ESG (environmental, social and governance) for the Company and its most important subsidiaries. One of the goals is to implement a unified system of monitoring and reporting of ESG indicators and strategies at all levels of the business.

The Company closed reporting year 2022 with a profit of EUR 4 781 963, which has decreased by 79% compared to EUR 23 261 560 in 2021. The main reason for the decrease is explained by the fact that in 2021 most of the profit was related to the disposal and reorganization of shares in the amount of EUR 19 165 205. Accordingly, taking into account this exception, the Company's profit has increased by EUR 685 608 compared to the previous year. The Company's turnover in reporting year 2022 is 2 472 367 EUR, which has decreased by 16% compared to 2 939 611 EUR 2021, which is due to the transfer of previously performed support functions to group companies.
The profit for reporting year 2022 is offered by the Company's management to be left undistributed.

The Future development of the Company

The main objectives of the Company for 2023 are in accordance with the strategic goals and shareholder settings to continue to manage subsidiaries, improving the quality of customer service, strengthening and expanding the market shares of the group companies in the waste management sector and recycling of secondary raw materials, as well as by improving technological processes and diversifying the assortment of recyclable materials. Efficiency and digitalization processes will be consistently highlighted.

Events after the reporting date

At the beginning of 2023, the group company concluded an acquistion of street and road maintenance company SIA "Pilsētas Eko Serviss" and SIA "PES serviss", SIA "B 124". This deal ensures expanding the business portfolio in the environmental management segment.

Also, on February 17, 2023, with the significant interest of investors, AS "Eco Baltia" issued its inaugural bonds in the size of EUR 8 million. EUR, which will be used for further development projects of the group's companies. The maturity date of the bonds is February 17, 2026 with the possibility for the issuer to redeem the bonds after two years. Since March 2, 2023, the bonds have been listed on the Nasdaq Baltic alternative market "First North".
In line with the market situation in the last quarter of 2022 and the corresponding revaluation of raw material stocks of AS "PET Baltija", after the reporting period "Eco Baltia’s" subsidary AS "PET Baltija" received permission from the credit institution AS "Luminor Bank" Latvian Branch not to comply with the financial indicators as of 31.12.2022 as specified in the General Financing Regulations.

Management report (continued)

AS Luminor Bank Latvian branch has confirmed that AS "Eco Baltia" provides a subordinated short-term loan in the amount of EUR 1.5 million to AS "PET Baltija" and a long-term loan of EUR 4 million to “TESIL Fibres” S.r.o., a subsidiary of AS “PET Baltija”. The purpose of loans is to increase production capacity and ensure further business development, including expansion in the new market segments.

There have been no events between the last day of the reporting year and the date of signature of this financial statement, other than as described in Note 36, that would result in adjustments to be made to that financial statement or should be explained in that financial statement.

Māris Simanovičs, Chairman of the Board	Sigita Namatēva, Member of the Board	Santa Spūle, Member of the Board

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Profit or loss statement

	Notes	2022 EUR	2021 EUR
Net turnover	3	2 472 367	2 939 611
Cost of production of products sold, purchase costs of goods sold or services provided	4	(478 941)	(890 329)
Gross profit or loss		**1 993 426**	**2 049 282**
Selling expenses	5	(29 346)	(46 585)
Administration expenses	6	(1 673 764)	(2 426 959)
Other operating income	7	102 819	19 336 854
Other operating expenses	8	(48 793)	(46 116)
Income from participating interests:	9		
• in the capital of related companies		4 519 420	4 465 159
Income from other securities and loans constituting financial long-term investments:	10	**40 125**	**104 983**
• from related companies		40 125	104 983
Other interest income and similar income:	11	**3 162**	**9 835**
• from related companies		3 162	2 829
• other companies		-	7 006
Interest expenses and similar charges:	12	**(113 689)**	**(174 607)**
• from related companies		(112 011)	(50 921)
• other persons		(1 678)	(123 686)
Profit or loss before corporate income tax		**4 793 360**	**23 271 846**
Corporate income tax for the reporting year	13	(11 397)	(10 286)
Profit or loss after calculation of corporate income tax		**4 781 963**	**23 261 560**
Profit for the reporting year		**4 781 963**	**23 261 560**

The accompanying notes on pages 12 to 28 form an integral part of these financial statements.

Māris Simanovičs, Chairman of the Board	Sigita Namatēva, Member of the Board	Santa Spūle, Member of the Board

Olga Jakovele,
AS "Eco Baltia"
Chief Accountant

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Balance sheet

Assets

Non-current assets	Notes	31.12.2022. EUR	31.12.2021. EUR
Intangible assets			
Licences, trade marks and other intangibles		216 125	204 667
Development costs		320 950	107 971
Total	15	**537 075**	**312 638**
Property, plant and equipment			
Other fixed assets		88 195	215 379
Total	16	**88 195**	**215 379**
Non-current financial investments			
Investments in subsidiaries	17	41 127 126	44 407 126
Loans to related companies	31	672 000	672 000
Other loans and other non - current receivables	18,21	1 030	702
Total		**41 800 156**	**45 079 828**
Total non-current assets		**42 425 426**	**45 607 845**
Current assets			
Receivables			
Trade receivables	19	-	40
Due from related companies	32	296 063	594 567
Other receivables	20	25 928	7 737
Deferred expenses	21	30 050	16 629
Accrued revenue	22	28 054	28 000
Total		**380 095**	**646 973**
Cash	23	872 439	648 413
Total current assets		**1 252 534**	**1 295 386**
TOTAL ASSETS		**43 677 960**	**46 903 231**

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Māris Simanovičs,
Chairman of the Board

Sigita Namatēva,
Member of the Board

Santa Spūle,
Member of the Board

Olga Jakovele,
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Chief Accountant

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Balance sheet

EQUITY AND LIABILITIES

	Notes	31.12.2022. EUR	31.12.2021. EUR
EQUITY			
Share capital	24	35 005	35 005
Share premium		20 623 389	20 623 389
Retained earnings brought forward		16 614 159	1 352 599
Profit for the reporting year		4 781 963	23 261 560
TOTAL EQUITY		**42 054 516**	**45 272 553**
PROVISIONS			
Other provisions	25	**48 709**	**98 295**
TOTAL PROVISIONS		**48 709**	**98 295**
LIABILITIES			
Non-current liabilities			
Other borrowings	27	10 413	37 727
Due to related companies	33	997 028	997 028
Total		**1 007 441**	**1 034 755**
Current liabilities			
Other borrowings	27	18 718	47 599
Trade payables		62 479	45 438
Due to related companies	34	83 372	107 177
Taxes and state mandatory social insurance contributions	28	59 353	101 161
Other payables	29	34 014	38 794
Accrued liabilities	30	309 358	157 459
Total		**567 294**	**497 628**
TOTAL LIABILITIES		**1 574 735**	**1 532 383**
TOTAL EQUITY AND LIABILITIES		**43 677 960**	**46 903 231**

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Statement of cash flows

	Notes	2022 EUR	2021 EUR
Cash flows from operating activities			
Profit or loss before corporate income tax		4 793 360	23 271 846
Adjustments:			
• Depreciation adjustments for property, plant and equipment	5,6,7,8	45 378	92 656
• Amortisation adjustments for intangible assets	5,6,7	61 000	97 798
• provision (reduction)/ formation (excluding provisions for unsecured debts)		(49 586)	98 295
• (Gain) or loss on fluctuations in foreign exchange rates	8	284	283
• income from participating interests in the share capital of related companies, associated companies or other companies	7,9	(4 519 420)	(23 630 364)
• Income from other securities and loans constituting long-term financial investments	10	(40 125)	(104 983)
• Interest income and similar income	11	(3 162)	(9 835)
• interest expenses and similar charges	12	113 689	174 607
Profit before adjustments for the effect of changes in current assets and current liabilities		**401 418**	**(9 697)**
• Balance (increase) or decrease in receivables		8 118 667	1 261 137
• (Increase) or decrease in inventories		-	5 465
• Increase/(decrease) in balances of payables		(7 741 429)	2 633 705
CASH FLOWS FROM OPERATING ACTIVITIES		**778 656**	**3 890 610**
Interest paid		(113 689)	(194 776)
Corporate income tax paid		(15 200)	(6 413)
Net cash flows from operating activities		**649 767**	**3 689 421**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares or shares in related companies, associated companies or other companies		-	(5 056 400)
Proceeds from the disposal of shares or shares in affiliated companies, associated companies or other companies		-	12 500
Acquisition of fixed assets and intangible assets		(254 622)	(145 937)
Proceeds from the sale of fixed assets and intangible		25 729	8 697
Loans issued		(400 000)	(728 431)
Income from loan repayments		400 000	2 998 970
Interest received		39 862	98 814
Dividends received		-	843 000
Net cash flows used in the investing activities		**(189 031)**	**(1 968 787)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		7 800 000	54 865
Subsidies, grants, gifts or donations received		1 118	555
Expenditure on the repayment of loans		(580)	(535 806)
Expenses for the redemption of a leased fixed asset		(37 248)	(53 866)
Dividends paid		(8 000 000)	(1 000 000)
Net cash flows used in the financing activities		**(236 710)**	**(1 534 252)**
Net cash flow for the reporting year		224 026	186 382
Cash and cash equivalents at the beginning of the year		648 413	462 031
Cash and cash equivalents on the reporting date		**872 439**	**648 413**

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Olga Jakovele,
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Chief Accountant

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Statement of changes in equity

	Share capital	Share premium	Retained earnings	Total equity
Balance as at 31 December 2020	**35 005**	**20 623 389**	**2 352 599**	**23 010 993**
Dividend payout	-	-	(1 000 000)	(1 000 000)
Profit for the reporting year	-	-	23 261 560	23 261 560
Balance as at 31 December 2021	**35 005**	**20 623 389**	**24 614 159**	**45 272 553**
Dividend payout	-	-	(8 000 000)	(8 000 000)
Profit for the reporting year	-	-	4 781 963	4 781 963
Balance as at 31 December 2022	**35 005**	**20 623 389**	**21 396 122**	**42 054 516**

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Notes to the financial statements

1. General information

AS " Eco Baltia" (hereinafter referred to as the Company) was registered in the Register of Enterprises of the Republic of Latvia on July 8, 2011. The registered office of the Company is 240-3 Maskavas Street, Riga. The Company deals mainly with business and management consulting. The Company prepares a consolidated annual statement. Copies of the consolidated annual report are available at: www.lursoft.lv and www.ecobaltia.lv on the website in the section "For investors".

2. Summary of significant accounting policies

Guidelines for the preparation of the financial statement

AS " Eco Baltia" the financial statement has been prepared in accordance with the Law on the Annual Financial Statements and Consolidated Financial Statements of the Republic of Latvia.

The financial statement has been prepared in accordance with the historical value accounting principle. The euro (EUR) shall be used as a monetary unit in the financial statement. The financial statement covers the period from 1 January 2022 to 31 December 2022.

The income statement is formed according to the scheme of turnover costs. The cash flow statement is formed according to the indirect method.

The law provides for additional reliefs for small and medium-sized companies in the preparation of a financial statement, but at the same time stipulates that the financial statement must give a true and fair view of the financial condition and profit or loss of the company, and the annual report of a medium and large company - also of cash flow.

A single accounting policy has been developed for the company and other companies of the Eco Baltia Group, the main principles of which are described in this Note.

Accounting principles applied

The items in the financial statement are valued according to the following accounting principles:

a) It is assumed that the Company will continue to operate.
b) The same valuation methods have been used as in the previous year.
c) The assessment has been carried out with due care:
    - only profits made up to the balance sheet date are included in the accounts;
    - account has been taken of all foreseeable amounts of risk and losses incurred in the reporting year or previous years, even if they become known between the balance sheet date and the date of preparation of the financial statements;
    - calculated and taken into account all amounts of depreciation and depreciation, regardless of whether the reporting year is concluded with profit or loss.
d) Revenues and costs related to the reporting year are taken into account, regardless of the date of payment and the date of receipt or issue of the invoice. Costs are aligned with revenues in the reporting period.
e) The components of the asset and liability items are valued separately.
f) All items that have a material impact on the assessment or decision-making of the users of the financial statement are indicated, the minor items are combined and their details are given in the notes on the accounts.
g) Operating transactions are presented in the financial statement on the basis of their economic content and nature, and not only on their legal form.

Related parties

Related parties are legal and natural persons related to the Company, in accordance with the following provisions.

a) A person or a close family member of that person shall be associated with the reporting company if:
    i. that person has control or joint control over the reporting company;
    ii. that person has significant influence over the reporting company; or
    iii. that person is a senior management representative of the reporting company or of its parent company.
b) A company is related party with a reporting company if it meets the following conditions:
    i. the company and the reporting company belong to the same group of companies (which means that the parent company, subsidiary and nursing companies are related parties to each other);
    ii. one company is an associate or joint venture of the other (or associate or joint venture to a company of the group to which the other company belongs);
    iii. both companies are joint ventures to the same third party;

2. Summary of significant accounting policies (continued)

iv. one company is a joint venture of a third party and the other company is an associate of the same third party;
v. company means a post-employment benefit plan for employees of the reporting company or employees of a related company with the reporting company; If the reporting company itself has this type of plan, the related parties are also their sponsoring employers.
vi. the company is controlled or jointly controlled by a person identified in point (a);
vii. the person identified in point (a)(i) has a significant influence over the company or is a representative of the senior management of the company (or its parent company);
viii. a company, or any member of a group of which the company belongs, provides management staff services to the company or to the company's parent company.

Transactions with related parties – the transfer of resources, services or liabilities between the reporting company and its related party, regardless of whether there is a remuneration for it.

Use of estimates

In preparing the financial statement, management is required to rely on certain estimates and assumptions that affect the balances of the balance sheet and income statement items reflected in individual statements and the amount of contingent liabilities. Future events may affect the assumptions on the basis of which the relevant estimates are made. Any effects of changes in estimates are reflected in the financial statement at the time of their determination.

The following lists the key assumptions and the most significant estimates for the future, as well as the main causes of estimation uncertainty at the balance sheet date, which entail a significant risk of material adjustments to the carrying amounts of net balance sheet assets or liabilities in the following reporting period:

Investment in subsidiaries and book value of loans granted
The management of the Company evaluates the carrying amount of the investments in subsidiaries and assess whether there is any indication that the recoverable amount of those assets is lower than their book value. The Company's management calculates and recognises a loss on impairment of investments in subsidiaries based on estimates of their future returns. The management of the Company considers that significant adjustments to the value of investments in subsidiaries as of December 31, 2022 are not necessary. For more information, see 17. and note 31.

Carrying amount of intangible investments and fixed assets
The company's management evaluates the carrying amount of intangible investments and fixed assets and assesses whether there are any indications that the recoverable amount of assets is lower than the carrying amount. The company's management calculates and recognises a loss on impairment of intangible assets and property, plant and equipment based on estimates of their future use, disposal or sale. Taking into account the planned amounts of economic activity of the Company and the possible market value of the assets, the management of the Company considers that significant adjustments to the value of intangible investments and fixed assets as of December 31, 2022 are not necessary.

Allowances for doubtful and bad debtors

The Company's management evaluates the carrying amount of receivables and assesses their recoverability, creating, if necessary, allowances for doubtful and bad receivables. The company's management has assessed the receivables and believes that significant additional allowances as of December 31, 2022 are not necessary.

Translation of foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company's functional and presentation currency. All transactions in foreign currencies are denominated in EUR at the euro reference rate published by the European Central Bank on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into euro at the euro reference rate published by the European Central Bank on the last day of the reporting year. Exchange differences arising from settlements in currencies or from the presentation of asset and liability items using exchange rates different from those originally used to account for transactions are recognized in the income statement at net value.

Intangible assets

Intangible assets are accounted for at their initial value, which is amortised over the useful life of the assets using the straight-line method. If any events or changes in circumstances indicate that the book value of intangible assets is likely to be irrecoverable, the value of the related intangible assets is revised to determine their impairment. Impairment losses are recognised when the book value of intangible assets exceeds their recoverable amount.

2. Summary of significant accounting principles (continued)

Property, plant and equipment

Property, plant and equipment are accounted for at their initial value less accumulated depreciation and impairment. For land, depreciation is not calculated. Depreciation is calculated over the following useful life of the asset using the linear method:

Vehicles	3 – 12 years
Other fixed assets	2 – 10 years

Inventory with a value above EUR 300 and a period of use of more than one year shall be accounted for in the composition of fixed assets. An exception may be a large quantity with the same fixed assets, where the value of one piece is less than EUR 300, but the period of use is more than one year, for example, containers. To facilitate the accounting of such fixed assets, they are combined into groups according to the purchase documents.

Depreciation is calculated starting from the next month after the commissioning of fixed assets or involvement in economic activity. For each part of the fixed asset, the cost of which is significant in relation to the total cost of this fixed asset, depreciation must be calculated separately. If the Company depreciates separately some parts of a fixed asset, it shall also depreciate separately the remaining parts of the same asset. The balance consists of those parts of the fixed asset that are not separately important. Depreciation of the remaining parts is calculated using approximation methods in order to truly reflect their useful life.

If any events or changes in circumstances indicate that the book value of property, plant and equipment is likely to be irrecoverable, the value of the asset in question is revised to determine its impairment. If there are signs of irrecoverability of value and if the asset's book value exceeds the estimated recoverable amount, the asset or money-generating unit is written off to its recoverable amount. The recoverable amount of a fixed asset is the higher of net realisable value and value in use. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market projections regarding changes in the asset's value and the risks associated with it. For an asset that does not generate significant cash flows on its own, the recoverable amount is determined according to the cash flow-generating asset to which it belongs. Impairment losses are recognised in the income statement as a cost.

Properties such as land and buildings that are held for the purpose of increasing the value of rental income or investment, rather than for use for production, delivery of goods or services, administration purposes or sale as part of day-to-day business, are valued by the Company at the cost of acquisition. The cost of the acquisition includes all costs associated with the purchase of the corresponding object.

The recognition of such property ceases when it is disposed of or permanently removed from use and no economic benefit is expected from its disposal in the future. Profit or loss arising from the write-down or disposal of investment property is recognised in the income statement during the period of disposal or liquidation.

The recognition of the carrying amount of items of property, plant and equipment is discontinued if it is disposed of or if no economic benefits are expected from future use of the asset. Any profit or loss arising from the derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the book value of the property, plant and equipment) is recognised in the income statement in the period in which the derecognition of the property, plant and equipment occurs.

Costs associated with improvements to leased property are capitalized and reflected as fixed assets. Depreciation of these assets is calculated over the entire lease period using the linear method.

The cost of creating fixed assets and unfinished construction objects is accounted for at the initial value. The initial value includes construction costs and other direct costs. For work in progress, depreciation is not calculated until the corresponding assets are completed and put into operation.

If investments have been made in the leased asset (for example, reconstruction, improvement or renewal), then such costs are recognized in the balance sheet item "Long-term investments in leased fixed assets" and depreciation is calculated over the lease term.

Investments in subsidiaries and associates of the group

Investments in subsidiaries (i.e. companies in which the Company owns more than 50% of the share capital or which it controls in some other way) and associates (i.e. companies in which the Company has significant influence but does not own a controlling stake in shares / shares in which it owns 20-50% of the share capital) are accounted for using the cost method. After initial recognition, investments in subsidiaries and associates are accounted for at their original value less impairment losses. Where events or changes in circumstances indicate that the book value of investments in subsidiaries and associates is likely to be irrecoverable, the value of the related investments in subsidiaries and associates shall be revised to determine their impairment. The Company recognises income from participating interests only to the extent that the Company receives a portion of the accumulated profits of its subsidiary or associate earned after the date of acquisition of the shares. The share of profit received that exceeds such profit is considered to be the recovery of investments and is accounted for as a decrease in the initial value of investments.

2. Summary of significant accounting policies (continued)

Other financial assets

Financial assets are classified as investments that are initially recognized by the Company at fair value through revaluation recognition in the income statement, investments that are by definition loans and receivables, held-to-maturity investments and available-for-sale investments as required. On initial recognition, financial assets are carried at fair value plus directly attributable transaction costs to the extent that the related investments in profit or loss are not carried at fair value. After initial recognition Company determine the classification of its financial assets and, if permissible and appropriate, revise that classification at the end of each reporting year.

Ordinary acquisitions or sales of financial assets are recognised and their recognition ceases on the date of the transaction, i.e. the date on which Company undertakes to acquire the asset in question. An ordinary acquisition or sale of financial assets is the acquisition or sale of financial assets that requires the delivery of assets within a period of time specified in the regulations or conventions in force on the market.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payment schedule that are not listed on the active market. Such assets are accounted for at amortised cost using the effective interest rate method. Profit and loss is recognised in the income statement at the time of derecognition or impairment of these assets, as well as in the amortisation process.

Trade receivables and other receivables

Trade receivables are accounted for and reflected in the balance sheet according to the initial invoice amount, less provisions for unsecured debts. Provisions for unsecured debts are estimated in accordance with the generally accepted provisioning principles of the Group in which the Company is located, based on IFRS 9. Debts are written off when their recovery is considered impossible. With respect to trade receivables and accrued income without a significant financing component, the Group shall apply the simplified approach permitted under IFRS 9 and shall determine the provision for impairment losses as expected lifetime credit losses (ECLs) from initial recognition of receivables.

The group shall determine the expected credit losses for these items using a provisioning matrix determined on the basis of historical credit loss experience based on the overdue status of debtors, adjusted accordingly to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented on the basis of their overdue status for the provisioning matrix.

Since an individual assessment is not possible due to the large number of individual balances, only significant debtors are assessed separately. Receivables that are not separately measured for impairment are classified in groups of receivables on the basis of days overdue and impairment is assessed together.

The receivables of buyers and customers are reflected in the short-term part with a maturity within a year, in the long-term part with a payment term after one year, but not more than five years.

Deferred expenses

Payments made before the balance sheet date but relating to subsequent reporting years are shown in the balance sheet item "Deferred expenses".

Accrued revenue

The balance sheet item "Accrued revenue" indicates the clearly known amounts of settlements with buyers and customers for the supply of goods or services in the reporting year, in respect of which, according to the terms of the contract, the deadline for submitting the supporting document (invoice) for payment has not yet arrived at the balance sheet date. These settlement amounts shall be calculated on the basis of the price fixed in the contract in question and the documents certifying the actual delivery of the goods or provision of services.

Cash

Cash consists of cash in the bank and in cash and short-term deposits with an initial maturity of not more than three months.

Loans and borrowings

Loans and borrowings are initially reflected at their initial value, which is determined by adding or subtracting the costs associated with obtaining the loan to the fair value of the loan or borrowing amount.

After initial recognition, loans and borrowings are accounted for at their amortised value using the effective interest rate method. The amortised value is calculated taking into account the cost of issuing a loan or receiving a loan, as well as any discounts or premiums associated with the loan or borrowing.

2. Summary of significant accounting policies (continued)

Loans and borrowings shall be reflected in the short-term part with a maturity of one year, in the long-term part with a maturity of one year, but not more than five years.

The profit or loss arising from amortization is reflected in the profit or loss statement as interest income and costs.

Provisions

Provisions are recognized when the Company has a present obligation (legal or temporary) caused by a past event and there is a likelihood that the fulfilment of that obligation will require an outflow of resources embodying economic benefits from the Company and the amount of the commitment can be measured with sufficient reliability. If Company provides that the expenses necessary for the creation of provisions will be partially or fully reimbursed, for example under an insurance contract, the reimbursement of these expenses being recognized as a separate asset only when it is practically clear that these expenses will actually be reimbursed. The costs associated with any provision are reflected in the income statement net of amounts recovered. In the event that the time value of money has a significant impact, the provision is calculated by discounting the expected future cash flow using a pre-tax rate that reflects the current assessment of the time value of money in the market and the risks pertaining to the specific liability, if any. If discounting is carried out, an increase in provisions over time is recognized as a borrowing cost.

Contingent liabilities and assets

Contingent assets are not recognized in these financial statements but disclosed when an inflow of economic benefits is probable. They are recognized as liabilities only if the possibility of an outflow of resources embodying economic benefits becomes probable. Contingent liabilities are disclosed in notes to these financial statements.

Accrued liabilities

The balance sheet item "Accrued liabilities" indicates the clearly known amounts of liabilities to suppliers of goods and services for goods or services received during the reporting year, for which, due to the conditions of delivery, purchase or contract or for other reasons, the relevant supporting document (invoice) intended for payment has not yet been received at the balance sheet date. These amounts of obligations shall be calculated on the basis of the price fixed in the relevant contract and the documents confirming the actual receipt of the goods or services.

Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Accordingly, grants whose primary condition is that the Company should purchase or construct non-current assets are recognized as deferred revenue in the balance sheet and transferred to the statement of profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in the statement of profit or loss in the period in which they become receivable

Trade payables

Trade payables are liabilities related to operational expenses. Trade payables are classified as current liabilities if payment is due within one year or less. Otherwise, they are classified as non-current liabilities.

Financial lease

Financial leasing transactions in the framework of which: Company all risks and rewards arising from ownership of the leasehold are transferred, are recognised in the balance sheet as property, plant and equipment for an amount which, at the commencement of the lease, corresponds to the fair value of the leased property or, if less, to the present value of the minimum lease payments. Financial lease payments are divided between financial costs and a reduction in liabilities in order to ensure a constant interest rate on the balance of liabilities in each period. Financial costs are included in the income statement as interest costs.

If there are reasonable grounds for believing that, at the end of the lease period, the relevant lease object will become the property of the lessee, the expected useful life of the asset is taken as the expected useful life of that asset. In all other cases, depreciation of capitalised leased assets is calculated using the straight-line method, over the estimated useful life of assets or lease period, whichever is shorter.

An asset lease, in which virtually all the risks arising from ownership are borne and remunerated by the lessor, is classified as an operating lease. Lease payments within the framework of an operating lease are accounted for as costs throughout the lease period using the linear method. Operating leases Company's liabilities are reflected as off-balance-sheet liabilities.

2. Summary of significant accounting policies (continued)

Recognition of revenue

Revenues are recognised when it is probable that the Company will obtain economic benefits and to the extent that it can be reasonably determined, net of value added tax and sales rebates. The following conditions are also taken into account when recognizing revenue:

Sale of goods

Revenue is recognised when: Company has transferred to the buyer the most significant risks and rewards associated with ownership of the goods.

Services

Company provides mainly financial, legal, information technology, marketing and management services. Revenue from services is recognised in the period in which the services were provided.

If the outcome of a service-related transaction cannot be reasonably measured, revenue is recognized only to the extent that the recognized costs are recoverable.

Dividends

Dividend income is recognized when the right to receive the payment is established.

Corporate income tax

(a) Tax payable

As of 1 January 2018, a new Corporate Income Tax Law has been in force in the Republic of Latvia, which was adopted on 28 July 2017 and provides for a conceptually new tax payment regime. The tax rate is 20% (until January 1, 2018 - 15%), the tax period is a month, not a year, and the taxable base includes:

- distributed profits (imputed dividends, distributions equivalent to dividends, notional dividends), and
- deemed distribution of profit (expenses not related to economic activity, doubtful receivables, increased interest payments, loans to a related person, reduction of income or excess of expenses arising from carrying out transactions at prices different from market prices, the calculation methods of which are determined by the Cabinet, benefits granted by a non-resident to his employees or members of the board (council), regardless of whether the recipient is a resident or a non-resident, if they are attributed to the activities of a permanent establishment in Latvia, the liquidation quota).

Events after the reporting date

Post-year-end events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the balance sheet. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Financial instruments and financial risks

A financial instrument is an agreement that simultaneously creates a financial asset for one person and financial liabilities or equity securities for another person.

The most significant financial instruments of the Company are financial assets - trade receivables and other debtors, and financial liabilities - leasing liabilities, debts to suppliers and contractors and other creditors arising directly from its economic activity.

Financial risks related to the Company's financial instruments, financial risk management

The main financial risks associated with the Company's financial instruments are:

- Credit risk is the risk that the Company will incur financial losses if the counterparty is unable to fulfill its obligations to the Company. Credit risk is mainly caused by funds, trade receivables.

- *Funds and short-term deposits in banks*

  Credit risk related to funds is managed by balancing the placement of financial assets in order to at the same time maintain the possibility to choose the most advantageous offers and reduce the likelihood of losing financial resources.

2. Summary of significant accounting policies (continued)

Trade receivables
The Company does not have a significant concentration of credit risk in relation to any single counterparty or group of counterparties corresponding to a similar characterisation, with the exception of group companies.
The Company controls the credit risk by constantly evaluating the repayment history of counterparties and determining the permissible payment terms.

- Foreign exchange risk is the risk that the Company will incur financial losses from adverse exchange rate fluctuations. This risk arises when financial assets in a foreign currency do not coincide with financial liabilities in the same currency, thus the Company has open currency positions. The Company has no significant financial assets and liabilities denominated in currencies other than euro. Thus, during the reporting year, the Company's exposure to foreign exchange risk was not significant.
- Interest rate risk is the risk that the Company will incur financial losses from adverse interest rate fluctuations. Interest rate risk for the Company arises primarily from long-term and short-term borrowings, which are variable rate financial leases.
- Liquidity risk is the risk that the Company will not be able to ensure the fulfilment of its obligations in a timely and full manner. Liquidity risk arises when the repayment terms of financial assets and liabilities do not match. The purpose of the Company's liquidity risk management is to maintain an adequate amount of cash and cash equivalents and to ensure adequate funding sufficient to enable the Company to meet its obligations within the specified time limits. The Company regularly assesses the coherence of the maturities of financial assets and liabilities, as well as the stability of long-term investment funding sources. For liquidity management, an operational cash flow forecast is prepared every month after receiving the actual results of the previous month. As of December 31, 2022, the Company's liquidity ratio was 2.21 (31.12.2021: 2.58).

3. Net turnover

From the main activity		2022	2021
Revenue from services provided		2 472 367	2 939 611
	TOTAL:	**2 472 367**	**2 939 611**

4. Cost of production of products sold, purchase costs of goods sold or services provided

		2022	2021
Professional services costs		478 941	890 329
	TOTAL:	**478 941**	**890 329**

5. Selling expenses

		2022	2021
Marketing and advertising costs		28 249	34 518
Depreciation and amortization		893	92
Remuneration for work*		-	1 197
State mandatory social insurance contributions*		-	280
Transport costs		-	3
Other		204	10 495
	TOTAL:	**29 346**	**46 585**

*See Note 14

6. Administration expenses

		2022	2021
Remuneration for work*		777 934	1 208 531
Cost of communication services		175 646	159 849
State mandatory social insurance contributions*		161 830	271 713
Depreciation and amortization		110 631	180 314
Cost of legal services		86 645	264 905
Lease of premises and office maintenance expenses		54 392	52 610
Transport costs		53 977	67 800
Annual audit costs		53 079	20 604
Insurance costs		26 211	30 135
Employee training costs		25 238	20 298
Business trip expenses		13 310	2 687
Representation costs		6 646	2 984
Cost of professional services		5 500	60 310
Bank commissions		946	1 441
Other		121 779	82 778
	TOTAL:	**1 673 764**	**2 426 959**

* See note 14

7. Other operating income

		2022	2021
Net profit from sale of property, plant and equipment		24 035	8 707
Revenue from external co-financing		1 118	555
Income from the disposal of equity shares, net		-	11 967 803
Net gain from reorganization		-	7 197 402
Other		77 666	162 387
	TOTAL:	**102 819**	**19 336 854**

8. Other operating expenses

		2022	2021
Non-operating costs		29 589	19 528
Depreciation		18 889	18 755
Net loss on foreign currency exchange rate fluctuations		284	283
Penalty charges		31	544
Net change in allowance for doubtful and bad trade receivables		-	7 006
	TOTAL:	**48 793**	**46 116**

9. Income from participating interests

	2022	2021
Dividends received from subsidiary SIA "Eco Baltia vide"	4 519 420	1 365 528
Dividends received from subsidiary SIA "Eko Kurzeme"	-	2 606 631
Dividends received from subsidiary AS "Latvijas Zaļais punkts"	-	493 000
TOTAL:	**4 519 420**	**4 465 159**

10. Income from other securities and loans constituting financial long-term investments

	2022	2021
Interest income on long-term loans from related parties	40 125	104 983
TOTAL:	**40 125**	**104 983**

11. Other interest income and similar income

	2022	2021
Interest income on short-term loans to related parties	3 162	2 829
Interest income on short-term loans to other companies	-	7 006
TOTAL:	**3 162**	**9 835**

12. Interest expenses and similar charges

	2022	2021
Interest on borrowings from related parties	112 011	50 921
Interest on finance leases	1 678	3 420
Interest on bank borrowings and credit lines	-	95 589
Bank fees for credit agreements	-	24 677
TOTAL:	**113 689**	**174 607**

13. Corporate income tax for the reporting year

	2022	2021
Corporate income tax calculated for the reporting year	11 397	8 536
Adjustment for additionally calculated corporate income tax in previous periods	-	1 750
Corporate income tax reflected in the income statement:	**11 397**	**10 286**

14. Staff costs and number of employees

	2022	2021
Remuneration for work	777 934	1 209 728
State mandatory social insurance contributions	161 830	271 993
TOTAL:	**939 764**	**1 481 721**

14. Staff costs and number of employees (continued)

Including key management personnel compensation:

		2022	2021
Members of the Board			
Remuneration for work		295 399	418 260
State mandatory social insurance contributions		69 685	98 668
	TOTAL:	**365 084**	**516 928**

		2022	2021
Average number of board members in the reporting year		4	5
Average number of other employees in the reporting year		16	23
	TOTAL:	**20**	**28**

15. Intangible assets

	Licences, trade marks and other intangibles	Intangible asset development costs**	TOTAL
December 31st, 2020			
Cost	402 667	5 753	**408 420**
Accumulated amortisation and impairment	(148 658)	-	**(148 658)**
Book value at 31 December	254 009	5 753	**259 762**
Year 2021			
Book value at 1 January	254 009	5 753	**259 762**
Additions	47 255	102 218	**149 473**
Disposals	(26 476)	-	**(26 476)**
Disposed accumulated amortisation	25 896	-	**25 896**
Result of the reorganization*	138 695	-	**138 695**
Result of the reorganization(accumulated amortisation)*	(136 789)	-	**(136 789)**
Amortisation	(97 923)	-	**(97 923)**
Book value at 31 December	204 667	107 971	**312 638**
December 31st, 2021			
Cost	562 141	107 971	**670 112**
Accumulated amortisation and impairment	(357 474)	-	**(357 474)**
Book value at 31 December	204 667	107 971	**312 638**
Year 2022			
Book value at 1 January	204 667	107 971	**312 638**
Additions	34 572	223 859	**258 431**
Reclassified	10 880	(10 880)	**-**
Amortisation	(61 000)	-	**(61 000)**
Increase in value	27 006	-	**27 006**
Book value at 31 December	216 125	320 950	**537 075**
December 31st, 2022			
Cost	634 599	320 950	**955 549**
Accumulated amortisation and impairment	(418 474)	-	**(418 474)**
Book value at 31 December	216 125	320 950	**537 075**

* In accordance with the decision of the Register of Enterprises of the Republic of Latvia on 14.05.2021, its parent company AS "Eco Baltia" has been added to the company SIA "Eco Baltia grupa", as a result of the reorganization, intangible investments with their acquisition value and accumulated depreciation have been taken over.
**In 2022 has been changed position name for the comparative figures by nature from “Advances of intangible assets” to “Development costs”.

16. Property, plant and equipment

	Other fixed assets	**TOTAL**
December 31st, 2020		
Cost	555 953	**555 953**
Accumulated depreciation and impairment	(240 056)	**(240 056)**
Book value at 31 December	315 897	**315 897**
Year 2021		
Book value at 1 January	315 897	**315 897**
Additions	24 081	**24 081**
Historical cost of disposed fixed assets	(129 034)	**(129 034)**
Accumulated depreciation of disposed fixed assets	101 282	**101 282**
Result of the reorganization*	1 665	**1 665**
Result of the reorganization(accumulated depreciation)*	(370)	**(370)**
Depreciation	(101 238)	**(101 238)**
Increase in value	3 096	**3 096**
Book value at 31 December	215 379	**215 379**
December 31st, 2021		
Cost	455 761	**455 761**
Accumulated depreciation and impairment	(240 382)	**(240 382)**
Book value at 31 December	215 379	**215 379**
Year 2022		
Book value at 1 January	215 379	**215 379**
Additions	10 248	**10 248**
Historical cost of disposed fixed assets	(224 846)	**(224 846)**
Accumulated depreciation of disposed fixed assets	156 578	**156 578**
Depreciation	(69 413)	**(69 413)**
Increase in value	249	**249**
Book value at 31 December	88 195	**88 195**
December 31st, 2022		
Cost	241 412	**241 412**
Accumulated depreciation and impairment	(153 217)	**(153 217)**
Book value at 31 December	88 195	**88 195**

* In accordance with the decision of the Register of Enterprises of the Republic of Latvia on 14.05.2021, SIA "Eco Baltia grupa" has been added to its parent company AS "Eco Baltia", as a result of reorganization, fixed assets with their acquisition value and accumulated depreciation have been taken over.

17. Investments in subsidiaries

Company	%	Initial investment	31.12.2021.	Reduction	31.12.2022.
AS "PET Baltija", Aviācijas Street 18, Jelgava, Latvia	94.90	9 116 698	12 920 471	-	12 920 471
SIA "Eco Baltia vide", Getliņu Street 5, Stopiņi district, Rumbula, Latvia*	100	7 835 884	26 059 284	(3 280 000)	22 779 284
SIA "Nordic Plast", Rupnicu Street 4, Olaine, Latvia	100	5 169 908	5 169 908	-	5 169 908
Siguldas PSIA "Jumis", R. Blaumaņa Street 10, Sigulda, Latvia (concession winner of AS"Eco Baltia")	100	241 463	241 463	-	241 463
SIA " Polimēru Parks", Maskavas Street 240-3, Riga, Latvia	100	5 000	5 000	-	5 000
SIA "Vaania", Maskavas Street 240-3, Riga, Latvia (Siguldas PSIA "Jumis" concessionaire)	100	77 590	11 000	-	11 000
	TOTAL:	**22 446 543**	**44 407 126**	**(3 280 000)**	**41 127 126**

* On November 15, 2022, subsidiary company SIA "Eco Baltia vide", reg. No. 40003309841 registered in the Commercial Register amendments to the articles of association for the reduction of the share capital of 3.28 million euros. in EUR value.

Financial information on subsidiaries:

Company	Equity		Profit/(loss) for the reporting year	
	31.12.2022.	31.12.2021.	2022	2021
AS "PET Baltija"	10 112 581	10 157 709	(45 128)	2 170 135
SIA "Eco Baltia vide"	32 684 339	30 418 291	5 546 048	5 998 823
SIA "Nordic Plast"	2 304 192	2 112 046	192 146	229 871
Siguldas PSIA "Jumis"	495 427	328 507	166 920	6 205
SIA "Polimēru Parks"	(28 591)	(25 762)	(2 829)	(2 881)
SIA "Vaania"	70 930	53 616	17 313	20 175

At the end of 2022, the Company made a calculation of the recoverable value of investments in subsidiaries. It was assessed whether there had been a participatory subsidiaries impairment in the capital of companies. In order to carry out the impairment test for interests in the capital of subsidiaries, the recoverable amount – value in use – is determined by discounting the future cash flow of each company. The calculation of the value of daughter companies was based on discounted cash flow method, applying the following discount rates 9.6% in 2021. 12.3% for SIA “Eco Baltia vide” and Siguldas PSIA „Jumis”, 10.7% for AS „PET Baltija”, 14.9% for SIA „Nordic Plast” in 2022. Cash flow estimates have been made for the next five years using 2023 budget data and further growth based on companies' operational plans. According to the value recoverability calculations referred to in this paragraph, no impairmet allowances should be recognized for investments in subsidiaries as of 31 December 2022.

The recoverable value of long-term investments depends to a significant extent on the assumptions used in the valuation in relation to the growth and timing of net turnover, as well as on the ability of the Company's management to implement these assumptions. Any adverse changes in these assumptions that may be caused by the volatility of the market in which the subsidiaries operate may adversely affect the book value of the Company's participation, as reflected in the balance sheet as at 31 December 2022.

18. Other loans and other non-current receivables

			31.12.2022.	31.12.2021.
Deferred expenses*	EUR		1 030	702
		TOTAL:	**1 030**	**702**

*See note 21

19. Trade receivables

		31.12.2022.	31.12.2021.
Trade receivables		1 192	1 232
Allowances for doubtful and bad receivables		(1 192)	(1 192)
	TOTAL:	**-**	**40**

Changes in allowance for doubtful and bad trade receivables

		31.12.2022.	31.12.2021.
At the beginning of the reporting year		1 192	1 192
Increase or decrease in allowance		-	-
	TOTAL:	**1 192**	**1 192**

The age structure of trade receivables for debts is reflected as follows:		31.12.2022.	31.12.2021.
The repayment period has not expired, the impairment has not been recognised		-	40
	TOTAL:	**-**	**40**

No interest is calculated on the trade receivables.

20. Other receivables

		31.12.2022.	31.12.2021.
Advance payments for suppliers		18 222	-
Security deposit		7 706	7 706
Other loans		-	190 101
Accrued interest on loans		-	70 935
Tax overpayment (see note 28 "Taxes and state mandatory social insurance contributions")		-	31
Provision for doubtful accrued interest on the loan		-	(70 935)
Provision for doubtful other loans		-	(190 101)
	TOTAL:	**25 928**	**7 737**

21. Deferred expenses

Non - current portion		31.12.2022.	31.12.2021.
Subscription fee		1 030	702
	TOTAL non – current deferred expenses (see Note 18):	**1 030**	**702**
Current Portion		31.12.2022.	31.12.2021.
Other expenses		19 265	11 899
Subscription fee		9 203	2 559
Insurance		1 582	2 171
	TOTAL current deferred expenses:	**30 050**	**16 629**
	Total prepaid expenses	**31 080**	**17 331**

22. Accrued revenue

		31.12.2022.	31.12.2021.
Accrued revenue from related companies		27 960	28 000
Accrued revenue other		94	-
	TOTAL:	**28 054**	**28 000**

23. Cash

		31.12.2022.	31.12.2021.
Cash at current bank accounts		872 439	648 413
	TOTAL:	**872 439**	**648 413**

24. Share capital

As of 31 December 2022 and 2021, the paid-in share capital of the Company amounts to 35 005 EUR and consists of 35 005 shares with a nominal value of 1 EUR per share. All shares of the capital are fully paid up. All shares have equal voting and dividend rights.

As of 31 December 2022 the shareholders of the Company are as follows:

UAB “BSGF SALVUS”		(52,81%)	18 487
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT		(30,51%)	10 680
SIA “ENRIAL HOLDINGS”		(15,93%)	5 575
“PENVI INVESTMENT LTD”		(0,75%)	263
	TOTAL:	**100%**	**35 005**

25. Other provisions

		31.12.2022.	31.12.2021.
Provision for bonuses on reporting year result		48 709	98 295
	TOTAL:	**48 709**	**98 295**

26. Bank Borrowings

Pledges

Eco Baltia Group companies have received borrowings from Luminor Bank AS (Latvian and Lithuanian branches). Commercial pledges, capital shares or shares of the assets of the group companies, as well as guarantees of group companies and assignment agreements on the transfer of claims against debtors to the bank for the payment of outstanding money serve as collateral for the financing granted to Luminor Bank AS to Eco Baltia group companies. The subject of a commercial pledge of shares is shares which the commercial pledger owns at this moment and which the commercial pledger will acquire during the period of validity of the loan agreements. The object of the commercial pledge of assets is the property of the group companies as a community of things at the time of the pledge, as well as the next components of this community of things. All unsecured and unsubordinated payment obligations in relation to the obligations specified in the loan agreements of Luminor Bank AS are and will always be at least equivalent to the unsecured and unsubordinated payment claims of all other creditors of the respective company, except for those creditors whose claims take precedence in accordance with the generally applicable laws and regulations (Pari passu).

27. Other borrowings

Financial lease liabilities

Finance leases apply to other fixed assets. At the end of the financial lease term, the asset shall become the property of the Company. The company's financial lease obligations are secured by the lessor's ownership of the leased assets. As at 31 December 2022, the effective interest rate applied to finance leases was the 3-month EURIBOR + added rate (31.12.2021: 3-month EURIBOR + added interest rate).

	31.12.2022. EUR		**31.12.2021. EUR**	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	19 758	18 718	49 546	47 599
In a year, but not longer than five years	10 628	10 413	38 571	37 727
Total minimum rental payments	30 386	29 131	88 117	85 326
Financial costs	(1 255)	-	(2 791)	-
Current value of minimum lease payments	**29 131**	**29 131**	**85 326**	**85 326**

28. Taxes and state mandatory social insurance contributions

	31.12.2022.	31.12.2021.
State mandatory social insurance contributions	27 705	43 749
Value added tax	15 650	30 255
Personal income tax	15 641	24 745
Corporate income tax	351	2 402
State business risk duty	6	10
Light-duty vehicle tax	-	(31)
TOTAL:	**59 353**	**101 130**
Total claims (included under "Other debtors")	**-**	**(31)**
Total commitments	**59 353**	**101 161**

29. Other payables

	31.12.2022.	31.12.2021.
Remuneration for work	33 891	38 220
Advances for employees	123	574
TOTAL:	**34 014**	**38 794**

30. Accrued liabilities

	31.12.2022.	31.12.2021.
Accrual for services received	289 626	118 064
Accrual for vacation pay reserve	19 732	39 395
TOTAL:	**309 358**	**157 459**

31. Loans to related companies

	31.12.2022.	31.12.2021.
Loans issued with a maturity of more than one year*	672 000	672 000
TOTAL:	**672 000**	**672 000**

* Loans are repayable on 31 December 2024 and 31 December 2025. The currency of the loans is EUR, loans are not secured.

32. Due from related companies

	31.12.2022.	31.12.2021.
Receivables from related companies	287 838	589 767
Interest on the loan	7 725	4 300
Loan issued with a maturity of one year*	500	500
TOTAL:	**296 063**	**594 567**

* The loan is repayable on 31 December 2023. The currency of the loan is EUR, the loan is not secured.

33. Due to related companies, non - current part

	31.12.2022.	31.12.2021.
Borrowings with a maturity of more than one year but less than five years*	997 028	997 028
TOTAL:	**997 028**	**997 028**

*The borrowing is repayable on 31 December 2025. The currency of the borrowing is EUR, the borrowing is not secured.

34. Due to related companies, curent part

	31.12.2022.	31.12.2021.
Borrowings to related companies	80 367	104 172
Interest on borrowings	3 005	3 005
TOTAL:	**83 372**	**107 177**

35. Contingent liabilities

35. (a) Issued guarantees

On December 17, 2021, the Company has issued a guarantee as from the Parent company in the amount of EUR 6 555 292 for the outstanding obligations of AS "PET Baltija" on the basis of the terms of the lease agreement concluded between the subsidiary AS "PET Baltija" (lessee) and the developer and lessor of its new plant. In case of termination of the lease agreement before the end of the minimum lease period (Minimum term - 180 months from the acceptance of the premises - signing of the transfer deed).
The Company has issued its guarantees for all loans of daughter companies from Luminor Bank Latvia and Lithuania branches.

35. (b) Real estate lease agreements

In accordance with the concluded real estate lease agreements, the Company has the following future lease payment obligations at the end of the reporting year:

	31.12.2022.	31.12.2021.
With a maturity of one year to other companies	27 872	27 872
With a term of more than one year but less than five years to other companies	65 034	7 665
TOTAL:	**92 906**	**35 537**

35. (c) Operating lease agreements

In accordance with concluded transport lease agreements. The total minimum lease payments under the irrevocable operating leases may be reflected as follows:

	31.12.2022.	31.12.2021.
With a maturity of one year to other companies	9 612	15 460
With a term of more than one year but less than five years to other companies	20 622	48 241
TOTAL:	**30 234**	**63 701**

36. Events after the reporting date

The main risks of the Company's activities are related to external factors affecting the main activity of the companies of the Group: the general geopolitical situation; rising fuel and utility costs; changes in the demand for and prices of secondary raw materials on the world market; natural conditions that determine the amount of work; the likelihood of accidents; fulfilment of contractual obligations of cooperation partners (suppliers, subcontractors, customers). In order to reduce these risks, the Group companies diversify their activities, increase the variety of services provided, invest in the qualification of employees, meet the requirements of work, fire safety and civil safety.

Geopolitical uncertainty and the rapidly changing situation in European countries require greater vigilance and preparedness for unforeseen situations. The rapid growth of inflation, the growth of the EURIBOR interbank interest rate, as well as the decline in the purchasing power ratio may require a review of certain assumptions and estimates in the activities of the Company and the companies in the Group. This may result in significant adjustments to the carrying amount of certain assets and liabilities of the Company and of the companies in the Group, including their operating cash flows during the following financial year. At this stage, management cannot reliably assess the impact, since events develop every day. Long-term effects can also affect operating income volumes, cash flows and profitability, which can be mainly affected by increases in fuel and electricity and other costs. Nevertheless, at the date of these financial statements, the Company continues to meet its obligations during their term and therefore continues to apply the going concern basis.

On February 17, 2023, the Company issued bonds worth EUR 8 million. in EUR value with a maturity date of 17 February 2026 (ISIN code: LV0000860120), but the issuer has the right to redeem ahead of time – after two years. The bonds are subject to a fixed interest rate (coupon) of 8% per annum. On March 2, 2023, "Eco Baltia" bonds were included in the Nasdaq Riga alternative market "First North" Bond List.

On January 5, 2023, the Company has entered into amendments to the guarantee agreement with AS "Luminors Bank" on the borrowing granted by the subsidiary SIA "Eco Baltia vide" amounting to EUR 5.2 million. In the amount of EUR intended for the purchase of shares of SIA "PILSĒTAS EKO SERVISS", SIA "PES serviss"" and SIA "B 124". Borrowing maturity date 31 December 2025.

On March 28, 2023, the Company has entered into amendments to the guarantee agreement with AS "Luminors Bank" regarding the borrowing of EUR 7.2 million granted by the subsidiary SIA "Eco Baltia vide". EUR intended for the construction of a waste sorting plant in the real estate "Lauciena" and the purchase of technological equipment. Borrowing maturity date January 31, 2027.

Taking into account the market situation of the second raw materials market, which especially worsened in the fourth quarter of 2022, and accordingly the decrease in the net realisable value of the stocks of the subsidiary AS "PET Baltija", AS "PET Baltija" after the reporting period has agreed with its credit institution "Luminor Bank" AS Latvian branch that the situation that AS "PET Baltija" as of 31.12.2022 has not fully met the lending base indicators and adjusted equity capital ratios as specified in the General Financing Rules is not considered as a violation of default. Luminor Bank AS Latvian branch has also agreed with the parent company's decision to issue a subordinated short-term loan of EUR 1.5 million to AS PET Baltija and EUR 4 million EUR long-term loan "TESIL Fibres S.r.o.". The purpose of loans is to expand production capacities, ensuring their maximum load, and further business development, including in terms of operating in new market segments.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

Māris Simanovičs, Chairman of the Board	Sigita Namatēva, Member of the Board	Santa Spūle, Member of the Board

Olga Jakovele,
AS "Eco Baltia"
Chief Accountant

This document is signed with a secure electronic signature and contains a time stamp.

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Translation from Latvian

Independent Auditor's Report

To the shareholders of AS Eco Baltia

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of AS Eco Baltia ("the Company") set out on pages 5 to 28 of the accompanying annual report, which comprise:

- the balance sheet as at 31 December 2022,
- the profit and loss statement for the year then ended,
- the statement of changes in equity for the year then ended,
- the statement of cash flows for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of *AS Eco Baltia* as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the key audit matter
Valuation of investments in subsidiaries	
As disclosed in Note 17 to the financial statements the Company has made significant investments in subsidiaries. As at 31 December 2022 investments in subsidiaries amount to 41.1 mil. EUR which represents 94% of total assets. The Company performs an annual impairment test of investments in subsidiaries to identify impairment losses arising when the recoverable amount of investment is lower than the carrying amount recorded. Based on the impairment test performed, no impairment losses have been identified as at 31 December 2022. Cash flow projections and discount rates applied to the projected future cash flows involve significant management judgement. The recoverable value significantly depends on the assumptions used with respect to sales growth, timing of this growth, profitability targets, discount rates as well as the management's ability to realize those assumptions and overall development of the economics. Adverse changes to these assumptions caused by volatility of the market where the subsidiaries of the Company operate may negatively influence the carrying value of investments in subsidiaries presented in the Company's balance sheet as of 31 December 2022. Accordingly, the impairment test of investments in subsidiaries is considered to be a key audit matter.	Our audit procedures were focused on the assessment of key assumptions used by the management in calculations, including the cash flow projections and discount rates. In our assessment, we have involved internal valuation specialists. We assessed assumptions used in cash flow projections which the outcome of impairment test is most sensitive to and evaluated the reasonableness of assumptions made by management by comparing them to internal sources of information available within the Company and also to externally available industry, economic and financial data. Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results.

Reporting on Other Information

The Company's management is responsible for the other information. The other information comprises:

- Information about the Company, as set out on page 3 to 4 of the accompanying Annual Report,
- the Management Report, as set out on page 5 to 6 of the accompanying Annual Report.

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

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cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Audits Latvia SIA

Licence No.43

Inguna Staša
Member of the Board

Certified auditor
Certificate No. 145

Riga, Latvia

THIS DOCUMENT IS SIGNED WITH SECURE DIGITAL SIGNATURE AND CONTAINS A TIMESTAMP