

**JOINT STOCK COMPANY
ECO BALTIA**

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2023

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

RIGA, 2024

** 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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General Information

Name of the Parent Company	Eco Baltia AS
Legal status of the Parent Company	Joint stock company
Registration number, place and date of registration of the Parent Company	40103435432 Riga, 08 July 2011
Registered office of the Parent Company	Latgales iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Parent Company	BSGF Salvus UAB, Gyneju g.14, Vilnius, Lithuania (52.81%) European Bank for Reconstruction and Development, Five Bank Street, London E14 4BG (United Kingdom) (30.51%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Supervisory Board Members of the Parent Company	Vytautas Plunksnis — Chairman of the Supervisory Board Deimante Korsakaite — Deputy Chairperson of the Supervisory Board Jurgita Petrauskiene – Supervisory Board Member Gints Pucēns – Supervisory Board Member Alberto Atienza Guell – Supervisory Board Member from 03.10.2022 Peter Niklas Hjelt – Supervisory Board Member until 03.10.2022 Algimantas Markauskas - Supervisory Board Member from 03.04.2024
Management Board Members of the Parent Company	Māris Simanovičs - Chairman of the Management Board Santa Spūle – Management Board Member Sigita Namatēva – Management Board Member Anīta Saulīte – Management Board Member until 10.11.2022 Saulius Budrevičius – Management Board Member from 21.07.2023
Financial year	1 January – 31 December 2023
Independent auditors and their address	SIA “Deloitte Audits Latvia” Republikas laukums 2A Riga, Latvia, LV-1010 License No 43 Inguna Staša Latvian Certified Auditor Certificate No 145

Management Report

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

Group business profile

Eco Baltia is the largest environmental resource management and recycling group in the Baltics, providing a complete waste management cycle, starting with waste collection and sorting, continuing with logistics and wholesale of recycled materials, and concluding with recycling of recycled materials, including PET and PE/PP plastics, as well as PET fibre production. Eco Baltia's business is strategically divided into two business segments - polyethylene terephthalate (PET) and plastics recycling and environmental management services.

The Group currently employs more than 2 500 people in Latvia, Lithuania, Poland and the Czech Republic. The main subsidiaries managed by the Group are PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, JUMIS in Sigulda, the Ecoservice group in Lithuania and TESIL Fibres in the Czech Republic. During the 2023, the Group also completed the acquisition of Pilsētas Eko Serviss, a street and road maintenance company.

In November 2023, Eco Baltia also expanded into Poland by acquiring, together with its shareholder, INVL Baltic Sea Growth Fund, shares in Metal-Plast Sp.z.o.o, Poland's largest recycler of PVC window and door profiles.

Development and financial performance of the Group during the reporting period

In addition to the acquisitions completed in the previous year, during the reporting period, the Group continued to evaluate new business areas and acquisitions to further strengthen the Group's position and market share both in Latvia and internationally, as well as develop and expand the full-cycle waste chain within the Group's overall service portfolio.

At the beginning of the year, Group company Eco Baltia vide, through its subsidiary Latvijas Zaļais punkts, concluded a transaction for the acquisition of road maintenance company Pilsētas Eko Serviss. The transaction resulted in the acquisition of 100% of the shares in Pilsētas Eko Serviss, PES serviss, and B 124. A reorganisation process was initiated in 2023 and finished on 1 December 2023. All rights and obligations of the company were transferred to Eco Baltia vide.

To further support the company's growth in the international market, in November 2023 INVL Baltic Sea Growth Fund together with Eco Baltia completed a transaction and acquired a 82,42% stake (target shareholding is 70%) in Metal-Plast, the largest PVC window and door profile recycler in Poland. At the date of publishing these consolidated financial statements final post acquisition structure has been achieved where UAB Eco Recycling holds 70% in Homecourt Sp.z.o.o. and 30% is owned by SIDN Family Foundation. As at 31.12.2023 UAB Eco Recycling, holding company in Lithuania, shareholders are Eco Baltia (55%) and INVL Baltic Sea Growth Fund (45%).

During the period, the Group's two largest environmental subsidiaries, Eco Baltia vide and Ecoservice, continued to develop a number of projects, including the establishment and expansion of specialised construction waste sorting sites and the promotion of the sorting of household waste, textiles and other materials. During the period, the brand Tocha and service continued to be promoted in the market, strengthening its market position in Latvia. Work is now continuing on the service to ensure a consistently high level of quality.

During the period, the Group's environmental companies also submitted bids for a number of public tenders for the provision of waste management services, road maintenance and other services. During the period, the bid submitted by the environmental management company Eco Baltia vide in an open tender for waste management in the municipality of Salaspils was considered to be the most appropriate and financially advantageous, and the company will continue to provide municipal waste management services to residents and businesses in the municipality of Salaspils after the expiry of the current contract (from 1 October). The total value of the contract is EUR 7 million (excluding VAT) for a period of three years, with an option to extend.

Eco Baltia vide also won the tender for the maintenance of the administrative districts of Saldus and Brocēni for the next five years, worth EUR 1.28 million. Ecoservice was awarded the right to provide waste management services in Klaipėda and Vilnius for the next five years, as well as these and other services for various periods in other regions of Lithuania.

Eco Baltia vide, the Group's environmental services company, was granted a six-month extension to the deadline for providing waste management services in Vecumnieki, Bauska municipality. The extension was granted after Eco Baltia vide challenged the results of a tender in Bauska Municipality before the administrative district, claiming that the winning bid was unreasonably low in several cost items and that the tender did not comply with EU Green Deal requirements.

Management Report (continued)

In accordance with the expiry of the contract, from 1 February 2023 the Company ceased to provide waste management services in the Tērvete Union (Tērvete, Bukaiši and Augstkalne municipalities) of Dobele County.

At the beginning of August, the recycling center of Eco Baltia's Lithuanian subsidiary Ecoservice in Vilnius was affected by a fire. In order to ensure the continuity of the company's operations, materials for sorting were diverted to subcontractors and other branches. Following the event, the construction waste sorting line and the temporary packaging sorting line have resumed operations and the insurance claim is underway, with the circumstances and extent of the damage still being assessed.

During 2023 the Group's producer responsibility system operator Latvijas Zaļais punkts, which maintains waste management systems for packaging waste, electrical and electronic equipment, and environmentally hazardous goods, continued to provide services by the requirements of regulatory enactments and the agreements concluded with the State Environmental Service (SES). The activities of Latvijas Zaļais punkts were organised in accordance with the management programs for 2023-2025 approved by the State Environment Service. In order to further streamline the internal organisational processes and management structure of the Group companies, Latvijas Zaļais punkts changed its legal form of business activity from a joint stock company (JSC) to a limited liability company (LLC) during the reporting period.

A producer responsibility system for tobacco products with filters and filters intended for use with tobacco products is due to be introduced in Latvia this year. A market study and survey carried out by the Association of Traditional and Smokeless Tobacco Products, which includes manufacturers and importers of tobacco products, to select a tobacco product manager in Latvia to ensure the operation of this system in accordance with the Law on the Reduction of Consumption of Products Containing Plastics, identified the offer of the Group company Latvijas Zaļais punkts as the most economically advantageous. In accordance with the conditions, contracts were signed with local governments and tobacco traders during the reporting period, and a management plan was developed. Following approval by the State Environmental Service, the scheme was implemented in Latvia.

In the Group's PET bottles and plastic packaging recycling sector, capacity expansion projects continued during the reporting period. Nordic Plast completed the testing of its new plastic sorting and recycling line, where it has invested more than EUR 2.8 million last year, ensuring stable operation and a gradual increase in production capacity. Nordic Plast's production capacity is expected to increase by at least 29% as a result of the modernisation of the plant, although the increase may vary according to the current volatile situation in the recycled market.

The Group's PET bottle recycler PET Baltija continues to work on the development of its new production facility in Olaine. The project is being carried out in cooperation with PICHE Ltd, the leading industrial park developer in Latvia, with a total investment of more than EUR 35 million, including more than EUR 10 million from PET Baltija. The project is being implemented in several phases. The total area of the building will be approximately 26 250 m² and it will be one of the largest industrial buildings in Latvia and one of the largest PET recycling plants in Northern Europe.

Taking into account the situation in the secondary raw materials market, which particularly deteriorated in the fourth quarter of 2022, contributing to the decrease in the net realisable value of the subsidiary PET Baltija's inventories, PET Baltija and the Parent Company have agreed with the Latvian branch of Luminor Bank on the Parent Company's decision, during the first quarter, to grant PET Baltija a subordinated short-term loan of EUR 1.5 million.

The loan to TESIL Fibres S.r.o. was approved for a total amount of EUR 5.5 million from Eco Baltia and during 2023 a long-term loan EUR 4 million has been issued to TESIL Fibres S.r.o. The purpose of the loans is to expand production capacity, ensuring its maximum utilisation and further business development, including in new market segments.

During the reporting period, PET Baltija continued to promote sales and production in cooperation with its Czech subsidiary Tesil Fibres.

In order to further accelerate the development of PET Baltija and the implementation of investment projects, the composition of the Board of Directors was changed during the reporting period. On 17 July, new member and PET Baltija's CEO Kaspars Ezernieks joined the existing Board, while the previous Chairman of PET Baltija's Board Salvis Lapiņš performed his duties in the company until 21 July. On 11 September, Jūlija Zandersone joined PET Baltija's management team as Chairman of the Board and Head of the Recycling Sector at Eco Baltia group.

There have also been changes in the management of PET Baltija's subsidiary Tesil Fibres. Jiří Novák has been appointed CEO of Tesil Fibres. As part of the efforts to strengthen the recycling sector, Mr Novák's employment has been terminated

Management Report (continued)

and his duties as CEO have been temporarily transferred to Sergei Malishev, PET Baltija's Business Development Project Manager.

In order to strengthen the corporate governance of Tesil Fibres, a four-member Supervisory Board was also established. Salvis Lapiņš, the former Chairman of the Board of PET Baltija, the parent company of TESIL Fibres, was initially appointed as the Chairman of the newly established Supervisory Board, but following changes in the Management Board of PET Baltija, Julia Zandersone, the current Chairman of the Management Board of PET Baltija, has been acting as the Chairman of the Supervisory Board of Tesil Fibres since 11 September. The vice-chairman of the board is Māris Simanovičs, chairman of the board of the group's parent company Eco Baltia AS, while the members of the supervisory board are Justas Bučelis, senior partner at INVL Baltic Sea Growth Fund, and Matīss Leitis, CFO and member of the board of PET Baltija.

In order to strengthen the strategic development of Eco Baltia group and the implementation of investment projects, Saulius Budrevičius, long-time CEO of Ecoservice, a leading Lithuanian environmental management company, and member of Eco Baltia vide's Supervisory Board, joined Eco Baltia's management in 2023, where he is responsible for research and development, as well as the implementation and execution of various investment projects.

As the business model and operations of the Group companies are focused on embedding circular economy principles through the implementation of various sustainable business practices on a daily basis, the active work on the development and implementation of a consolidated ESG (Environmental, Social and Governance) strategy for the Company and its major subsidiaries, which started in 2022, continues during this reporting period. One of the objectives is to implement a common ESG performance and strategy monitoring and reporting system at all levels of the business. During the reporting period, the strategy was already implemented in several Group companies.

In February 2023 Eco Baltia issued its first bond for EUR 8 million, attracting significant investor interest, with demand exceeding the maximum offer volume by 3.5 times. The first bond was issued in the amount of EUR 8 million. The bonds mature on 17 February 2026 and the issuer has the option to redeem the bonds after two years. The bonds have been listed on Nasdaq Baltic's alternative market First North since 2 March 2023.

In the reporting period in November 2023 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.

The Group closed the year 2023 with a historically highest consolidated turnover of 218,4 million euros, an increase of 4% compared to the year 2022. Turnover was mainly driven by the solid and convincing performance of the environmental management sector in 2023 and due to the acquisition of new businesses, and the focus on productivity, efficiency and automation. This is Eco Baltia's best result ever, demonstrating its strategic and focused growth in Baltics and internationally.

Group's audited consolidated profit before tax at the end of the reporting period was EUR 1 million and consolidated EBITDA was EUR 28,4 million.

In the reporting period Eco Baltia has risen from 36th place last year to 29th place in the TOP 101 of Latvia's most valuable companies. TOP101 is compiled annually by assessing business in Latvia, comparing value indicators of local market companies, including turnover, EBITDA and others.

Future development of the Group

In 2024, Eco Baltia will continue its development in following business segments - polyethylene terephthalate (PET) and plastics recycling, environmental management services and recently acquired segment of PVC window and door profiles recycling in Poland.

In line with its strategic goals, the company's main objectives in 2024 will be to improve working conditions, support employees, ensure the highest level of occupational safety and improve ESG and sustainability.

Investment in recycling and waste and environmental management will continue in 2024 to support the continued growth, efficiency and competitiveness of the Group's businesses. Full production at the new PET Baltija plant is planned to start in 2024, with the aim of tripling PET production over time. In 2024, the Group will continue to promote synergies between Group companies in order to achieve maximum benefit from the full-cycle waste management process.

Management Report (continued)

Events after the reporting date

Eco Baltia's company, Eco Baltia vide, has approved an investment of EUR 2.3 million for the construction of two construction waste sorting and recycling yards. The sites will be located in the Baltic Sea region (Rumbula) and in Liepaja, and are scheduled to open this spring. The investment aims to consolidate the company's commitment to the circular economy by reducing and reusing construction waste.

After the reporting period, Eco Baltia approved a plan to assess the Group's strategic environmental business options. Eco Baltia is considering different potential alternatives that can add value to the companies' shareholders, customers and employees. Together with external advisors, Eco Baltia is reviewing its business portfolio. As part of this process, the management board of the company may consider a sale, merger or other transaction involving Eco Baltia companies. However, there is no certainty whether the assessment will result in any transactions. The market will be informed on progress as appropriate.

Two members of AS PET Baltija board have resigned – Kaspars Ezernieks on 16 February 2024 and Dagnija Levcenoka on 10 April 2024, due to personal reasons. Currently, the functions of the board will be carried out by its remaining members, while the responsibilities will be internally reassigned within the company.

In February 2024 the downstream merger procedures of the Group's subsidiary Homecourt Sp.z.o.o. and its subsidiary Metal-Plast Sp. z.o.o. has started, after which the surviving entity will be Metal-Plast Sp. z.o.o. At the date of publishing these consolidated financial statements final post acquisition structure has been achieved where UAB Eco Recycling holds 70% in Homecourt Sp.z.o.o. and 30% is owned by SIDN Family Foundation. As at 31.12.2023 UAB Eco Recycling, holding company in Lithuania, shareholders are Eco Baltia (55%) and INVL Baltic Sea Growth Fund (45%).

UAB Ecoservice, the Lithuania-based waste management company of Eco Baltia group, the largest environmental management and waste recycling group in the Baltics, is committed to invest up to EUR 18 million in the rebuilding the Vilnius Sorting Centre, which was devastated by a fire last year. The investment will also be used to improve the infrastructure of the sorting center and modernise it to contribute more to the circular economy.

The Group continues expanding its activities and range of environmental services. In March the purchase agreement concluded by the parties, which requires merger authorisation from the Latvian Competition Council (CC), provides for the acquisition of 100% of the shares in Eko Osta. With the conclusion of the transaction, Eko Osta will become one of the companies in the environmental management sector of the Eco Baltia group, specialising in the management of hazardous and environmentally harmful waste.

SIA "Eco Baltia vide" participated in the auction organized by SIA "Publisko aktīvu pārvaldītājs Possessor" on March 4, 2024, for the sale of 40.4% of the state and Daugavpils municipality's shares in AS "Daugavpils specializētais autotransporta uzņēmums", with the winning bid being EUR 1 220 175,26. According to the auction terms, within 25 working days after receiving the auctioneer's invitation, a share purchase agreement must be concluded and the difference between the auctioned share package price and the auction security fee paid. Payment for the awarded shares was made on April 16, 2024. SIA "Eco Baltia vide" plans to acquire an additional 56.2% of AS "Daugavpils specializētais autotransporta uzņēmums" shares in 2024.

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

This management report was signed for the Group on 29 May 2024 by:

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

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Statement of management responsibilities

The management of Eco Baltia AS confirms that the consolidated annual 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 group as of 31 December 2023, and of the results of its operations and its cash flows for the year then ended.

The management report provides a clear summary of the business development and financial performance of Eco Baltia group. The consolidated annual financial statements have been prepared in accordance with the International Financial Standards as adopted by the European Union. At the time of preparation of the consolidated annual report, management:

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

The management board is also responsible for maintaining appropriate accounting records that would provide a true and fair presentation of the financial position at a particular date and financial performance and cash flows and enable the management to prepare the financial statements according to the International Financial Standards as adopted by the European Union.

Māris Simanovičs,
Chairman of the Board

Santa Spūle,
Board Member

Sigita Namatēva,
Board Member

Saulius Budrevičius,
Board Member

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Consolidated statement of comprehensive income for 2023

	Notes	2023 EUR	2022 EUR
Net turnover	3	218 398 130	210 031 623
Production cost of goods sold	4	(183 111 033)	(178 535 194)
Gross profit		35 287 097	31 496 429
Selling and distribution expenses	5	(7 267 196)	(7 119 406)
Allowances for impairment of loans and receivables	20,21	66 552	(446 407)
Administrative expenses	6	(20 143 930)	(15 192 777)
Other operating income	7	1 521 333	1 944 358
Other operating expenses	8	(1 827 333)	(1 305 058)
Finance income	9	1 972	22 784
Finance costs	10	(6 643 658)	(2 808 916)
Profit before tax		994 837	6 591 007
Corporate income tax	11	124 348	(22 803)
Deferred corporate income tax	11	418 928	1 737 899
PROFIT FOR THE REPORTING YEAR		1 538 113	8 306 103
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		214 329	131 709
Total comprehensive income for the year after tax		1 752 442	8 437 812
Comprehensive income attributable to:			
Majority interests		2 785 755	8 509 787
Non-controlling interests		(1 033 313)	(71 975)
Profit attributable to:			
Majority interests		2 571 426	8 378 078
Non-controlling interests		(1 033 313)	(71 975)

The accompanying notes on pages 14 to 55 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 29 May 2024 by:

_____ Māris Simanovičs, Chairman of the Board	_____ Santa Spūle, Board Member	_____ Sigita Namatēva, Board Member	_____ Saulius Budrevičius, Board Member
_____ Dace Namiķe, Chief Accountant			

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Consolidated statement of financial position for the year ended at 31 December 2023

	Notes	31.12.2023 EUR	31.12.2022 EUR
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments	13	799 107	314 371
Contracts with customers	13	1 416 371	1 757 000
Development costs	13	1 555 692	822 654
Goodwill	14	63 347 671	40 155 615
Total intangible investments		67 118 841	43 049 640
Property, plant and equipment			
Land, buildings and constructions		10 178 165	5 216 420
Right-of-use assets		42 263 786	37 436 780
Non-current investments in leased property, plant and equipment		70 867	214 936
Equipment and machinery		43 634 974	22 801 801
Other property, plant and equipment, and inventories		10 884 498	7 918 548
Construction in progress		5 379 496	11 610 991
Prepayments for property, plant and equipment		4 167 150	1 270 228
Total property, plant and equipment	15	116 578 936	86 469 704
Non-current financial investments			
Other securities and investments	16	21 200	21 200
Prepaid expenses	23	278 943	258 239
Other non-current receivables	18	191 570	26 000
Deferred income tax assets	11	172 745	-
Total non-current financial assets		664 458	305 439
Total non-current investments		184 362 235	129 824 783
Current assets			
Inventories			
	19	15 729 028	18 445 415
Receivables			
Trade receivables	20	23 049 297	18 214 506
Corporate income tax	11	5 158	-
Other loans	21	-	290
Other receivables	22	2 415 778	1 422 288
Prepaid expenses	23	967 432	778 521
Accrued income	24	6 922 137	3 688 202
Total receivables		33 359 802	24 103 807
Current investments			
Derivative financial instruments	25	725 834	-
Cash and cash equivalents			
	26	10 165 938	8 063 375
Non current assets held for sale			
		-	485 000
Total current assets		59 980 602	51 097 597
TOTAL ASSETS		244 342 837	180 922 380

The accompanying notes on pages 14 to 55 form an integral part of these consolidated financial statements.

Consolidated statement of financial position for the year ended at 31 December 2023

	Notes	31.12.2023 EUR	31.12.2022 EUR
LIABILITIES			
Equity			
Share capital	27	35 005	35 005
Share premium		20 623 389	20 623 389
Translation reserves		346 038	131 709
Consolidated reserves	28	19 926 630	19 926 630
Retained earnings brought forward		19 317 887	10 939 809
Profit for the reporting year		2 571 426	8 378 078
Equity attributable to the shareholders of the Parent Company		62 820 375	60 034 620
Non-controlling interests		12 884 516	714 055
Total equity		75 704 891	60 748 675
Liabilities			
Non-current liabilities			
Loans from credit institutions	29	50 029 714	28 263 863
Long-term debt securities - bonds	30	17 780 020	-
Lease liabilities	31	32 066 697	23 034 645
Deferred income	37	1 634 388	1 425 261
Other payables	36	330 905	22 803
Deferred income tax liability	11	2 253 521	1 463 138
Total non-current liabilities		104 095 245	54 209 710
Current liabilities			
Loans from credit institutions	29	16 582 676	23 828 135
Lease liabilities	31	6 576 506	6 604 468
Contract liabilities	32	522 742	894 373
Trade payables	33	24 155 953	23 240 631
Loans from related companies	34	614 393	-
Corporate income tax	11	56 350	23 705
Taxes payable	35	3 675 675	2 792 287
Other payables	36	3 946 657	3 270 274
Deferred income	37	432 374	535 476
Accrued liabilities	36	7 959 415	4 754 686
Unpaid dividends		19 960	19 960
Total current liabilities		64 542 702	65 963 995
Total liabilities		168 637 946	120 173 705
TOTAL EQUITY AND LIABILITIES		244 342 837	180 922 380

The accompanying notes on pages 14 to 55 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 29 May 2024 by:

Māris Simanovičs, Chairman of the Board	Santa Spūle, Board Member	Sigita Namatēva, Board Member	Saulius Budrevičius, Board Member
Dace Namiķe, Chief Accountant			

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Consolidated statement of changes in equity for the year 2023

	Share capital	Consolidated reserves	Share premium	Translation reserves	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2021	35 005	19 926 630	20 623 389	-	18 621 850	59 206 874	1 639 366	60 846 240
Profit for the reporting year	-	-	-	-	8 378 078	8 378 078	(71 975)	8 306 103
Translation reserve	-	-	-	131 709	-	131 709	-	131 709
Total comprehensive income for 2022	-	-	-	131 709	8 378 078	8 509 787	(71 975)	8 437 812
Dividend payout*	-	-	-	-	(8 000 000)	(8 000 000)	-	(8 000 000)
Non-controlling interest change**	-	-	-	-	317 959	317 959	(853 336)	(535 377)
Balance as at 31 December 2022	35 005	19 926 630	20 623 389	131 709	19 317 887	60 034 620	714 055	60 748 675
Profit for the reporting year	-	-	-	-	2 571 426	2 571 426	(1 033 313)	1 538 113
Translation reserve	-	-	-	214 329	-	214 329	-	214 329
Total comprehensive income for 2023	-	-	-	214 329	2 571 426	2 785 755	(1 033 313)	1 752 442
Acquisition of a subsidiary	-	-	-	-	-	-	13 203 774	13 203 774
Balance as at 31 December 2023	35 005	19 926 630	20 623 389	346 038	21 889 313	62 820 375	12 884 516	75 704 891

*See Note 38

**See Note 28

The accompanying notes on pages 14 to 55 form an integral part of these consolidated financial statements. These consolidated financial statements were signed on behalf of the Group on 29 May 2024 by:

Māris Simanovičs,
Chairman of the Board

Santa Spūle,
Board Member

Sigita Namatēva,
Board Member

Saulius Budrevičius,
Board Member

Dace Namiķe,
Chief Accountant

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Consolidated statement of cash flows for the year 2023

	Notes	2023 EUR	2022 EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		994 837	6 591 007
<i>Adjustments for:</i>			
Depreciation and amortization	13,15	20 738 945	16 023 177
Interest payments and similar expense		6 614 687	2 808 916
Interest (income) and similar (income)	9	(1 973)	(22 784)
(Gain)/loss on disposal of property, plant and equipment		(94 868)	(97 670)
Income from grants		(548 843)	(1 257 629)
Changes in provisions and allowances		1 007 586	1 651 902
Impairment of fixed assets		312 684	451 573
Net foreign exchange differences		(226 231)	-
Profit before adjustments for the effect of changes in current assets and current liabilities		28 796 824	26 148 492
<i>Adjustments for:</i>			
Decrease/(increase) in receivables		(1 002 042)	(3 846 288)
Increase/(decrease) in payables		(1 113 733)	9 144 933
Decrease/(increase) in inventories		7 427 124	(5 671 860)
CASH FLOWS FROM OPERATING ACTIVITIES		34 108 173	25 775 277
Interest paid		(5 572 098)	(2 540 177)
Interest received		1 868	15 208
Corporate income tax paid		(128 534)	(172 226)
Net cash flows from operating activities		28 409 409	23 078 082
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible investments		(22 895 455)	(16 572 535)
Proceeds from sale of property, plant and equipment		2 118 798	394 816
Acquisition of subsidiaries, net of cash acquired*		(36 538 993)	(8 351 097)
Revenue from alienation of stocks or shares of related, associated or other companies		2 000	-
Net cash flows used in the investing activities		(57 313 650)	(24 528 816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	29	24 667 382	18 043 018
Issued debt securities (bonds)	30	18 000 000	-
Repayment of borrowings	29	(9 420 392)	(6 261 181)
Repayment of lease liabilities		(9 404 432)	(7 734 718)
Investments of capital participatory shares		6 750 200	-
Subsidies, grants, gifts or donations received		498 369	1 627 670
Dividends paid		-	(8 000 000)
Net cash flows from financing activities		31 091 127	(2 325 211)
Net cash flow for the reporting year		2 186 886	(3 775 945)
Result of fluctuations of foreign currency exchange rates		(84 323)	20 593
Cash and cash equivalents at the beginning of the year		8 063 375	11 818 727
Cash and cash equivalents on the reporting date	26	10 165 938	8 063 375

The accompanying notes on pages 14 to 55 form an integral part of these consolidated financial statements. These consolidated financial statements were signed on behalf of the Group on 29 May 2024 by:

_____ Māris Simanovičs, Chairman of the Board	_____ Santa Spūle, Board Member	_____ Sigita Namatēva, Board Member	_____ Saulius Budrevičius, Board Member
_____ Dace Namiķe, Chief Accountant			

THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Notes to the consolidated financial statements

1. General information

The core business activity of JSC (AS) Eco Baltia and its subsidiaries (hereinafter – the Group) is provision of waste management services. The Group is the largest environmental management group in the Baltics in terms of turnover. The Group consists of the companies that operate in four different waste management segments, providing a wide variety of services ranging from (i) organization of the packaging management system to (ii) waste collection, to (iii) sorting and sale of recyclables, as well as (iv) recycling.

The Group Parent Company is JSC (AS) “Eco Baltia” (hereafter – Eco Baltia).

The subsidiaries of the Group as at 31 December 2023 are as follows:

- 100% in SIA “Nordic Plast” (31.12.2022: 100%) (registered office: Aviācijas iela 18G, Jelgava; LV 3004). The core business activity of SIA “Nordic Plast” is the recycling of secondary raw materials (various polypropylene materials) and wholesale of recycled plastic products.
- 94.9% (31.12.2022: 94.9%) in AS “PET Baltija” (registered office: Aviācijas iela 18, Jelgava, LV 3004). The company’s business is the recycling of PET bottles and wholesale of recycled products.
AS “PET Baltija” owns:
 - a) 100% (31.12.2022:100%, acquired in September 2022) Tesil Fibres s.r.o. (registered office: Průmyslová 451, Planá nad Lužnicí 391 02, Czech Republic)
- 100% in SIA “Polimēru parks” (31.12.2022: 100%) (registered office: Latgales iela 240-3, Riga, LV 1063) The company’s core business is the recycling of sorted materials.
- 100% in SIA “Eco Baltia vide” (31.12.2022: 100%) (registered office: Getliņu iela 5, Stopiņi municipality, Rumbula, LV 2121, Latvia). The company’s core business activities include environmental management, collection of household and sorted waste, management of used packaging, construction and bulky waste, rental services of toilet cubicles, sale of environmental management transport and equipment, road cleaning and different seasonal services, such as snow removal, leaf removal in autumn and assistance in cleaning up in the spring. SIA “Eco Baltia vide” owns following companies:
 - b) 100% in AS “Latvijas Zaļais punkts” (31.12.2022: 100%) (registered office: Latgales iela 240-3, Riga, LV 1063, Latvia). In accordance with the cooperation agreements entered into with the State Environmental Service of the Republic of Latvia, AS “Latvijas Zaļais punkts” is introducing and implementing the producer responsibility systems in the field of packaging waste management, the management of waste electric and electronic equipment (WEEE) and wastes of goods harmful to the environment (WGHE) in Latvia.
 - (i) AS “Latvijas Zaļais punkts” owned 100% SIA “Eko Reverss” (31.12.2021: 100%) on 10.11.2022 has been liquidated and excluded from Commercial register of Republic of Latvia.
 - c) 100% in UAB “Ecoservice” (31.12.2022: 100%) (registered office: Gariūnų str. 71, Vilnius, Lithuania). The company is engaged household waste management, debris and bulky waste management, sorted waste management, textile waste management, sorting and sale of recyclables, recycled material purchasing, road and street cleaning and watering, snow removal, rental services of toilet cubicles, sale of environmental management transport and equipment, territory cleaning services. UAB “Ecoservice” owns following companies:
 - (i) 100% in UAB “Ecoplasta” (31.12.2022: 100%) (registered office: Smiltinė g. 32, Smiltinė, LT-85365 Akmenės r., Lithuania). The company’s core business activities include sorting and recycling of polyethylene material.
 - (ii) 99.03% (31.12.2022: 98.97%) in UAB “Ecoservice Projektai” (registered office: Pramonės str. 8, Šiauliai, LT-78149, Lithuania). The company’s core business activities include waste collection and recycling, territory maintenance, sanitation services.
 - (ii.i) UAB “Ecoservice Projektai” owns following company - 65.38% (31.12.2022: 65.38%) in UAB “Biržų komunalinis ūkis” (registered office: Tiekimo str. 10, Biržai, LT-41128, Lithuania) which core business activities include waste collection and disposal, sanitary services, street cleaning.
- 100% in SIA “Vaania” (31.12.2022: 100%) (registered office: Latgales iela 240-3, Riga, LV 1063, Latvia). The company is not currently engaged in active economic activity. The company is possessor of capital shares of Sigulda city SIA “Jumis” on the basis of a concession agreement.
 - a) 100% in Sigulda city SIA “Jumis” (31.12.2022: 100%) (registered office: Blaumaņa iela 10, Sigulda, LV 2150, Latvia). The core business activity of Sigulda city SIA “Jumis” is household waste management, debris and bulky waste management, sorted waste management, as well as sanitation services and various seasonal services such as snow removal and salt - sand mix in winter, leaf removal in autumn and assistance in cleaning up in the spring. The company is managed by SIA “Vaania” on the basis of a concession agreement with Sigulda Municipality.
- 55% UAB “Eco Recycling” (since 29.09.2023) (31.12.2022: none) (registered office: Gynėjų g. 14, Vilnius, LT-01109, Lithuania). UAB “Eco Recycling” owns following companies:
 - a) 100% in Homecourt sp.z.o.o. (since 29.09.2023) (31.12.2022: none) (registered office: Grzybowska 2/29, 00-131 Warsaw, Poland). Homecourt sp.z.o.o. owns following companies:

1. General information (continued)

(i) 82.42% Metal-Plast sp.z.o.o. (since 16.11.2023) (31.12.2022: none) (registered office: ul. Ciernie 157B, 58-160 Świebodzice, Poland). The company's core business activities include PVC window and door profile recycling.

2. Group's Significant Accounting Policies

2.1. Summary of Group's Significant Accounting Policies

(a) Basis of preparation

These are the Group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU.

The accounting policies set out in notes (b) to (v) have been applied in preparing the consolidated financial statements for the year ended 31 December 2023; the presented comparative information covers the year ended 31 December 2022.

The Group has adopted the following amended standards, including any amendments to other standards arising therefrom, for which the initial application date was 1 January 2023. The guidelines that took effect on 1 January 2023 and their impact on the Group's financial statements is described below:

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that are mandatorily effective for reporting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- New standard IFRS 17 "Insurance Contracts" including the June 2020 and December 2021 Amendments to IFRS 17;
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure of Accounting Policies;
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates;
- Amendments to IAS 12 "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 12 "Income Taxes" - International Tax Reform — Pillar Two Model.

New and revised IFRS Accounting Standards in issue and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following revised IFRS Accounting Standards that have been issued by IASB and adopted by EU but are not yet effective:

- Amendments to IFRS 16 "Leases" – Lease Liability in a sale and Leaseback (EU effective date: 1 January 2024);
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (EU effective date: 1 January 2024).

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

New and revised IFRS Accounting standards in issue but not adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not adopted by the EU as at date of authorisation of these financial statements:

- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" – Supplier Finance Arrangements (IASB effective date: 1 January 2024);
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" – Lack of Exchangeability (IASB effective date: 1 January 2025);
- IFRS 14 - "Regulatory Deferral Accounts" (IASB effective date: 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded).

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

2.1. Summary of Group's Significant Accounting Policies (continued)**(a) Principles of consolidation**

Amounts presented in these consolidated financial statements have been acquired from the accounting records of the Group's subsidiaries prepared in accordance with the accounting requirements of Latvia, Lithuania, Czech Republic and Poland, by making according adjustments for the presentation, measurement and presentation thereof according to the requirements of the International Financial Reporting Standards approved by the EU. The consolidated financial statements have been prepared on the historical cost basis except positions which are stated at their fair values. Positions stated at their fair value other equity investments and derivative financial instruments. Income statement classified by expense type. Cash flow statement is prepared using the indirect method.

In the consolidated financial statements functional and presentation currency of the AS Eco Baltia, as well as all subsidiaries except for the subsidiaries registered in Czech Republic and Poland, is the monetary unit of the European Union euro (hereinafter referred to as – EUR). The functional currency of the subsidiaries registered in Czech Republic is CZK and in Poland is PLN . All the amounts presented in the consolidated financial statements are presented in EUR, unless specified otherwise.

Account balances on 31 December 2023 reflect financial situation of the Group at the end of the relevant day.

(b) Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to revenue recognition, useful lives of property, plant and equipment, estimated credit losses for financial assets, obsolete inventories, recognition of deferred tax as well as impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. Key estimates and assumptions used in the preparation of these consolidated financial statements are described below:

(i) Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed annually and changed, if necessary, to reflect the management's current view in the light of technological changes, the remaining prospective economic useful life of assets and their physical condition. Information on the useful lives of property, plant and equipment has been reflected in Note 2 section (f) to the accounting policy. If the estimated useful lives differ by 10% from the management's estimates, the impact on depreciation for the year ended 31 December 2023 would have to increase by approx. EUR 1,3 million, (31 December 2022: EUR 0,9 million) or decrease by approx. EUR 1,3 million (31 December 2021: EUR 0,9 million).

(ii) Carrying amounts of a property, plant and equipment

The Group's management reviews the carrying amounts of intangible assets and property, plant and equipment, and assesses whenever indications exist that the assets' (including goodwill) recoverable amounts are lower than their carrying amounts. Taking into consideration the Group's planned level of activities and the possible market value of the assets, the Group's management considers that no additional significant adjustments to the carrying values of property, plant and equipment are necessary as at 31 December 2023.

(iii) Inventories

The Group estimates the net realizable value to determine an impairment loss incurred on inventories. Typically, the net realizable value is determined for each item separately; if it is not possible, historical experience is used to estimate the possible impairment loss. The Group's management has evaluated the net realizable value of inventories and considers that it is not necessary to make any additional significant allowance as of 31 December 2023.

(iv) Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. Principles of impairment calculations are described in the accounting policies No.(h)

(v) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions recognized in the consolidated financial statements are the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are used only for expenditures for which the provisions were originally recognized and are reversed if an outflow of resources is no longer probable.

Provisions for restructuring costs include employee termination benefits and are recognized in the period when the Group takes on legal or logical obligations to pay out such expenses, i.e., when the Group has developed a detailed formal plan

2.1. Summary of Group's Significant Accounting Policies (continued)**(b) Estimates and assumptions (continued)**

for the restructuring and notified the persons, who will be affected thereby, of commitment to implement this plan. A restructuring provision includes only the direct expenditures arising from the restructuring.

The Group has assessed its present obligations (legal or constructive) arising from past events and has determined that no additional provisions should be recognized as at 31 December 2023.

(vi) Assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see Note 14).

(viii) The recognition of deferred tax liabilities – tax liability in relation to subsidiary profits

As of 31 December 2023 deferred tax liabilities arising from the Latvian, Lithuanian, Poland, and Czech Republic subsidiaries calculations are recognized in the Group's financial statements in the amount of EUR 2 309 871. Deferred tax liabilities are recognised for the subsidiaries based in Lithuania, Poland and the Czech Republic according to domestic tax calculation rules in full amount. For the Latvia based companies, considering domestic tax application rules, estimates are made for each entity for deferred tax recognition purposes.

As a Parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the respect of its investments in subsidiaries in Latvia using tax rate applicable to distributed profits. In cases the parent company has determined that subsidiary's profits will not be distributed in the foreseeable future the parent does not recognize deferred tax assets and liabilities. The Group management has assessed every Latvia based company financial performance, accumulated retained earnings or accumulated loss, debt service cash outflows and future expansion plans with estimated investment requirements, thus only realistic dividend payments are considered as basis for deferred tax calculation.

No deferred tax liability is recognised for the remaining part of theoretically taxable profits for Latvia based subsidiaries in respect of accumulated profits amounting to EUR 49.2 million.

(c) Consolidation**(i) Business combinations**

Business combinations are accounted for using the acquisition method other than those acquired from parties under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree and previously interest held in acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining

2.1. Summary of Group’s Significant Accounting Policies (continued)

(c) Consolidation (continued)

the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(ii) Subsidiaries

The consolidated financial statements include subsidiaries that are controlled by the Group Parent Company.

Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Group Parent Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Periods for the preparation of financial statements of the Group Parent Company and subsidiaries are equal. Consolidated financial statements are prepared using uniform accounting policies.

Financial statements of the Group Parent Company and subsidiaries thereof have been consolidated in the Group’s financial statement by consolidating the respective assets, liabilities, revenue and expense items.

Non-controlling shareholding in the performance indicators of the subsidiaries and equity has been reflected separately in the accordingly consolidated income statement, change of equity statement and statement of financial position.

(iii) Elimination of mutual transactions

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2023. During the consolidation process, all mutual transactions between the Group’s companies, balances, unrealised profit and losses from mutual transactions between the Group’s companies have been fully excluded.

(d) Foreign currency translation

All transactions in foreign currencies are converted into EUR according to the currency exchange rate set by the European Central Bank on the day of the transaction. On the balance sheet date, monetary assets and liabilities in foreign currency are revalued according to the currency exchange rate set by the European Central Bank.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation, all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

Transactions of the subsidiaries in registered in Czech Republic and Poland and performed in CZK and in PLN are translated to EUR at average EUR/CZK rate 24.004 and EUR/PLN rate 4.370 for Income statement and Cash Flow purposes in 2023.

Currency exchange rates set by the European Central Bank:

	31.12.2023	31.12.2022
1 EUR / 1 USD	1.105	1.0666
1 EUR / 1 CZK	24.724	24.116
1 EUR/ 1 PLN	4.3395	n/a

2.1. Summary of Group's Significant Accounting Policies (continued)

(e) Intangible investments

(i) Goodwill

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is disclosed in intangible assets section.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment test is performed annually or more frequently if events or changes in circumstances indicate that it might be impaired. Loss from goodwill impairment is recognized in consolidated statement of comprehensive income.

Any negative amount of goodwill is recognized in profit or loss, after the management reassesses whether it has identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Goodwill is not amortized; instead, it is tested for impairment at the end of each financial period. Following initial recognition, goodwill is measured at purchase cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed. See details in Note 14.

(ii) Other intangible investments

Other intangible investments mainly comprise costs of software and licences, and identifiable value of contracts with customers. Where computer software is an integral part of the related hardware that cannot operate without that specific software, it is treated as property, plant and equipment.

Other intangible assets are stated at acquisition cost less accumulated amortisation and any accumulated impairment losses. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, where the carrying amount of the intangible investment is greater than its estimated recoverable amount, which is the highest of an asset's fair value less costs of disposal and use value of the intangible investment, the carrying amounts thereof are reduced immediately to the recoverable value by including the difference in profit or losses. Review for indications of impairment is carried out at each reporting date.

Recoverable value of intangible assets, which are not yet ready to be used, is determined annually, irrespective of whether there is any indication that it may be impaired. For the purposes of assessing impairment, intangible investments are grouped at the lowest level, for which there are separately identifiable cash flows.

Intangible assets are amortized using the straight-line method over their useful lives. Useful life of other intangible investments is as follows:

	Useful lives, years
Software and licences	2–10
Contracts with customers	5-10

(f) Property, plant and equipment

Property, plant and equipment are stated at their initial value less accumulated depreciation and any accumulated impairment. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

	Useful life, years
Buildings and structures	20–50
Equipment and machinery	4–15
Other property, plant and equipment	2–12

Land is not depreciated, as its useful life is assumed to be infinite.

The useful life and residual value of an asset is reviewed at least at each financial year-end. The effect from a change in the estimated useful life of an asset is recognized in profit or loss in the current period and future periods.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount, which is the higher of an asset's fair value less costs of disposal and its value in use, recognizing the difference in profit or loss. Review for impairment is carried out at each reporting date. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows.

2.1. Summary of Group's Significant Accounting Policies (continued)**(f) Property, plant and equipment (continued)**

Any profit or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss statement in the year the item is derecognised.

Investments in leased assets are capitalised and amortised within the shortest period between the lease period or useful life of the completed improvements.

Purchase costs of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Interest costs on borrowings to finance the construction of property, plant and equipment and other operating costs directly attributable to the construction of property, plant and equipment (costs of own labour, materials and other costs) are capitalized as part of the cost of the asset during the period that is required to complete and prepare the property for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

(g) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Trade receivables without significant financing component are recognized at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(h) Financial assets

Group's assets include trade receivables, loans, investments, other receivables and cash and cash equivalents. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Purchase or selling of financial assets, the assets of which in accordance with the regulations or market conventions should be transferred in due course (regular transactions) are recognised on the date of transaction, i.e., on the date, when the Group undertakes to purchase or sell the asset.

(ii) Subsequent measurement

After the initial measurement, financial assets, except for financial assets measured at fair value, are measured at the amortised cost by applying effective interest rate method less impairment. Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate.

(iii) Derecognition

A financial asset is derecognized if:

- the contractual rights to the cash flows from the financial asset expire;

2.1. Summary of Group's Significant Accounting Policies (continued)

(h) *Financial assets (continued)*

- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay cash flows without material delay to a third party based on and earlier arrangement without any profit arising
- the Group transfers the contractual rights to receive the cash flows of the and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset to a third party, or (b) it neither transfers no retains substantially all the risks and rewards of ownership of these assets but has transferred control over the item of financial asset.

If the Group transfers the contractual rights to receive cash flows from the respective financial assets but does not transfer nor retains the risks and rewards, nor transfers control over the respective financial asset, the asset continues to be recognized to the extent of the Group's continuing involvement. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continued involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Group may be required to repay.

(iv) *Impairment of financial assets*

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and accrued income (contract assets) without a significant financing component, the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables.

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

(i) *Financial liabilities*

(i) *Initial recognition and measurement*

The Group's financial liabilities consist of accounts payable to suppliers and contractors, loans with interest rate and other liabilities.

Financial liabilities have been presented as financial liabilities assessed in amortised cost within the framework of IFRS. Group determines classification of financial liabilities at the moment of initial recognition thereof. All the financial liabilities are initially presented in the fair value, plus directly attributable transaction costs.

(ii) *Subsequent measurement*

After the initial recognition, accounts payable to suppliers and contractors, loans with interest rate and other liabilities are assessed accordingly in the amortised cost by applying effective interest rate method. Profit or losses are recognised in the profit or loss statement at the moment, when financial liabilities are derecognised, as well as by applying effective interest rate amortisation process.

Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate. Effective interest rate amortisation has been included in the profit or loss item "financing costs".

2.1. Summary of Group's Significant Accounting Policies (continued)**(i) Financial liabilities (continued)****(iii) Derecognition**

A financial liability is derecognized, if the obligation specified in the contract is discharged or cancelled or expired.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognized in consolidated statement of comprehensive income.

(iv) Mutual offsetting of financial instruments

Financial assets and liabilities are offset and net amount is presented in the statement on financial position only in case of valid legal rights to perform mutual offsetting and recognise the amounts, and there is intent to perform net settlements or sell the asset and settle the liabilities at the same time.

(j) Leases**The Group as a lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

2.1. Summary of Group's Significant Accounting Policies (continued)**(j) Leases (continued)**

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(k) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs incurred in bringing the inventories to their present location and condition is measured for as follows:

- consumables and finished goods are measured at cost of purchase applying "first in first out" (FIFO) method;
- net realizable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. Net realizable value is stated as cost less allowances.

(l) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements.

Contingent liabilities are disclosed in Note 41. Contingent liabilities are not recognised as liabilities unless the possibility of an outflow of resources is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits related to the transaction will reach the Group, is probable.

(m) Employees' benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries and wages, social security contributions, bonuses and other benefits.

(n) Corporate income tax and deferred corporate income tax

The corporate income tax consists of the income tax calculated for the reporting year and deferred income tax.

Current tax

Based on the new Corporate Income tax law of the Republic of Latvia announced in 2017, starting from 1 January 2018 corporate income tax is applicable to distributed profits and several expenses that would be treated as profit distribution. In case of reinvestment of profit, corporate income tax shall not be applied. The applicable corporate income tax rate has increased from the 15% to 20%, or 20/80 of net expense. Corporate income tax on dividends is recognized in the statement of profit or loss as expense in the reporting period when respective dividends are declared, while, as regards other deemed profit items, at the time when expense is incurred in the reporting year.

Income tax rate for the companies in Lithuania for the years 2023 and 2022 was 15%. As of 1 January 2014, the amount of carried forward tax losses may not exceed 70 percent of the taxable profit of the reporting year. Tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. The losses from disposal of securities and (or) derivative financial instruments can be carried forward for 5 consecutive years and only be reduced by taxable income earned from the transactions of the same nature.

In Czech Republic taxable income is calculated according to Czech accounting rules, with adjustments for tax purposes. In general, all expenses incurred to generate, ensure, and maintain taxable income are deductible if documented by the taxpayer, subject to limits specified in the corporate income tax law and in specific legislation. The standard corporate income tax rate for the years 2022 and 2023 is 19%.

In Poland the taxable income is generally determined on the basis of a tax calculation, which in turn is based on the statutory books according to accepted accounting principles. In practice, taxable income is calculated by adjusting the accounting profit. The tax base for corporate income tax purposes includes all sources of income, established individually for each

2.1. Summary of Group’s Significant Accounting Policies (continued)

(n) Corporate income tax and deferred corporate income tax (continued)

source of income as the difference between taxable revenues and tax-deductible costs within a given source. The corporate income tax rates for the years 2022 and 2023 are 19% standard rate and 9% reduced rate.

Deferred tax

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the

amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the statement of financial position date.

Deferred tax assets have been recognised in the statement of financial position to the extent the management believes it will be realised in the foreseeable future, based on taxable profit forecasts. If it is believed that part of the deferred tax is not going to be realised, this part of the deferred tax asset is not recognised in the financial statements.

In accordance with International Accounting Standard No 12 “Income Taxes“ requirements, in cases where income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%.

As a Parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the

respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the parent has determined that subsidiary’s profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax assets and liabilities.

(o) Revenue recognition

Revenues are recognised according 15 IFRS and relates to the revenue recognition and determine principles of reporting useful information to the users of financial system on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer. In order to determine, when and in what amount revenue should be recognised, the companies apply five-step model. Model provides for that revenue is recognised when the Group transfers control over the goods or services to a customer and in the amount that the Group expects to receive in exchange of the goods or services. Depending on compliance with particular criteria, revenue is recognized:

- Over time by reflecting the Company's performance indicators; or
- Upon the transfer of the control over the goods or services to the customer.

15 IFRS stipulates principles the Group should comply with to present qualitative and quantitative information, which would provide the users of the financial statements with useful information on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer.

15 IFRS provides for that the asset should be recognised as additional costs, which have arisen by acquiring the following contracts with customers and in relation to which recovery of such costs is foreseeable. The currently applied practice of the Group means that there are no contractual costs to be capitalised.

Revenue gained from contracts with customers is recognised on the basis of compliance with the liabilities of customers. Revenue reflect transfer of goods or services to the customers at the amount, which reflects remuneration, which the Group expects to receive in exchange of such goods or services. On the basis of this recognition model, sale is recognised, when services are provided to a customer and if customer has accepted them even if no invoice has been issued therefor, and if there is a possibility that the economic benefits related to the transaction will be directed in the Group. Accounting policies related to performance obligations and revenue recognition of the Group are described below.

Type of product/ services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Revenue from waste management (Provision of services)	Revenue from waste management represents household waste management and waste sorting, construction debris and bulky waste management, clean-up of premises and territories, packaging waste management, environmentally hazardous waste management, seasonal environmental services, organisation of packaging management system etc. services.	Revenue generated from the waste management services is recognised over time of provision of these services according to the requirements and conditions of the contract based on output method using actual units (collection times) serviced in a

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Type of product/ services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
	<p>The Group also provide container site equipping and secondary raw materials recycling/handling services. Using the Executor's waste bins, the Client accumulates dry household waste, as well as removal of sorted recyclable materials.</p> <p>The invoices to customers issued on monthly basis based on contract agreed terms which are payable within 20 to 30 days depending on the contract.</p>	<p>given period as per pre- agreed contract price.</p> <p>Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, therefore the Group recognise revenue in the amount to which the entity has a right to invoice on a monthly basis.</p> <p>Approximately 65% of waste management annual revenues are underpinned by contracts (average term of 5 –7 years) with municipalities in Latvia and Lithuania. Further, the contracting structure with municipalities enables pass-through of key cost components to the end customers on an immediate / annual basis, thus revenue streams may increase during the contract period.</p> <p>Services included in the contract may be separated, and they are priced separately. Revenue from these services is recognised separately over time, when service is provided.</p>
<p>Revenue from organisation of packaging management system (Provision of services)</p>	<p>This segment of revenue is generated by providing comprehensive services for the establishment and administration of packaging management systems. This revenue category encompasses activities from organising recycling of packaging waste of electrical goods and environmentally harmful products. It reflects the financial returns from facilitating efficient and compliant packaging practices for businesses, ensuring regulatory adherence and environmental responsibility in packaging operations.</p> <p>The invoices to customers which are importers and producers in Latvia are issued on a quarterly basis based on reported volumes of respective materials and are usually payable within 15 to 60 days depending on the contract terms and conditions.</p>	<p>Revenue generated from the services is recognised over time of reported volumes of materials on quarterly basis according to the requirements and conditions of the contract based on output method using actual units (volumes/tons reported) as per the agreed contract price.</p> <p>The usual terms of the contracts for the regeneration of the specific type of material for are from 1 to 2 years. Negotiations with the customers on next year contracts are performed on annual basis on timely manner taking in to considerations upcoming changes in legislation related to Nature Resource tax and other regulations.</p> <p>Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, therefore the Group recognise revenue in the amount to which the entity has a right to invoice on a monthly or quarterly basis.</p>
<p>Revenue from recycling of raw materials (Sale of goods)</p>	<p>The Group companies which activities are recycling, sells the respective product, the client undertakes to purchase and pay for the produced goods in accordance with the order. Risk of destruction, damage or other kind of loss of the products transfers to the client as per agreed incoterms. Invoices with defined incoterm are generated and CMR is prepared at the time, when goods are dispatched from the warehouse.</p>	<p>Revenue from the selling of goods are recognised at a point in time of transfer of control over the goods concerned based on agreed incoterms between both parties.. Revenue is recognised based on the actual volumes sold to the costumers.</p> <p>As of the end of the reporting period companies acting in segment of recycling of</p>

Type of product/ services	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
	Invoices are usually payable within 30 days depending of the contract.	raw materials does not have significant remaining performance obligations under long-term contracts. The majority of sales of produced materials are conducted on a spot basis, meaning that performance obligations are satisfied and revenue is recognized at the point in time when control of the goods is transferred to the customer.
Other revenue	The invoices to customers or clients of other revenues are usually payable within 30 to 45 days depending on the contract and type of revenue.	<p>Other revenue from provision of services is recognised over time of provision thereof according to the requirements and conditions of the contract based on output method using actual units serviced as per agreed contract price.</p> <p>Other revenue from selling of materials is recognised, at a point in time as per agreed incoterm when the goods are dispatched from the warehouse.</p> <p>In this segment Group's companies does not have significant remaining performance obligations under long-term contracts. The majority of sales of materials are conducted on a spot basis.</p> <p>Revenue is recognised using output method based on the actual volumes sold to the costumers.</p>
Sales warranties	The Group companies usually provide warranties for the remedy of defects that existed on the moment of sale, as required by laws.	This warranty is of assurance type and it is not provided as a separate service; the guarantee is accounted for under IAS 37

2.1. Summary of Group's Significant Accounting Policies (continued)

(p) Dividends

Dividends are recognised in the consolidated financial statements of the Group in the period in which they are approved by the Group's shareholders and the shareholder's right to receive payment has been established.

(q) Subsequent events

Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes only when material.

(r) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.1. Summary of Group's Significant Accounting Policies (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for respective assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

When applicable, further information about the assumptions made in determining fair values is disclosed in the consolidated financial statements specific to that asset or liability.

The carrying value of the Group's current financial assets and liabilities is assumed to approximate to their fair value. The Group's interest-bearing liabilities are subject to the combination of fixed and variable interest rates, therefore, carrying amounts are considered as the fair value thereof.

(s) Government grants

Grants are recognised at the moment, when the Group has sufficient assurance that the Group will be able to comply with the conditions related to them and the grants will be received.

Grants are disclosed in the profit or loss in the period, when the Group recognises in expenses the costs, which are compensated from the received grants. Thus, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire long-term assets are recognized as deferred income in the consolidated statement of financial position and recognised in profit or loss on a systematic and rational basis over the useful lives of the related assets.

(t) Factoring

Factoring is the crediting of current assets against receivables. Proceeds received in accordance with factoring agreements are recognized as prepayments from customers when the Group or Parent Company remains exposed to credit risk associated with the respective receivable. The Group derecognises financial asset if it transfers substantially all of the risks and rewards of ownership, the balance of the related debtor is reduced accordingly.

(u) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

(v) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from top management as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense. The total amount to be expensed as equity component of share based payments is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Grant date is the date at which the Group/Company and the employee agree to a share-based payment arrangement, and requires that the entity and the employee have a shared understanding of the terms and conditions of the arrangement. If the agreement is subject to an approval process, then grant date is the date on which that approval is obtained.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised into profit or loss over the vesting period, which is the period over which all of the specified vesting

2.1. Summary of Group's Significant Accounting Policies (continued)

conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares.

3. Net turnover

	<u>2023</u>	<u>2022</u>
Income from waste management	112 023 270	86 389 721
Income from processing of recyclable raw materials	83 562 088	100 024 795
Income from organisation of packaging management system	12 645 370	10 397 135
Income from sorting and sale of recyclables	9 310 242	13 167 416
Other income	857 160	52 556
Total	<u>218 398 130</u>	<u>210 031 623</u>

Income by geographical markets are distributed as follows:

	<u>2023</u>	<u>2022</u>
Republic of Lithuania	70 638 566	63 164 928
Republic of Latvia	67 426 360	51 746 658
Republic of Poland	12 108 434	19 381 156
Republic of Czechia	11 727 742	6 713 146
Other Member States of the European Union	53 022 042	65 858 223
Outside the Member States of the European Union	3 474 986	3 167 512
Total	<u>218 398 130</u>	<u>210 031 623</u>

Timing of income recognition:

	<u>2023</u>	<u>2022</u>
Goods and services transferred at a point in time	92 881 559	113 199 207
Goods and services transferred over time	125 516 571	96 832 416
Total	<u>218 398 130</u>	<u>210 031 623</u>

Accounting policies of the main types of income related to performance obligations and revenue recognition of the Group are in Note 2.1.o.

The Group does not have any customer contributed 10 per cent or more to the Group's revenue in neither 2023 nor 2022.

In 2022 the Group acquired 100% of shares of a leading Czech fibre producer TESIL Fibres. Revenues recognized in 2022 consolidated financial statements represented for three months since acquisition – EUR 9.8 million.

In 2023 the Group acquired 82,42% of shares of a leading Polish PVC recycler Metal-Plast. Revenues recognized in 2023 consolidated financial statements represented for two months since acquisition – EUR 4.37 million.

Rest of the strong growth was due to successful performance in the environmental management segment in Latvia and Lithuania.

Income by business segments identified based on individual subsidiaries commercial activities included in the Group consolidation. This includes the brief description of the operating segments aggregated in the following way:

(i) Revenue from recycling of raw materials – comprises revenue generated from the processing and sale of materials such as PET, textile, and PVC window granulates and flakes, obtained through recycling processes. This line item reflects the financial benefits derived from environmentally sustainable practices, where waste materials are transformed into valuable resources.

(ii) Revenue from waste management – comprises revenue derived from various waste management services and solutions, including collection, sorting, treatment, and disposal of waste materials. This revenue stream reflects the financial gains from offering efficient and sustainable waste management practices, addressing environmental concerns while providing essential services to industries, municipalities, and communities.

(iii) Revenue from organisation of packaging management system – comprises revenue generated by providing comprehensive services for the establishment and administration of packaging management systems. This revenue category encompasses activities from organising recycling of packaging waste of electrical goods and environmentally harmful products. Involves in designing, implementing, and overseeing packaging strategies, compliance monitoring, and reporting. It reflects the financial returns from facilitating efficient and compliant packaging practices for businesses, ensuring regulatory adherence and environmental responsibility in packaging operations.

(iv) Revenue from other – comprises other revenue, which does not classify for any of previously mentioned operating segments and majority relates to inter segment activities which are eliminated for the purposes of consolidation.

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3. Net turnover (continued)

Income by business segments are distributed as follows:

Revenue and results for 2023:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Inter- segment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	85 961 236	128 680 090	12 663 782	4 141 404	(13 048 382)	218 398 130
Production cost of goods sold	(85 447 032)	(98 709 794)	(8 759 821)	(750 242)	10 555 856	(183 111 033)
Gross profit	514 204	29 970 296	3 903 961	3 391 162	(2 492 526)	35 287 097
Selling and distribution expenses						(7 267 196)
Allowances for impairment of loans and receivables						66 552
Administrative expenses						(20 143 930)
Other operating income						1 521 333
Other operating expenses						(1 827 333)
Finance income						1 972
Finance costs						(6 643 658)
Profit before tax						994 837
Corporate income tax						124 348
Deferred corporate income tax						418 928
PROFIT FOR THE REPORTING YEAR						1 538 113
Assets*	95 893 415	135 871 678	7 263 805	24 162 635	(18 848 694)	244 342 837
Liabilities	68 515 523	76 085 719	2 184 186	50 159 686	(18 848 694)	168 096 420

* All non-current assets is located in the Group subsidiaries' country of domicile.

Revenue and results for 2022:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Inter- segment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	102 153 651	106 607 479	10 442 062	2 501 844	(11 673 413)	210 031 623
Production cost of goods sold	(95 787 606)	(84 323 809)	(7 161 886)	(478 941)	9 217 048	(178 535 194)
Gross profit	6 366 045	22 283 670	3 280 176	2 022 903	(2 456 365)	31 496 429
Selling and distribution expenses						(7 119 406)
Allowances for impairment of loans and receivables						(446 407)
Administrative expenses						(15 192 777)
Other operating income						1 944 358
Other operating expenses						(1 305 058)
Finance income						22 784
Finance costs						(2 808 916)
Profit before tax						6 591 007
Corporate income tax						(22 803)
Deferred corporate income tax						1 737 899
PROFIT FOR THE REPORTING YEAR						8 306 103
Assets*	74 035 903	116 334 467	8 572 581	43 867 379	(61 887 950)	180 922 380
Liabilities	55 918 496	69 774 115	1 826 869	1 771 743	(9 117 518)	120 173 705

* All non-current assets is located in the Group subsidiaries' country of domicile.

3. Net turnover (continued)

Other segment information 2023:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Inter-segment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Depreciation and amortization	8 295 755	12 986 160	43 630	107 994	-	21 433 539
Additions to non-current assets*	19 424 180	18 344 071	155 552	433 677	-	38 357 480

* The amounts exclude additions to financial instruments, deferred tax assets and net defined benefit assets.

Other segment information 2022:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Inter-segment	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Depreciation and amortization	4 852 934	11 517 979	47 125	170 584	-	16 588 622
Additions to non-current assets*	9 427 885	17 929 589	101 194	376 931	-	27 835 599

* The amounts exclude additions to financial instruments, deferred tax assets and net defined benefit assets.

4. Production cost of goods sold

	<u>2023</u>	<u>2022</u>
Raw materials and other material costs	60 457 907	83 271 056
Remuneration for work*	37 780 606	27 351 374
Waste utilization costs	23 441 633	20 628 782
Depreciation of property, plant and equipment and intangible investments	18 917 744	13 199 869
Costs of outsourced services	14 649 078	11 238 898
Cost of production energy and other resources	9 511 083	9 499 886
Transport costs	8 569 587	7 120 339
State mandatory social insurance contributions*	4 278 815	3 213 761
Professional services costs	1 689 925	821 887
Insurance costs	928 231	737 525
Lease of industrial premises and related costs	590 962	435 173
Other production costs	2 295 462	1 016 644
Total	<u>183 111 033</u>	<u>178 535 194</u>

*See Note 12

5. Selling and distribution expenses

	<u>2023</u>	<u>2022</u>
Transport costs	3 228 862	4 762 877
Remuneration for work*	1 605 972	833 377
Advertising, marketing and public relations costs	738 717	509 495
State mandatory social insurance contributions*	373 429	196 592
Factoring commission expenses	348 837	211 364
Intermediary services costs	111 400	93 234
Write-off of bad debts	84 360	30 953
Postal services expenses	51 277	93 683
Depreciation of property, plant and equipment and intangible investments	13 511	17 581
Other sales costs	710 831	370 250
Total	<u>7 267 196</u>	<u>7 119 406</u>

*See Note 12

6. Administrative expenses

	<u>2023</u>	<u>2022</u>
Remuneration for work*	9 273 577	6 731 634
Depreciation of property, plant and equipment and intangible investments	1 788 801	2 786 838
Professional services costs	1 592 021	968 693
State mandatory social insurance contributions*	1 225 279	861 771
Costs of legal services	845 140	439 544
Communications services expenses	569 227	580 328
Lease of premises and office maintenance expenses	537 639	480 520
Annual report audit costs	433 740	329 257
Transport costs	409 007	421 527
Insurance costs	249 805	152 539
Employee training costs	200 979	76 817
Business trip expenses	191 476	123 303
Bank commission fee	165 600	127 386
Representation costs	158 252	115 982
Monitoring fee of financial resources	201	-
Other administrative expenses	2 503 186	996 638
Total	<u>20 143 930</u>	<u>15 192 777</u>

*See Note 12

7. Other operating income

	<u>2023</u>	<u>2022</u>
Revenue from external co-financing*	548 843	1 257 629
Net profit from fluctuations of foreign currency rates	64 920	68 549
Revenue from lease of real estate	26 129	25 609
Net profit from selling property, plant and equipment	-	97 670
Income from the written-off receivables	-	28 605
Other revenue**	881 441	466 296
Total	<u>1 521 333</u>	<u>1 944 358</u>

*In 2023 the amount includes received support by secondary raw material recycling companies in the amount of EUR 0 from the Investment and Development Agency of Latvia for overcoming Energy crisis (2022: EUR 777 thousand).

**One of the Group company recognized a reduction of accrued liabilities amounting to 325,454 EUR. An accrued liabilities were created in 2022 for the collection and processing costs of photovoltaic panels, and considering the amendments in the Natural Resources Tax Law in 2023, the accrued liabilities from 2022 have been reduced.

8. Other operating expenses

	<u>2023</u>	<u>2022</u>
Non-business expenses	477 565	352 569
Net losses from selling property, plant and equipment	410 700	-
Impairment of fixed assets	100 000	451 573
Fines	141 525	36 001
Costs of staff sustainability measures	116 590	32 845
Donations	33 500	223 794
Depreciation of property, plant and equipment and intangible investments	18 889	18 889
Real estate tax	15 652	13 846
Other costs	512 912	175 541
Total	<u>1 827 333</u>	<u>1 305 058</u>

9. Finance income

	<u>2023</u>	<u>2022</u>
Interest income from bank account balances and deposits	1 578	15 208
Interest income from loans	394	7 576
Total	<u>1 972</u>	<u>22 784</u>

10. Finance costs

	<u>2023</u>	<u>2022</u>
Interest payments for loans from credit institutions	3 951 902	1 836 694
Interest on lease liabilities	1 593 874	691 976
Interest payments on debt securities – bonds*	706 297	-
Commissions for entry into contracts	327 476	280 246
Loss from changes in fair value of the derivative financial instruments**	62 628	-
Interest payments for loans from related parties	1 481	-
Total	<u>6 643 658</u>	<u>2 808 916</u>

*See Note 30

**At November 2023, the Group acquired a new subsidiary Metal-Plast Sp.z o.o. and acquired company uses currency hedge agreement with currency forwards from EUR to PLN. Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in euro.

11. Deferred corporate income tax/Corporate income tax

	<u>2023</u>	<u>2022</u>
Current corporate income tax charge	(124 348)	22 803
Deferred tax charge/(credit)	(418 928)	(1 737 899)
Total	<u>(543 276)</u>	<u>(1 715 096)</u>

Composition of deferred tax:

	<u>2023</u>	<u>2022</u>
Deferred tax assets arising from assets depreciation and other corrections for tax	123 076	-
Deferral of bad debts	10 770	-
Social insurance contributions	22 218	-
Accrued interest on the loan obtained	16 227	-
Other	454	-
Total deferred corporate income tax assets	<u>172 745</u>	<u>-</u>

11. Deferred corporate income tax/Corporate income tax (continued)

Composition of deferred tax:	<u>31.12.2023</u>	<u>31.12.2022</u>
Deferral of bad debts	(184 146)	(251 854)
Pension accumulation	(27 626)	(14 186)
Holiday reserve and employee accruals	(255 258)	(214 234)
Income tax relief for the investment project	(256 601)	(771 451)
Accumulation of tax losses	(602 965)	(199 335)
Deferred tax liabilities related to planned profit distribution*	214 120	214 120
Deferred tax liabilities arising from assets depreciation and other corrections for taxes	3 365 997	2 700 078
Deferred corporate income tax liabilities	<u>2 253 521</u>	<u>1 463 138</u>

*In previous years the provisions recognised for the deferred corporate income tax in the amount of EUR 978 355 in accordance with IAS 12 Income taxes, applying the rate of 20% laid down in the tax regulations of the Republic of Latvia in respect of the profit generated by Latvian subsidiaries. During 2022 based on the expected flow of use of taxable net profits the Group has decreased provisions for deferred corporate income tax in the amount of EUR 764 235 – total provisions as at 31.12.2023 are EUR 214 120 (31.12.2022: EUR 214 120).

Corporate income tax is reflected in the following items of consolidated financial statements:

Assets:	<u>2023</u>	<u>2022</u>
Corporate income tax	5 158	-
Deferred tax assets	172 745	-
Total	<u>177 903</u>	<u>-</u>
Liabilities:		
Corporate income tax	56 350	23 705
Deferred tax liabilities	2 253 521	1 463 138
Total	<u>2 309 871</u>	<u>1 486 843</u>

12. Remuneration for work and number of employees

	<u>2023</u>	<u>2022</u>
Remuneration for work*	48 660 155	34 916 385
State mandatory social insurance contributions	5 877 523	4 272 124
Total	<u>54 537 678</u>	<u>39 188 509</u>

*Remuneration for work costs have grown by 39% in 2023, which is mainly related to increase in the number of employees due to additional production capacities, as well as increase of the average wage, as well as acquisition of a subsidiary company TESIL Fibres s.r.o. in September 2022 and Metal-Plast Sp.z. o.o. in November 2023.

Including remuneration for work paid to the top management, board and council officials:

	<u>2023</u>	<u>2022</u>
Remuneration for work	2 585 685	2 953 891
State mandatory social insurance contributions	490 205	525 801
Total	<u>3 075 890</u>	<u>3 479 692</u>

	<u>2023</u>	<u>2022</u>
Average number of employees in the reporting year	2 547	2 245

In 2021, the Group has implemented Stock Option Policy for the senior managerial positions of the Group, with the aim to promote the involvement, ensure achievement of the Group's long-term goals, implementing the strategy, and support the growth of the Group's value and profit. Personnel options can be exercised only upon the exit of the Shareholders from the Company. If this the event does not occur, all vested personnel options are cancelled, and the option agreements automatically expire without the need for any additional actions. Due to the fact that no signs of possible event exists as of the date of signing Consolidated financial statements, no values of the options are estimated or recognized either in Consolidated statement of comprehensive income or in Equity.

13. Intangible investments

	Licences, trade marks and other intangible investments	Contracts with customers	Intangible assets under development*	Total
Acquisition value				
31.12.2021	1 004 207	4 304 000	271 297	5 579 504
Acquired	382 066	-	723 985	1 106 051
Disposals	(718 199)	-	(161 748)	(879 947)
Reclassified	32 120	-	(10 880)	21 240
31.12.2022	700 194	4 304 000	822 654	5 826 848
Acquired	635 127	-	839 593	1 474 720
Addition as a result of the reorganization	508	1 178 075	-	1 178 583
Disposals	(660 024)	(250 000)	-	(910 024)
Reclassified	143 661	-	(106 555)	37 106
31.12.2023	819 466	5 232 075	1 555 692	7 607 233
Accumulated depreciation				
31.12.2021	702 673	649 000	-	1 351 673
Calculated	96 645	1 898 000	-	1 994 645
Amortisation of disposed assets	(413 495)	-	-	(413 495)
31.12.2022	385 823	2 547 000	-	2 932 823
Calculated	127 892	1 474 704	-	1 602 596
Amortisation of disposed assets	(287 437)	(206 000)	-	(493 437)
Reclassified	(205 919)	-	-	(205 919)
31.12.2023	20 359	3 815 704	-	3 836 063
Balance sheet value				
31.12.2022	314 371	1 757 000	822 654	2 894 025
31.12.2023	799 107	1 416 371	1 555 692	3 771 170

* Intangible assets under development includes capitalized expenses of personnel involved in to the development process. Capitalized expenses in 2023 is EUR 413 511 (2022: EUR 169 966).

14. Goodwill

	2023	2022
Balance at the beginning of the reporting year	40 155 615	38 141 402
Acquisition of a subsidiary in Czechia (TESIL Fibres S.r.o.)*	(1 345 763)	1 345 763
Acquisition of a subsidiary in Lithuania (UAB "Mano aplinka plius")	-	668 450
Acquisition of a subsidiary in Latvia (SIA „Pilsētas Eko Serviss”)	2 242 480	-
Acquisition of a subsidiary in Latvia (SIA "PES Serviss")	1 020 571	-
Acquisition of a subsidiary in Latvia (SIA "B124")	914 016	-
Acquisition of a subsidiary in Poland (Metal-Plast Sp.z o.o.)	20 360 752	-
Balance on the reporting date	63 347 671	40 155 615
including		
<i>Recycling of raw materials</i>	37 097 836	18 082 847
<i>Waste management</i>	23 381 797	19 204 730
<i>Organisation of packaging management system</i>	2 868 038	2 868 038

* At the date of issuing these Financial statements initial accounting for the acquisition of TESIL Fibres S.r.o. is complete as certain fair value measurements for Property, plant and equipment acquired is finalised. As a result, the Group has not recognized goodwill or gain from bargain purchase price.

Goodwill of the Group is determined as difference between the purchase consideration of the companies and value of net identifiable assets acquired, and the amount of any non-controlling interests in the acquiree and previously interest held in acquiree. At the end of each financial period, possible impairment in the asset value is assessed, and the Group determines the recoverable amount of the relevant cash-generating unit (CGU) to which goodwill has been allocated. The Group considers as CGU the business segments to which goodwill has been allocated (Organisation of packaging management system, Collection, sorting & trading and street cleaning and Recycling) and geographical location.

Goodwill is accounted by the acquisition costs thereof minus the accumulated losses due to impairment in value.

Goodwill generated by the purchased companies is reflected by segments of the economic activity:

- Waste management (SIA "Eco Baltia vide", UAB "Ecoservice" and its subsidiaries, and SIA „Pilsētas Eko Serviss”, SIA "PES Serviss" and SIA "B124");
- Recycling (SIA "Nordic Plast", AS "PET Baltija", TESIL Fibres S.r.o and Metal-Plast sp.z o.o.).
- Organisation of packaging management system (AS "Latvijas Zaļais punkts").

Assessment of recoverable value

The Group management verified recoverability of intangible values, as well as value of property, plant and equipment and intangible investments. Recoverable value was determined by applying the income approach, which is based on the assumption that the company's current value is closely related to the future income to be generated by the Group's companies.

Calculation of value is based on several assumptions:

- Cash flow forecast is prepared on the basis of the management forecasts for a period not exceeding five years, with a terminal value estimate at the end of 2027.
- Income and expenses are forecast on the basis of actual performance indicators for the last three years, taking into account changes in the service contract pipeline, operational volume, prices, and planned development trends in the relevant sectors.
- In order to calculate current value of the company, the Group's management applied discount rates (weighed average cost of capital) of 8.4% to all Latvian Environment segment companies including SIA "Eco Baltia vide", AS "Latvijas Zaļais punkts" and SIA "Jumis" (2022: 12.3%), 8.8% for UAB "Ecoservice" group (2022: 9.7%), 12.3% for SIA "Nordic Plast" (2022: 14.9%), 7.8% for AS "Pet Baltija" (2022: 10.7%) and 7.7% for Tesil Fibres s.r.o. (2022: 15.5%).
- Terminal value is estimated based on Gordon growth model in perpetuity with 2% (2022: 2%) perpetual growth rate of cash flows (European central bank long term inflation rate target).
- For newly acquired company - Metal-Plast sp.z. o.o., the Group has not performed calculation as for other group companies, because Metal-Plast sp.z o.o. was acquired at the end of 2023 and is considered, that consideration paid is fair value for the company.

Results of sensitivity analysis:

Waste management segment:

An increase in discount rate by 263% or deviation from the baseline in Terminal period D&A to EBITDA by 401,8% or deviation from baseline operating expenses (CoGs) by 86.5% will result in an impairment of SIA "Eco Baltia vide" goodwill.

14. Goodwill (continued)

An increase in discount rate by 83% or deviation from the baseline in Terminal period D&A to EBITDA by 195,7% or deviation from baseline operating expenses (CoGs) by 7.3% will result in an impairment of UAB "Ecoservice" group's goodwill.

An increase in discount rate by 162% or deviation from the baseline in Terminal period D&A to EBITDA by 149,2% or deviation from baseline operating expenses (CoGs) by 7.9% will result in an impairment of SIA "Jumis" group's goodwill.

An increase in discount rate by 396% or deviation from the baseline in Terminal period D&A to EBITDA by 9389% or deviation from baseline operating expenses (CoGs) by 69.4% will result in an impairment of AS "Latvijas Zaļais punkts" goodwill.

Recycling segment:

An increase in discount rate by 37% or deviation from the baseline in Terminal period D&A to EBITDA by 136,9% or deviation from baseline operating expenses (CoGs) by 13.8% will result in an impairment of SIA "Nordic Plast" goodwill.

An increase in discount rate by 136% or deviation from the baseline in Terminal period D&A to EBITDA by 1364% or deviation from baseline operating expenses (CoGs) by 12.8% will result in an impairment of AS "PET Baltija" goodwill.

15. Property, plant and equipment

	Land, buildings and constructions	Non-current investments in leased property, plant and equipment	Equipment and machinery	Other property, plant and equipment, and inventory	Construction in progress	Prepayments for property, plant and equipment	Total
Acquisition value							
31.12.2021	5 597 885	2 702 166	36 426 094	14 328 676	645 348	4 195 553	63 895 722
Acquired	587 117	44 031	3 818 534	4 277 689	8 777 030	1 040 463	18 544 864
Reclassified	44 826	-	2 065 142	1 496 227	2 205 288	(3 965 788)	1 845 695
Disposals	(292 706)	(3 812)	(1 523 927)	(1 000 584)	(16 675)	-	(2 837 704)
Reclassified to assets held for sale	-	-	(485 000)	-	-	-	(485 000)
Acquired at acquisition of a subsidiary	89 224	-	4 331 001	20 862	-	-	4 441 087
31.12.2022	6 026 346	2 742 385	44 631 844	19 122 870	11 610 991	1 270 228	85 404 664
Acquired	2 764 014	51 196	4 538 827	4 890 517	4 704 718	3 317 575	20 266 847
Reclassified	1 947 275	-	18 173 211	1 186 798	(12 201 679)	(637 736)	8 467 869
Disposals	(75 433)	(83 246)	(6 174 132)	(775 603)	(271 729)	-	(7 380 143)
Acquired at acquisition of a subsidiary	572 707	-	8 746 862	1 988 391	1 537 195	217 083	13 062 238
31.12.2023	11 234 909	2 710 335	69 916 612	26 412 973	5 379 496	4 167 150	119 821 475
Accumulated depreciation							
31.12.2021	502 390	2 311 097	15 826 702	9 390 300	-	-	28 030 489
Calculated	309 119	220 115	6 187 624	2 111 108	-	-	8 827 966
Impairment	-	-	451 573	-	-	-	451 573
Depreciation of disposed assets	-	(3 763)	(1 115 322)	(698 048)	-	-	(1 817 133)
Reclassified	-	-	552 581	401 256	-	-	953 837
Exchange rate fluctuations	(1 583)	-	(73 115)	(294)	-	-	(74 992)
31.12.2022	809 926	2 527 449	21 830 043	11 204 322	-	-	36 371 740
Calculated	315 025	191 732	8 774 227	4 789 970	-	-	14 070 954
Impairment	-	-	100 000	-	-	-	100 000
Depreciation of disposed assets	(68 207)	(79 713)	(4 660 352)	(489 760)	-	-	(5 298 032)
Reclassified	-	-	105 254	23 943	-	-	129 197
Exchange rate fluctuations	-	-	132 466	-	-	-	132 466
31.12.2023	1 056 744	2 639 468	26 281 638	15 528 475	-	-	45 506 325
Balance sheet value							
31.12.2022	5 216 420	214 936	22 801 801	7 918 548	11 610 991	1 270 228	49 032 924
31.12.2023	10 178 165	70 867	43 634 974	10 884 498	5 379 496	4 167 150	74 315 150

Fully depreciated property, plant and equipment

On 31 December 2023, composition of the Group's property, plant and equipment included assets of the purchase value of EUR 31 554 654 (on 31.12.2022: EUR 23 880 004), which were fully written off in depreciation costs and which are still in active use in the economic activity.

15. Property, plant and equipment (continued)

Right-of-use assets*

	Land, buildings and constructions	Equipment and machinery	Other property, plant and equipment, and inventory	Total
Cost				
31.12.2021	9 977 782	11 594 252	9 830 986	31 403 020
Additions	3 862 829	2 817 480	1 504 375	8 184 684
Reclassified	(62 028)	(1 718 173)	(84 001)	(1 864 202)
Disposals	155 024	897	(286 530)	(130 609)
Acquired at acquisition of a subsidiary	8 368 697	5 122 198	26 587	13 517 482
31.12.2022	22 302 304	17 816 654	10 991 417	51 110 375
Additions	12 586 438	352 974	3 676 496	16 615 908
Reclassified	-	(7 982 805)	(522 171)	(8 504 976)
Disposals	(159 802)	(128 934)	(220 101)	(508 837)
Addition as a result of the reorganization	-	-	1 059 433	1 059 433
31.12.2023	34 728 940	10 057 889	14 985 074	59 771 903
Accumulated depreciation				
31.12.2021	3 837 741	1 136 831	4 297 817	9 272 389
Charge for the year	2 465 962	1 564 862	1 735 187	5 766 011
Reclassified	-	(676 350)	(271 796)	(948 146)
Depreciation of disposed assets	-	(16 756)	(162 018)	(178 774)
Exchange rate fluctuations	(147 814)	(89 628)	(443)	(237 885)
31.12.2022	6 155 889	1 918 959	5 598 747	13 673 595
Charge for the year	3 813 136	1 271 163	675 688	5 759 987
Reclassified	-	(1 603 191)	(343 703)	(1 946 894)
Depreciation of disposed assets	-	(62 563)	(75 745)	(138 308)
Exchange rate fluctuations	182 160	(22 735)	312	159 737
31.12.2023	10 151 185	1 501 633	5 855 299	17 508 117
Balance sheet value				
31.12.2022	16 146 415	15 897 695	5 392 670	37 436 780
31.12.2023	24 577 755	8 556 256	9 129 775	42 263 786

*The Group leases several assets including manufacturing technique, machines, equipment and premises. The average lease term is 5 years (2022: 5 years). The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term.

In the reporting period Right-of-use assets has been increased by EUR 7.30 million.

Eco Baltia's subsidiary PET Baltija has signed a lease agreement for the premises in December 2021 and has simultaneously signed a Development Management Agreement for the construction of this future Plastic Waste Recycling and Storage Centre. Equipment installation commenced on 27 February 2023. Actual use of the premises began in September 2023 in one of the zones. The next anticipated start date for the actual use of the premises in the remaining zones is March 2024. The company recognized EUR 7,3 million right of use assets for the zone which was in use in 2023, in accordance with the terms of the lease agreement. Right of use assets for the remaining zones will be recognized on the date the premises are handed over for use to the company. Cash outflow up to 5 years for the mentioned lease for the premises is as follows:

	Contracts already included in the lease liabilities million EUR	Contracts not yet commenced million EUR
Year 1	0,7	0,5
Year 2 – 5	2,9	2,2
Total	3,6	2,7

The Group's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of lease liabilities is presented in Note 31.

15. Property, plant and equipment (continued)

Amounts recognized in Statement of comprehensive income:

	31.12.2023	31.12.2022
Depreciation expense on right-of-use assets	5 759 987	5 766 011
Interest expense on lease liabilities	1 593 874	278 757
Expense relating to short-term leases	43 606	49 954
Expense relating to leases of low value assets	35 334	2 304
Total	7 432 801	6 097 026

During 2023, the Group has made a total payments of EUR 9 404 433 (2022: EUR 7 734 718) for leases.

Depreciation of property, plant and equipment and amortisation of intangible investments

Total depreciation of property, plant and equipment and amortisation of intangible investments calculated within the Group have been included in the following items of profit or loss calculation:

	2023	2022
Production cost of goods sold (Note 4)	18 917 744	13 199 869
Administrative expenses (Note 6)	1 788 801	2 786 838
Other operating expenses (Note 8)	18 889	18 889
Selling and distribution expenses (Note 5)	13 511	17 581
Other	-	565 445
Total	20 738 945	16 588 622

Pledged property, plant and equipment

See Note 29

16. Other securities and investments

	31.12.2023	31.12.2022
Investment in "Depozīta Iepakojuma Operators" (12.05%)*	15 000	15 000
Investment in "Pro Europe s.p.r.l."**	6 200	6 200
Total	21 200	21 200

Other securities and investments are measured at cost less any accumulated impairment losses.

*In August 2020 Group's company JSC (AS) "PET Baltija" became a 13.33% shareholder in "Depozīta Iepakojuma Operators" (DIO). Since 16 March 2021 – shareholding is 12.05%. On 14 January 2021, the State Environmental Service has entered into a contract with the DIO for introduction of packaging deposit system in Latvia.

**In 2005, 5% of the acquired capital shares in "Pro Europe s.p.r.l." were registered in the name of the Group company AS "Latvijas Zaļais punkts". Equity of "Pro Europe s.p.r.l." based on latest available data is EUR 157 717, which includes organisations of the movement "Zaļais punkts" ["Green Dot"] of other countries.

17. Investment in associates

Public	%	Initial investment	Write off	31.12.2022	31.12.2023
SIA "CREB Rīga", Vietalvas Street 5A, Riga	20	2 000	(2 000)	-	-
Total		2 000	(2 000)	-	-

In 2018, "Eco Baltia vide", the Group's subsidiary invested EUR 2 000 in the associate SIA "CREB Rīga". Equity of the SIA "CREB Rīga" is EUR 10 000. Equity consists of 10 000 shares, par value of each share is EUR 1. In 2020 the associated company suffered loss in amount of EUR 3 430, therefore the Group wrote down all investment in 2019. In January 2023 "Eco Baltia vide" sold its stake in SIA "CREB Rīga".

18. Other non-current receivables

	31.12.2023	31.12.2022
Other non-current debtors	191 570	26 000
Total	191 570	26 000

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19. Inventories

	<u>31.12.2023</u>	<u>31.12.2022</u>
Raw materials, basic materials and consumables	8 369 798	12 424 176
Finished products and goods for sale	7 275 200	5 889 250
Advance payments for goods	84 030	131 989
Total	<u>15 729 028</u>	<u>18 445 415</u>

All inventories are pledged and used as security of the Group's liabilities (see Note 29).

20. Trade receivables

	<u>31.12.2023</u>	<u>31.12.2022</u>
Carrying amounts of trade receivables	24 217 593	19 596 258
Allowances for doubtful receivables	(1 168 296)	(1 381 752)
Total	<u>23 049 297</u>	<u>18 214 506</u>

Trade receivables are not secured by pledges or other credit enhancements, which reduce credit risk.

Changes in allowance for doubtful and bad trade receivables:

	<u>2023</u>	<u>2022</u>
At the beginning of the reporting year	1 381 752	1 046 282
Increase of allowances	49 414	445 253
Decrease of allowances	(88 957)	(12 561)
Acquired at acquisition of a subsidiary	-	40 896
Irrecoverable debtor's debts written-off during the year	(173 913)	(138 118)
On the reporting date	<u>1 168 296</u>	<u>1 381 752</u>

Estimated credit loss during the reporting period has been accounted in the profit and loss in separate row "Allowances for impairment of loans and receivables".

Analysis of trade receivables on 31 December 2023 and on 31 December 2022:

Group's trade receivables aging report

	Late payment delay in days					181-365 days	Exceeding 365 days
	Total	Not overdue	1-30 days	31-90 days	91-180 days		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
As at 31 December 2023							
Trade receivables (gross)	24 217 593	18 395 470	2 936 175	1 034 037	426 195	273 299	1 152 417
Allowance (calculated collective)	(1 080 989)	(9 645)	(917)	(10 199)	(24 759)	(31 350)	(1 004 119)
Allowance (calculated on individual basis)	(87 307)	(777)	(305)	(883)	(1 883)	(4 513)	(78 946)
Expected credit loss rate, %		0,06%	0,04%	1,07%	6,25%	13,12%	93,98%
Total (net)	23 049 297	18 385 048	2 934 953	1 022 955	399 553	237 436	69 352
As at 31 December 2022							
Trade receivables (gross)	19 596 258	14 221 034	2 262 703	1 533 126	530 057	320 527	728 811
Allowance (calculated collective)	(819 399)	(29 884)	(2 585)	(6 617)	(47 571)	(78 340)	(654 402)
Allowance (calculated on individual basis)	(562 353)	-	-	(167)	(301 724)	(186 053)	(74 409)
Expected credit loss rate, %		0,21%	0,11%	0,44%	65,90%	82,49%	100,00%
Total (net)	18 214 506	14 191 150	2 260 118	1 526 342	180 762	56 134	-

In cases when the Group identifies that a debtor has completed the insolvency or bankruptcy process, debtor has died or the Group has received a decision from the court about unrecoverability of debt, then the receivables is written off. In other cases the Group regularly re-evaluates the bad debt and if based on professional judgment the debt is considered as unrecoverable or recoverability wouldn't be economically beneficial, then it's written off.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

21. Other loans

Current loans	Currency	Repayment term:	31.12.2023	31.12.2022
Other loan No. TIR 12-07-19/01	EUR	31.12.2022	142 900	142 900
Other loan No. 3614/CR	EUR	31.12.2022	7 300	7 300
Total current loans			<u>150 200</u>	<u>150 200</u>
Allowances for doubtful loans and receivables	EUR		(150 200)	(150 200)
Total current loans			<u>-</u>	<u>-</u>
Accrued interest	EUR		19 866	19 848
Allowances for doubtful loans and receivables	EUR		(19 866)	(19 558)
Total accrued interest			<u>-</u>	<u>290</u>
Total other loans			<u>-</u>	<u>290</u>

Changes in allowance for doubtful loans and receivables:

	2023	2022
At the beginning of the reporting year	<u>169 758</u>	<u>417 080</u>
Increase of allowance	308	13 715
Write-off of bad debts*	-	(261 037)
On the reporting date	<u>170 066</u>	<u>169 758</u>

Estimated credit loss during the reporting period has been determined on individual basis and accounted in the profit and loss in separate row "Allowances for impairment of loans and receivables".

* The management has evaluated and taken actions for the recoverability of the issued loan and based on the results of the activities it is decided to exclude it from the balance sheet by writing it off as no basis for the recovering the loan has been identified. The amount written off consists of principal amount 190 101 EUR and accrued interest expenses in amount of 70 936 EUR.

Security

Loans granted were not secured as of 31.12.2023 and 31.12.2022.

Loan interest rates

Issued loans are interest bearing with fixed rate.

22. Other receivables

	31.12.2023	31.12.2022
Value-added tax overpayment	1 253 478	1 001 042
Current guarantee deposits	409 486	104 217
Other tax overpayment	191 533	2 608
Advance payments for suppliers	159 020	246 832
Security	21 731	80 376
Settlement person debts	8 826	-
Other debtors	371 704	119 202
Total	<u>2 415 778</u>	<u>1 554 277</u>

23. Prepaid expenses

	<u>31.12.2023</u>	<u>31.12.2022</u>
Non-current part:		
Rent for premises	272 280	176 434
Other	4 989	78 618
Subscription fee	1 668	1 030
Insurance	6	2 157
Total non-current part	278 943	258 239
Current part:		
Other	511 381	339 191
Insurance	273 896	406 142
Subscription fee	169 945	23 921
Rent for premises	12 210	9 267
Total current part	967 432	778 521
Total prepaid expenses	1 246 375	1 036 760

24. Accrued income

	<u>31.12.2023</u>	<u>31.12.2022</u>
Accrued income from contractual assets*	6 922 137	3 688 202
Total	6 922 137	3 688 202

* Major increase of accrued income is related to accrued income from services to producers responsibility organizations in Lithuania amounting to EUR 1 948 000 (31.12.2022: EUR 0). Invoices for the service are issued on quarterly basis after collection of input information from customers. At the end of 2023, complete collection of input information were not finalized and invoices were not issued, therefore accrued income was recognized in amount of EUR 1 948 000. At the end of 2022 all needed information was collected more timely and invoices were issued at year end, therefore accrued income from services to producers responsibility organizations in Lithuania was EUR 0.

Contractual assets mainly include rights to receive remuneration for the provided organisation of packaging management system services, for which invoices have not yet been issued. These rights are recognised in the composition of trade receivables by coordinating exact volume of the service with customers and issuing respective invoices. Estimated credit losses on contract assets have not been recognised as estimated amounts are immaterial.

25. Derivative financial instruments

	<u>31.12.2023</u>	<u>31.12.2022</u>
Foreign exchange forward contracts	725 834	-
Total	725 834	-

*At November 2023, the Group acquired a new subsidiary Metal-Plast Sp.z o.o. and acquired company uses currency hedge agreement with currency forwards from EUR to PLN. Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales in euro.

26. Cash and cash equivalents

	<u>31.12.2023</u>	<u>31.12.2022</u>
Cash at bank	9 316 977	8 046 916
Cash in hand	8 311	16 459
Cash to be received	840 650	-
Total	10 165 938	8 063 375
Cash and cash equivalents by currency profile:	31.12.2023	31.12.2022
EUR	8 949 018	7 825 426
PLN	1 163 576	-
CZK	13 577	203 965
USD	39 767	33 900
GBP	-	84
Total	10 165 938	8 063 375

Cash in current accounts of the banks is mostly kept in the bank, which has increase from Baa1 to A3 in autumn 2021 with changing outlook from positive to stable from the international rating agency Moody's (including non-current and current foreign and local currency deposit ratings), thus demonstrating that majority of the Group's funds are held with a bank, which has received good credit rating, and it is expected that the credit institution will be able to comply with all of its financial liabilities on timely basis. Information has been provided in accordance with Moody's rating information, which was publicly available in up to the date of signing of these financial statements.

Estimated credit losses on cash and cash equivalents have not been recognised as estimated amounts are immaterial.

27. Share capital

Paid share capital of the Group as at 31.12.2023. is EUR 35 005 and it consists of 35 005 shares. Nominal value of each share is EUR 1.

All the shares have equal voting and dividend rights.

	<u>31.12.2023</u>	<u>31.12.2022</u>
Share capital, EUR	35 005	35 005
Number of shares	35 005	35 005
Per value of each share	<u>1.00</u>	<u>1.00</u>

28. Consolidated reserves and non-controlling interests

Consolidated reserves represent value in the amount of EUR 20 285 149 where:

- EUR 311 179 resulting from the acquisition of 13.35% shares in the subsidiary AS "Latvijas Zaļais punkts" in April 2012.
- The result of the acquisition of 52.52% shares in the Group's subsidiary SIA "Eko PET" in February 2013, which resulted in recognition of negative adjustment in the equity of EUR (1 308 107).
- EUR 21 049 506 resulting from the merger of AS "Eco Baltia" through reorganization in to SIA "Eco Baltia grupa" in May 2021.
- EUR (125 948) resulting from the acquisition of 100% shares in the subsidiary UAB "Ecoservice" in 2021.

The aforementioned transactions involved entities under common control, therefore, the net result of the transactions was reflected in the Group's equity.

- EUR 346 038 resulting from Foreign currency translation.

Non-controlling interest interest represents minority shareholding in JSC "PET Baltija" (5.1%) and its subsidiary "Tesil Fibres" s.r.o (5.1%), following UAB "Ecoservice" subsidiaries - UAB "Ecoservice Projektaī" (1.03%), UAB "Biržu komunalinis ūkis" (35.3%), and newly acquired companies in 2024 - UAB "Eco Recycling" (45% (until 28.12.2023: 40%)), Sp.z o.o. "Homecourt" (45% (until 28.12.2023: 40%)), and Sp.z o.o. "Metal-Plast" (54,67% (until 28.12.2023: 50,55%)). For details of the Group structure, see Note 1. Set out below is summarised financial information for each subsidiary that has non-controlling interests. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet at 31.12.2023:

	JSC "PET Baltija"	"Tesil Fibres" s.r.o	UAB "Ecoservice Projektaī"	UAB "Biržu komunalinis ūkis"	UAB "Eco Recycling"	Sp.z o.o. "Homecourt"	Sp.z o.o. "Metal-Plast"
Current assets	8 708 438	5 916 672	7 398 254	348 178	244 674	2 287 287	9 082 332
Current liabilities	(14 976 536)	(6 178 227)	(3 917 567)	(169 975)	(1 371 356)	(2 657 383)	(6 981 923)
Current net assets	(6 268 098)	(261 555)	3 480 687	178 203	(1 126 682)	(370 096)	2 100 409
Non-current assets	23 814 865	13 360 377	11 172 761	177 226	16 111 660	30 602 195	12 262 924
Non-current liabilities	(17 952 630)	(10 509 009)	(2 946 517)	(13 087)	-	(15 759 449)	(929 109)
Non-current net assets	5 862 235	2 851 368	8 226 244	164 139	16 111 660	14 842 746	11 333 815
Net assets	(405 863)	2 589 813	11 706 931	342 342	14 984 978	14 472 650	13 434 224
Accumulated NCI	331 266	(158 815)	113 922	118 520	6 743 485	(333 482)	6 069 621

28. Consolidated reserves and non-controlling interests (continued)

Summarised balance sheet at 31.12.2022:

	JSC "PET Baltija"	"Tesil Fibres" s.r.o	UAB "Ecoservice Projektai"	UAB "Biržu komunalinis ūkis"	UAB "Eco Recycling"	Sp.z o.o. "Homecourt"	Sp.z o.o. "Metal-Plast"
Current assets	16 028 150	10 013 219	6 305 996	342 662	-	-	-
Current liabilities	(27 644 199)	(12 732 850)	(3 021 636)	(111 116)	-	-	-
Current net assets	(11 616 049)	(2 719 631)	3 284 360	231 546	-	-	-
Non-current assets	22 340 487	17 610 334	12 238 504	211 077	-	-	-
Non-current liabilities	(443 439)	(9 088 666)	(3 669 804)	(17 763)	-	-	-
Non-current net assets	21 897 048	8 521 668	8 568 700	193 314	-	-	-
Net assets	10 280 999	5 802 037	11 853 060	424 860	-	-	-
Accumulated NCI	475 289	(28 428)	120 107	147 087	-	-	-

Summarised statement of comprehensive income 2023:

Summarised statement of comprehensive income	JSC "PET Baltija"	"Tesil Fibres" s.r.o	UAB "Ecoservice Projektai"	UAB "Biržu komunalinis ūkis"	UAB "Eco Recycling"	Sp.z o.o. "Homecourt"	Sp.z o.o. "Metal-Plast"
Revenue	43 822 579	29 779 111	14 829 668	468 186	-	-	4 370 010
Profit for the period	(2 823 973)	(2 739 700)	(146 130)	(82 517)	(14 996)	(741 072)	(702 689)
Profit allocated to NCI	(144 023)	(130 387)	(6 185)	(28 567)	(6 515)	(333 482)	(384 153)
Dividends paid to NCI	-	-	-	-	-	-	-

Summarised statement of comprehensive income 2022:

	JSC "PET Baltija"	"Tesil Fibres" s.r.o	UAB "Ecoservice Projektai"	UAB "Biržu komunalinis ūkis"	UAB "Eco Recycling"	Sp.z o.o. "Homecourt"	Sp.z o.o. "Metal-Plast"
Revenue	78 951 681	9 830 120	13 775 494	509 179	-	-	-
Profit for the period	(45 128)	(1 718 233)	(199 247)	(113 454)	-	-	-
Profit allocated to NCI	(2 255)	(28 428)	(2 052)	(39 278)	-	-	-
Dividends paid to NCI	-	-	-	-	-	-	-

29. Loans from credit institutions

	Currency	31.12.2023	31.12.2022
Non-current loans			
Bank (non-current part, repayable within 2-5 years)	EUR	50 029 714	28 263 863
Total		50 029 714	28 263 863
Non-current loan current part			
Bank (non-current part, repayable within 1 year)	EUR	11 082 195	18 914 522
Bank (credit line)	EUR	5 248 471	4 739 478
Total		16 330 666	23 654 000
Loan interest			
Bank	EUR	252 010	174 135
Total		252 010	174 135
Total current loans		16 582 676	23 828 135
Total loans from credit institutions		66 612 390	52 091 998

At 31.12.2022 portion of Loans from credit institutions granted to AS PET Baltija with non-current terms in amount of EUR 11 049 891 presented as Current due to breach of covenants at 31.12.2022 for adjusted equity ratio covenants stipulated in the loan agreement between AS PET Baltija and Luminor Bank AS Latvian Branch. However Luminor Bank AS Latvian Branch and respective Group subsidiary reached an agreement that non-compliance with the mentioned Equity ratio covenant will not be considered as a case of Event of default in accordance with the General Financing Terms. All covenants have been met at 31.12.2023.

Loans repayment terms and interest rates

Within the Group of Eco Baltia, bank loans have been granted to 6 companies by the end of the year – SIA "Eco Baltia vide", SIA "Nordic Plast", AS "PET Baltija", UAB "Ecoservice", Sp.z o.o. "Homecourt" and Sp.z o.o. "Metal-Plast".

Company	Currency	Total amount	Repayment term	Interest rate	31.12.2023	31.12.2022
SIA "Eco Baltia vide"	EUR	12 927 000	04.08.2025	3 month EURIBOR + interest rate	9 417 117	11 246 047
SIA "Eco Baltia vide"	EUR	8 700 000	31.08.2025	3 month EURIBOR + interest rate	6 091 603	7 320 389
SIA "Eco Baltia vide"	EUR	631 896	30.06.2026	3 month EURIBOR + interest rate	564 685	-
SIA "Eco Baltia vide"	EUR	5 200 000	31.12.2025	3 month EURIBOR + interest rate	3 913 642	-
UAB "Ecoservice"	EUR	12 923 541	31.08.2025	3 month EURIBOR + interest rate	8 885 118	11 081 195
UAB "Ecoservice"	EUR	3 866 250	16.09.2025	3 month EURIBOR + interest rate	2 790 070	2 964 125
AS "PET Baltija"	EUR	1 173 770	30.06.2023	3 month EURIBOR + interest rate	-	150 434
AS "PET Baltija"	EUR	6 000 000	30.09.2025	3 month EURIBOR + interest rate	5 260 247	5 729 290
AS "PET Baltija"	EUR	7 500 000	06.09.2027	3 month EURIBOR + interest rate	5 965 613	7 380 206
AS "PET Baltija"	EUR	760 000	31.05.2023	3 month EURIBOR + interest rate	4 587 736	4 739 478
SIA "Nordic Plast"	EUR	1 700 000	17.02.2026	3 month EURIBOR + interest rate	1 311 108	1 306 699
Sp.z o.o. "Homecourt"	EUR	28 150 000	30.09.2028	3 month EURIBOR + interest rate	17 150 241	-
Sp.z o.o. "Metal-Plast"	PLN	15 000 000	26.09.2026	WIBOR ON + 2,55%	653 360	-
Total					66 590 540	51 917 863

Credit line

On 31 December 2023, the Group's companies had credit line in the amount of EUR 6 400 000 and PLN 15 000 000 (on 31.12.2022: EUR 8 500 000). All conditions set for the receipt of these credit resources were complied with. Available as at 31.12.2023. EUR 1 804 889 and PLN 12 164 743 (2022: EUR 3 761 000).

Factoring

The Group companies AS "PET Baltija", and SIA "Nordic Plast", have entered into factoring agreements with Luminor Lizingas SIA, TESIL Fibres s.r.o. has entered into factoring agreement with Factoring České spořitelny, a.s., UAB "Ecoservice" has entered into factoring agreement with Luminor Lizingas UAB. The management of the Group believes that according to factoring arrangement the Group substantially transfers risks and rewards related to the factored receivables, therefore, it partially derecognises receivables at the moment cash is received from the factor.

Amount of the receivables subject to the factoring arrangement amounts to EUR 6 243 097 (31.12.2022: EUR 6 243 097). The maturity of the factoring contracts is 31.05.2024, TESIL Fibres s.r.o. agreement is concluded for indefinite period.

Collaterals

The financing provided to the Group's companies, as well as agreements on issuance of guarantees and letters of credit is secured by mortgages on real estates owned by the Group's companies, commercial pledges on the assets of the companies, commercial pledges on shares of the companies, as well as suretyships from the companies, and assignment

29. Loans from credit institutions (continued)

agreements of the transfer of claims on debtors (for payment of outstanding amounts) to credit institutions. The subject matter of the commercial pledges on shares are the shares which the pledgor currently owns and which the pledgor will acquire during the term of the loan agreements. The subject matter of the commercial pledges on assets are the assets as an aggregation of property as at the moment when pledge is given and future parts of such aggregation of property.

Additionally, the Group's companies use the leasing services.

Covenants

See Note 40.

Loans movement
Changes arising from the obligations of financing activity

Changes in the obligations arising from financing activity may be reflected as follows:

In 2023

	Lons from credit institutions	Lease obligations	Debt securities - Bonds*	Loans from related parties
Balance at 01 January 2023	52 091 998	29 639 113	-	-
Proceeds from debt securities	23 913 746	-	18 000 000	753 637
Repayment of loans	(9 280 392)	-	-	(140 000)
Payment of lease liabilities	-	(9 404 433)	-	-
Capitalised borrowing costs	-	-	-	-
Interest paid	(3 868 805)	(1 316 750)	(294 392)	(725)
Total changes from financing cash flows	10 764 549	(10 721 183)	17 705 608	612 912
Other changes				
<i>Liability related</i>				
New leases	-	18 104 962	-	-
Costs for attracting financing	(196 059)	26 438	(219 980)	-
Interest expenses	3 951 902	1 593 874	680 114	1 481
Total liability-related other changes	3 755 843	19 725 273	460 134	1 481
As at 31 December 2023	66 612 390	38 643 203	18 165 742	614 393

*Accrued interest for issued bonds as at 31.12.2023 is 385 722 EUR and is classified as "Accrued liabilities".

In 2022

	Lons from credit institutions	Lease obligations	Debt securities - Bonds	Loans from related parties
Balance at 01 January 2022	40 380 065	17 245 544	-	-
Proceeds from debt securities	18 043 018	-	-	-
Repayment of loans	(6 261 181)	-	-	-
Payment of lease liabilities	-	(7 864 189)	-	-
Capitalised borrowing costs	-	-	-	-
Interest paid	(1 680 684)	(859 028)	-	-
Total changes from financing cash flows	10 101 153	(8 723 217)	-	-
Other changes				
<i>Liability related</i>				
New leases	-	19 894 292	-	-
Costs for attracting financing	(160 411)	530 518	-	-
Interest expenses	1 771 191	691 976	-	-
Total liability-related other changes	1 610 780	21 116 786	-	-
As at 31 December 2022	52 091 998	29 639 113	-	-

30. Long-term debt securities - bonds

	<u>31.12.2023</u>	<u>31.12.2022</u>
Bonds	18 000 000	-
Costs for raising bonds	(219 980)	-
Total	<u>17 780 020</u>	<u>-</u>

On 17 February 2023 JSC (AS) "Eco Baltia" during public offering process issued 8 million euro of its in augural 3-year bonds with annual coupon rate 8%. The bonds mature on 17 February 2026, with an option for the issuer to redeem them after two years. On 2 November 2023 JSC (AS) "Eco Baltia" during public offering process issued 10 million euro of its in augural 3-year bonds with annual coupon rate 9%. The bonds mature on 2 November 2026, with an option for the issuer to redeem them after two years.

JSC (AS) "Eco Baltia" 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.
- Net Debt to Adjusted EBITDA Ratio – the Issuer ensures that Net Debt to Adjusted EBITDA Ratio at all times is 4 (four) or lower. Test starting date 31.12.2022.
- As at 31.12.2023. JSC (AS) "Eco Baltia" has complied with the above requirements.

Accrued interest for issued bonds as at 31.12.2023 is 385 722 EUR and is classified as "Accrued liabilities".

31. Lease obligations

Lease liabilities applies to the vehicles, special machinery, containers, production equipment, ventilation systems and other property, plants and equipment purchased by the Group with the initial lease period of 5–7 years. The Group's companies have possibility to purchase majority of the aforementioned assets at the par value thereof at the end of the lease term. On 31 December 2023, effective interest rate applied to lease agreement was 3-month EURIBOR and added interest rate (31.12.2022: 3- month EURIBOR + added interest rate). Maturity terms of leasing liabilities are during the period from 2024 to 2029.

Minimum future lease payments within the framework of the lease together with the current value of net minimum lease payments have been reflected as follows:

	<u>31.12.2023</u>		<u>31.12.2022</u>	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	7 186 096	6 576 506	6 920 207	6 604 468
In a year, but not longer than five years	32 702 523	32 066 697	23 937 885	23 034 645
Total minimum lease payments	39 888 619	38 643 203	30 858 092	29 639 113
Financial costs	(1 245 416)	-	(1 218 979)	-
Current value of minimum lease payments	<u>38 643 203</u>	<u>38 643 203</u>	<u>29 639 113</u>	<u>29 639 113</u>

As at 31 December 2022 the share of Luminor Iizings SIA in leases for one of the Group companies AS "PET Baltija" with long-term maturities amounting to EUR 186 559 is presented as current portion due to the breach of the loan covenants and adjusted equity ratio covenants stipulated in the loan agreement between AS "PET Baltija" and Luminor Bank AS Latvian Branch. However, after the balance sheet date, Luminor Bank AS Latvian Branch and AS PET Baltija have agreed that non-compliance with these covenants will not be considered an event of default under the General Terms of Financing. In 2023 financial covenants are set on the Group Consolidated level. As of 31 December 2023 there was covenant calculation which determined classification as at 31 December 2023 as Non-current.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's Treasury function.

32. Contract liabilities

	<u>31.12.2023</u>	<u>31.12.2022</u>
Short-term advances received for services and goods	522 742	894 373
Total	<u>522 742</u>	<u>894 373</u>

Group companies business practice is to settle contract liabilities during 12 month period. Revenue from contract liabilities is recognized when service is provided and goods are sold. In 2023 the Group has recognized EUR 894 thousand revenue from contract liabilities at 31.12.2022.

33. Trade payables

	<u>31.12.2023</u>	<u>31.12.2022</u>
Trade payables	24 155 953	23 240 631
Total	24 155 953	23 240 631

Average repayment term of accounts payable is 45 days for foreign companies and 30 days for other suppliers.

34. Loans from related companies

	Currency	Repayment term:	<u>31.12.2023</u>	<u>31.12.2022</u>
Current loans from related companies				
Loan with the term of up to one year	EUR	31.12.2024	613 636	-
Total			613 636	-
Loan interest				
Related companies	EUR		757	-
Total			757	-
Total current loans from related companies			614 393	-

During 2023, UAB "Eco Recycling" has received unsecured short-term a loan from related company, which are not part of the consolidation. Loan is interest bearing and repayable until end of 2024.

35. Taxes payable

	<u>31.12.2023</u>	<u>31.12.2022</u>
Value added tax	1 451 158	1 253 530
State mandatory social insurance contributions	1 382 096	850 208
Personal income tax	716 758	623 858
Other payroll taxes	67 836	13 865
Natural resource tax	44 942	34 886
Real estate tax	11 990	14 138
Light-duty vehicle tax	516	1 480
State business risk duty	379	322
Total	3 675 675	2 792 287

36. Other payables and accrued liabilities

	<u>31.12.2023</u>	<u>31.12.2022</u>
Non-current part:		
Accruals for employees bonuses and for vacation pay reserve	312 325	-
Security deposit amount	18 580	22 803
Total non-current part	330 905	22 803
Current part:		
Accrued liabilities for services and goods received *	5 127 619	2 192 758
Accruals for employees bonuses and for vacation pay reserve	3 884 604	3 427 278
Remuneration for work	2 745 578	1 870 851
Estimated payables	-	505 428
Other	148 271	28 645
Total current part	11 906 072	8 024 960
Total other payables	12 236 977	8 047 763

* Accrued liabilities includes purchased goods in transit in accordance to INCOTERM terms and conditions in amount of EUR 408 310 (2022: EUR 97 952).

37. Deferred income

	<u>31.12.2023</u>	<u>31.12.2022</u>
Non-current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	1 569 527	1 355 381
Investment project grants in Lithuania	64 861	69 880
Total	1 634 388	1 425 261
Current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	420 969	510 342
Investment project grants in Lithuania	11 405	25 134
Total	432 374	535 476
Total deferred income	2 066 762	1 960 737

38. Transactions with related parties

In accordance with the definition included in IAS 24 "Related Party Disclosures" related parties are both legal entities and natural persons related to the Company as follows:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity;
 - ii) has significant influence over the reporting entity; or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - iii) Both entities are joint ventures of the same third party;
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled or jointly controlled by a person identified in (a);
 - vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Mutual balances and transactions between the Group Parent Company AS "Eco Baltia" and its subsidiaries, which are related companies, are eliminated for consolidation purposes and are not disclosed in this note. In the reporting year, the Group companies were involved in the following transactions with the top management officers and shareholders.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Shareholders related parties:	2023	750 000	480 819	-	85 586
	2022	-	1 005 761	-	145 563
Supervisory Board and Management Boards related parties	2023	237 698	6 483 197	4 335	1 059 206
	2022	-	12 000	-	10 567
Other related parties:	2023	335 064	2 250 646	41 388	425 832
	2022	-	2 821 962	4 765	905 576

*The amounts are classified as trade receivables and trade payables, respectively see Notes 20 and 33.

38. Transactions with related parties (continued)
Loans from/to related parties:

	Year	Interest received	Interest paid	Amounts owed by related parties*	Amounts owed to related parties*
Other related parties:	2023	-	-	-	613 636
	2022	6 414	-	-	-

*The amounts are classified as other loans, see Note 21, and loans from related companies, see Note 28. Amounts owed by related parties includes the loan issued to the related party in amount of EUR 142 900 and accrued interest in amount of EUR 15 049, both loan and accrued interest are fully impaired.

Dividends to related parties:

	Year	Dividends paid
To the Shareholders of Parent company:	2023	-
	2022	8 000 000

2022 dividend distribution split:

Shareholder	%	Dividends EUR	Number of shares	Dividends per share EUR
BSGF Salvus UAB	52,81	4 224 800	18 487	229
European Bank for Reconstruction and Development	30,51	2 440 800	10 680	229
Enrial Holdings SIA	15,93	1 274 400	5 575	229
PENVI INVESTMENT LTD	0,75	60 000	263	229
Total	100	8 000 000	35 005	229

Outstanding balances as at the year end are unsecured, and settlements are expected to be in cash. There have been no guarantees provided or received for any related party receivables.

Information on remuneration of the top management, board and council see Note 12.

39. Financial risk management

In the ordinary course of business, the Group is exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk.

Financial risk management activities are undertaken to support the underlying operating transactions of the Group. The Group companies do not undertake any high risk transactions that would increase exposure to currency or interest rate risks.

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has subsidiaries TESIL Fibres registered and operating in the Czech Republic and Metal-Plast registered and operating in the Poland, accordingly Assets and Liabilities included in Groups consolidation amounts to 40 million EUR equivalent on stand alone basis.

Interest rate risk

The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings and bonds. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and lease liabilities (see Notes 29 and 31) bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense, which may be caused by growing interest rates. The Company holds bonds with fixed coupon rates, thereby minimizing exposure to interest rate fluctuations and maintaining a low level of interest rate risk (see Note 30).

39. Financial risk management (continued)

Assuming that in 2024 non-current and current loans from credit institutions and lease liabilities would remain approximately at the same level as on 31 December 2023, an increase/decrease in interest rates by 1 percentage point would result in additional interest expense/decrease in interest expense by approximately EUR 1 044 thousand (2022: EUR 763 thousand).

The Group companies SIA "Eco Baltia vide", UAB "Ecoservice", SIA "Nordic Plast" and AS "PET Baltija" and "Metal-Plast" Sp.z o.o. have non-current loans from credit institutions bearing interest at a floating EURIBOR or WIBOR rates, therefore, these companies are exposed to interest rate risk, which are not hedged by means of interest rate swap contracts (see Note 29).

Credit risk

Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank (see Note 26), trade receivables (see Note 20) and issued non-current and current other loans (see Note 21). For the accounting policy on impairment of financial assets, see Note 2.1.h.

Cash at bank

Credit risk related to cash at bank is managed by balancing the placement of financial assets in order to maintain the possibility of choosing the best offers and reduce the probability of financial losses. The Group companies evaluate credit ratings assigned to banks by international credit rating agencies and financial performance of banks on a regular basis.

Trade receivables

The Group companies have no significant concentration of credit risk with any single customer or group of customers having similar characteristics.

The Group mitigates its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group maximum permissible exposure to credit risk is defined to the extent of the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by allowances made for doubtful and bad trade receivables. In addition Group uses factoring services.

In cases when the Group identifies that a debtor has completed the insolvency or bankruptcy process, debtor has died or the Group has received a decision from the court about unrecoverability of debt, then the receivables is written off. In other cases the Group regularly re-evaluates the bad debt and if based on professional judgment the debt is considered as unrecoverable or recoverability wouldn't be economically beneficial, then it's written off.

Issued non-current and current loans

The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by allowance made for doubtful and bad loans and receivables.

Categories of financial instruments	31.12.2023	31.12.2022
	EUR	EUR
Financial assets		
Cash at bank and on hand at amortised cost	10 165 938	8 063 375
Other investments and securities at fair value	21 200	21 200
Derivative financial instruments at fair value	725 834	-
Loans and receivables carried at amortized cost value	<u>32 578 782</u>	<u>23 325 286</u>
Total financial assets	<u>43 491 754</u>	<u>31 409 861</u>
Financial liabilities		
Financial liabilities carried at amortized cost value	<u>161 515 266</u>	<u>115 000 202</u>
Total financial liabilities	<u>161 515 266</u>	<u>115 000 202</u>

For the changes in the loss allowance for financial assets, please see Note 20 Trade receivables. No other credit losses have been identified for financial assets in 2023, nor in 2022.

Liquidity Risk

Liquidity risk is a risk that the Group companies will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 29), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month.

39. Financial risk management (continued)

Liquidity metrics	31.12.2023	31.12.2022*
Current assets less current liabilities, EUR	(4 562 100)	(14 866 398)
Current ratio	0,93	0,77

*As at 31 December 2022 current liabilities were by EUR 14 866 398 more than current assets, from which EUR 11 049 891 in current liabilities represents Group's subsidiary AS PET Baltija reclassified portion of Loans from credit institutions with non-current terms. After the reporting year AS PET Baltija received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022 therefore in 2023 reclassification is canceled and mentioned amount presented as Non-current liabilities.

The Group has received approvals from credit institution about potential financing of investment activities in total of EUR 16,5 million. As of the date of signing these financial statements, agreements with credit institution are not yet signed. Additionally, taking into account the Group's budget for 2024 and forecasted cash-flow, the Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negatively jeopardized.

39. Financial risk management (continued)

The following table demonstrates undiscounted contractual maturities of financial liabilities:

31 December 2022	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
	EUR	EUR	EUR	EUR	EUR
Non-derivative financial liabilities					
Trade and other payables	34 143 504	34 143 504	32 159 964	535 476	1 448 064
Lease liabilities	29 639 113	33 664 015	2 900 706	5 622 710	25 140 599
Borrowings	52 091 998	53 351 924	17 378 234	5 603 134	30 370 556
Total non-derivative financial liabilities	115 874 615	121 159 443	52 438 904	11 761 320	56 959 219
Total financial liabilities	115 874 615	121 159 443	52 438 904	11 761 320	56 959 219

31 December 2023	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
	EUR	EUR	EUR	EUR	EUR
Non-derivative financial liabilities					
Trade and other payables	38 982 435	38 982 435	32 938 194	3 982 891	2 061 350
Long-term debt securities - bonds	18 000 000	22 300 000	320 000	1 220 000	20 760 000
Lease liabilities	38 520 581	39 806 151	1 997 476	5 240 556	32 568 119
Borrowings	66 612 390	74 780 846	4 302 950	12 796 124	57 681 772
Total non-derivative financial liabilities	162 115 406	175 869 432	39 558 620	23 239 571	113 071 241
Total financial liabilities	162 115 406	175 869 432	39 558 620	23 239 571	113 071 241

Fair value

Based on the Group's management's assessment, the carrying amounts of financial assets and liabilities approximated to their fair value as at 31 December 2023 and 31 December 2022.

The group has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. Fair value for issued bonds as on 31 December 2023 is as follows:

39. Financial risk management (continued)

	Carrying amount, EUR	Fair value, EUR
Debt securities – bonds (1 st issuance)	8 000 000	8 221 899 (Level 1)
Debt securities – bonds (2 nd issuance) trading started on 25 April 2024	10 000 000	10 000 000 (Level 2)

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not started to trade.

40. Capital management

The Group manages its capital to ensure that the Group companies will be able to continue as a going concern, meanwhile maximizing the return to shareholders through the optimization of debt and equity balance.

The Group's capital structure consists of net debt (borrowings as detailed in Notes 29 and 31 offset by cash on hand and at bank) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

Group's management reviews the capital structure of the Group on a quarterly basis. Under these consolidated financial statements, the Group's management considers the capital structure and the risks associated with each class of capital.

In accordance with bank loans, leasing and factoring contracts, and issued bonds, financial covenants at the end of 2023 are set on the Group Consolidated level. The group monitors capital using a ratio of "net debt" to adjusted equity". Net debt is calculated as a liabilities to financial institutions and bond holders less cash and cash equivalents. For bond holders and financing bank Group undertakes to comply with the following covenants:

- Equity Ratio – For bond holders: 30 per cent or greater. For financing bank – 35 per cent or greater
- Net Debt to Adjusted EBITDA Ratio – For bond holders: 4 times or lower. For financing bank - 3.5 times
- As at 31.12.2023. JSC (AS) "Eco Baltia" has complied with the above requirements.

Adjusted equity comprises all components of equity which shall be adjusted by subordinated loans, EUR support payments and grants, payables and receivables from related parties if any. In year 2022, covenants were set on the Group's subsidiaries level and Group Consolidated level.

In accordance with bank loans, leasing and factoring contracts, and issued bonds, financial covenants at the end of 2023 are set on the Group Consolidated level. In year 2022, covenants were set on the Group's subsidiaries level and Group Consolidated level.

Due to the market situation in the last quarter of 2022 and the corresponding revaluation of raw material inventories of PET Baltija, Eco Baltia's subsidiary PET Baltija after the reporting period received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022. as set out in the General Financing Terms. Accordingly portion of Loans from credit institutions with non-current terms of mentioned loans as at 31 December 2022 in amount of EUR 11 236 450 presented as Current.

For the financing bank purposes according to the subsidiaries' managements' calculations performed using adjusted EBITDA and other financial data as of 31.12 2023 the Group has complied with the covenant requirements. As of 31.12 2022 the Group companies except PET Baltija complied with the requirements.

For the loans, leasing and factoring contracts, Adjusted Equity ratio covenant is set for and can not be lower than 35% and Net Financial Debt to EBITDA not higher than 3.5. For the issued bonds, Adjusted Equity ratio covenant is set for and can not be lower than 30% and Net Financial Debt to EBITDA not higher than 4.

41. Going concern

As at the end of the reporting year, the Group's current liabilities exceeded current assets by EUR 4.56 million. The Group's management is confident that the Group companies will be able to meet their obligations and continue as a going concern considering updated operational commercial activities budgets and forecasted cash flows. The financial statements have been prepared on the basis that the Group will continue to be a going concern.

The main risks of the Group's operations are related to external factors: 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

41. Going concern (continued)

determine the amount of work (e.g. heavy snow in winter / snowless winters); the likelihood of accidents; fulfilment of contractual obligations of business partners (suppliers, subcontractors, customers). To reduce these risks, the company diversifies its operations, increases the variety of services provided, invests in the qualifications of employees, complies with labor, fire safety and civil safety requirements.

The war against Ukraine, launched by the Russian Federation on February 24, 2022, does not currently pose a significant threat to the company's operations. The Group has no direct trade relations with the parties directly involved in the war –

Ukraine, Russia or Belarus. However, the overall business risk for the companies in Latvia, as for all Lithuanian business, is increasing. Rapidly rising energy prices have a significant impact on the costs of the Group.

Growing geopolitical uncertainty and the rapidly changing situation in neighbouring countries call for greater vigilance and preparedness for unforeseen situations. The impact on the overall economic situation may require a revision of certain assumptions and estimates resulting in adjustments to the carrying amount of certain assets and liabilities if such situation happens. At this stage, management cannot reliably estimate the impact as events change and evolve on a daily basis. In the long run, it may also have an impact on revenue levels, including cash flows, costs and profitability. Nevertheless, at the date of these financial statements, the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis.

42. Contingent liabilities and assets

	31.12.2023	31.12.2022
	EUR	EUR
Liabilities arising from trade financing products:		
Trade financing products	5 425 223	4 225 058
Total	5 425 223	4 225 058

The Group's company AS "PET Baltija" has entered into an agreement with Luminor Bank AS on the issuance of guarantees subject to the total limit of EUR 1 000 000 (31 December 2022: EUR 1 500 000). The total limit expires on 31 May 2024, approval to decrease limit to EUR 750 000 and prolong until 31 May 2025 received from the bank.

The Group's company SIA "Eco Baltia vide" and its subsidiaries has entered into an agreement with Luminor Bank AS on the issuance of guarantees subject to the total limit of EUR 2 000 000. The total limit expires on 31 May 2024, approval to prolong until 31 May 2025 received from the bank.

The Group's company UAB "Ecoservice" and its subsidiaries has entered into an agreement with Luminor Bank AS on the issuance of guarantees subject to the total limit of EUR 7 000 000. The total limit expires on 31 May 2024, approval to decrease limit to EUR 6 500 000 and to prolong until 31 May 2025 received from the bank.

The Group's company AS "PET Baltija" has issued a guarantee against Leasing Ceske Sporitelny A.S. for its subsidiary Tesil Fibres S.R.O. outstanding lease liabilities which as of 31.12.2023 are EUR 160 715 (31 December 2022: EUR 499 765). The leasing maturity date is October 2025.

The Group's company AS "Eco Baltia" has issued a guarantee for its subsidiary AS "PET Baltija" against "P140" SIA for rent obligations in new premises which construction is expected to be finalized in early 2024 for total up to 36 month rent payment.

In August 2023 there was a fire at the premises used by subsidiary "UAB Ecoservice" and certain buildings and facilities were damaged. Assets worth EUR 571,000 were destroyed and written off. The buildings were leased from UAB Gariūnu ekologianiai projektai and insured by Compensa Vienna Insurance Group ADB. The insurer administers the claim file. There are requests to compensate the incurred costs related to buildings, equipment, lost profits and other incurred costs. A pre-trial investigation is currently underway, and the environmental investigation has not been completed. Due to uncertainty, no assets and liabilities are recognized at the current stage.

43. Business combinations and acquisition of non-controlling interests

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities as at the date of acquisitions in 2023 were:

	Fair value recognised on acquisition, EUR'000	Fair value recognised on acquisition, EUR'000	Fair value recognised on acquisition, EUR'000	Fair value recognised on acquisition, EUR'000
	Pilsētas Eko Serviss, SIA	B124, SIA	PES serviss, SIA	Metal-Plast Sp.z o.o.
Assets				
Intangible assets	1 178	-	-	-
Property, plant and equipment*	1 350	515	-	11 076
Inventories	126	-	-	3 883
Receivables	2 236	3	202	3 565
Current investments	-	-	-	767
Cash	47	4	130	1 269
Liabilities				
Leases	-	-	-	(621)
Trade payables and other liabilities	(2 011)	(8)	(104)	(3 581)
Non-controlling interest**	-	-	-	(6 454)
Total	2 926	514	228	9 904
Goodwill arising on acquisition	2 242	914	1 021	20 361
Purchase consideration transferred	5 168	1 428	1 249	30 265

*Reported at provisional amounts.

**The Group has elected option to recognize Non-Controlling interest at fair value.

The acquired business contributed revenues of EUR 13.99 million and net profit of EUR 2.21 million to the Group for the period from 1 January 2023 to 31 December 2023.

Acquisition of Pilsētas Eko Serviss, SIA, B124, SIA and PES serviss, SIA

In January 2023 the Group's subsidiary SIA "Latvijas Zaļais Punkts" acquired 100% of road maintenance company Pilsētas Eko Serviss, SIA. The transaction resulted in the acquisition of 100% of the shares in Pilsētas Eko Serviss, PES serviss, and B 124. A reorganisation process was initiated in 2023 and finished on 1 December 2023. All rights and obligations of the companies were transferred to Eco Baltia vide. Before the reorganisation process, initial accounting for the acquisition was completed.

Acquisition of Metal-Plast Sp.z o.o.

In November 2023 the Group's subsidiary Homecourt So.z o.o. acquired 82,42% of the largest recycler of PVC window and door profiles in Poland - Metal-Plast Sp.z o.o.. At the date of issuing these Financial statements initial accounting for the acquisition is not complete as certain fair value measurements for Property, plant and equipment acquired is not yet finalised. These assets are reported as a part of buildings and constructions, equipment at the provisional amount of 11,1 million. Accordingly these amounts might change in the future reporting periods.

43. Business combinations and acquisition of non-controlling interests (continued)

The fair values of the identifiable assets and liabilities as at the date of acquisitions in 2022 were:

	Fair value recognised on acquisition, EUR'000	Fair value recognised on acquisition, EUR'000
	Tesil Fibres S.r.o.	"Mano aplinka plius" UAB
Assets		
Non-current assets	10 419	72
Right-of-use assets	8 882	-
Inventories	7 485	-
Current assets	3 188	150
Cash	406	-
Liabilities		
Leases	(9 787)	-
Deferred tax liability	(1 425)	(80)
Liabilities	(11 959)	-
Total	7 209	142
Goodwill arising on acquisition	-	668
Purchase consideration transferred	7 209	810

Acquisition of Tesil Fibres S.r.o.

In September 2022 the Group's subsidiary AS "PET Baltija" acquired 100% of leading Czech fibre producer Tesil Fibres S.r.o. At the date of issuing these Financial statements initial accounting for the acquisition is complete as certain fair value measurements for Property, plant and equipment acquired is finalised. As a result, total non-current assets have been identified at value of 10,4 million EUR. Therefore, retrospective changes have been made, because at the date of issuing financial statements for 2022, Property, plant and equipment was at provisional amounts. Additionally, after the issuance of financial statements for 2022, AS "PET Baltija" and the Seller of Tesil Fibres S.r.o. has come to an agreement to reduce the selling price to 7,2 million EUR based on agreed terms in Share Purchase Agreement.

Acquisition of UAB Mano aplinka plius

On the basis of the contract concluded on 31 August 2022 UAB "Ecoservice" acquired 100 percent of UAB "Mano aplinka plius" shares. On 1 September 2022 UAB "Ecoservice" was added to the list of shareholders and a securities account was opened for the company.

44. Events after the reporting date

Eco Baltia's company, Eco Baltia vide, has approved an investment of EUR 2.3 million for the construction of two construction waste sorting and recycling yards. The sites will be located in the Baltic Sea region (Rumbula) and in Liepaja, and are scheduled to open this spring. The investment aims to consolidate the company's commitment to the circular economy by reducing and reusing construction waste.

After the reporting period, Eco Baltia approved a plan to assess the Group's strategic environmental business options. Eco Baltia is considering different potential alternatives that can add value to the companies' shareholders, customers and employees. Together with external advisors, Eco Baltia is reviewing its business portfolio. As part of this process, the management board of the company may consider a sale, merger or other transaction involving Eco Baltia companies. However, there is no certainty whether the assessment will result in any transactions. The market will be informed on progress as appropriate.

44. Events after the reporting date (continued)

Two members of AS PET Baltija board have resigned – Kaspars Ezernieks on 16 February 2024 and Dagnija Levcenoka on 10 April 2024, due to personal reasons. Currently, the functions of the board will be carried out by its remaining members, while the responsibilities will be internally reassigned within the company.

In February 2024 the downstream merger procedures of the Group's subsidiary Homecourt Sp.z.o.o. and its subsidiary Metal-Plast Sp. z.o.o. started and at 11 April 2024 it was finalized, after which the surviving entity is Metal-Plast Sp. z.o.o. At the date of publishing these consolidated financial statements final post acquisition structure has been achieved where UAB Eco Recycling holds 70% in Metal-Plast Sp.z o.o. and 30% is owned by SIDN Family Foundation. As at 31.12.2023 UAB Eco Recycling, holding company in Lithuania, shareholders are Eco Baltia (55%) and INVL Baltic Sea Growth Fund (45%).

UAB Ecoservice, the Lithuania-based waste management company of Eco Baltia group, the largest environmental management and waste recycling group in the Baltics, is committed to invest up to EUR 18 million in the rebuilding the Vilnius Sorting Centre, which was devastated by a fire last year. The investment will also be used to improve the infrastructure of the sorting center and modernise it to contribute more to the circular economy. The Company has received an approval from credit institution for partial financing for the investments.

The Group continues expanding its activities and range of environmental services. In March the purchase agreement concluded by the parties, which requires merger authorisation from the Latvian Competition Council (CC), provides for the acquisition of 100% of the shares in Eko Osta. With the conclusion of the transaction, Eko Osta will become one of the companies in the environmental management sector of the Eco Baltia group, specialising in the management of hazardous and environmentally harmful waste.

SIA "Eco Baltia vide" participated in the auction organized by SIA "Publisko aktīvu pārvaldītājs Possessor" on March 4, 2024, for the sale of 40.4% of the state and Daugavpils municipality's shares in AS "Daugavpils specializētais autotransporta uzņēmums", with the winning bid being EUR 1 220 175,26. According to the auction terms, within 25 working days after receiving the auctioneer's invitation, a share purchase agreement must be concluded and the difference between the auctioned share package price and the auction security fee paid. Payment for the awarded shares was made on April 16, 2024. SIA "Eco Baltia vide" plans to acquire an additional 56.2% of AS "Daugavpils specializētais autotransporta uzņēmums" shares in 2024.

The financial effects that are known and can be estimated are disclosed (e.g., amounts of expected investments or prices for shares paid according to publicly available sources). Amounts that cannot be disclosed due to uncertainty or confidentiality of agreements are not disclosed as of the date of signing these financial statements. In the period from the last day of the reporting year to the date of signing these financial statements, there have been no other events that would result in adjustments to these financial statements or that should be explained in these financial statements.

_____ Māris Simanovičs, Chairman of the Board	_____ Santa Spūle, Board Member	_____ Sīgita Namatēva, Board Member	_____ Saulius Budrevičius, Board Member
_____ Dace Namīķe, Chief Accountant			

THIS DOCUMENT IS SIGNED ELECTRONICALLY WITH A SAFE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ECO BALTIA AS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eco Baltia AS and its subsidiaries ("the Group") set out on pages 9 to 55 of the accompanying consolidated annual report, which comprise:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of comprehensive income for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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) (IESBA Code), 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 Matters

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

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We have determined the matter described below to be the key audit matter to be communicated in our report:

Key audit matter

Valuation of goodwill

Refer to Note 14 to the financial statements

As disclosed in Note 14 the Group has recorded a significant amount of goodwill that is subject to an annual impairment test. As at 31 December 2023, the goodwill amounts to 63.3 m EUR which represents 26% of total assets.

The Group performs an annual impairment test of non-current assets including goodwill to identify impairment losses, arising when the recoverable amount of cash generating unit is lower than the carrying amount recorded. Based on the impairment test, no impairment losses for goodwill have been identified during year 2023.

The 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, gross margin, discount rates as well as the Group management's ability to realize those assumptions and overall development of the economy. Adverse changes to these assumptions caused by volatility of the markets the Group operates in may negatively influence the carrying value of non-current assets presented in the Group's consolidated statements of financial position as of 31 December 2023.

Accordingly, the impairment test of goodwill is considered to be a key audit matter.

Reporting on Other Information

The management is responsible for the other information. The other information comprises:

- General Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 4 to 7 of the accompanying consolidated Annual Report,
- the Statement of Management responsibilities, as set out on page 8 of the accompanying consolidated Annual Report.

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

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How the matter was addressed in the audit

Our procedures included, but were not limited to:

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 evaluation, 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 those to both internal sources of information available within the Group as well as externally available industry, economic and financial data. Our assessment included sensitivity analysis.

Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results.

We assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS as adopted by EU.

If, based on the work we have performed and in light of the knowledge and understanding of the Group 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.

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 consolidated financial statements are prepared is consistent with the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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- 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 cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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