JOINT STOCK COMPANY
ECO BALTIA

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2022

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

RIGA, 2023

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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, Broadgate City of London One Exchange Square, London EC2A 2JN (United Kingdom) (30.51%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Council Members of the Parent Company	Vytautas Plunksnis – Chairman of the Council Deimante Korsakaite – Deputy Chairperson of the Council Jurgita Petrauskiene - Council Member Gints Pucēns - Council Member Atienza Guell Alberto - Council Member from 03.10.2022 Peter Niklas Hjelt - Council Member until 03.10.2022
Board Members of the Parent Company	Māris Simanovičs - Chairman of the Board Santa Spūle – Board Member Sigita Namatēva - Board Member Anita Saulīte - Board Member until 10.11.2022
Reporting period	1 January – 30 September 2022
Independent auditors and their address	SIA “Deloitte Audits Latvia” Grēdu iela 4A Riga, Latvia, LV-1019 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 financial statements of the JSC (AS) "Eco Baltia" group (hereafter referred to - the Group) for the business period from January 1st 2022 until September 30th 2022.

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. Eco Baltia business is strategically divided into two business segments - Polyethylene Terephthalate ("PET") recycling and environmental management services.

The Group employs over 2,200 people in Latvia, Lithuania and Czech Republic with leading companies in the existing portfolio including PET Baltija, TESIL Fibres, Eco Baltia vide, Ecoservice, Latvijas Zaļais punkts and Nordic Plast. The Grou p has 25 operational facilities across Latvia, Lithuania and Czech Republic.

Development and financial performance of the Group during the reporting period

In the first three quarters of 2022, the Group companies continued dynamic and vertically integrated growth in accordance with the long-term strategy. During the period Eco Baltia subsidiaries concluded several acquisitions to strengthen its positions in the international market and to expand services offered by the group's companies.

In the middle of September 2022 Eco Baltia's subsidiary PET Baltija has completed the acquisition of 100% of shares of a leading Czech fibre producer TESIL Fibres. TESIL Fibres is the Czech Republic's largest producer of poliester fibre with 135 employees and an annual capacity of 33 000 tones, reaching revenues of 27 million euro last year. This transaction puts PET Baltija on the map as a key international player in the PET recycling sector.

PET Baltija as the leading Northern Europe PET recycler continued its investments in production expansion set to more than triple the existing food-grade rPET capacities. New factory of PET Baltija is under construction. In the reporting period non-consolidated stand alone revenues of PET Baltija almost doubled - reaching 64.22 million euro compared to 36.43 million euro in the same period in 2021. Following the acquisition of TESIL Fibres, PET Baltija will represent the companies as an international player and further strengthening its contribution towards sustainable development. Net profit of PET Baltija in the reporting period was 2.58 million euro.

Polymer packaging recycling company Nordic Plast in the reporting period also continued organic growth supported by the investment in the production capacity. Company's stand alone revenues in the first 9 months of 2022 reached 9.93 million euro. Revenues grew by 41% comparing to 7.02 million euro in the 9-month period year before.

In the first 9 months of 2022 Eco Baltia's environmental management segment also showed stabile growth, expanding business portfolio and services provided by the Groups companies. In September 2022 one of the Eco Baltia environmental management companies - Ecoservice - acquired 100% of shares of the company Mano Aplinka plius UAB. Mano Aplinka plius provides services in the fields of oil trap and fuel tank cleaning, grease trap and cleaning equipment maintenance, video diagnostics of pipelines, sewage disposal services, flushing of pipelines and emergency responses.

Along with the acquisition of Mano Aplinka plius, new investments in wastewater management, road cleaning and maintenance and processing technologies are also planned both in Lithuania and Latvia in 2023.

In the reporting period Eco Baltia vide launched and introduced to the market new service - portable toilets with the branding "Tōcha". Launch was successful and new service convincingly conquered market, showing strong competition to other portable toilets service providers.

Both in Latvia and Lithuania environmental management companies continued investment for construction debris sorting and management fields. Ecoservice made investments to broaden and improve existing construction debris sorting field, but Eco Baltia vide started construction of the new site.

In the segment of producer responsibility organization, maintenance of systems for the management of packaging waste, waste of electric and electronic equipment and waste of goods harmful to the environment was continued during the reporting year in accordance with the requirements of the legal acts and the State Environmental Service (SES). Operation of the Group company Latvijas Zaļais punkts was organised in accordance with the management programs 2020-2022, approved by the State Environmental Service. New programs for the period 2023- 2025 were prepared and approved by SES.

Efforts aimed at improvement efficiency, productivity, competitiveness, customer service and working environment, as well as labour safety was put in all business segments by actively implementing various LEAN methods in all Group companies.

In its activities, the Group complies with environmental protection requirements. The Group also plays an important role in informing and educating the public, through involvement and campaigns to promote waste sorting and improve the quality of waste sorting. Key leitmotif of the Group's growth is to introduce sustainable business model and also take active part to promote sustainability and circular economy, ensuring that amount of the recycled secondary raw materials keeps growing. The Group also improves implementation of the corporate sustainability standards and ESG reporting system.

Group closed reporting period with the historically highest consolidated revenues - 154.94 million euro, which almost doubled compared to the relevant period year before. Revenues in the previous reporting period were 78.54 million euro. Group's net profit in comparison with first 9 months of 2021 grew by 33%, reaching 9.83 million euro. This is historically be st business result for the company, showing it's strategical and targeted growth in the international scale. Increase in turnover was partly promoted by the acquisition of Ecoservice in 2021, strong growth in PET and polymer recycling sectors and successful performance in the environmental management segment.

Future prospects

During the reporting period, investments in the updating and improvement of the Group's vehicle fleet, equipment and technical facilities continued, with the aim of ensuring ongoing operations of the Group and the provision of top-quality services to its clients. Improving working conditions, supporting its employees, ensuring the highest level of labor safety a nd improvement of ESG and sustainability are also among the Group's priorities.

In Q4 2022 and also 2023 investments in the recycling sector and waste management will be continued, to support further growth, efficiency and competitiveness of the Group's companies. In 2023 its planned to open the new factory of PET Baltija, to triple its rPET production. Investments in efficiency and automatization are also important to minimize the effects of the growing energy and labor costs.

In the beginning of 2023 modernization project (optical sorting, washing unit, size reduction and processing) of Nordic Plast facility will be finished. Total investment in the project is 2.8 million euro. Thanks to that production capacity of Nordic Plast will increase by at least 29% in 2023.

In 2022 Q4 and 2023 Group will continue promoting synergies between companies to achieve maximum advantage of full-cycle waste management process provided by all the companies.

Risk related to war in Ukraine

The war against Ukraine, launched by the Russian Federation on February 24, 2022, does not currently pose a significant impact to the company's operations, but affects production costs and overall sentiment on the markets. The Group has stopped all the trade relations with Russia and Belarus. The Group strictly complies all the sanctions introduced by EU and local governments regarding cooperation with Russia and Belarus.

Events after the reporting date

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 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 Group 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 Group's subsidiary SIA Eco Baltia vide through its subsidiary signed an agreement on 21 October 2022, under which it would acquire road and street maintenance company SIA Pilsētas Eko Serviss, including acquisition of 100% of SIA PES serviss and SIA B 124. Permission for the merger has been received from the Competition Council.

The process is expected to be concluded at the beginning of 2023. Financing of the transaction is planned by attracting Luminor Bank AS Latvian Branch funding. Upon conclusion of the transaction, acquired companies will become part of AS Eco Baltia group's companies in the environmental management segment specialising in street and road maintenance.

The shareholders of Parent company on 12 January has approved the issue of unsecured bonds which planned as a public offering in the near future subject to market conditions. It is planned that the bonds will be offered to both private and institutional investors and will be listed on "First North" alternative market of "Nasdaq Riga" after the placement.

Geopolitical uncertainty and the rapidly changing situation in neighboring countries call for greater vigilance and preparedness for unforeseen situations. The impact on the overall economic situation (Latvia's economy growth in Q3 is slowing down and inflation is keeping very high) 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 apply the going concern basis.

This management report was signed for the Group on 13 January 2023 by:

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

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Consolidated statement of comprehensive income

		01.01.2022.- 30.09.2022. EUR	01.01.2021.- 30.09.2021. EUR (not reviewed)
Net turnover	3	154 938 539	78 535 856
Production cost of goods sold		(128 211 203)	(61 362 972)
Gross profit		**26 727 336**	**17 172 884**
Selling and distribution expenses		(5 932 008)	(3 968 487)
Administrative expenses		(10 701 444)	(5 430 457)
Other operating income		900 823	572 237
Other operating expenses		(549 157)	(356 111)
Finance income		11 643	9 575
Finance costs		(1 748 276)	(580 491)
Profit before tax		**8 708 917**	**7 419 150**
Corporate income tax		(99 954)	(122 942)
Deferred corporate income tax		1 221 400	79 572
PROFIT FOR THE REPORTING PERIOD		**9 830 363**	**7 375 780**
Other comprehensive income for the year after tax		-	-
Total comprehensive income for the year after tax		**9 830 363**	**7 375 780**
Profit and comprehensive income attributable to:			
Majority interests		**9 861 764**	**7 240 811**
Non-controlling interests		**(31 401)**	**134 969**

The accompanying notes on pages 12 to 31 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 13 January 2023 by:

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

Olga Jakovele,
Chief Accountant

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Consolidated statement of financial position for the period ended at 30 September 2022

	Notes	30.09.2022 EUR	31.12.2021 EUR
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments		2 516 216	3 956 534
Prepayments for intangible investments		433 644	107 971
Goodwill		40 155 616	38 141 402
Total intangible investments		**43 105 476**	**42 205 907**
Property, plant and equipment			
Land, buildings and constructions		5 279 392	5 095 495
Right-of-use assets	4	38 434 958	22 130 631
Non-current investments in leased property, plant and equipment		269 703	391 069
Equipment and machinery		23 697 513	20 599 392
Other property, plant and equipment, and inventories		6 449 521	4 938 376
Construction in progress	4	10 188 217	808 674
Prepayments for property, plant and equipment		1 659 536	4 195 553
Total property, plant and equipment		**85 978 840**	**58 159 190**
Non-current financial investments			
Other securities and investments		21 200	21 200
Prepaid expenses		228 015	390 202
Other loans		168 342	-
Other non-current receivables		-	28 000
Deferred income tax assets		3 697	1 599
Total non-current financial assets		**421 254**	**441 001**
Total non-current investments		**129 505 570**	**100 806 098**
Current assets			
Inventories		**27 310 686**	**12 773 555**
Receivables			
Trade receivables		19 381 885	15 127 228
Corporate income tax		-	21 590
Other loans		7 590	7 300
Other receivables		1 237 703	995 881
Prepaid expenses		1 049 172	462 281
Accrued income		2 963 986	3 679 659
Total receivables		**24 640 336**	**20 293 939**
Cash and cash equivalents		**6 836 281**	**11 818 727**
Total current assets		**58 787 303**	**44 886 221**
TOTAL ASSETS		**188 292 873**	**145 692 319**

The accompanying notes on pages 12 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of financial position for the period ended at 30 September 2022

	Notes	30.09.2022 EUR	31.12.2021 EUR
LIABILITIES			
Equity			
Share capital	5	35 005	35 005
Share premium		20 623 389	20 623 389
Consolidated reserves		19 926 630	19 926 630
Retained earnings brought forward		10 621 850	9 158 404
Profit for the reporting period		10 290 349	9 463 446
Equity attributable to the shareholders of the Parent Company		**61 497 223**	**59 206 874**
Non-controlling interests		762 247	1 639 366
Total equity		**62 259 470**	**60 846 240**
Liabilities			
Non-current liabilities			
Loans from credit institutions	6	29 405 740	34 686 137
Obligations under finance leases	7(a)	8 908 058	7 286 822
Lease liabilities	7(b)	13 537 059	4 393 029
Deferred income		1 606 167	1 288 975
Other payables		22 803	17 641
Deferred income tax liability		1 850 392	2 034 709
Total non-current liabilities		**55 330 219**	**49 707 313**
Current liabilities			
Loans from credit institutions	6	21 128 238	5 827 467
Obligations under finance leases	7(a)	4 234 102	3 554 553
Lease liabilities	7(b)	2 761 723	2 011 140
Prepayments received from customers		1 153 302	772 703
Trade payables		26 961 340	12 830 455
Corporate income tax		47 783	73 378
Taxes payable		2 290 899	1 949 841
Other payables		4 171 777	2 325 023
Deferred income		462 205	368 952
Unpaind dividends		21 387	-
Accrued liabilities		7 470 428	5 425 254
Total current liabilities		**70 703 184**	**35 138 766**
Total liabilities		**126 033 403**	**84 846 079**
TOTAL EQUITY AND LIABILITIES		**188 292 873**	**145 692 319**

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These consolidated financial statements were signed on behalf of the Group on 13 January 2023 by:

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

Olga Jakovele,
Chief Accountant

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Consolidated statement of changes in equity

	Share capital	Consolidated reserves	Share premium	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2020	**41 707 900**	**(996 928)**	**-**	**10 158 404**	**50 869 376**	**1 079 080**	**51 948 456**
Profit for the reporting period	-	-	-	7 240 811	**7 240 811**	134 969	**7 375 780**
Dividend payout	-	-	-	(1 000 000)	**(1 000 000)**	-	**(1 000 000)**
Buyout of minority shareholders shares	-	-	-	337 258	**337 258**	(942 258)	**(605 000)**
Increase of share capital	-	-	-	-	**-**	148 700	**148 700**
Acquisition of a subsidiary	-	538 005	-	-	**538 005**	4 816 141	**5 354 146**
Merger	(41 672 895)	21 049 506	20 623 389	-	**-**	-	**-**
Balance as at 31 September 2021	**35 005**	**20 590 583**	**20 623 389**	**16 736 473**	**57 985 450**	**5 236 632**	**63 222 082**
Profit for the reporting period	-	-	-	1 966 999	**1 966 999**	(16 747)	**1 950 252**
Buyout of minority shareholders shares	-	-	-	(81 622)	**(81 622)**	81 622	**-**
Acquisition of a subsidiary	-	(663 953)	-	-	**(663 953)**	(3 662 141)	**(4 326 094)**
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	-	-	-	9 861 764	**9 861 764**	(31 401)	**9 830 363**
Dividend payout	-	-	-	(8 000 000)	**(8 000 000)**	-	**(8 000 000)**
Buyout of minority shareholders shares	-	-	-	310 307	**310 307**	(845 718)	**(535 411)**
Merger	-	-	-	118 278	**118 278**	-	**118 278**
Balance as at 30 September 2022	**35 005**	**19 926 630**	**20 623 389**	**20 912 199**	**61 497 223**	**762 247**	**62 259 470**

The accompanying notes on pages 12 to 31 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 13 January 2023 by:

Māris Simanovičs,
Chairman of the Board

Santa Spūle,
Board Member

Sigita Namatēva,
Board Member

Olga Jakovele,
Chief Accountant

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Consolidated statement of cash flows

	Notes	01.01.2022.- 30.09.2022. EUR	01.01.2021.- 30.09.2021. EUR (not reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8 708 917	7 419 150
Adjustments for:			
Depreciation and amortization		11 493 172	5 880 073
Interest payments and similar expense		1 748 276	580 491
Interest (income) and similar (income)		(4 335)	(9 575)
(Gain)/loss on disposal of property, plant and equipment		(136 237)	(82 180)
(Income) from external co-financing		(309 288)	(258 189)
Changes in provisions and allowances		1 261 645	156 202
Revenue from other securities and loans which formed long-term financial investments		(7 308)	-
Loss from participation in the capital of associated company		-	100
Profit before adjustments for the effect of changes in current assets and current liabilities		**22 754 842**	**13 686 072**
Adjustments for:			
Decrease/(increase) in receivables		(1 869 610)	(1 828 014)
Increase in payables		7 254 738	8 739 951
Decrease/(increase) in inventories		(7 051 758)	(2 803 354)
CASH FLOWS FROM OPERATING ACTIVITIES		**21 088 212**	**17 794 655**
Interest paid		(1 690 290)	(492 204)
Interest income		6 592	-
Corporate income tax paid		(119 037)	(16 042)
Net cash flows from operating activities		**19 285 477**	**17 286 409**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible investments		(14 057 910)	(7 996 667)
Proceeds from sale of property, plant and equipment		484 354	492 523
Acquisition of subsidiaries, net of cash acquired		(7 902 699)	(21 526 924)
Acquisition of shares in associates and other companies		(489 007)	(605 000)
Net cash flows used in the investing activities		**(21 965 262)**	**(29 636 068)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	6	14 184 310	32 549 426
Repayment of borrowings	6	(4 080 306)	(9 209 116)
Repayment of the lease liabilities*		(1 863 913)	(1 130 243)
Payments of obligations under finance leases**		(3 272 669)	(1 876 085)
Income from issue of shares paid by non-controlling shareholders		-	148 700
EU co-financing		729 917	1 199
Dividends paid		(8 000 000)	(1 000 000)
Net cash flows used in the financing activities		**(2 302 661)**	**19 483 881**
Net cash flow for the reporting year		**(4 982 446)**	**7 134 222**
Cash and cash equivalents at the beginning of the year		**11 818 727**	**3 782 431**
Cash and cash equivalents on the reporting date		**6 836 281**	**10 916 653**

*The line indicated is in respect of the application of IFRS 16

**The line indicated is in respect of the lease agreements which were previously finance leases in accordance with IAS 17.

The accompanying notes on pages 12 to 31 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 13 January 2023 by:

Māris Simanovičs,
Chairman of the Board

Santa Spūle,
Board Member

Sigita Namatēva,
Board Member

Olga Jakovele,
Chief Accountant

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Notes to the interim condensed consolidated financial statements as of September 30, 2022

1. General information

The core business activity of 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.

The Group Parent Company is JSC (AS) "Eco Baltia".

The subsidiaries of the Group as at September 30, 2022 are as follows:

- 100% in SIA "Nordic Plast" (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 polyprophylen materials).
- 94.9% in AS "PET Baltija" (registered office: Aviācijas iela 18, Jelgava, LV 3004, Latvia). The company's business is the recycling of PET bottles.
  AS "PET Baltija" owns:
  a) 100% Tesil Fibres s.r.o. (registered office: Průmyslová 451, Planá nad Lužnicí 391 02, Czech Republic)
- 100% in SIA "Polimēru parks" (registered office: Maskavas iela 240-3, Riga, LV 1063, Latvia) The company is not currently engaged in active economic activity.
- 100% in SIA "Eco Baltia vide" (registered office: Getliņu iela 5, Stopiņi municipality, Rumbula, LV 2121, Latvia). The company's core business activities include waste collection (except hazardous waste), removal of construction debris and bulky waste, environmentally harmful waste management (tyres/batteries/electrical engineering) road and street cleaning, snow cleaning and removal, grass mowing, rental and service of toilet cubicles, sale of environmental management transport and equipment, room disinfection, buying secondary raw materials. SIA "Eco Baltia vide" owns following companies:
  a) 100% in AS "Latvijas Zaļais punkts" (registered office: Maskavas iela 240-3, Riga, LV 1063, Latvia). In accordance with the cooperation agreements entered into with the Ministry of Environmental Protection and Regional Development 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 Comercial register of Republic of Latvia.
  b) 100% in UAB "Ecoservice" (registered office: Gariūnų str. 71, Vilnius, Lithuania). The company is engaged in the collection, transportation and processing of various waste and secondary raw materials, territory maintenance, provision of sanitation services and other activities. UAB "Ecoservice" owns following companies:
  (i) 100% in UAB "Ecoplasta" (registered office: Smiltinės g. 32, Smiltinė, LT-85365 Akmenės r. , Lithuania). The company's core business activities include sorting and recycling of polyethylene material.
  (ii) 100% in UAB "Mano Aplinka plius" (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 (registered office: Vilniaus g. 16A, Pagėgiai, Lithuania). The company is not currently engaged in active economic activity.
  (iv) 98.93% 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.
  (v) 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" (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" (registered office: Blaumaņa iela 10, Sigulda, LV 2150, Latvia). The company's core business activities include household waste management, sorted waste management, removal of construction debris, seasonal services (grass mowing, leaf removal, snow removal). The company is managed by SIA "Vaania" on the basis of a concession agreement.

2. Group's Significant Accounting Policies

2.1. Summary of Group's Significant Accounting Policies

(a) Basis of preparation

These interim financial statements for the nine months ended 30 September 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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 2022. The guidelines that took effect on 1 January 2022 and their impact on the Group's financial statements is described below:

New and amended IFRS Standards that are effective for the current reporting period

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations" - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022.

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Group's financial statements.

(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 and Czech Republic, 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. 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 subsidiari es thereof is the monetary unit of the European Union euro (hereafter referred to as - EUR). All the amounts presented in the consolidated financial statements are presented in EUR, unless specified otherwise.

Account balances on 30 September 2022 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 estimate s 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:

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

(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 Annex (f) to the accounting policy.

(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 30 September 2022.

(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 30 September 2022.

(iv) Revenue recognition

Principles of revenue recognition have been described in the accounting policies No.(o).

(v) 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)

(vi) 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 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 30 September 2022.

(vii) 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.

(viii) The calculation of deferred tax liabilities

In Latvia Income tax are calculated - applying the rate of 20% laid down in the tax regulations of the Republic of Latvia in respect of the profit generated by subsidiaries. In Lithuania Income tax calculations are based on annual profit net of deferred income tax. Calculations of income tax are based on the requirements of the Lithuanian and Czech Republic regulatory legislation on taxation. Income tax rate for the companies in Lithuania for the years 2022 and 2021 was 15%, for Czech Republic – 19%.

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.

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

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.

The management of the Group has decided only partically to distribute the subsidiaries' profit in dividends in the foreseeable future. The Parent Company controls the timing of the reversal of the temporary difference and believes that significant part will not reverse in the foreseeable future. As of 30 September 2022 deferred tax liabilities arising from the Latvian, Lithuania n and Czech Republic subsidiaries calculations are recognized in the Group's financial statements in the amount of EUR 1 850 392. No deferred tax liability is recognised for the remaining part of taxable profits.

(ix) Uncertain tax position
With adoption of IFRIC 23 the Group has evalued its tax position and believes that no provisions are necessary for uncertain tax positions as at 30 September 2022.

(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. The cost method is used to account for the acquisition of subsidiaries, other than those acquired from parties under common control.

(ii) Subsidiaries
The consolidated financial statements include subsidiaries that are controlled by the 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 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 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 Parent Company and subsidiaries are equal. Consolidated financial statements are prepared using uniform accounting policies.

Financial statements of the 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 30 September 2022. During the consolidation process, all mutual transactions between the Group's companies and the balances 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.

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

Currency exchange rates set by the European Central Bank:

	30.09.2022	31.12.2021
1 EUR / 1 USD	0.9748	1.1334

(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 recogn ition, goodwill is measured at purchase cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

(ii) Other intangible investments

Other intangible investments mainly comprise costs of software and licences. 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 the net sales value 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.

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

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 net selling price and 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.

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. 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 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.

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

(ii) Subsequent measurement

After the initial measurement, financial assets, except for the assets recognized at fair value, are measured at the amortise d cost by applying effective interest rate method less impairment. Amortised cost is calculated taking into account the purchas e 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;
- 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 receivable s 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 othe r 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) Later 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)

(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.

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

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.

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.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfe r substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

(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 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 not recognised as liabilities unless the possibility of an outflow of resources is sufficiently reasoned. 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 sufficiently 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.

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

(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 2022 and 2021 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 inc ome tax rate for the years 2021 and 2022 is 19%.

Deferred tax
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 the Parent Company 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 rocgnised 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.

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

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 of the main types of income of the Group are described below.

Type of revenue	Nature of contracts and period of implementation of duties	Revenue recognition
Provision of services	Key types of the services provided by the Group are: 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. Using the Executor's waste bins, the Client accumulates dry household waste, as well as removal of sorted recyclable materials. The Executor undertakes to provide regular waste removal according to the schedule agreed in the Contract. The Client undertakes to provide removal of household waste, construction debris, sorted waste, as well as delivery of the necessary waste bins to the construction object.	Revenue generated from the services is recognised during the period of provision of these services according to the requirements and conditions of the contract. Services included in the contract may be separated, and they are priced separately. Revenue from these services is recognised separately - in the period of provision of the service.
Sale of goods	The Seller undertakes to sell, but the Purchaser 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 Purchaser at the moment of receipt of Products and mutual signing of the Contract for the International Carriage of Goods by Road (CMR). Property right to the Products transfer from the Seller to the Purchaser at the moment, when full payment is made.	Revenue from the selling of goods are recognised at the moment of transfer of control over the goods concerned, which is usually the moment, when the Group has sold or supplied goods to the client, the client has accepted the goods, and recovery of debt of the relevant debtor is justified.
Interest income	-	Interest income or costs of all financial instruments, which have been accounted in the amortised acquisition costs, are accounted by applying the actual interest rate, namely, the rate, which actually discounts the estimated future cash revenue throughout the period of the useful utilisation of the financial instrument or - depending on circumstances - within shorter period of time to the accounting value of the respective financial asset or financial condition of liabilities. Interest income from time deposits and cash balances are classified as financial revenue.
Other income	-	Other revenue from provision of services is recognised during the period of provision thereof. Other revenue from selling of materials is recognised, when the purchaser has accepted them.

Type of revenue	Nature of contracts and period of implementation of duties	Revenue recognition
Sales guarantees	The Group and the Company usually provide guarantees for the remedy of defects that existed on the moment of sale, as required by laws.	This guarantee is of assurance type and it is not provided as a separate service; the guarantee is accounted for under IAS 37

(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.

Information to be included in the Annex of certain Group's accounting policy and consolidated financial statements require determination of fair value of financial and non-financial assets and liabilities.

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. Fair value of the remaining financial instruments is estimated by discounting the expected future cash flows to net present values using appropriate market interest rates available at the end of the reporting period. The Group's interest-bearing liabilities are subject to the market 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.

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

(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 vestin g 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

	01.01.2022.- 30.09.2022.	01.01.2021.- 30.09.2021.
Income from processing of recyclable raw materials	80 114 594	43 338 636
Income from waste management	62 279 561	30 876 476
Income from organisation of packaging management system	7 410 571	-
Income from sorting and sale of recyclables	5 095 193	4 205 120
Other income	38 620	115 624
Total	154 938 539	78 535 856

In August 2021 the Groups Lithuania established subsidiary UAB "Eco Baltia Aplinka" acquired 85% of Lithuania established company UAB "AWT Holding". In December 2021 UAB Eco Baltia Aplinka acquired rest of the UAB AWT Holding shares - 15%. UAB "AWT Holding" was 100% shareholder of UAB "Ecoservice" and its subsidiaries which is engaged in the collection, transportation and processing of various waste and secondary raw materials, territory maintenance, provision of sanitation services and other activities.

In 2021 the management of the Group took a decision to reorganise number of companies in Lithuania, including parent company UAB "Eco Baltia Aplinka" and on 31 December 2021 UAB "Eco Baltia Aplinka", UAB "AWT Holding" and subsidiary of UAB "Ecoservice" - UAB "Ecoservice Klaipėda" were merged into UAB "Ecoservice".

Accordingly in 9M 2021 Groups' Net turnover includes only EUR 3.8 million generated by Ecoservice Group, while 9M 2022 Ecoservice Net turnover represents EUR 39.7 million. Rest of the strong growth was granted by PET and polymer recycling sectors and successful performance in the environmental management segment in Latvia.

4. Property, plant and equipment

	Construction in progress	Total
Acquisition value		
31.12.2020	**318 432**	**318 432**
Acquired	690 248	**690 248**
Reclassified	(54 680)	**(54 680)**
Disposals	(174 736)	**(174 736)**
Acquired at acquisition of a subsidiary	29 410	**29 410**
31.12.2021	**808 674**	**808 674**
Acquired	10 041 578	**10 041 578**
Reclassified	(659 497)	**(659 497)**
Disposals	(2 538)	**(2 538)**
30.09.2022	**10 188 217**	**10 188 217**
Balance sheet value		
31.12.2021	**808 674**	**808 674**
30.09.2022	**10 188 217**	**10 188 217**

In the reporting period several subsidiaries of the Group companies where engaged in construction and technological investments development projects. Construction in progress as at reporting date in amount of EUR 10.04 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 7.45 million related to this project;
- polymer packaging recycling company Nordic Plast in the reporting period also continued organic growth and started acquisition of technological equipment to increase the production capacity, at the date of reporting construction in progress represents EUR 1.39 million related to this project;
  in addition subsidiary in Lithuania performed improvements in premises and also in process of purchase fixed assets in amount of EUR 0.5 million.

Right-of-use assets

	Land, buildings and constructions	Equipment and machinery	Other property, plant and equipment, and inventory	Total
Cost				
31.12.2020	**5 138 482**	**1 961 051**	**8 513 946**	**15 613 479**
Additions	2 623 715	2 147 063	1 222 591	**5 993 369**
Reclassified	-	-	18 079	**18 079**
Disposals	(724 659)	-	(30 940)	**(755 599)**
Acquired at acquisition of a subsidiary	2 940 244	7 486 138	107 310	**10 533 692**
31.12.2021	**9 977 782**	**11 594 252**	**9 830 986**	**31 403 020**
Additions	2 749 121	2 792 339	905 521	**6 446 981**
Reclassified	-	-	207 662	**207 662**
Disposals	-	-	(214 750)	**(214 750)**
Acquired at acquisition of a subsidiary	8 583 279	10 029 838	47 406	**18 660 523**
30.09.2022	**21 310 182**	**24 416 429**	**10 776 825**	**56 503 436**
Accumulated depreciation				
31.12.2020	**2 537 928**	**529 580**	**2 827 848**	**5 895 356**
Charge for the year	1 603 132	607 251	1 487 190	**3 697 573**
Depreciation of disposed assets	(303 319)	-	(17 221)	**(320 540)**
31.12.2021	**3 837 741**	**1 136 831**	**4 297 817**	**9 272 389**
Charge for the period	1 952 916	6 172 213	1 261 000	**9 386 129**
Depreciation of disposed assets	-	(481 808)	(108 232)	**(590 040)**
30.09.2022	**5 790 657**	**6 827 236**	**5 450 585**	**18 068 478**
Balance sheet value				
31.12.2021	**6 140 041**	**10 457 421**	**5 533 169**	**22 130 631**
30.09.2022	**15 519 525**	**17 589 193**	**5 326 240**	**38 434 958**

In the reporting period Right-of-use assets has been increased by EUR 16.30 million.

4. Property, plant and equipment (continued)

Major part of the increase is caused by the fact that Eco Baltia's subsidiary PET Baltija has completed the acquisition of 100% of shares of a leading Czech fibre producer TESIL Fibres, where company has obligation to rent premises until 2023 and presented at 30 September 2022 at EUR 8.37 million and liabilities to lease fixed assets at EUR 5.12 million. Total right-of-use assets related to this acquisition is EUR 8.88 million (See Note 8).

In addition the Group's subsidiaries in Lithuania has moved to new premises in and are in process of acquiring fixed assets on financial lease in the amount of EUR 3.90 million as at the reporting date.

5. Share capital

Paid share capital of the Group as at 30.09.2022. 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.

	30.09.2022	31.12.2021
Share capital, EUR	35 005	35 005
Number of shares	35 005	35 005

6. Loans from credit institutions

	Currency	30.09.2022	31.12.2021
Non-current			
Bank (non-current part, repayable within 2-5 years)	EUR	29 405 740	34 686 137
Total		**29 405 740**	**34 686 137**
Current			
Bank (non-current part, repayable within 1 year)*	EUR	18 260 004	5 342 190
Bank (credit line)	EUR	2 868 234	401 647
Total		**21 128 238**	**5 743 837**
Loan interest			
Bank	EUR	-	83 630
Total		**-**	**83 630**
Total current loans		**21 128 238**	**5 827 467**
Total loans from credit institutions		**50 533 978**	**40 513 604**

***** portion of Loans from credit institutions with non-current terms in amount of EUR 10 736 680 presented as Current due to breach of Equity covenant set at Group consolidated level. However Luminor Bank AS Latvian Branch and respective Group subsidiary have reached an agreement than non-compliance with the mentioned Equity ratio covenant will not be considered as a case of Event of default in accordance with the General Financing Terms after the reporting date.

Loans interest rates

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

6. Loans from credit institutions (continued)

Company	Currency	Total amount	Repayment term	Interest rate	30.09.2022	31.12.2021
SIA "Eco Baltia vide"	EUR	12 927 000	04.08.2025	3M EURIBOR + interest rate	11 695 858	12 927 000
SIA "Eco Baltia vide"	EUR	8 700 000	31.08.2025	3M EURIBOR + interest rate	7 560 714	8 596 429
UAB "Ecoservice"	EUR	12 923 541	31.08.2025	3M EURIBOR + interest rate	11 847 783	12 923 541
UAB "Ecoservice"	EUR	3 866 250	16.09.2025	3M EURIBOR + interest rate	2 790 070	2 964 125
UAB "Ecoservice"*	EUR	500 000	04.08.2028	3M EURIBOR + interest rate	-	-
AS "PET Baltija"	EUR	1 173 770	30.06.2023	3M EURIBOR + interest rate	580 399	1 053 444
AS "PET Baltija"	EUR	6 000 000	30.09.2025	3M EURIBOR + interest rate	4 844 649	1 443 000
AS "PET Baltija"	EUR	7 498 948	05.09.2027	3M EURIBOR + interest rate	7 498 948	-
AS "PET Baltija"*	EUR	8 000 000	31.05.2023	3M EURIBOR + interest rate	2 868 234	401 646
SIA "Nordic Plast"	EUR	1 509 234	29.12.2022	3M EURIBOR + interest rate	30 197	120 789
SIA "Nordic Plast"	EUR	817 126	17.02.2026	3M EURIBOR + interest rate	817 126	-
Total					50 533 978	40 429 974

*Credit line

Credit line

On 30 September 2022, the Group's companies had credit line in the amount of EUR 8 500 000 (on 31.12.2021: EUR 1 260 000). All conditions set for the receipt of these credit resources were complied with. Available as at 30.09.2022. EUR 5 631 766 (2021: EUR 858 353).

Factoring

In 30.04.2013 the Group has entered into factoring agreements with Luminor Līzings SIA. The management of the Group believes that according to factoring arramgemnt the Group substantially transfers risks and rewards related to the factored receivables, therefore, it partially derecognises receivaibles at the moment cash is received from the factor. Amount of the receivables subject to the factoring arrangement amounts to EUR 5 747 926 (31.12.2021: EUR 3 752 709). The maturity of the factoring contracts is 31.05.2023.

Pledges

The Group's companies have received loans from Luminor Bank AS Latvian Branch and Luminor Bank AS Lithuanian Branch. Obligations arising from the loan contracts of Luminor Bank are mutually subordinated between all the Group's companies. Pledged assets, capital shares or shares, real estate of the Group's companies for the benefit of Luminor Bank AS Latvian Branch and mutual guarantees, cession contracts for transfer of claims against debtors to the bank for the repayment of the outstanding amounts and secured by assets and capital shares or commercial pledge of shares for the benefit of Luminor Bank AS serve as security of the granted financing. Subject of contract of the pledge of assets is the entire property of the Group's companies as the aggregation of property at the moment of pledging, as well as the future parts of this aggregation of property.

Additionally, the Group's companies use the leasing services provided by Luminor Līzings SIA, as well as issuing of guarantees.

Covenants

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

According to the subsidiaries' managements' calculations performed using normalised EBITDA and other financial data as of 30.09 2022 the Group companies has complied with the above requirements. However Equity ratio covenant is set for Eco Baltia Consolidated financial data calculated at consolidated level and can not be lower than 35%. As at 30 Sep tember Equity ratio covenant according to one subsidiary Loan agreements was breached. Accordingly portion of Loans from credit institutions with non-current terms of mentioned loans as at 30 September 2022 in amount of EUR 10 736 680 presented as Current. 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.

6. Loans from credit institutions (continued)

Loans movement

Changes arising from the obligations of financing activity

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

In 2022	Total liabilities of loans from credit institutions arising from financing activity
Liabilities from financing activity on 01.01.2022	**40 513 604**
Received loans	14 184 310
Repaid loans	(4 080 306)
Calculated interest	1 120 058
Repaid interest	(1 203 688)
Liabilities from financing activity on 30.09.2022	**50 533 978**

In 2021	Total liabilities of loans from credit institutions arising from financing activity
Liabilities from financing activity on 01.01.2021	**4 648 075**
Received loans	40 322 803
Repaid loans	(7 697 201)
Acquisition of a subsidiary	3 157 437
Calculated interest	601 117
Repaid interest	(518 627)
Liabilities from financing activity on 31.12.2021	**40 513 604**

7. (a) Obligation under finance leases

Obligations under finance leases 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 financial lease term. On 30 September 2022, effective interest rate applied to financial lease agreement was 3-month EURIBOR and added interest rate (31.12.2021: 3-month EURIBOR + added interest rate).

Maturity terms of financial leasing liabilities are during the period from 2022 to 2027.

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

	30.09.2022		**31.12.2021**	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	4 519 409	4 234 102	3 835 878	3 554 553
In a year, but not longer than five years	9 535 520	8 908 058	7 693 958	7 286 822
Total minimum lease payments	14 054 929	13 142 160	11 529 836	10 841 375
Financial costs	(912 769)	-	(688 461)	
Current value of minimum lease payments	**13 142 160**	**13 142 160**	**10 841 375**	**10 841 375**

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.

7. (b) Lease liabilities

Maturity analysis	**30.09.2022**	**31.12.2021**
Year 1	2 761 723	2 011 140
Year 2 - 10	13 537 059	4 393 029
Total	**16 298 782**	**6 404 169**

8. 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 acquisition 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*	9 092	72
Right-of-use assets*	8 882	-
Inventories	7 485	-
Current assets	3 188	150
Cash	406	-
Liabilities		
Leasing obligation	(877)	-
Lease liabilities (IFRS16)	(8 910)	-
Deferred tax liability	(1 154)	(80)
Liabilities	(11 959)	-
Total	6 153	142
Goodwill*	1 346	668
Purchase consideration transferred	7 499	810

**based on provisional amounts*

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 not complete as certain fair value measurments 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 4.4 million and right to use assets at provisional amount of 4.6 million EUR, respectively. Accordingly these amounts might change in the future reporting periods.

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.

9. Events after the reporting date

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 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 Group 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 Group's subsidiary SIA Eco Baltia vide through its subsidiary signed an agreement on 21 October 2022, under which it would acquire road and street maintenance company SIA Pilsētas Eko Serviss, including acquisition of 100% of SIA PES serviss and SIA B 124. Permission for the merger has been received from the Competition Council.

9. Events after the reporting date (continued)

The process is expected to be concluded at the beginning of 2023. Financing of the transaction is planned by attracting Luminor Bank AS Latvian Branch funding. Upon conclusion of the transaction, acquired companies will become part of AS Eco Baltia group's companies in the environmental management segment specialising in street and road maintenance.

Geopolitical uncertainty and the rapidly changing situation in European countries call for greater vigilance and preparedness for unforeseen situations. The impact on the overall European Union economic situation (EU growth in Q3 is slowing down and inflation is keeping very high) which may result in a revision of assumptions and estimates leading to a potential adjustments to the carrying amount of certain assets and liabilities if such situation occurs.

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 and therefore continues to apply the going concern basis.

On 10.11.2022 liquidation process of SIA "Eko Reverss" has been completed and the company is excluded from the commercial register of Republic of Latvia.

The shareholders of Parent company on 12 January has approved the issue of unsecured bonds which planned as a public offering in the near future subject to market conditions. It is planned that the bonds will be offered to both private and institutional investors and will be listed on "First North" alternative market of "Nasdaq Riga" after the placement.

As at 30 September Equity ratio covenant according to one subsidiary Loan agreements was breached. Accordingly portion of Loans from credit institutions with non-current terms of mentioned loans as at 30 September 2022 in amount of EUR 10 736 680 presented as Current. 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 addition General Financing Terms have been renegotiated in respect of Equity ratio calculation transforming it to the Adjusted Equity ratio covenant leaving the same level which can not be lower than 35% and introducing second covenant Net Financial debt to EBITDA which can not be more than 3.5 times.

As of the last day of the reporting period until the date of signing these consolidated interim financial statements there have been no additional events requiring adjustment of or disclosure in the consolidated financial statements or notes thereto

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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 (thereinafter the „Group"), which comprise the statement of financial position as at September 30, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-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 September 30, 2022, and

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of its financial performance and its cash flows for the nine-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 nine-month period ended 30 September 2021 are not reviewed.

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 5 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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