

**JOINT STOCK COMPANY
ECO BALTIA**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
OF JUNE 30, 2023**

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

AND REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

RIGA, 2023

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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	Maskavas 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
Management Board Members of the Parent Company	Māris Simanovičs – Chairman of the Management Board Santa Spūle – Management Board Member Sigita Namatēva – Management Board Member Saulius Budrevičius – Management Board Member from 13 th July 2023
Reporting period	1 January – 30 June 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 Company or Parent Company) hereby presents a management report regarding the consolidated interim condensed financial statements of the JSC (AS) Eco Baltia group (hereafter referred to – the Group) for the business period from January 1st 2023 until June 30th 2023.

Group business profile

Eco Baltia is the largest environmental and waste management group in the Baltics, providing the full-cycle waste management solutions from waste collection and sorting to secondary raw material logistics, wholesale and raw material processing as well as PET and PE/PP plastics recycling as well as the production of PET fibres. Eco Baltia business are strategically divided into two business segments – Polyethylene Terephthalate (“PET”) and plastic recycling and environmental management services.

Currently the Group employs over 2,200 people in Latvia, Lithuania and Czech Republic with leading companies in the existing portfolio including PET Baltija, Nordic Plast, Eco Baltia vide, Latvijas Zaļais punkts, Jumis, Lithuanian group of companies Ecoservice and Czech Republic TESIL Fibres. During the reporting period the acquisition of the street and road maintenance company Pilsētas Eko Serviss was concluded within the Group.

Development and financial performance of the Group during the reporting period

Along with the acquisitions implemented last year, in the reporting period work continued on the evaluation of new business lines and acquisitions, thus aiming to further strengthen the Group's position and market share both in Latvia and internationally, while developing and expanding the full-cycle waste chain in the Group's overall service portfolio.

At the beginning of 2023, the Group company Eco Baltia vide, through its subsidiary Latvijas Zaļais punkts, concluded a deal to acquire the street and road maintenance company Pilsētas Eko Serviss.

The transaction resulted in the acquisition of 100% of the shares in Pilsētas Eko Serviss, PES Serviss and B 124. In 2023, the reorganization process has been initiated, in accordance with the requirements of the regulatory enactments and the process foreseen therein, all three companies in several stages of the process will be incorporated into the Group's subsidiary Eco Baltia vide.

The Group's two largest subsidiaries in the environmental segment, Eco Baltia vide and Ecoservice, continue to develop a number of projects during this reporting period, including the establishment and expansion of specialized sites for sorting construction waste and the promotion of the sorting of household waste, textiles and other materials. At the same time, the "Tocha" brand and its portable toilets service are being further promoted in the Latvian market, strengthening the market position while maintaining a consistently high-quality bar.

During the period, the Group's environmental companies also submitted bids for a number of public tenders for the provision of waste management services, road maintenance and other services. During the period, the bid submitted by the environmental management company Eco Baltia vide in the public tender for waste management in the municipality of Salaspils was recognized as the most appropriate and financially advantageous, and the company will continue to provide municipal waste management services to residents and businesses in the municipality of Salaspils after the expiry of the current contract (from 1 October). The total value of the contract is €7 million (excluding VAT) for a period of three years with an option to extend. Ecoservice has been awarded the right to provide waste management services in Klaipeda and Vilnius for the next five years, as well as these and other services in other regions of Lithuania for varying periods.

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

A producer responsibility system for tobacco products with filters and filters intended for use with tobacco products is due to be introduced in Latvia this year. A market study and survey carried out by the Association of Traditional and Smokeless

AS ECO BALTIA INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

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

In the Group's PET bottle and plastic packaging recycling sector, capacity expansion projects continued during the reporting period. Nordic Plast completed the testing of the new plastic sorting and recycling line, which was built last year with an investment of more than EUR 2.8 million, ensuring stable operation and a gradual increase in production capacity. Nordic Plast's production capacity is expected to increase by at least 29% thanks to the modernization of the plant, although the increase may vary in line with the current volatile situation in the recycled market.

PET Baltija, the Group's PET bottle recycler, continues work on the development of its new production facility in Olaine. Considering the situation in the secondary raw materials market, which particularly deteriorated in the fourth quarter of 2022, contributing to the decrease in the net realizable value of the inventories of the subsidiary PET Baltija, PET Baltija and the Parent Company have agreed with Luminor Bank Latvian Branch on the Parent Company's decision on the subordinated short-term loan to PET Baltija of EUR 1.5 million and long-term loan to TESIL Fibres EUR 4 million. The purpose of the loans is to expand the production capacity, ensuring its maximum utilization and further development of the business, including activities in new market segments.

During the reporting period, Eco Baltia issued its first bonds of EUR 8 million with significant investor interest, demand exceeding the maximum offer volume by 3.5 times. The first bonds were issued in the amount of EUR 8 million. The bonds mature on 17 February 2026 with an option for the issuer to redeem the bonds after two years. The bonds are listed on Nasdaq Baltic's alternative market "First North" since 2 March 2023. At the same time, Eco Baltia is evaluating financing opportunities in the capital markets with the potential to issue new bonds of up to EUR 10 million with a maturity of up to three years in the form of a closed offer to facilitate the implementation of new business development projects.

Given that the Group's business model and operations are geared towards embedding circular economy principles in the daily implementation of various sustainable business practices, active work on the development and implementation of a consolidated ESG (environmental, social and governance) strategy for the Company and its key subsidiaries, which commenced in 2022, continues during this reporting period. One of the objectives is to implement a common ESG performance and strategy monitoring and reporting system at all business levels.

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

The Group closed the first six months of 2023 with a profit of EUR 1.8 million (six months of 2022: profit of EUR 6.2 million). The Group's turnover for the first six months of 2023 is EUR 112 million, an increase of 13.5% compared to EUR 98.7 million in the first six months of 2022, mainly due to the acquisition of new businesses, the solid and convincing performance of the environmental management sector in the first half of the year 2023 and the focus on productivity, efficiency and automation.

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

In view of this situation, the Group recognized impairment of EUR 1.3 million on the goodwill of TESIL Fibres, a subsidiary of PET Baltija acquired last year, following a review of the goodwill.

In the period under review, the Group's consolidated EBITDA, calculated before the non-cash goodwill impairment of 1.3 million EUR, amounted to 16.3 million EUR, compared to 14.6 million EUR in the first six months of 2022.

Future prospects

The Company's main objectives in 2023, in line with its strategic objectives, are to improve working conditions, support employees, ensure the highest level of occupational safety and improve ESG and sustainability.

In 2023, investments in the recycling sector and waste and environmental management will continue to support further growth, efficiency and competitiveness of the Group companies. In 2023, production at the new PET Baltija plant is planned to start gradually, tripling PET production.

Investments in efficiency and automation are also important to reduce the impact of rising energy and labour costs.

AS ECO BALTIA INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2023

In 2023, the Group will continue to promote synergies between Group companies to achieve maximum benefit from the full-cycle waste management process involving all companies.

Events after the reporting date

The reorganization process of Eco Baltia vide, Pilsētas Eko Serviss, PES Serviss and B 124 continues and is planned to be completed by the end of this year. The mergers are taking place in several stages throughout the year.

On 5th October 2023 AS "Ceļu pārvalde", with whom Pilsētas Eko Serviss has a membership in the partnership "Daugavas labā krasta uzturētājs", has declared insolvency. SIA "Pilsētas Eko Serviss" continue to ensure the fulfillment of the above agreement.

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

After the reporting period, Eco Baltia's shareholder, INVL Baltic Sea Growth Fund, a private equity fund in the Baltic States, agreed with Eco Baltia to acquire 70% of Metal-Plast, the largest PVC window recycler in Poland, in order to assess the Group's future development opportunities. The transaction is expected to close in the fourth quarter of 2023. For this purposes on 29th September 2023 the Eco Baltia AS made an investment to the share capital of UAB Eco Recycling (Lithuania based company) by becoming 60% shareholder. On 12th October 2023 the clearance by the Polish Competition and Consumer Office was received allowing to proceed with the transaction.

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

After the reporting period, there were changes in the composition of the Management Board of both Eco Baltia's parent company and its recycling company PET Baltija. Saulius Budrevičius, Supervisory Board member of the environmental management company Eco Baltia vide, joined Eco Baltia's Board, while Kaspars Ezernieks, the company's current CEO and board member, joined PET Baltija's board in July and Jūlija Zandersone, the board's chairwoman, in September. Salvis Lapiņš, the previous chairman of PET Baltija's board, worked for the company until 21st of July this year. On 2nd October Czech Republic based Group's subsidiary TESIL Fibres CEO Jiri Novak was replaced by interim CEO Sergejs Mališevs.

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

This management report was signed for the Group on 19 October 2023 by:

<hr/>	<hr/>	<hr/>	<hr/>
Māris Simanovičs, Chairman of the Management Board	Santa Spūle, Management Board Member	Sigita Namatēva, Management Board Member	Saulius Budrevičius, Management Board Member

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Consolidated statement of comprehensive income

		01.01.2023.- 30.06.2023. EUR	01.01.2022.- 30.06.2022. EUR (not reviewed)
Net turnover	3	112 041 267	98 722 805
Production cost of goods sold		<u>(93 370 472)</u>	<u>(81 503 660)</u>
Gross profit		18 670 795	17 219 145
Selling and distribution expenses		(3 452 450)	(3 629 958)
Administrative expenses		(8 465 336)	(6 361 533)
Other operating income		481 489	345 403
Other operating expenses		(1 922 813)	(453 184)
Finance income		1 770	4 807
Finance costs		<u>(3 026 209)</u>	<u>(1 120 635)</u>
Profit before tax		2 287 246	6 004 045
Corporate income tax		(150 848)	(4 819)
Deferred corporate income tax		<u>(58 424)</u>	<u>281 946</u>
PROFIT FOR THE REPORTING PERIOD		2 077 974	6 281 172
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange rate differences on translation of foreign operations		<u>(257 556)</u>	-
Total comprehensive income for the period after tax		1 820 418	6 281 172
Total comprehensive income attributable to:			
Majority interests		1 819 423	6 227 872
Non-controlling interests		995	53 300
Profit attributable to:			
Majority interests		2 076 979	6 227 872
Non-controlling interests		995	53 300

The accompanying notes on pages 12 to 25 form an integral part of these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements were signed on behalf of the Group on 19 October 2023 by:

Māris Simanovičs,
Chairman of the
Management Board

Santa Spūle,
Management Board
Member

Sīgita Namatēva,
Management Board
Member

Saulius Budrevičius,
Management Board
Member

Olga Jakovele,
Chief Accountant

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Consolidated statement of financial position for the period ended at 30 June 2023

	Notes	30.06.2023. EUR	31.12.2022. EUR
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments		2 403 145	2 071 371
Development costs		1 368 298	822 654
Goodwill	4	42 986 919	40 155 615
Total intangible investments		46 758 362	43 049 640
Property, plant and equipment			
Land, buildings and constructions		5 628 110	5 216 420
Right-of-use assets		34 021 119	37 436 780
Non-current investments in leased property, plant and equipment		145 791	214 936
Equipment and machinery		24 282 894	22 801 801
Other property, plant and equipment, and inventories		9 680 018	7 918 548
Construction in progress		9 393 369	11 610 991
Prepayments for property, plant and equipment		2 488 043	1 270 228
Total property, plant and equipment	5	85 639 344	86 469 704
Non-current financial investments			
Other securities and investments		21 200	21 200
Prepaid expenses		313 418	258 239
Other non-current receivables		111 295	26 000
Total non-current financial assets		445 913	305 439
Total non-current investments		132 843 619	129 824 783
Current assets			
Inventories			
		13 839 277	18 445 415
Receivables			
Trade receivables		20 468 393	18 214 506
Other loans		-	290
Other receivables		1 302 976	1 422 288
Prepaid expenses		1 236 055	778 521
Accrued income		5 868 841	3 688 202
Total receivables		28 876 265	24 103 807
Cash and cash equivalents		8 288 705	8 063 375
Non-current assets held for sale		-	485 000
Total current assets		51 004 247	51 097 597
TOTAL ASSETS		183 847 866	180 922 380

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Consolidated statement of financial position for the period ended at 30 June 2023

	Notes	30.06.2023. EUR	31.12.2022. EUR
LIABILITIES			
Equity			
Share capital	6	35 005	35 005
Share premium		20 623 389	20 623 389
Translation reserve		(125 847)	131 709
Consolidated reserves		19 926 630	19 926 630
Retained earnings brought forward		19 317 887	10 939 809
Profit for the reporting period		2 076 979	8 378 078
Equity attributable to the shareholders of the Parent Company		61 854 043	60 034 620
Non-controlling interests		715 050	714 055
Total equity		62 569 093	60 748 675
Liabilities			
Non-current liabilities			
Long-term debt securities - bonds	7	8 000 000	-
Loans from credit institutions	8	38 486 325	28 263 863
Lease liabilities	9	21 868 793	23 034 645
Deferred income		1 206 977	1 425 261
Other payables		18 580	22 803
Deferred income tax liability		2 001 721	1 463 138
Total non-current liabilities		71 582 396	54 209 710
Current liabilities			
Loans from credit institutions	8	12 188 271	23 828 135
Lease liabilities	9	5 419 554	6 604 468
Prepayments received from customers		943 324	894 373
Debt securities - bonds		238 222	-
Trade payables		15 889 033	23 240 631
Corporate income tax		92 824	23 705
Taxes payable		3 201 894	2 792 287
Other payables		3 567 318	3 270 274
Deferred income		378 595	535 476
Accrued liabilities		7 757 382	4 754 686
Unpaid dividends		19 960	19 960
Total current liabilities		49 696 377	65 963 995
Total liabilities		121 278 773	120 173 705
TOTAL EQUITY AND LIABILITIES		183 847 866	180 922 380

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Consolidated statement of changes in equity for the period ended at 30 June 2023

	Share capital	Consolidated reserves	Share premium	Translation reserve	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 period	-	-	-	-	6 227 872	6 227 872	53 300	6 281 172
Dividend payout	-	-	-	-	(8 000 000)	(8 000 000)	-	(8 000 000)
Non-controlling interest change	-	-	-	-	361 089	361 089	(822 059)	(460 970)
Balance as at 30 June 2022 (not reviewed)	35 005	19 926 630	20 623 389	-	17 210 811	57 795 835	870 607	58 666 442
Profit for the reporting period	-	-	-	-	2 076 979	2 076 979	995	2 077 974
Other comprehensive income	-	-	-	(257 556)	-	(257 556)	-	(257 556)
Balance as at 30 June 2023	35 005	19 926 630	20 623 389	(125 847)	21 394 866	61 854 043	715 050	62 569 093

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Consolidated statement of cash flows for the period ended at 30 June 2023

Notes	01.01.2023.- 30.06.2023. EUR	01.01.2022.- 30.06.2022. EUR (not reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES		
	2 287 246	6 004 045
<i>Profit before tax</i>		
<i>Adjustments for:</i>		
	9 635 131	7 519 007
	2 996 447	1 120 635
	(1 770)	(4 807)
	(71 352)	(62 967)
	(295 049)	(179 586)
4	1 345 763	-
	(176 102)	(142 950)
	15 720 314	14 253 377
<i>Profit before adjustments for the effect of changes in current assets and current liabilities</i>		
<i>Adjustments for:</i>		
	(2 795 320)	(1 931 421)
	(3 260 730)	6 449 362
	4 606 138	(3 811 274)
	14 270 402	14 960 044
CASH FLOWS FROM OPERATING ACTIVITIES		
	(2 550 921)	(1 095 472)
	19 823	(107 842)
	11 739 304	13 756 730
Net cash flows from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
	(6 572 667)	(10 195 314)
	322 312	384 280
11	(7 663 487)	(498 007)
	2 000	-
	1 752	1 933
	(13 910 090)	(10 307 108)
Net cash flows used in the investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
8	6 110 145	3 910 158
7	8 000 000	-
8	(7 346 822)	(2 449 961)
	(4 303 151)	(3 892 004)
	-	417 926
	-	(8 000 000)
	2 460 172	(10 013 881)
Net cash flows used in the financing activities		
Net cash flow for the reporting period		
	289 386	(6 564 259)
Result of fluctuations of foreign currency exchange rates		
	(64 056)	229
Cash and cash equivalents at the beginning of the reporting period		
	8 063 375	11 818 727
Cash and cash equivalents on the reporting date		
	8 288 705	5 254 967

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Olga Jakovele,
Chief Accountant

Notes to the interim condensed consolidated financial statements as of June 30, 2023

1. General information

The core business activity of JSC (AS) "Eco Baltia" and its subsidiaries (hereafter – 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.

Except for, SIA "Pilsētas Eko Serviss", there is no seasonality of operations. SIA Pilsētas Eko Serviss during the winter season (Dec – Feb) provides intensive snow cleaning services of roads in territory of Riga Municipality. In summer period there are street maintenance services provided and cleaning of territories. The work intensity and service provided varies of the season.

The Group Parent Company is JSC (AS) "Eco Baltia". The subsidiaries of the Group as at June 30, 2023 are as follows:

- 100% in SIA "Nordic Plast" (31.12.2022: 100%) (registered office: Rūpnīcu iela 4, Olaine; LV 2114, Latvia). 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% in AS "PET Baltija" (31.12.2022: 94.9%) (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% in Tesil Fibres s.r.o. (31.12.2022: 100% acquired in September 2022) (registered office: Průmyslová 451, Planá nad Lužnicí 391 02, Czech Republic).
- 100% in SIA "Polimēru parks" (31.12.2022: 100%) (registered office: Maskavas iela 240-3, Riga, LV 1063, Latvia). 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:
 - a) 100% in AS "Latvijas Zaļais punkts" (31.12.2022: 100%) (registered office: Maskavas 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" on 10.11.2022 has been liquidated and excluded from Commercial register of Republic of Latvia on 10.11.2022.
 - (ii) 100% in SIA "Pilsētas Eko Serviss" (31.12.2022: none. 100% acquired in January 2023) (registered office: Jāņavārtu iela 19A, Riga, LV 1073, Latvia). The company's core business activities include provision of road and street maintenance services. With the acquisition of the subsidiary the Group has gained a membership in the partnership "Daugavas labā krasta uzturētājs" (joint venture), which was established together with AS "Ceļu pārvalde" and SIA "Rīgas tilti" with the purpose of execution of the agreement concluded with the Transport department of Rīga City Council on daily maintenance of transport structure in Rīga in the period from 2019 to 2024. According to the partnership agreement Pilsētas Eko Serviss participates in profit or loss in the proportion to the amount of actually performed work by each member. Each of the partnership member separately and all together are responsible for the performance of the agreement concluded with the customer. On 5th October 2023 AS "Ceļu pārvalde" declared insolvency. SIA "Pilsētas Eko Serviss" continue to ensure the fulfillment of the above agreement.
 - (iii) 100% in SIA "PES Serviss" (31.12.2022: none. 100% acquired in January 2023) (registered office: Jāņavārtu iela 19A, Riga, LV 1073, Latvia). The company's core business activities include repair service of specialized road cleaning vehicles and cleaning of public transport stops in Riga.
 - (iv) 100% in SIA "B124" (31.12.2022: none. 100% acquired in January 2023) (registered office: Jāņavārtu iela 19A, Riga, LV 1073, Latvia). The company's core business activities include management of the real estate.
 - b) 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: Smiltinės g. 32, Smiltinė, LT-85365 Akmenės r., Lithuania). The company's core business activities include sorting and recycling of polyethylene material.

1. General information (continued)

(ii) 100% in UAB "Mano Aplinka plius" (31.12.2022: 100%) (registered office: Elektrines g 3, Vilnius LT-03150, Lithuania). The company's core business activities include services of special cleaning works (cleaning of fuel tanks, LPG tanks, oil separators, waste, pipes and food fat separators).

(iii) 66% in UAB "Pagėgių savivaldybės komunalinis ūkis" (31.12.2022: 66%) (registered office: Vilniaus g. 16A, Pagėgiai, Lithuania). The company is not currently engaged in active economic activity.

(iv) 98.99% in UAB "Ecoservice Projektai" (31.12.2022: 98.99%) (registered office: Pramonės str. 8, Šiauliai, LT-78149, Lithuania). The company's core business activities include waste collection and recycling, territory maintenance, sanitation services.

(iv.i) UAB "Ecoservice Projektai" owns the 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: Maskavas 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.
- 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.

2. Basis of preparation of interim condensed consolidated financial statements

This condensed consolidated interim financial statements for the reporting period ended 30 June 2023 has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by JSC (AS) "Eco Baltia" during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3. Net turnover

	01.01.2023.- 30.06.2023.	01.01.2022.- 30.06.2022. (not reviewed)
Income from processing of recyclable raw materials	49 271 590	50 194 937
Income from waste management	52 216 868	39 717 252
Income from organization of packaging management system	5 828 079	4 853 766
Income from sorting and sale of recyclables	4 292 343	3 694 096
Other income	432 387	262 754
Total	112 041 267	98 722 805

Income by geographical markets are distributed as follows:

	01.01.2023.- 30.06.2023.	01.01.2022.- 30.06.2022. (not reviewed)
Other Member States of the European Union	39 164 088	40 875 842
Republic of Lithuania	33 043 067	29 979 237
Republic of Latvia	31 767 536	24 189 137
Republic of Czechia	6 886 468	1 736 518
Outside the Member States of the European Union	1 180 108	1 942 071
Total	112 041 267	98 722 805

3. Net turnover (continued)

Income by business segments are distributed as follows:

Revenue and results for 6 months ended 30.06.2023:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Consolidated adjustments and eliminations	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	50 758 315	56 409 512	5 831 169	5 671 599	(6 629 328)	112 041 267
Production cost of goods sold	(48 423 937)	(42 215 897)	(4 358 564)	(3 051 478)	5 195 947	(92 853 929)
Gross profit	2 334 378	14 193 615	1 472 605	2 620 121	(1 433 381)	19 187 338
Selling and distribution expenses						(3 452 450)
Administrative expenses						(8 981 879)
Other operating income						481 489
Other operating expenses						(1 922 813)
Finance income						1 770
Finance costs						(3 026 209)
Profit before tax						2 287 246
Corporate income tax						(150 848)
Deferred corporate income tax						(58 424)
PROFIT FOR THE REPORTING PERIOD						2 077 974
Assets	63 658 889	123 373 568	15 045 262	56 383 374	(74 613 227)	183 847 866
Liabilities	48 324 717	72 684 103	7 526 001	11 566 649	(18 822 697)	121 278 773

3. Net turnover (continued)

Revenue and results for 6 months ended 30.06.2022:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Consolidated adjustments and eliminations	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	46 164 331	51 311 130	4 873 200	1 310 491	(4 936 347)	98 722 805
Production cost of goods sold	(40 207 368)	(40 174 909)	(3 512 789)	(325 281)	3 683 687	(80 536 660)
Gross profit	5 956 963	11 136 221	1 360 411	985 210	(1 252 660)	18 186 145
Selling and distribution expenses						(3 629 958)
Administrative expenses						(7 328 533)
Other operating income						345 403
Other operating expenses						(453 184)
Finance income						4 807
Finance costs						(1 120 635)
Profit before tax						6 004 045
Corporate income tax						(4 819)
Deferred corporate income tax						281 946
PROFIT FOR THE REPORTING PERIOD						6 281 172
Assets (31.12.2022)	74 035 903	116 334 467	8 572 581	43 867 379	(61 887 950)	180 922 380
Liabilities (31.12.2022)	55 918 496	69 774 115	1 826 869	1 771 743	(9 117 518)	120 173 705

4. Goodwill

	01.01.2023.- 30.06.2023.	01.01.2022.- 30.06.2022. (not reviewed)
Balance at the beginning of the reporting period	40 155 615	38 141 402
Acquisition of a subsidiaries (SIA "Pilsētas Eko Serviss", SIA "PES Serviss" and SIA "B 124")	4 177 067	-
Impairment/write off of goodwill	(1 345 763)	-
Balance on the reporting date	42 986 919	38 141 402
including		
<i>Recycling of raw materials</i>	16 737 084	16 737 084
<i>Waste management</i>	23 381 797	18 536 280
<i>Organization of packaging management system</i>	2 868 038	2 868 038

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 (Organization of packaging management system, Collection, sorting & trading and street cleaning and Recycling).

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, SIA "Pilsētas Eko Serviss", SIA "PES Serviss" and SIA "B 124");
- Organization of packaging management system (AS "Latvijas Zaļais punkts");
- Recycling (SIA "Nordic Plast" (NPL), AS "PET Baltija" (PTB) and "TESIL Fibres" S.r.o (TSL)).

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:

- The cash flow projection is formulated based on managerial forecasts for a maximum duration of five years, culminating in a terminal value assessment at the close of 2026. With the exception of Tesil fibres, for which the forecast extends to 2032, with a corresponding terminal value calculated for year-end 2032.
- 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 12.1% to all Latvian Environment segment companies including SIA "Eco Baltia vide", AS "Latvijas Zaļais punkts", SIA "Jumis" and SIA "Pilsētas Eko Serviss", 10.0% for UAB "Ecoservice" group, 10.4% for SIA "Nordic Plast", 10.6% for AS "Pet Baltija" and 10.0% for Tesil Fibres s.r.o.
- Terminal value is estimated based on Gordon growth model in perpetuity with 2% perpetual growth rate of cash flows (European central bank long term inflation rate target).

In the reporting period in 2023, impairment in the amount of EUR 1.3 million has been recognised for the Group's subsidiary "TESIL Fibres" S.r.o (TSL).

5. 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	Payments on account 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	620 946	28 505	1 957 845	1 814 175	5 552 012	1 156 455	11 129 938
Reclassified	-	-	2 249 536	(109 061)	3 214 801	(4 012 887)	1 342 389
Disposals	(292 706)	-	(162 775)	(295 317)	(1 400)	-	(752 198)
30.06.2022. (not reviewed)	5 926 125	2 730 671	40 470 700	15 738 473	9 410 761	1 339 121	75 615 851
Acquired	40 499	31 463	693 286	1 617 591	1 206 941	1 602 315	5 192 095
Reclassified	-	-	5 797 528	296 528	(3 154 563)	(384 500)	2 554 993
Disposals	-	-	(1 452 030)	(117 847)	(270 000)	-	(1 839 877)
Acquired at acquisition of a subsidiary	514 984	-	-	1 349 992	-	-	1 864 976
30.06.2023.	6 581 829	2 773 848	49 670 628	22 269 134	9 393 369	2 488 043	93 176 851
Accumulated depreciation							
31.12.2021.	502 390	2 311 097	15 826 702	9 390 300	-	-	28 030 489
Calculated	165 991	99 175	2 708 813	935 759	-	-	3 909 738
Depreciation of disposed assets	-	-	11 629	(121 332)	-	-	(109 703)
Reclassified	-	-	279 482	21 803	-	-	301 285
30.06.2022. (not reviewed)	668 381	2 410 272	18 826 626	10 226 530	-	-	32 131 809
Calculated	144 882	100 608	3 670 173	1 426 717	-	-	5 342 380
Depreciation of disposed assets	324	-	(1 207 798)	(98 768)	-	-	(1 306 242)
Reclassified	-	-	1 161 706	57 110	-	-	1 218 816
Exchange rate fluctuations	(1 413)	-	(66 390)	(265)	-	-	(68 068)
30.06.2023.	953 719	2 628 057	25 387 734	12 589 116	-	-	41 558 626
Balance sheet value							
30.06.2022. (not reviewed)	5 257 744	320 399	21 644 074	5 511 943	9 410 761	1 339 121	43 484 042
30.06.2023.	5 628 110	145 791	24 282 894	9 680 018	9 393 369	2 488 043	51 618 225

In the reporting period several subsidiaries of the Group companies were engaged in construction and technological investments development projects. Construction in progress as at 30.06.2023. in amount of EUR 9.4 million mainly consists of recycling company PET Baltija is being in process of production expansion to more than triple the existing food-grade rPET capacities by acquiring new technology line, at the date of reporting construction in progress represents EUR 8 million related to this project.

The Group companies has committed to invest in following significant long term assets: PET Baltija recycling equipment in amount of EUR 7.3 million and Eco Baltia vide sorting line facility development in amount of EUR 11.7 million.

5. 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	3 587 784	1 453 727	707 375	5 748 886
Reclassified	155 066	(1 031 043)	109 061	(766 916)
Disposals	-	(423 366)	(214 751)	(638 117)
30.06.2022. (not reviewed)	13 720 632	11 593 570	10 432 671	35 746 873
Additions	1 031 073	-	1 897 354	2 928 427
Reclassified	-	(2 647 635)	(73 394)	(2 721 029)
Disposals	-	-	(202 915)	(202 915)
30.06.2023.	23 333 377	15 169 019	12 612 462	51 114 858
Accumulated depreciation				
31.12.2021.	3 837 741	1 136 831	4 297 817	9 272 389
Charge for the period	1 141 389	771 170	900 993	2 813 552
Reclassified	-	(279 482)	(39 025)	(318 507)
Depreciation of disposed assets	-	(168 025)	(108 233)	(276 258)
30.06.2022. (not reviewed)	4 979 130	1 460 494	5 051 552	11 491 176
Charge for the period	1 638 800	1 054 279	946 113	3 639 192
Changes in value	1 194 839	69 277	804	1 264 920
Reclassified	-	(1 158 691)	(43 369)	(1 202 060)
Depreciation of disposed assets	-	-	(67 195)	(67 195)
Exchange rate fluctuations	(134 400)	(79 982)	(331)	(214 713)
30.06.2023.	8 855 128	1 803 842	6 434 769	17 093 739
Balance sheet value				
30.06.2022. (not reviewed)	8 741 502	10 133 076	5 381 119	24 255 697
30.06.2023.	14 478 249	13 365 177	6 177 693	34 021 119

*The Group leases several assets including manufacturing technique, machines, equipment. 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.

The maturity analysis of lease liabilities is presented in note 9.

6. Share capital

Paid share capital of the Group as at 30.06.2023. 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>30.06.2023.</u>	<u>31.12.2022.</u>
Share capital, EUR	35 005	35 005
Number of shares	35 005	35 005
Par value of each share	1.00	1.00

7. Long-term debt securities – bonds

	<u>30.06.2023.</u>	<u>31.12.2022.</u>
Debt securities -bonds	8 000 000	-
Total	8 000 000	-

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.

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 30.06.2023. JSC (AS) “Eco Baltia” has complied with the above requirements.

8. Loans from credit institutions

	Currency	<u>30.06.2023.</u>	<u>31.12.2022.</u>
Non-current loans			
Bank (non-current part, repayable within 2-5 years)	EUR	38 486 325	28 263 863
Total		38 486 325	28 263 863
Non-current loan current part			
Bank (non-current part, repayable within 1 year)*	EUR	10 040 743	18 914 522
Bank (credit line)	EUR	2 147 528	4 739 478
Total		12 188 271	23 654 000
Loan interest			
Bank	EUR	-	174 135
Total		-	174 135
Total current loans		12 188 271	23 828 135
Total loans from credit institutions		50 674 596	52 091 998

* As at 31 December 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 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 have reached an agreement than non-compliance with the mentioned Equity ratio covenant will not be considered as a case of Event of default in accordance with the General Financing Terms after the reporting date. In 2023 financial covenants are set on the Group Consolidated level. As of 30 June 2023 there was covenant calculation which determined classification as at 30 June 2023 as Non-current.

Loans interest rates

Within the Group of Eco Baltia, bank loans have been granted to 4 companies by the end of the year – SIA “Eco Baltia vide”, SIA “Nordic Plast”, AS “PET Baltija” and UAB “Ecoservice”.

Company	Currency	Total amount	Repayment term	Interest rate	30.06.2023	31.12.2022
SIA “Eco Baltia vide”	EUR	12 927 000	04.08.2025	3M EURIBOR + margin	10 285 977	11 246 047
SIA “Eco Baltia vide”	EUR	8 700 000	31.08.2025	3M EURIBOR + margin	6 521 174	7 320 389
SIA “Eco Baltia vide”	EUR	631 896	30.06.2026	3M EURIBOR + margin	600 891	-
SIA “Eco Baltia vide”	EUR	5 200 000	31.12.2025	3M EURIBOR + margin	4 678 898	-
UAB “Ecoservice”	EUR	12 923 541	05.08.2025	3M EURIBOR + margin	10 070 184	11 081 195
UAB “Ecoservice”	EUR	2 964 125	30.11.2025	3M EURIBOR + margin	2 790 070	2 964 125
AS “PET Baltija”	EUR	1 173 770	30.06.2023	3M EURIBOR + margin	-	150 434
AS “PET Baltija”	EUR	6 000 000	30.09.2025	3M EURIBOR + margin	5 535 807	5 729 290
AS “PET Baltija”	EUR	7 500 000	05.09.2027	3M EURIBOR + margin	6 625 204	7 380 206
AS “PET Baltija”*	EUR	5 900 000	31.05.2024	3M EURIBOR + margin	2 131 303	4 739 478
SIA “Nordic Plast”	EUR	1 700 000	17.02.2026	3M EURIBOR + margin	1 435 088	1 306 699
Total					50 674 596	51 917 863

8. Loans from credit institutions (continued)

Credit line

On 30 June 2023, the Group's companies had credit line in the amount of EUR 6 400 000 (on 31.12.2022: EUR 8 500 000). All conditions set for the receipt of these credit resources were complied with. Available as at 30.06.2023. EUR 4 252 472 (2022: EUR 3 761 000).

Factoring

The Group companies AS "PET Baltija", and SIA "Nordic Plast", have entered into factoring agreements with Luminor Līzings SIA, TESIL Fibres s.r.o. has entered into factoring agreement with Factoring České spořitelny, a.s. 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 7 343 362 (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.

Pledges

The financing provided by Luminor Bank AS 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 agreements of the transfer of claims on debtors (for payment of outstanding amounts) to Luminor Bank AS. 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. In 2023 the Group has pledged shares of newly acquired companies.

Additionally, the Group's companies use the leasing services provided by Luminor Līzings SIA.

Covenants

In accordance with bank loans, leasing and factoring contracts, financial covenants in 2023 are set on the Group Consolidated level.

Due to the market situation in the last quarter of 2022 and the corresponding revaluation of raw material inventories of AS "PET Baltija", Eco Baltia's subsidiary AS "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 as some financial covenants were set at Group's subsidiaries level. 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. In 2023 financial covenants are set on the Group Consolidated level. As of 30 June 2023 there was covenant calculation which determined classification as at 30 June 2023 as Non-current.

According to the managements' calculations performed using normalised EBITDA and other consolidated financial data as of 30.06.2023. the Group have complied with covenants set at Eco Baltia Consolidated level; 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.

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	Total liabilities of loans from credit institutions arising from financing activity
Liabilities from financing activity on 01.01.2023.	52 091 998
Received loans	6 110 145
Repaid loans	(7 346 822)
Cost of attracting financing	(6 588)
Calculated interest	1 705 369
Repaid interest	(1 879 506)
Liabilities from financing activity on 30.06.2023.	50 674 596

8. Loans from credit institutions (continued)

In 2022	Total liabilities of loans from credit institutions arising from financing activity
Liabilities from financing activity on 01.01.2022.	40 380 065
Received loans	3 910 158
Repaid loans	(2 449 961)
Cost of attracting financing	133 538
Calculated interest	793 984
Repaid interest	(877 615)
Liabilities from financing activity on 30.06.2022. (not reviewed)	41 890 169

9. 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 the aforementioned assets at the par value thereof at the end of the lease term. On 30 June 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 2023 to 2027.

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:

	30.06.2023		31.12.2022.	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	5 968 500	5 419 554	6 920 207	6 604 468
In a year, but not longer than five years	22 575 976	21 868 793	23 937 885	23 034 645
Total minimum lease payments	28 544 476	27 288 347	30 858 092	29 639 113
Financial costs	(1 256 129)	-	(1 218 979)	-
Current value of minimum lease payments	27 288 347	27 288 347	29 639 113	29 639 113

As at 31 December 2022 the share of Luminor lizings SIA in finance 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 30 June 2023 there was covenant calculation which determined classification as at 30 June 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.

10. Financial risk management

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

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

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has subsidiary TESIL Fibres registered and operating in the Czech Republic, accordingly Assets and Liabilities included in Groups consolidation amounts to 23 million EUR equivalent on stand alone basis. The Group has no material financial assets and liabilities denominated in currencies other than the euro. Consequently, the Group's exposure to foreign currency risk was insignificant in the reporting period.

10. Financial risk management (continued)**Interest rate risk**

The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and finance lease liabilities bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense.

The Group companies SIA "Eco Baltia vide", UAB "Ecoservice", SIA "Nordic Plast" and AS "PET Baltija" have non-current loans from credit institutions bearing interest at a floating EURIBOR rate; therefore, these companies are exposed to interest rate risk, which are not hedged by means of interest rate swap contracts.

Credit risk

Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank, trade receivables and issued non-current and current other loans.

Cash at bank

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

Trade receivables

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

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

Issued non-current and current loans

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

Categories of financial instruments	30.06.2023	31.12.2022
	EUR	EUR
Financial assets		
Cash at bank and on hand at amortised cost	8 288 705	8 063 375
Other investments and securities at fair value	21 200	21 200
Loans and receivables carried at amortized cost value	27 640 210	23 325 286
Total financial assets	35 910 115	31 409 861
Financial liabilities		
Financial liabilities carried at amortized cost value	115 039 010	115 000 202
Total financial liabilities	115 039 010	115 000 202

Liquidity Risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 8), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month. The Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negatively jeopardized. As at 31.12.2022 Groups current liabilities are 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. In 2023 financial covenants are set on the Group Consolidated level. As of 30 June 2023 there was covenant calculation which determined classification as at 30 June 2023 as Non-current.

10. 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
30 June 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	29 999 431	29 999 431	25 001 309	3 774 925	1 223 196
Long-term debt securities - bonds	8 000 000	9 838 222	160 000	480 000	9 198 222
Lease liabilities	27 288 347	28 676 536	1 603 423	4 471 346	22 601 767
Borrowings	50 674 596	53 960 941	3 368 412	9 830 560	40 761 969
Total non-derivative financial liabilities	115 962 374	122 475 130	30 133 144	18 556 831	73 785 154
Total financial liabilities	115 962 374	122 475 130	30 133 144	18 556 831	73 785 154

Fair value

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 30 June 2023 is as follows:

	Carrying amount, EUR	Fair value, EUR
Debt securities - bonds	8 238 222	8 320 000 (Level 1)

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.

11. Business combinations and acquisition of non-controlling interests**Assets acquired and liabilities assumed**

In January 2023, the Group's subsidiary SIA "Latvijas Zaļais punkts", completed the acquisition of 100% of the road and street maintenance Company SIA "Pilsētas Eko Serviss", including acquisition of 100% SIA "PES Serviss" and SIA "B 124". The companies are providing road and street maintenance services. As the result acquisition it is expected to increase the group's share in this segment and expand operations.

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

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

	Fair value recognised on acquisition, EUR'000
	Acquired subsidiaries
Assets	
Intangible assets*	1 178
Property, plant and equipment*	1 864
Inventories	126
Receivables	2 441
Cash	182
Liabilities	
Trade payables and other liabilities	(2 123)
Total	3 668
Goodwill*	4 177
Purchase consideration transferred cash	7 845

*based on provisional amounts since as at reporting date valuation of Intangible assets (customer agreements) and Property plant and equipment is not yet finalised.

The acquired business contributed revenues of EUR 4.4 million and net profit of EUR 1.5 million to the Group for the period from 1 January 2023 to 30 June 2023.

12. Events after the reporting date

The reorganization process of Eco Baltia vide, Pilsētas Eko Serviss, PES Serviss and B 124 continues and is planned to be completed by the end of this year. The mergers are taking place in several stages throughout the year.

On 5th October 2023 AS "Ceļu pārvalde", with whom Pilsētas Eko Serviss has a membership in the partnership "Daugavas labā krasta uzturētājs", has declared insolvency. SIA "Pilsētas Eko Serviss" continue to ensure the fulfillment of the above agreement.

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

After the reporting period, Eco Baltia's shareholder, INVL Baltic Sea Growth Fund, a private equity fund in the Baltic States, agreed with Eco Baltia to acquire 70% of Metal-Plast, the largest PVC window recycler in Poland, in order to assess the Group's future development opportunities. The transaction is expected to close in the fourth quarter of 2023. For this purpose, on 29th September 2023 the Eco Baltia AS made an investment in to the share capital of UAB Eco Recycling (Company based in Lithuania) Holding company for future target acquisition (SPV) by becoming 60% shareholder. On 12th October 2023 the clearance by the Polish Competition and Consumer Office was received allowing to proceed with the transaction.

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

After the reporting period, there were changes in the composition of the Management Board of both Eco Baltia's parent company and its recycling company PET Baltija. Saulius Budrevičius, Supervisory Board member of the environmental

12. Events after the reporting date (continued)

management company Eco Baltia vide, joined Eco Baltia's Board, while Kaspars Ezernieks, the company's current CEO and board member, joined PET Baltija's board in July and Jūlija Zandersone, the board's chairwoman, in September. Salvis Lapiņš, the previous chairman of PET Baltija's board, worked for the company until 21st of July this year. On 2nd October Czech Republic based Group's subsidiary TESIL Fibres CEO Jiri Novak was replaced by interim CEO Sergejs Mališevs.

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

These interim condensed consolidated financial statements were signed on behalf of the Group on 19 October 2023 by:

Māris Simanovičs,
Chairman of the
Management Board

Santa Spūle,
Management Board
Member

Sigita Namatēva,
Management Board
Member

Saulius Budrevičius,
Management Board
Member

Olga Jakovele,
Chief Accountant

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REPORT ON REVIEW of INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**To the shareholders of AS Eco Baltia***Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of AS Eco Baltia and its subsidiaries (hereinafter the „Group”), which comprise the statement of financial position as at June 30, 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information (“interim condensed consolidated financial statements”).

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements does not give a true and fair view of the financial position of the Group as at June 30, 2023 and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

Other matter

The interim condensed consolidated financial statements for the for the six-month period ended 30 June 2022 are not reviewed.

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Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 4 to 6, the preparation of which is the responsibility of management, is consistent with the interim condensed consolidated financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Group. Nothing has come to our attention that causes us to believe that there are material inconsistencies between the Management Report and the interim condensed consolidated financial statements.

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