JOINT STOCK COMPANY
ECO BALTIA

CONSOLIDATED ANNUAL REPORT FOR THE YEAR 2022

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

RIGA, 2023

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

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General Information

Name of the Parent Company	Eco Baltia AS
Legal status of the Parent Company	Joint stock company
Registration number, place and date of registration of the Parent Company	40103435432 Riga, 08 July 2011
Registered office of the Parent Company	Maskavas iela 240-3, Riga, LV-1063, Latvia
Shareholders of the Parent Company	BSGF Salvus UAB, Gyneju g.14, Vilnius, Lithuania (52.81%) European Bank for Reconstruction and Development, Five Bank Street, London E14 4BG (United Kingdom) (30.51%) Enrial Holdings SIA, Baltā iela 5, Bukulti, Garkalnes novads, LV-1024 (15.93%) PENVI INVESTMENT LTD, Spyrou Kyprianou, 82, Euro House, 1 st floor, 4043, Limassol, Kipra (0.75%)
Supervisory Board Members of the Parent Company	Vytautas Plunksnis — Chairman of the Supervisory Board Deimante Korsakaite — Deputy Chairperson of the Supervisory Board Jurgita Petrauskiene – Supervisory Board Member Gints Pucēns – Supervisory Board Member Alberto Atienza Guell – Supervisory Board Member from 03.10.2022 Peter Niklas Hjelt – Supervisory Board Member until 03.10.2022
Management Board Members of the Parent Company	Māris Simanovičs - Chairman of the Management Board Santa Spūle – Management Board Member Sigita Namatēva – Management Board Member Anita Saulīte – Management Board Member until 10.11.2022
Financial year	1 January – 31 December 2022
Independent auditors and their address	SIA “Deloitte Audits Latvia” Republikas laukums 2A Riga, Latvia, LV-1010 License No 43 Inguna Staša Latvian Certified Auditor Certificate No 145

Management Report

Management of the JSC (AS) "Eco Baltia" (hereafter refer to – the Group or Parent Company) hereby presents a management report regarding the consolidated financial statements of the JSC (AS) "Eco Baltia" group (hereafter referred to – the Group) for the business period from January 1st 2022 until December 31st 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") and plastic recycling and and environmental management services.

Currently the Group employs over 2,300 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, Pilsētas Eko Serviss (since 21 January, 2023) and Nordic Plast. The Group has 25 operational facilities across Latvia, Lithuania and Czech Republic.

Development and financial performance of the Group during the reporting period

In 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 largest subsidiary **PET Baltija**, one of the largest PET recyclers in Northern Europe, 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 polyester fibre with 135 employees and an annual capacity of 33 000 tones, reaching revenues of 27 million euro in 2021. This transaction puts PET Baltija on the map as a key international player in the PET recycling sector and is strengthening its contribution towards sustainable development.

In 2022 PET Baltija continued its investments in production expansion set to more than triple the existing food-grade rPET capacities. In the middle of 2022 PET Baltija started the construction of the new plant, which is located in Olaine, Latvia. Company's investment in the new equipment for the new facility will totally reach over 10 million euro.

In 2022 plastic recycling company **Nordic Plast** started the modernization project of the sorting line to raise recycling capacity. Company installed new optical sorting line. Total investment in the project is 2,8 million euro and it was concluded in the beginning of 2023. Thanks to modernization of the facility production capacity of Nordic Plast will increase by at least 30% in 2023.

In 2022 Eco Baltia's environmental management segment also showed stabile growth, expanding business portfolio and services provided by the Groups companies. In the September 2022 Eco Baltia's environmental management company – **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.

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.

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 organized in accordance with the management programs 2020-2022, approved by the SES. 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 labor safety was put in all business segments by actively implementing various LEAN methods in all Group companies.

Considering high inflation and energy costs in Latvia, to support and help employees during heating season, when living costs increases significantly, **Eco Baltia** in December 2022 introduced special support program for employees. Support program included financial support for all Latvia employees (~900) for three months (Dec 2022 – Feb 2023). Each employee received totally 300 EUR (bruto) and total investment in this program reached ~ EUR 330 000.

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 year with the **historically highest consolidated revenue – 210,0 million euro**, which is increase by 75,0% compared to 120.0 million euro in 2021. In 2022 Group's consolidated net profit in comparison with 2021 decreased by 9%, reaching 8.4 million euro. If exluding PET Baltija recognized revaluation of stock in 2022 in amount of 3.3 million EUR, Group's net profit increase comparing to 2021 would reach 26%. PET and plastic recycling segment generated 100,0 million euro in revenues, while environmental segment – 110,4 million euro. This is historically best business result for Eco Baltia, showing it's strategical and targeted growth in the international scale. Increase in turnover was partly promoted by the acquisition of Ecoservice in 2021, TESIL Fibres acquisition in the September 2022, strong growth in PET and polymer recycling sectors and successful performance in the environmental management segment.

Future prospects

Improving working conditions, supporting its employees, ensuring the highest level of labor safety and improvement of ESG and sustainability are among the Group's priorities.

In 2023 investments in the recycling sector and waste, environmental management will be continued, to support further growth, efficiency and competitiveness of the Group's companies. In 2023 its planned to gradually start production in 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 Nordic Plast concluded modernization project of the facility and now company works on the further development projects to face the market situation and continue to expand in the market.

In 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 Groups 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 Latvijas Zaļais punkts in January 2023 completed acquisition of the road and street maintenance company SIA Pilsētas Eko Serviss, including acquisition of 100% of SIA PES serviss and SIA B 124. Accordingly acquisition loan was granted to SIA Eco Baltia vide in amount of EUR 5.2 million. In addition another loan was granted to SIA Eco Baltia vide in amount of EUR 7.2 million for new sorting line facility development.

In the beginning of 2023 Nordic Plast concluded modernization project of the facility and now company works on the further development projects to face the market situation and continue to expand in the market.

In the 17 February Eco Baltia during public offering process with high interest from investors issued 8 million euro of its inaugural 3-year bonds with annual coupon rate 8%. Maturity date of the bonds is set on February 17, 2026 with an option for the issuer to call bonds after 2 years. Issue was oversubscribed more than 3.5 times with orders from over 250 qualified and retail investors from Latvia and Lithuania. Total volume of received orders was 28,49 million euro. The proceeds raised from bond issue will be used to finance future development projects of Eco Baltia, with a focus on supporting the Group expansion plans in Europe and promoting the circular economy.

On March 2, 2023 – Nasdaq announces that bonds issued by Eco Baltia, the largest environmental and waste management group in the Baltics, have been admitted to trading on the Nasdaq Baltic First North market by Nasdaq Riga.

Due to the market situation in the last quarter of 2022 and the corresponding revaluation of raw material inventories of PET Baltija, Eco Baltia's subsidiary PET Baltija after the reporting period received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022. as set out in the General FinancingTerms. Accordingly portion of Loans from credit institutions with non-current terms of mentioned loans as at 31 December 2022 in amount of EUR 11 049 891 presented as Current.

In addition Luminor Bank AS Latvian branch has approved that Eco Baltia provides subordinated short-term loan of 1.5 million euro to the PET Baltija and long term loan of 4 million euro to the PET Baltija's subsidiary TESIL Fibres. The purpose of the loans is to expand production capacity and further business development, including in new market segments.

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 (high inflation, decline in consumption, energy costs, recession risks, floating sentiment in the export markets, situation in the labor market etc.) 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 31 May 2023 by:

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

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Statement of management responsibilities

The management of AS Eco Baltia confirms that the consolidated financial statement have been prepared in accordance with the applicable legislation requirements and present a true and fair view of the financial position as at 31 December 2022 and its financial performance and cash flows for the year then ended.

The management report contain a clear summary of AS Eco Baltia and its subsidiaries business development and financial performance. The financial statement have been prepared according to the International Financial Reporting Standards as adopted by the European Union. During the preparation of the consolidated financial statements the management:

- Used and consequently applied appropriate accounting policies;
- Provided reasonable and prudent judgments and estimates;
- Applied a going concern principle unless the application of the principle wouldn't be justifiable.

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

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

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Consolidated statement of comprehensive income for 2022

	Notes	2022 EUR	2021 EUR
Net turnover	3	210 031 623	120 019 772
Production cost of goods sold	4	(178 535 194)	(95 467 130)
Gross profit		**31 496 429**	**24 552 642**
Selling and distribution expenses	5	(7 119 406)	(5 469 492)
Allowances for impairment of loans and receivables	19,20	(446 407)	(132 193)
Administrative expenses	6	(15 192 777)	(8 839 113)
Other operating income	7	1 944 358	909 262
Other operating expenses	8	(1 305 058)	(810 774)
Finance income	9	22 784	16 246
Finance costs	10	(2 808 916)	(1 134 734)
Profit before tax		**6 591 007**	**9 091 844**
Corporate income tax	11	(22 803)	(45 862)
Deferred corporate income tax	11	1 737 899	280 050
PROFIT FOR THE REPORTING YEAR		**8 306 103**	**9 326 032**
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		131 709	-
Total comprehensive income for the year after tax		**8 437 812**	**9 326 032**
Profit and comprehensive income attributable to:			
Majority interests		**8 509 787**	**9 207 810**
Non-controlling interests		**(71 975)**	**118 222**

The accompanying notes on pages 13 to 50 form an integral part of these consolidated financial statements.
These consolidated financial statements were signed on behalf of the Group on 31 May 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 year ended at 31 December 2022

	Notes	31.12.2022 EUR	31.12.2021 EUR (*reclassified)
ASSETS			
Non-current investments			
Intangible investments			
Licences, trade marks and other intangible investments	13	2 071 371	3 956 534
Development costs	13	822 654	271 297
Goodwill	14	40 155 615	38 141 402
Total intangible investments		**43 049 640**	**42 369 233**
Property, plant and equipment			
Land, buildings and constructions		5 216 420	5 095 495
Right-of-use assets		37 436 780	22 130 631
Non-current investments in leased property, plant and equipment		214 936	391 069
Equipment and machinery		22 801 801	20 599 392
Other property, plant and equipment, and inventories		7 918 548	4 938 376
Construction in progress		11 610 991	645 348
Prepayments for property, plant and equipment		1 270 228	4 195 553
Total property, plant and equipment	15	**86 469 704**	**57 995 864**
Non-current financial investments			
Other securities and investments	16	21 200	21 200
Prepaid expenses	22	258 239	293 083
Other non-current receivables		26 000	28 000
Deferred income tax assets	11	-	1 599
Total non-current financial assets		**305 439**	**343 882**
Total non-current investments		**129 824 783**	**100 708 979**
Current assets			
Inventories	18	**18 445 415**	**12 773 555**
Receivables			
Trade receivables	19	18 214 506	15 127 228
Corporate income tax	11	-	21 590
Other loans	20	290	7 300
Other receivables	21	1 422 288	995 881
Prepaid expenses	22	778 521	425 861
Accrued income	23	3 688 202	3 679 659
Total receivables		**24 103 807**	**20 257 519**
Cash and cash equivalents	24	**8 063 375**	**11 818 727**
Non current assets held for sale		**485 000**	**-**
Total current assets		**51 097 597**	**44 849 801**
TOTAL ASSETS		**180 922 380**	**145 558 780**

*See Note 41

The accompanying notes on pages 13 to 50 form an integral part of these consolidated financial statements.

Consolidated statement of financial position for the year ended at 31 December 2022

	Notes	31.12.2022 EUR	31.12.2021 EUR (*reclassified)
LIABILITIES			
Equity			
Share capital	25	35 005	35 005
Share premium		20 623 389	20 623 389
Translation reserves		131 709	-
Consolidated reserves	26	19 926 630	19 926 630
Retained earnings brought forward		10 939 809	9 158 404
Profit for the reporting year		8 378 078	9 463 446
Equity attributable to the shareholders of the Parent Company		**60 034 620**	**59 206 874**
Non-controlling interests		714 055	1 639 366
Total equity		**60 748 675**	**60 846 240**
Liabilities			
Non-current liabilities			
Loans from credit institutions	27	28 263 863	34 589 018
Obligations under finance leases	28(a)	8 907 148	7 286 822
Lease liabilities	28(b)	14 127 497	4 393 029
Deferred income	33	1 425 261	1 288 975
Other payables	32	22 803	17 641
Deferred income tax liability	11	1 463 138	2 034 709
Total non-current liabilities		**54 209 710**	**49 610 194**
Current liabilities			
Loans from credit institutions	27	23 828 135	5 791 047
Obligations under finance leases	28(a)	3 718 448	3 554 553
Lease liabilities	28(b)	2 886 020	2 011 140
Prepayments received from customers	29	894 373	772 703
Trade payables	30	23 240 631	12 830 455
Corporate income tax	11	23 705	73 378
Taxes payable	31	2 792 287	1 949 841
Other payables	32	3 270 274	2 325 023
Deferred income	33	535 476	368 952
Accrued liabilities	34	4 754 686	5 425 254
Unpaid dividends		19 960	-
Total current liabilities		**65 963 995**	**35 102 346**
Total liabilities		**120 173 705**	**84 712 540**
TOTAL EQUITY AND LIABILITIES		**180 922 380**	**145 558 780**

*See Note 41
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Board Member

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Consolidated statement of changes in equity for the year 2022

	Share capital	Consolidated reserves	Share premium	Translation eserves	Retained earnings	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 31 December 2020	**41 707 900**	**(996 928)**	**-**	**-**	**10 158 404**	**50 869 376**	**1 079 080**	**51 948 456**
Profit for the reporting year	-	-	-	-	9 207 810	**9 207 810**	118 222	**9 326 032**
Total comprehensive income for 2021					***9 207 810***	***9 207 810***	***118 222***	***9 326 032***
Dividend payout	-	-	-	-	(1 000 000)	**(1 000 000)**	-	**(1 000 000)**
Buyout of minority shareholder shares	-	-	-	-	255 636	**255 636**	(860 636)	**(605 000)**
Increase of share capital	-	-	-	-	-	**-**	148 700	**148 700**
Acquisition of a subsidiary	-	(125 948)	-	-	-	**(125 948)**	1 154 000	**1 028 052**
Merger	(41 672 895)	21 049 506	20 623 389	- -	-	**-**	-	**-**
Balance as at 31 December 2021	**35 005**	**19 926 630**	**20 623 389**	**-**	**18 621 850**	**59 206 874**	**1 639 366**	**60 846 240**
Profit for the reporting year	-	-	-	-	8 378 078	**8 378 078**	(71 975)	**8 306 103**
Translation reserve	-	-	-	131 709	-	**131 709**	-	**131 709**
Total comprehensive income for 2022				*131 709*	***8 378 078***	***8 509 787***	***(71 975)***	***8 437 812***
Dividend payout	-	-	-	-	(8 000 000)	**(8 000 000)**	-	**(8 000 000)**
Non-controling interest change	-	-	-	-	317 959	**317 959**	(853 336)	**(535 377)**
Balance as at 31 December 2022	**35 005**	**19 926 630**	**20 623 389**	**131 709**	**19 317 887**	**60 034 620**	**714 055**	**60 748 675**

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Consolidated statement of cash flows for the year 2022

	Notes	2022 EUR	2021 EUR
CASH FLOWS FROM OPERATING ACTIVITIES			(***reclassified)
Profit before tax		6 591 007	9 091 844
Adjustments for:			
Depreciation and amortization	13,15	16 023 177	9 614 372
Interest payments and similar expense		2 808 916	1 083 257
Interest (income) and similar (income)	9	(22 784)	(16 246)
(Gain)/loss on disposal of property, plant and equipment		(97 670)	(60 960)
(Income) from external co-financing		(1 257 629)	(447 278)
Changes in provisions and allowances		1 651 902	2 333 406
Impairment of fixed assets		451 573	310 912
Revenue from participation in fixed capital of related, associated or other companies		-	(727)
Profit before adjustments for the effect of changes in current assets and current liabilities		**26 148 492**	**21 908 580**
Adjustments for:			
Increase in receivables		(3 846 288)	(6 495 665)
Increase in payables		9 144 933	14 654 641
Increase in inventories		(5 671 860)	(5 787 767)
CASH FLOWS FROM OPERATING ACTIVITIES		**25 775 277**	**24 279 789**
Interest paid		(2 540 177)	(920 205)
Interest income		-	3 445
Corporate income tax paid		(172 226)	(53 251)
Net cash flows from operating activities		**23 062 874**	**23 309 778**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible investments		(16 572 535)	(12 362 358)
Proceeds from sale of property, plant and equipment		394 816	634 464
Acquisition of subsidiaries, net of cash acquired		(8 351 097)	(25 455 751)
Acquisition of shares in associates and other companies		-	(605 000)
Received interest from other companies		15 208	-
Revenue from alienation of stocks or shares of related, associated or other companies		-	827
Net cash flows used in the investing activities		**(24 513 608)**	**(37 787 818)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	27	18 043 018	40 321 803
Repayment of borrowings	27	(6 261 181)	(12 506 212)
Repayment of the lease liabilities*		(2 770 474)	(1 646 313)
Payments of obligations under finance leases**		(4 964 244)	(2 805 940)
Income from issue of shares paid by non-controlling shareholders		-	148 700
Subsidies, grants, gifts or donations received		1 627 670	2 298
Dividends paid		(8 000 000)	(1 000 000)
Net cash flows used in the financing activities		**(2 325 211)**	**22 514 336**
Net cash flow for the reporting year		**(3 775 945)**	**8 036 296**
Result of fluctuations of foreign currency exchange rates		**20 593**	**-**
Cash and cash equivalents at the beginning of the year		**11 818 727**	**3 782 431**
Cash and cash equivalents on the reporting date	24	**8 063 375**	**11 818 727**

*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.
***See Note 41

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Board Member

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Notes to the consolidated financial statements

1. General information

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

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

The subsidiaries of the Group as at 31 December 2022 are as follows:

- 100% in SIA "Nordic Plast" (31.12.2021: 100%) (registered office: Rūpnīcu iela 4, Olaine; LV 2114). The core business activity of SIA "Nordic Plast" is the recycling of secondary raw materials (various polyprophylen materials) and wholesale of recycled plastic products.
- 94.9% (31.12.2021: 94.9%) in AS "PET Baltija" (registered office: Aviācijas iela 18, Jelgava, LV 3004). The company's business is the recycling of PET bottles and wholesale of recycled products.
  AS "PET Baltija" owns:
  a) 100% (31.12.2021: none. 100% acquired in September 2022) Tesil Fibres s.r.o. (registered office: Průmyslová 451, Planá nad Lužnicí 391 02, Czech Republic)
- 100% in SIA "Polimēru parks" (31.12.2021: 100%) (registered office: Maskavas iela 240-3, Riga, LV 1063) The company's core business is the recycling of sorted materials.
- 100% in SIA "Eco Baltia vide" (31.12.2021: 100%) (registered office: Getliņu iela 5, Stopiņi municipality, Rumbula, LV 2121, Latvia). The company's core business activities include environmental management, collection of household and sorted waste, management of used packaging, construction and bulky waste, rental services of toilet cubicles, sale of environmental management transport and equipment, road cleaning and different seasonal services, such as snow removal, leaf removal in autumn and assistance in cleaning up in the spring. SIA "Eco Baltia vide" owns following companies:
  b) 100% in AS "Latvijas Zaļais punkts" (31.12.2021: 100%) (registered office: Maskavas iela 240-3, Riga, LV 1063, Latvia). In accordance with the cooperation agreements entered into with the State Environmental Service of the Republic of Latvia, AS "Latvijas Zaļais punkts" is introducing and implementing the producer responsibility systems in the field of packaging waste management, the management of waste electric and electronic equipment (WEEE) and wastes of goods harmful to the environment (WGHE) in Latvia.
  (i) AS "Latvijas Zaļais punkts" owned 100% SIA "Eko Reverss" (31.12.2021: 100%) on 10.11.2022 has been liquidated and excluded from Comercial register of Republic of Latvia.
  c) 100% in UAB "Ecoservice" (31.12.2021: 100%) (registered office: Gariūnų str. 71, Vilnius, Lithuania). The company is engaged household waste management, debris and bulky waste management, sorted waste management, textile waste management, sorting and sale of recyclables, recycled material purchasing, road and street cleaning and watering, snow removal, rental services of toilet cubicles, sale of environmental management transport and equipment, territory cleaning services. UAB "Ecoservice" owns following companies:
  (i) 100% in UAB "Ecoplasta" (31.12.2021: 100%) (registered office: Smiltinės g. 32, Smiltinė, LT-85365 Akmenės r. , Lithuania). The company's core business activities include sorting and recycling of polyethylene material.
  (ii) 100% in UAB "Mano Aplinka plius" (31.12.2021: none). 100% acquired in August 2022) (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% (31.12.2021: 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) 98.99% (31.12.2021: 98.40%) 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.
  (iv.i) UAB "Ecoservice Projektai" owns following company - 65.38% (31.12.2021: 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.
  (v) UAB "Marijampolės Švara" - (31.12.2021: 65.38%). On 2 March 2022, UAB "Ecoservice" acquired additional 33.49% of shares and controlled share increased to 99.80%. On 18 March 2022, UAB "Ecoservice" acquired the remaining portion of shares and reorganised the company by merging to UAB "Ecoservice".
- 100% in SIA "Vaania" (31.12.2021: 100%) (registered office: Maskavas iela 240-3, Riga, LV 1063, Latvia). The company is not currently engaged in active economic activity. The company is possessor of capital shares of Sigulda city SIA "Jumis" on the basis of a concession agreement.

1. General information (continued)

- 100% in Sigulda city SIA “Jumis” (31.12.2021: 100%) (registered office: Blaumaņa iela 10, Sigulda, LV 2150, Latvia). The core business activity of Sigulda city SIA “Jumis” is household waste management, debris and bulky waste management, sorted waste management, as well as sanitation services and various seasonal services such as snow removal and salt - sand mix in winter, leaf removal in autumn and assistance in cleaning up in the spring. The company is managed by SIA “Vaania” on the basis of a concession agreement with Sigulda Municipality.

Group’s Significant Accounting Policies
2.1. Summary of Group’s Significant Accounting Policies

(a) Basis of preparation

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

The accounting policies set out in notes (b) to (v) have been applied in preparing the consolidated financial statements for the year ended 31 December 2022; the presented comparative information covers the year ended 31 December 2021.

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 year

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 IFRS 3 “Business Combinations” - Reference to the Conceptual Framework with amendments to IFRS 3;
- Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use;
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts - Cost of Fulfilling a Contract;
- Amendments to various standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41) - Improvements to IFRSs - Cycle 2018-2020.

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.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of issuance of these financial statements the Group has not applied the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- IFRS 17 “Insurance Contracts” - New standard IFRS 17 “Insurance Contracts” including the June 2020 and December 2021 Amendments to IFRS 17 (EU effective date: 1 January 2023);
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies (EU effective date: 1 January 2023);
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates (EU effective date: 1 January 2023);
- Amendments to IAS 12 “Income Taxes” — Deferred Tax related to Assets and Liabilities arising from a Single Transaction (EU effective date: 1 January 2023).

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

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at date of issuance of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-current (IASB effective date: 1 January 2023);
- Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants (IASB effective date : 1 January 2024);
- Amendments to IFRS 16 “Leases” - Lease Liability in a Sale and Leaseback (IASB effective date: 1 January 2024);
- IFRS 14 “Regulatory Deferral Accounts” (IASB effective date: 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

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

- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded).

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

(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 and Lithuania, 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 subsidiaries except for the subsidiary registered in Czech Republic, is the monetary unit of the European Union euro (hereinafter referred to as – EUR). The functional currency of the subsidiary registered in Czech Republic is CZK. All the amounts presented in the consolidated financial statements are presented in EUR, unless specified otherwise.

Account balances on 31 December 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 estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. Key estimates and assumptions used in the preparation of these consolidated financial statements are described below:

(i) Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed annually and changed, if necessary, to reflect the management's current view in the light of technological changes, the remaining prospective economic useful life of assets and their physical condition. Information on the useful lives of property, plant and equipment has been reflected in 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 31 December 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 31 December 2022.

(iv) Revenue recognition

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

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

(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 31 December 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 (see Note 14).

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

As of 31 December 2022 deferred tax liabilities arising from the Latvian, Lithuanian and Czech Republic subsidiaries calculations are recognized in the Group's financial statements in the amount of EUR 1 463 138. No deferred tax liability is recognised for the remaining part of taxable profits in amount of 36.1 million EUR.

(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 31 December 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 Group Parent Company.

Control is achieved when the Company:

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

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

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

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

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

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

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

(iii) Elimination of mutual transactions
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2022. During the consolidation process, all mutual transactions between the Group's companies, balances, unrealised profit and losses from mutual transactions between the Group's companies have been fully excluded.

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

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

Transactions of the subsidiary in registered in Czech Republic and performed in CZK are translated to EUR at average EUR/CZK rate 23.389 for Income statement purposes in 2022.

Currency exchange rates set by the European Central Bank:

	31.12.2022	**31.12.2021**
1 EUR / 1 USD	1.0530	1.1334
1 EUR / 1 CZK	23.389	n/a

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

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

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

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

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

(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.

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.

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

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.

(ii) Subsequent measurement

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

(iii) Derecognition

A financial asset is derecognized if:

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

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

(iv) Impairment of financial assets

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

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

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

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

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

(i) Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) 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".

(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.

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

(j) Leases

The Group as a lessee

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

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

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

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

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

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

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

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

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

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

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.

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

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 transfer 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 disclosed in Note 39. 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.

(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.

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

In Czech Republic taxable income is calculated according to Czech accounting rules, with adjustments for tax purposes. In general, all expenses incurred to generate, ensure, and maintain taxable income are deductible if documented by the taxpayer, subject to limits specified in the corporate income tax law and in specific legislation. The standard corporate income tax rate for the years 2021 and 2022 is 19%.

Deferred tax
Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the statement of financial position date.

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

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

As a Parent controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group could recognize deferred tax assets and liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the parent has determined that subsidiary's profits will not be distributed in the foreseeable future the parent does not recognize a deferred tax assets and liabilities.

(o) Revenue recognition
Revenues are 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.
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

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

(p) Dividends

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

(q) Subsequent events

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

(r) Determination of fair value

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

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

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

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.

(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.

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

(u) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

(v) Share-based payments

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

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

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

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

	2022	2021
Income from processing of recyclable raw materials	100 024 795	59 954 604
Income from waste management	86 389 721	40 518 475
Income from organisation of packaging management system	10 397 135	10 884 699
Income from sorting and sale of recyclables	13 167 416	8 126 849
Other income	52 556	535 145
Total	**210 031 623**	**120 019 772**

Income by geographical markets are distributed as follows:

	2022	2021
Other Member States of the European Union	85 239 379	38 707 145
Republic of Lithuania	63 164 928	27 621 517
Republic of Latvia	51 746 658	40 246 880
Republic of Czechia	6 713 146	3 589 949
Outside the Member States of the European Union	3 167 512	9 854 281
Total	**210 031 623**	**120 019 772**

The Group does not any customer contributed 10 per cent or more to the Group's revenue in either 2022 or 2021.

In August 2021 the Group acquired group of companies UAB "Ecoservice" and its subsidiaries. Accordingly in 2021 Groups' Net turnover includes only EUR 16.6 million generated by Ecoservice Group, while in 2022 Ecoservice Net turnover represents EUR 55.6 million.

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

Rest of the strong growth was granted by PET and polymer recycling sectors and successful performance in the environmental management segment in Latvia.

Income by business segments are distributed as follows:

Revenue and results for 2022:

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

3. Net turnover (continued)

Revenue and results for 2021:

	Revenue from recycling of raw materials	Revenue from waste management	Revenue from organisation of packaging management system	Other revenue	Consolidated adjustments and eliminations	TOTAL
	EUR	EUR	EUR	EUR	EUR	EUR
Net turnover	60 077 830	57 428 091	10 924 907	3 038 824	(11 449 880)	120 019 772
Production cost of goods sold	(52 082 651)	(43 641 118)	(7 256 159)	(960 245)	8 473 043	(95 467 130)
Gross profit	**7 995 179**	**13 786 973**	**3 668 748**	**2 078 579**	**(2 976 837)**	**24 552 642**
Selling and distribution expenses						(5 469 492)
Allowances for impairment of loans and receivables						(132 193)
Administrative expenses						(8 839 113)
Other operating income						909 262
Other operating expenses						(810 774)
Finance income						16 246
Finance costs						(1 134 734)
Profit before tax						**9 091 844**
Corporate income tax						(45 862)
Deferred corporate income tax						280 050
PROFIT FOR THE REPORTING YEAR						**9 326 032**
Assets	**31 253 880**	**111 620 772**	**10 343 820**	**47 434 880**	**(55 094 572)**	**145 558 780**
Liabilities	**19 017 317**	**66 651 144**	**1 236 826**	**1 764 608**	**(3 957 355)**	**84 712 540**

4. Production cost of goods sold

	2022	2021
Raw materials and other material costs	83 271 056	41 949 137
Remuneration for work*	27 351 374	14 735 490
Waste utilization costs	20 628 782	9 806 076
Depreciation of property, plant and equipment and intangible investments	13 199 869	8 790 559
Costs of outsourced services	11 238 898	7 266 881
Cost of production energy and other resources	9 499 886	4 223 607
Transport costs	7 120 339	2 967 265
State mandatory social insurance contributions*	3 213 761	2 530 343
Professional services costs	821 887	920 844
Insurance costs	737 525	187 554
Lease of industrial premises and related costs	435 173	311 328
Other production costs	1 016 644	1 778 046
Total	**178 535 194**	**95 467 130**

*See Note 12

5. Selling and distribution expenses

	2022	2021
Transport costs	4 762 877	3 659 840
Remuneration for work*	833 377	717 708
Advertising, marketing and public relations costs	509 495	394 860
Factoring commission expenses	211 364	111 916
State mandatory social insurance contributions*	196 592	169 113
Postal services expenses	93 683	15 289
Intermediary services costs	93 234	70 854
Write-off of bad debts	30 953	43 930
Depreciation of property, plant and equipment and intangible investments	17 581	18 691
Other sales costs	370 250	267 291
Total	**7 119 406**	**5 469 492**

*See Note 12

6. Administrative expenses

	2022	2021
Remuneration for work*	6 731 634	4 630 048
Depreciation of property, plant and equipment and intangible investments	2 786 838	654 357
Professional services costs	968 693	424 674
State mandatory social insurance contributions*	861 771	818 392
Communications services expenses	580 328	262 982
Lease of premises and office maintenance expenses	480 520	110 585
Costs of legal services	439 544	397 117
Transport costs	421 527	197 283
Annual report audit costs	329 257	159 599
Insurance costs	152 539	112 534
Bank commission fee	127 386	60 907
Business trip expenses	123 303	20 292
Representation costs	115 982	56 062
Employee training costs	76 817	47 370
Other administrative expenses	996 638	886 911
Total	**15 192 777**	**8 839 113**

*See Note 12

7. Other operating income

	2022	2021
Revenue from external co-financing*	1 257 629	447 278
Net profit from selling property, plant and equipment	97 670	60 960
Net profit from fluctuations of foreign currency rates	68 549	6 540
Revenue from increase in value of receivables	28 605	727
Revenue from lease of real estate	25 609	27 297
Other revenue**	466 296	366 460
Total	**1 944 358**	**909 262**

*In 2022 the amount includes received support by secondary raw material recycling companies in the amount of EUR 777 thousand from the Investment and Development Agency of Latvia for overcoming Energy crysis (2021: EUR 388 thousand for COVID-19 aftermath).

**Other revenue mainly relates to mandatory procurement component (obligātā iepirkumu komponente - OIK in latvian) repayment in amount of EUR 196 thousand in 2022 (2021: EUR 157 thousand).

8. Other operating expenses

	2022	2021
Impairment of fixed assets	451 573	385 912
Non-business expenses	352 569	238 746
Donations	223 794	2 000
Fines	36 001	30 804
Costs of staff sustainability measures	32 845	-
Depreciation of property, plant and equipment and intangible investments	18 889	18 755
Real estate tax	13 846	16 231
Other costs	175 541	118 326
Total	**1 305 058**	**810 774**

9. Finance income

	2022	2021
Interest income from bank account balances and deposits	15 208	2 054
Interest income from loans	7 576	14 192
Total	**22 784**	**16 246**

10. Finance costs

	2022	2021
Interest payments for loans from credit institutions	1 836 694	675 267
Interest on obligations under finance leases*	413 219	205 516
Commissions for entry into contracts	280 246	102 467
Interest on lease liabilities**	278 757	151 484
Total	**2 808 916**	**1 134 734**

*The line indicated is in respect of the finance leases as per previous standard - IAS 17.
**The line indicated is in respect of the application of IFRS 16.

11. Deferred corporate income tax/Corporate income tax

	2022	2021
Current corporate income tax charge	22 803	45 862
Deferred tax charge/(credit)	(1 737 899)	(280 050)
Total	**(1 715 096)**	**(234 188)**

Changes of deferred tax:	**2022**	**2021**
Deferred corporate income tax assets:	-	-
Deferral of bad debts	-	1 599
Total deferred corporate income tax assets	**-**	**1 599**

Composition of deferred tax:	**31.12.2022**	**31.12.2021**
Deferral of bad debts	(251 854)	(91 171)
Pension accumulation	(14 186)	(11 387)
Holiday reserve and employee accruals	(214 234)	(152 843)
Tax depreciation of assets	-	(6 307)
Income tax relief for the investment project	(771 451)	(327 041)
Accumulation of tax losses	(199 335)	(12 861)
Deferred tax liabilities related to planned profit distribution*	214 120	978 355
Deferred tax liabilities arising from assets depreciation and other corrections for taxes	2 700 078	1 657 964
Deferred corporate income tax liabilities	**1 463 138**	**2 034 709**

*In previous years the provisions recognised for the deferred corporate income tax in the amount of EUR 978 355 in accordance with IAS 12 Income taxes, applying the rate of 20% laid down in the tax regulations of the Republic of Latvia in respect of the profit generated by Latvian subsidiaries. Based on the expected flow of use of taxable net profits the Group has decreased provisions for deferred corporate income tax in the amount of EUR 764 235.

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

*Considering existing dividend policy introduced by the shareholders in 2020 it is estimated that future possible dividend payouts (subject to shareholders approval) in the foreseeable future will be fully covered by already recognised liabilities and the Group will be able to use accumulated retained earnings before year 2018 which could be paid out without incurring corporate income tax payment obligations.

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

Assets:	**2022**	**2021**
Corporate income tax	-	21 590
Deferred tax assets	-	1 599
Total	**-**	**23 189**
Liabilities:		
Corporate income tax	23 705	73 378
Deferred tax liabilities	1 463 138	2 034 709
Total	**1 486 843**	**2 108 087**

12. Remuneration for work and number of employees

	2022	**2021**
Remuneration for work*	34 916 385	20 083 246
State mandatory social insurance contributions	4 272 124	3 517 848
Total	**39 188 509**	**23 601 094**

*Remuneration for work costs have grown by 74% in 2022, which is mainly related to increase in the number of employees due to additional production capacities, as well as increase of the average wage, as well as acquisition of a subsidiary company UAB “Ecoservice” and its subsidiaries in August 2021 and subsidiary company in Czech Republik TESIL Fibres in September 2022.

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

	2022	**2021**
Remuneration for work	2 953 891	1 316 895
State mandatory social insurance contributions	525 801	261 178
Total	**3 479 692**	**1 578 073**

	2022	**2021**
Average number of employees in the reporting year	**2 245**	**2 165**

In 2021 the Group has implemented Stock Option Policy for the senior managerial positions of the Group with the aim to promote the involvement and ensure achievement of the Group’s long-term goals and implementing the strategy, growth of the Group’s value, as well as profit growth. Personnel options can be exercised only upon the exit of the Shareholders from the Company and if the event does not occur, all the personnel options vested are cancelled and option agreements automatically expire without the need to perform any additional actions, therefore no values of the options are estimated and recognized nor in Consolidated statement of comprehensive income nor in Equity, due to uncertainty of the mentioned event.

13. Intangible investments

	Licences, trade marks and other intangible investments*	Development costs	Licences, trade marks and other intangible investments total
Acquisition value			
31.12.2020	**939 265**	**5 753**	**945 018**
Acquired	65 382	102 218	167 600
Disposals	(36 885)	-	(36 885)
Reclassified	16 033	-	16 033
Acquisition of a subsidiary	4 324 412	-	4 324 412
Transfer from property, plant and equipment	-	163 326	163 326
31.12.2021	**5 308 207**	**271 297**	**5 579 504**
Acquired	382 066	723 985	1 106 051
Disposals	(718 199)	(161 748)	(879 947)
Reclassified	32 120	(10 880)	21 240
31.12.2022	**5 004 194**	**822 654**	**5 826 848**
Accumulated depreciation			
31.12.2020	**583 576**	**-**	**583 576**
Calculated	788 369	-	788 369
Amortisation of disposed assets	(36 305)	-	(36 305)
Reclassified	16 033	-	16 033
31.12.2021	**1 351 673**	**-**	**1 351 673**
Calculated	1 994 645	-	1 994 645
Amortisation of disposed assets	(413 495)	-	(413 495)
31.12.2022	**2 932 823**	**-**	**2 932 823**
Balance sheet value			
31.12.2021	**3 956 534**	**271 297**	**4 227 831**
31.12.2022	**2 071 371**	**822 654**	**2 894 025**

*Other intangible assets represent relationships with customers and contracts with life of 5–10 years. The management estimated the expected useful life of contracts based on contract terms considering their potential extension.

14. Goodwill

	2022	2021
Balance at the beginning of the reporting year	**38 141 402**	**32 351 102**
Acquisition of a subsidiary in Czechia (TESIL Fibres S.r.o.)	1 345 763	-
Acquisition of a subsidiary in Lithuania (UAB “Mano aplinka plius”)	668 450	-
Acquisition of a subsidiary in Lithuania (UAB “Ecoservice”)	-	5 790 300
Balance on the reporting date	**40 155 615**	**38 141 402**
including		
Recycling of raw materials	*18 082 847*	*16 737 084*
Waste management	*19 204 730*	*18 536 280*
Organisation of packaging management system	*2 868 038*	*2 868 038*

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

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

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

- Waste management (SIA “Eco Baltia vide”, UAB “Ecoservice” and its subsidiaries) and
- Organisation of packaging management system (AS “Latvijas Zaļais punkts”);
- Recycling (SIA “Nordic Plast” (NPL), AS “PET Baltija” (PTB) and “TESIL Fibres” S.r.o (TSL)).

14. Goodwill (continued)

Assessment of recoverable value

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

Calculation of value is based on several assumptions:

- Cash flow forecast is prepared on the basis of the management forecasts for a period not exceeding five years, with a terminal value estimate at the end of 2026.
- Income and expenses are forecast on the basis of actual performance indicators for the last three years, taking into account changes in the service contract pipeline, operational volume, prices, and planned development trends in the relevant sectors.
- In order to calculate current value of the company, the Group's management applied discount rates (weighed average cost of capital) of 12.3% to all Latvian Environment segment companies including SIA "Eco Baltia vide", AS "Latvijas Zaļais punkts" and SIA "Jumis", 9.7% for UAB "Ecoservice" group, 14.9% for SIA "Nordic Plast", 10.7% for AS "Pet Baltija" and 15.5% for Tesil Fibres s.r.o.
- Terminal value is estimated based on Gordon growth model in perpetuity with 2% perpetual growth rate of cash flows (European central bank long term inflation rate target).

For 2022 no impairment has been recognised for the Group's business segments except for impairment of specific property, plant and equipment items which has been individually impaired (see Note 15).

Results of sensitivity analysis:
Waste management segment:
An increase in discount rate by 130.2% or deviation from baseline in operating expenses (personel, energy, waste disposal), accordingly by 25.7%, 347.8% and 17.9% will result in an impairment of SIA "Eco Baltia vide" goodwill.

An increase in discount rate by 1.3% or deviation from the baseline in Termianl period D&A to EBITDA by 2.3% or deviation from baseline operating expenses (CoGs) by 10.3% will result in an impairment of UAB "Ecoservice" group's goodwill.

An increase in discount rate by 71.5% or deviation from the baseline in Termianl period D&A to EBITDA by 105.0% or deviation from baseline operating expenses (CoGs) by 3.4% will result in an impairment of SIA "Jumis" group's goodwill.

An increase in discount rate by 202.2% or deviation from the baseline in operating expenses (Personel, External services) accordingly by 76.0% and 9.4% will result in an impairment of AS "Latvijas Zaļais punkts" goodwill.

Recycling segment:
An increase in discount rate by 74.4% or deviation from the baseline in operating expenses (Raw materials, CoGs, Energy) accordingly by 17.0, 33.2% and 22.0% will result in an impairment of SIA "Nordic Plast" goodwill.

An increase in discount rate by 9.4% or deviation from the baseline in operating expenses (Raw materials, CoGs, Energy) accordingly by 0.4%, 3.0% and 2.0% will result in an impairment of AS "PET Baltija" goodwill.

An increase in discount rate by 19.5% or deviation from the baseline in operating expenses (Raw materials, CoGs, Energy) accordingly by 1.3%, 9.0% and 7.8% will result in an impairment of Tesil Fibres s.r.o. goodwill.

15. Property, plant and equipment

	Land, buildings and constructions	Non-current investments in leased property, plant and equipment	Equipment and machinery	Other property, plant and equipment, and inventory	Construction in progress	Payments on account for property, plant and equipment	Total
Acquisition value							
31.12.2020	**2 981 689**	**2 784 948**	**22 607 398**	**13 191 046**	**318 432**	**633 991**	**42 517 504**
Acquired	1 713 931	82 832	1 573 953	2 289 284	690 248	4 061 032	**10 411 280**
Reclassified	18 548	(25 889)	1 565 317	(375 928)	(54 680)	(1 046 229)	**81 139**
Disposals	(640 646)	(139 725)	(664 912)	(1 444 433)	(174 736)	(18 951)	**(3 083 403)**
Impairment	75 000	-	-	-	-	-	**75 000**
Acquired at acquisition of a subsidiary	1 449 363	-	11 344 338	668 707	29 410	565 710	**14 057 528**
Transfer to intangible assets	-	-	-	-	(163 326)	-	**(163 326)**
31.12.2021	**5 597 885**	**2 702 166**	**36 426 094**	**14 328 676**	**645 348**	**4 195 553**	**63 895 722**
Acquired	587 117	44 031	3 818 534	4 277 689	8 777 030	1 040 463	**18 544 864**
Reclassified	44 826	-	2 065 142	1 496 227	2 205 288	(3 965 788)	**1 845 695**
Disposals	(292 706)	(3 812)	(1 523 927)	(1 000 584)	(16 675)	-	**(2 837 704)**
Reclassified to assets held for sale	-	-	(485 000)	-	-	-	**(485 000)**
Acquired at acquisition of a subsidiary	89 224	-	4 331 001	20 862	-	-	**4 441 087**
31.12.2022	**6 026 346**	**2 742 385**	**44 631 844**	**19 122 870**	**11 610 991**	**1 270 228**	**85 404 664**
Accumulated depreciation							
31.12.2020	**492 836**	**2 123 005**	**13 037 199**	**9 046 843**	**-**	**-**	**24 699 883**
Calculated	162 988	253 401	3 182 734	1 529 307	-	-	**5 128 430**
Impairment	-	-	385 912	-	-	-	**385 912**
Depreciation of disposed assets	(153 434)	(65 309)	(641 292)	(1 321 136)	-	-	**(2 181 171)**
Reclassified	-	-	(137 851)	135 286	**-**	**-**	**(2 565)**
31.12.2021	**502 390**	**2 311 097**	**15 826 702**	**9 390 300**	**-**	**-**	**28 030 489**
Calculated	309 119	220 115	6 187 624	2 111 108	-	-	**8 827 966**
Impairment	-	-	451 573	-	-	-	**451 573**
Depreciation of disposed assets	-	(3 763)	(1 115 322)	(698 048)	-	-	**(1 817 133)**
Reclassified	-	-	552 581	401 256	-	-	**953 837**
Excange rate fluctuations	(1 583)	-	(73 115)	(294)	-	-	**(74 992)**
31.12.2022	**809 926**	**2 527 449**	**21 830 043**	**11 204 322**	**-**	**-**	**36 371 740**
Balance sheet value							
31.12.2021	**5 095 495**	**391 069**	**20 599 392**	**4 938 376**	**645 348**	**4 195 553**	**35 865 233**
31.12.2022	**5 216 420**	**214 936**	**22 801 801**	**7 918 548**	**11 610 991**	**1 270 228**	**49 032 924**

In the reporting period several subsidiaries of the Group companies where engaged in construction and technological investments development projects. Construction in progress as at 31.12.2022. in amount of EUR 11.6 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 7.88 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 2.78 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 0.36 million.

15. Property, plant and equipment (continued)

Right-of-use assets*

	Land, buildings and constructions	Equipment and machinery	Other property, plant and equipment, and inventory	Total
Cost				
31.12.2020	**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	3 862 829	2 817 480	1 504 375	**8 184 684**
Reclassified	(62 028)	(1 718 173)	(84 001)	**(1 864 202)**
Disposals	155 024	897	(286 530)	**(130 609)**
Acquired at acquisition of a subsidiary	8 368 697	5 122 198	26 587	**13 517 482**
31.12.2022	**22 302 304**	**17 816 654**	**10 991 417**	**51 110 375**
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 year	2 465 962	1 564 862	1 735 187	**5 766 011**
Reclassified	-	(676 350)	(271 796)	**(948 146)**
Depreciation of disposed assets	-	(16 756)	(162 018)	**(178 774)**
Exchange rate fluctuations	(147 814)	(89 628)	(443)	**(237 885)**
31.12.2022	**6 155 889**	**1 918 959**	**5 598 747**	**13 673 595**
Balance sheet value				
31.12.2021	**6 140 041**	**10 457 421**	**5 533 169**	**22 130 631**
31.12.2022	**16 146 415**	**15 897 695**	**5 392 670**	**37 436 780**

*The Group leases several assets including manufacturing technique, machines, equipment. The average lease term is 5 years (2021: 5 years). The Group has options to purchase certain manufacturing equipment for a nominal amount at the end of the lease term.

In the reporting period Right-of-use assets has been increased by EUR 15.30 million.

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 31 December 2022 at EUR 8.8 million and liabilities to lease fixed assets at EUR 4.52 million. Total right-of-use assets related to this acquisition is EUR 8.88 million (See Note 40). According to rent agreements TESIL Fibres has option to buy out the real estate from 1 January 2024 till 31 December 2026.

Eco Baltia's subsidiary PET Baltija has signed a lease agreement for the premises in December 2021 and has simultaneously signed a Development Management Agreement for the construction of this future Plastic Waste Recycling and Storage Centre. The estimated date of commencement of actual use of the premises in one of the zones to commence the installation of the facility was beginning of 2023. The next expected date of effective occupation of the premises in the other zones is end of 2023. PET Baltija has not recognised any contingent lease liabilities as at 31 December 2022. The lease liability will be recognised at the date the future asset is available for use.

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.

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

The maturity analysis of lease liabilities is presented in note 28(b).

Amounts recognized in Statement of comprehensive income:

	31.12.2022	31.12.2021
Depreciation expense on right-of-use assets	5 766 011	3 697 573
Interest expense on lease liabilities	278 757	151 484
Expense relating to short-term leases	49 954	122 344
Expense relating to leases of low value assets	2 304	3 005
Total	**6 097 026**	**3 974 406**

15. Property, plant and equipment (continued)

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

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

	2022	2021
Production cost of goods sold (Note 4)	13 199 869	8 790 559
Administrative expenses (Note 6)	2 786 838	654 357
Other operating expenses (Note 8)	18 889	18 755
Selling and distribution expenses (Note 5)	17 581	18 691
Other	565 445	132 010
Total	**16 588 622**	**9 614 372**

Pledged property, plant and equipment

See Note 27

Fully depreciated property, plant and equipment

On 31 December 2022, composition of the Group's property, plant and equipment included assets of the purchase value of EUR 23 880 004 (on 31.12.2021: EUR 21 582 250), which were fully written off in depreciation costs and which are still in active use in the economic activity.

16. Other securities and investments

	31.12.2022	31.12.2021
Investment in “Depozīta Iepakojuma Operators” (12.05%)*	15 000	15 000
Investment in “Pro Europe s.p.r.l”**	6 200	6 200
Total	**21 200**	**21 200**

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

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

17. Investment in associates

Public	%	Initial investment	Write off	31.12.2021	31.12.2022
SIA “CREB Rīga”, Vietalvas Street 5A, Riga	20	2 000	(2 000)	-	-
Total		**2 000**	**(2 000)**	**-**	**-**

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

18. Inventories

	31.12.2022	31.12.2021
Raw materials, basic materials and consumables	12 424 176	9 774 449
Finished products and goods for sale	5 889 250	2 865 686
Advance payments for goods	131 989	129 596
Other inventories	-	3 824
Total	**18 445 415**	**12 773 555**

All inventories are pledged and used as security of the Group's liabilities (see Note 27).

19. Trade receivables

	31.12.2022	31.12.2021
Carrying amounts of trade receivables	19 596 258	16 173 510
Allowances for doubtful receivables	(1 381 752)	(1 046 282)
Total	**18 214 506**	**15 127 228**

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

Changes in allowance for doubtful and bad trade receivables:

	2022	2021
At the beginning of the reporting year	**1 046 282**	**603 889**
Increase of allowances	445 253	51 048
Decrease of allowances	(12 561)	(81 905)
Acquired at acquisition of a subsidiary	40 896	515 111
Irrecoverable debtor's debts written-off during the year	(138 118)	(41 861)
On the reporting date	**1 381 752**	**1 046 282**

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

Analysis of trade receivables on 31 December 2022 and on 31 December 2021:

Analysis of Trade Receivables	**31.12.2022**	**31.12.2021**
Repayment term is not expired	14 221 034	12 988 782
Delay up to 30 days	2 262 703	1 596 113
Delay of 31-90 days	1 533 126	509 121
Delay of 91-180 days	530 057	210 722
Delay of 181-365 days	320 527	57 323
Delay exceeding 365 days	728 811	811 449
Total	**19 596 258**	**16 173 510**

Impairment allowance – collective	**31.12.2022**	**31.12.2021**
Repayment term is not expired	29 884	29 367
Delay up to 30 days	2 585	2 828
Delay of 31-90 days	6 617	19 826
Delay of 91-180 days	47 571	27 978
Delay of 181-365 days	78 340	5 936
Delay exceeding 365 days	654 402	546 665
Total	**819 399**	**632 600**

Impairment allowance – on individual basis	**31.12.2022**	**31.12.2021**
Repayment term is not expired	-	150 000
Delay up to 30 days	-	-
Delay of 31-90 days	167	-
Delay of 91-180 days	301 724	-
Delay of 181-365 days	186 053	-
Delay exceeding 365 days	74 409	263 682
Total	**562 353**	**413 682**

Impairment allowance – total	**31.12.2022**	**31.12.2021**
Repayment term is not expired	29 884	179 367
Delay up to 30 days	2 585	2 828
Delay of 31-90 days	6 784	19 826
Delay of 91-180 days	349 295	27 978
Delay of 181-365 days	264 393	5 936
Delay exceeding 365 days	728 811	810 347
Total	**1 381 752**	**1 046 282**
Impairment allowances – on individual basis	**562 353**	**413 682**
Impairment allowances – collective	**819 399**	**632 600**

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

20. Other loans

Current loans	Currency	Repayment term:	31.12.2022	31.12.2021
Loan with the term of up to one year	EUR	31.12.2022	142 900	142 900
Loan with the term of up to one year	EUR	31.12.2022	7 300	7 300
Loan with the term of up to one year	EUR	31.03.2020	-	190 101
Total current loans			150 200	340 301
Allowances for doubtful loans and receivables	EUR		(150 200)	(333 001)
Total current loans			**-**	**7 300**
Accrued interest	EUR		19 848	84 079
Allowances for doubtful loans and receivables	EUR		(19 558)	(84 079)
Total accrued interest			**290**	**-**
Total other loans			**290**	**7 300**

Changes in allowance for doubtful loans and receivables:

	2022	2021
At the beginning of the reporting year	**417 080**	**254 030**
Increase of allowance	13 715	163 050
Write-off of bad debts	(261 037)	-
On the reporting date	**169 758**	**417 080**

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

Security
Loans granted were not secured as of 31.12.2022 and 31.12.2021.

Loan interest rates
Issued loans are interest bearing.

21. Other receivables

	31.12.2022	31.12.2021
Value-added tax overpayment	1 001 042	592 809
Other debtors	119 202	71 425
Advance payments for suppliers	114 843	148 500
Current guarantee deposits	104 217	104 217
Security	80 376	78 930
Other tax overpayment	2 608	-
Total	**1 422 288**	**995 881**

22. Prepaid expenses

Non-current part:	31.12.2022	31.12.2021
Rent for premises	176 434	133 404
Other	78 618	158 977
Insurance	2 157	-
Subscription fee	1 030	702
Total non-current part	**258 239**	**293 083**
Current part:		
Insurance	406 142	182 546
Other	339 191	222 356
Subscription fee	23 921	20 959
Rent for premises	9 267	-
Total current part	**778 521**	**425 861**
Total prepaid expenses	**1 036 760**	**718 944**

23. Accrued income

	31.12.2022	31.12.2021
Contractual assets – accrued income	3 688 202	3 679 659
Total	**3 688 202**	**3 679 659**

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

24. Cash and cash equivalents

	31.12.2022	31.12.2021
Cash at bank	8 046 916	11 801 449
Cash in hand	16 459	17 273
Cash to be received	-	5
Total	**8 063 375**	**11 818 727**

Cash and cash equivalents by currency profile:	31.12.2022	31.12.2021
EUR	7 825 426	11 817 592
CZK	203 965	-
USD	33 900	581
GBP	84	554
Total	**8 063 375**	**11 818 727**

In 2021 the Group discontinued the agreement where separate Group's companies used Group account services with the AS Luminor Bank Latvian Branch resulting in reduction of use of the granted credit lines by the funds in the Group's accounts, see Note 27 "Loans from credit institutions".

Cash in current accounts of the banks is mostly kept in Luminor bank. On 1st November 2022 international rating agency Moody's affirmed Luminor Bank's A3 bank deposit and Baa1 senior unsecured debt ratings and changed the outlook on their ratings to positive.

Thus majority of the Group's funds are held with a bank, which has received good credit rating, and it is expected that the credit institution will be able to comply with all of its financial liabilities on timely basis. Information has been provided in accordance with Moody's rating information, which was publicly available in up to the date of signing of these financial statements.

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

25. Share capital

Paid share capital of the Group as at 31.12.2022. 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.

	31.12.2022	31.12.2021
Share capital, EUR	35 005	35 005
Number of shares	35 005	35 005
Par value of each share	1.00	1.00

26. Consolidated reserves and non-controlling interests

Consolidated reserves represent value in the amount of EUR 19 926 630 where:

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

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

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

Non-controlling interest represents minority shareholding in JSC "PET Baltija" (5.1%) and following UAB "Ecoservice" subsidiaries - UAB "Ecoservice Projektai" (1.01%), UAB "Biržų komunalinis ūkis" (34.62%).

27. Loans from credit institutions

	Currency	31.12.2022	31.12.2021
Non-current loans			
Bank (non-current part, repayable within 2-5 years)	EUR	28 263 863	34 589 018
Total		**28 263 863**	**34 589 018**
Non-current loan current part			
Bank (non-current part, repayable within 1 year)	EUR	18 914 522	5 305 770
Bank (credit line)	EUR	4 739 478	401 647
Total		**23 654 000**	**5 707 417**
Loan interest			
Bank	EUR	174 135	83 630
Total		**174 135**	**83 630**
Total current loans		**23 828 135**	**5 791 047**
Total loans from credit institutions		**52 091 998**	**40 380 065**

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

Loans repayment terms and 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".

Company	Currency	Total amount	Repayment term	Interest rate	31.12.2022	31.12.2021
SIA "Eco Baltia vide"	EUR	12 927 000	04.08.2025	3 month EURIBOR + interest rate	11 246 047	12 835 506
SIA "Eco Baltia vide"	EUR	8 700 000	31.08.2025	3 month EURIBOR + interest rate	7 320 389	8 554 384
UAB "Ecoservice"	EUR	12 923 541	31.08.2025	3 month EURIBOR + interest rate	11 081 195	12 923 541
UAB "Ecoservice"	EUR	3 866 250	30.11.2025	3 month EURIBOR + interest rate	2 964 125	2 964 125
AS "PET Baltija"	EUR	1 173 770	30.06.2023	3 month EURIBOR + interest rate	150 434	1 053 444
AS "PET Baltija"	EUR	6 000 000	30.09.2025	3 month EURIBOR + interest rate	5 729 290	1 443 000
AS "PET Baltija"	EUR	7 500 000	06.09.2027	3 month EURIBOR + interest rate	7 380 206	-
AS "PET Baltija"	EUR	760 000	31.05.2023	3 month EURIBOR + interest rate	4 739 478	401 646
SIA "Nordic Plast"	EUR	1 700 000	17.02.2026	3 month EURIBOR + interest rate	1 306 699	-
SIA "Nordic Plast"	EUR	1 509 234	29.12.2022	3 month EURIBOR + interest rate	-	120 789
Total					**51 917 863**	**40 296 435**

Credit line

On 31 December 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 31.12.2022. EUR 3 761 000 (2021: EUR 858 353).

Factoring

The Group companies AS "PET Baltija", and SIA "Nordic Plast", have entered into factoring agreements with Luminor Līzings SIA, TESIL Fibres s.r.o. has entered into factoring agreement with Factoring České spořitelny, a.s. The management of the Group believes that according to factoring 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 6 243 097 (31.12.2021: EUR 3 752 709). The maturity of the factoring contracts is 31.05.2023, TESIL Fibres s.r.o. agreement is concluded for indefinite period.

27. Loans from credit institutions (continued)

Collaterals

The financing provided by Luminor Bank AS to the Group's companies, as well as the below mentioned agreements on issuance of guarantees and letters of credit is secured by mortgages on real estates owned by the Group's companies, commercial pledges on the assets of the companies, commercial pledges on shares of the companies, as well as suretyships from the companies, and assignment agreements of the transfer of claims on debtors (for payment of outstanding amounts) to Luminor Bank AS. The subject matter of the commercial pledges on shares are the shares which the pledgor currently owns and which the pledgor will acquire during the term of the loan agreements. The subject matter of the commercial pledges on assets are the assets as an aggregation of property as at the moment when pledge is given and future parts of such aggregation of property.

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

Covenants

See Note 37.

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	**40 380 065**
Received loans	18 043 018
Repaid loans	(6 261 181)
Costs for attracting financing	(160 411)
Calculated interest	1 771 191
Repaid interest	(1 680 684)
Liabilities from financing activity on 31.12.2022	**52 091 998**

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
Costs for attracting financing	(133 539)
Calculated interest	601 117
Repaid interest	(518 627)
Liabilities from financing activity on 31.12.2021	**40 380 065**

28. (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 31 December 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 2023 to 2027.

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

	31.12.2022		**31.12.2021**	
	Minimum payments	Current value of payments	Minimum payments	Current value of payments
Within a year	4 034 187	3 718 448	3 835 878	3 554 553
In a year, but not longer than five years	9 810 388	8 907 148	7 693 958	7 286 822
Total minimum lease payments	13 844 575	12 625 596	11 529 836	10 841 375
Financial costs	(1 218 979)	-	(688 461)	-
Current value of minimum lease payments	**12 625 596**	**12 625 596**	**10 841 375**	**10 841 375**

28. (a) Obligation under finance leases (continued)

The share of Luminor līzings SIA in finance leases for one of the Group companies AS PET Baltija with long-term maturities amounting to EUR 186 559 is presented as current portion due to the breach of the loan covenants and adjusted equity ratio covenants stipulated in the loan agreement between AS PET Baltija and Luminor Bank AS Latvian Branch. However, after the balance sheet date, Luminor Bank AS Latvian Branch and AS PET Baltija have agreed that non-compliance with these covenants will not be considered an event of default under the General Terms of Financing.

28. (b) Lease liabilities

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.

Maturity analysis	**31.12.2022**	**31.12.2021**
Year 1	2 886 020	2 011 140
Year 2 - 8	14 127 497	4 393 029
Total	**17 013 517**	**6 404 169**

29. Prepayments received from customers

	31.12.2022	**31.12.2021**
Prepayments received for services and goods	894 373	772 703
Total	**894 373**	**772 703**

30. Trade payables

	31.12.2022	**31.12.2021**
Trade payables	23 240 631	12 830 455
Total	**23 240 631**	**12 830 455**

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

31. Taxes payable

	31.12.2022	**31.12.2021**
Value added tax	1 253 530	801 387
State mandatory social insurance contributions	850 208	701 364
Personal income tax	623 858	399 708
Natural resource tax	34 886	40 509
Real estate tax	14 138	4 456
Other payroll taxes	13 865	-
Light-duty vehicle tax	1 480	2 095
State business risk duty	322	322
Total	**2 792 287**	**1 949 841**

32. Other payables

Non-current part:	**31.12.2022**	**31.12.2021**
Security deposit amount	22 803	17 641
Total non-current part	**22 803**	**17 641**
Current part:		
Remuneration for work	1 870 851	1 433 217
Accruals for employees bonuses	865 350	850 916
Estimated payables	505 428	-
Other	28 645	40 890
Total current part	**3 270 274**	**2 325 023**
Total other payables	**3 293 077**	**2 342 664**

33. Deferred income

	31.12.2022	31.12.2021
Non-current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	1 355 381	1 193 960
Investment project Installation of air cleaning systems and electrical installations in Lithuania	60 223	79 703
Investment project Waste water treatment plant in Lithuania	9 657	15 312
Total	**1 425 261**	**1 288 975**
Current deferred income		
Investment project financing from the Investment and Development Agency of Latvia and other bodies	510 342	343 818
Investment project Installation of air cleaning systems and electrical installations in Lithuania	19 480	19 480
Investment project Waste water treatment plant in Lithuania	5 654	5 654
Total	**535 476**	**368 952**
Total deferred income	**1 960 737**	**1 657 927**

34. Accrued liabilities

	31.12.2022	31.12.2021
Accrued liabilities for services and goods received *	2 192 758	3 125 535
Accrued liabilities for vacation pay reserve	2 561 928	2 299 719
Total	**4 754 686**	**5 425 254**

* Accrued liabilities includes purchased goods in transit in accordance to INCOTERM terms and conditions in amount of EUR 97 952 (2021: EUR 1 086 415).

35. Transactions with related parties

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

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i) has control or joint control over the reporting entity;
   ii) has significant influence over the reporting entity; or
   iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

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

35. Transactions with related parties (continued)

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

	Year	Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Shareholders related parties:	2022	-	1 005 761	-	145 563
	2021	-	996 087	-	140 920
Supervisory Board and Management Boards related parties	2022	-	12 000	-	10 567
	2021	-	24 000	-	2 210
Other related parties:	2022	-	2 821 962	4 765	905 576
	2021	1 860	-	-	-

*The amounts are classified as trade receivables and trade payables, respectively see Notes 19 and 30.

Loans from/to related parties:

	Year	Interest received	Interest paid	Amounts owed by related parties*	Amounts owed to related parties*
Other related parties:	2022	6 414	-	-	-
	2021	5 795	-	7 300	-

*The amounts are classified as other loans, see Note 20. Amounts owed by related parties includes the loan issued to the related party in amount of EUR 150 200 and accrued interest in amount of EUR 19 558 which are fully impaired.

Dividends to related parties:

	Year	Dividends paid
To the Shareholders of Parent company:	2022	8 000 000
	2021	1 000 000

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

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

36. Financial risk management

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

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

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group has subsidiary TESIL Fibres registered and operating in the Czech Republic, accordingly Assets and Liabilities included in Groups consolidation ammounts to 27.6 million EUR equivalent on stand alone basis. The Group has no material financial assets and liabilities denominated in currencies other than the euro. Consequently, the Group's exposure to foreign currency risk was insignificant in the reporting year.

Interest rate risk

The Group is primarily financed from shareholder's equity, operating cash flows and, to a limited extent, from borrowings. Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and finance lease liabilities (see Notes 27 and 28) bearing interest at floating rates. As a result, the Group is exposed to a risk of higher interest expense, which may be caused by growing interest rates.

Assuming that in 2022 non-current and current loans from credit institutions and finance lease liabilities would remain approximately at the same level as on 31 December 2022, an increase/decrease in interest rates by 1 percentage point would result in additional interest expense/decrease in interest expense by approximately EUR 763 thousand (2021: EUR 512 thousand).

36. Financial risk management (continued)

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

Credit risk
Credit risk is a risk of financial loss in the event of a counterparty's default on their obligations to the Group companies. Credit risk is mainly caused by cash at bank (see Note 24), trade receivables (see Note 19) and issued non-current and current other loans (see Note 20).

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

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

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

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

Categories of financial instruments	**31.12.2022 EUR**	**31.12.2021 EUR**
Financial assets		
Cash at bank and on hand at amortised cost	8 063 375	11 818 727
Other investments and securities at fair value	21 200	21 200
Loans and receivables carried at amortized cost value	23 325 286	19 831 658
Total financial assets	**31 409 861**	**31 671 585**
Financial liabilities		
Financial liabilities carried at amortized cost value	115 000 202	80 116 618
Total financial liabilities	**115 000 202**	**80 116 618**

Liquidity Risk
Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk arises if the maturities of financial assets and liabilities do not match. The goal of liquidity risk management by the Group is to maintain an adequate amount of cash and cash equivalents and arrange an adequate sufficiency of financing by using the financing granted by banks (see Note 27), thereby enabling the Group companies to meet their obligations as they fall due. The Group companies assess whether the maturities of financial assets and liabilities match on a regular basis and the stability of financing for non-current assets. For the purposes of liquidity management, operational cash flow forecasts are made after the actual results for the prior month. The Group's management believes that the Group companies will have sufficient funds available so that their liquidity position might not be negativley jeopardized. As at 31.12.2022 Groups current liabilities are by EUR 14 866 398 more than current assets, from wich EUR 11 049 891 in current liabilities represents Group's subsidiary AS PET Baltija reclassified portion of Loans from credit institutions with non-current terms. After the reporting year AS PET Baltija received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022 therefore in 2023 reclassification is canceled and mentioned amount presented as Non-current liabilities. (As at 31.12.2021: currents assets were by EUR 9 747 455 more than current liabilities).

36. Financial risk management (continued)

The following table demonstrates undiscounted contractual maturities of financial liabilities:

31 December 2021	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
	EUR	EUR	EUR	EUR	EUR
Non-derivative financial liabilities					
Trade and other payables	23 198 220	23 198 220	21 421 482	349 296	1 427 442
Obligations under finance leases	10 841 375	12 185 231	1 135 076	2 826 967	8 223 188
Lease liabilities	6 404 169	7 074 328	570 444	1 606 447	4 897 437
Borrowings	40 513 604	49 009 312	1 456 978	5 386 957	42 165 377
Total non-derivative financial liabilities	**80 957 368**	**91 467 091**	**24 583 980**	**10 169 667**	**56 713 444**
Total financial liabilities	**80 957 368**	**91 467 091**	**24 583 980**	**10 169 667**	**56 713 444**

31 December 2022	Carrying amount	Total contractual cash flows	3 months or less	From 3 to 12 months	From 1 to 5 years
	EUR	EUR	EUR	EUR	EUR
Non-derivative financial liabilities					
Trade and other payables	34 143 504	34 143 504	32 159 964	535 476	1 448 064
Obligations under finance leases	12 625 596	14 015 978	1 632 489	2 644 289	9 739 199
Lease liabilities	17 013 517	19 648 038	1 268 217	2 978 421	15 401 400
Borrowings	52 091 998	53 351 924	17 378 234	5 603 134	30 370 556
Total non-derivative financial liabilities	**115 874 615**	**121 159 444**	**52 438 904**	**11 761 320**	**56 959 219**
Total financial liabilities	**115 874 615**	**121 159 444**	**52 438 904**	**11 761 320**	**56 959 219**

Fair value

Based on the Group's management's assessment, the carrying amounts of financial assets and liabilities approximated to their fair value as at 31 December 2022 and 31 December 2021.

37. Capital management

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

The Group's capital structure consists of net debt (borrowings as detailed in Notes 27 and 28 offset by cash on hand and at bank) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

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

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

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

According to the subsidiaries' managements' calculations performed using normalised EBITDA and other financial data as of 31.12 2022 the Group companies except PET Baltija has complied with the above requirements.

Covenants set at Eco Baltia Consolidated lever where met; Adjusted Equity ratio covenant is set for and can not be lower than 35% and Net Financial Debt to EBITDA not higher than 3.5.

37. Capital management (continued)

In addition Luminor Bank AS Latvian branch has approved that Eco Baltia provides subordinated short-term loan of 1.5 million euro to the PET Baltija and long term loan of 4 million euro to the PET Baltija's subsidiary TESIL Fibres. The purpose of the loans is to expand production capacity and further business development, including in new market segments.

What relates to the parent company Eco Baltia issued bonds in February 2023, the Issuer undertakes to comply with the following financial covenants from the issue Date and for as long as any Notes are outstanding:

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

Net Debt to Adjusted EBITDA Ratio – the Issuer ensures that Net Debt to Adjusted EBITDA Ratioat all times is 4 (four) or lower. Test starting date 31.12.2022.

38. Going concern

As at the end of the reporting year, the Group's current liabilities exceeded current assets exceeded by EUR 14.866 million. Portion of Loans from credit institutions and Lease liabilities with non-current terms in amount of EUR 11.236 million presented as Current due to breach of covenants including Equity covenant set at Group's subsidiary AS PET Baltija 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. Accordingly exclusion of this effect Group's current liabilities exceeded current assets by EUR 3.63 million. The Group's management is confident that the Group companies will be able to meet their obligations and continue as a going concern considering updated operational commercial activities budgets and forecasted cash flows. The financial statements have been prepared on the basis that the Group will continue to be a going concern.

The main risks of the Group's operations are related to external factors: the general geopolitical situation; rising fuel and utility costs; changes in the demand for and prices of secondary raw materials on the world market; natural conditions that determine the amount of work (e.g. heavy snow in winter / snowless winters); the likelihood of accidents; fulfilment of contractual obligations of business partners (suppliers, subcontractors, customers). To reduce these risks, the company diversifies its operations, increases the variety of services provided, invests in the qualifications of employees, complies with labor, fire safety and civil safety requirements.

The war against Ukraine, launched by the Russian Federation on February 24, 2022, does not currently pose a significant threat to the company's operations. The Group has no direct trade relations with the parties directly involved in the war – Ukraine, Russia or Belarus. However, the overall business risk for the companies in Latvia, as for all Lithuanian business, is increasing. Rapidly rising energy prices have a significant impact on the costs of the Group.

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

39. Contingent liabilities

	31.12.2022 EUR	31.12.2021 EUR
Liabilities arising from trade financing products:		
Trade financing products	4 225 058	4 708 372
Total	**4 225 058**	**4 708 372**

The Group's company AS "PET Baltija" has entered into an agreement with Luminor Bank AS on the issuance of guarantees subject to the total limit of EUR 1 500 000 (31 December 2021: EUR 1 500 000). The total limit expires on 30 September 2023.

The Group's company SIA "Eco Baltia vide" and its subsidiaries has entered into an agreement with Luminor Bank AS on the issuance of guarantees subject to the total limit of EUR 5 000 000. The total limit expires on 04 August 2023.

The Group's company AS "PET Baltija" has issued a guarantee against Leasing Ceske Sporitelny A.S. for its subsidiary Tesil Fibres S.R.O. outstanding lease liabilities which as of 31.12.2022 are EUR 499 765 (31 December 2021: EUR 0). The leasing maturity date is October 2025.

39. Contingent liabilities (continued)

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

40. 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 Tesil Fibres S.r.o.	**Fair value recognised on acquisition, EUR'000** "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.

41. Prior period reclassification

While preparing these Group's consolidated financial statements the Group performed the following reclassifications in the previous reporting year for 2021. Comparative prior year data being reclassified retrospectively for the previous financial period as follows:

ASSETS	**31.12.2021** **EUR**	**Reclassifi-cation**	**31.12.2021** **EUR** (reclassified)
Non-current investments			
Prepayments for intangible investments and other	107 971	163 326	271 297
Construction in progress	808 674	(163 326)	645 348
Prepaid expenses	390 202	(97 119)	293 083
Total non-current investments	**100 806 098**	**(97 119)**	**100 708 979**
Current assets			
Prepaid expenses	462 281	(36 420)	425 861
Total current assets	**44 886 221**	**(36 420)**	**44 849 801**
TOTAL ASSETS	**145 692 319**	**(133 539)**	**145 558 780**

41. Prior period reclassification (continued)

LIABILITIES	31.12.2021 EUR	Reclassification	31.12.2021 EUR (reclassified)
Non-current liabilities			
Loans from credit institutions	34 686 137	(97 119)	34 589 018
Total non-current liabilities	**49 707 313**	**(97 119)**	**49 610 194**
Current liabilities			
Loans from credit institutions	5 827 467	(36 420)	5 791 047
Total current liabilities	**35 138 766**	**(36 420)**	**35 102 346**
Total liabilities	**84 846 079**	**(133 539)**	**84 712 540**
TOTAL EQUITY AND LIABILITIES	**145 692 319**	**(133 539)**	**145 558 780**

The reclassification made for the year 2021 affects also positions of Adjustments of working capital in Statement of cash flows before affecting Cash flows for operating activities:

	31.12.2021 EUR	Reclassification	31.12.2021 EUR (adjusted)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	9 091 844	-	9 091 844
Profit before adjustments for the effect of changes in current assets and current liabilities	**21 908 580**	**-**	**21 908 580**
Adjustments for:			
Increase in receivables	(6 629 204)	**133 539**	(6 495 665)
Decrease/(increase) in inventories	(5 654 228)	**(133 539)**	(5 787 767)
CASH FLOWS FROM OPERATING ACTIVITIES	**24 279 789**	**-**	**24 279 789**
Net cash flows from operating activities	**23 309 778**	**-**	**23 309 778**
Net cash flows used in the investing activities	**(37 787 818)**	**-**	**(37 787 818)**
Net cash flows used in the financing activities	**22 514 336**	**-**	**22 514 336**
Net cash flow for the reporting year	**8 036 296**	**-**	**8 036 296**
Cash and cash equivalents at the beginning of the year	**3 782 431**	**-**	**3 782 431**
Cash and cash equivalents on the reporting date	**11 818 727**	**-**	**11 818 727**

42. Events after the reporting date

In January 2023 Eco Baltia group's subsidiary SIA Eco Baltia vide sold its minority stake in SIA CREB Rīga.

The Group's subsidiary SIA Eco Baltia vide through its subsidiary Latvijas Zaļais punkts in January 2023 completed acquisition of the road and street maintenance company SIA Pilsētas Eko Serviss, including acquisition of 100% of SIA PES serviss and SIA B 124. Accordingly acquisition loan was granted to SIA Eco Baltia vide in amount of EUR 5.2 million. In addition another loan was granted to SIA Eco Baltia vide in amount of EUR 7.2 million for new sorting line facility development.

In the beginning of 2023 Nordic Plast concluded modernization project of the facility and now company works on the further development projects to face the market situation and continue to expand in the market.

On 17 February 2023 Eco Baltia during public offering process with high interest from investors issued 8 million euro of its inaugural 3-year bonds with annual coupon rate 8%. Maturity date of the bonds is set on February 17, 2026 with an option for the issuer to call bonds after 2 years. Issue was oversubscribed more than 3.5 times with orders from over 250 qualified and retail investors from Latvia and Lithuania. Total volume of received orders was 28,49 million euro. The proceeds raised from bond issue will be used to finance future development projects of Eco Baltia, with a focus on supporting the company's expansion plans in Europe and promoting the circular economy.

On March 2, 2023 – Nasdaq announces that bonds issued by Eco Baltia, the largest environmental and waste management group in the Baltics, have been admitted to trading on the Nasdaq Baltic First North market by Nasdaq Riga.

41. Events after the reporting date (continued)

Due to the market situation in the last quarter of 2022 and the corresponding revaluation of raw material inventories of PET Baltija, Eco Baltia's subsidiary PET Baltija after the reporting period received the permission from its credit institution, Luminor Bank AS Latvian branch, not to comply with the covenants on 31.12.2022. as set out in the General FinancingTerms.

In addition Luminor Bank AS Latvian branch has approved that Eco Baltia provides subordinated short-term loan of 1.5 million euro to the PET Baltija and long term loan of 4 million euro to the PET Baltija's subsidiary TESIL Fibres. The purpose of the loans is to expand production capacity and further business development, including in new market segments.

In the period from the last day of the reporting year to the date of signing these financial statements, there have been no other events that would result in adjustments to these financial statements or that should be explained in these financial statements.

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

Olga Jakovele,
Chief Accountant

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

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Translation from Latvian

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ECO BALTIA AS

Report on the audit of the Consolidated Financial Statements

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eco Baltia AS and its subsidiaries ("the Group") set out on pages 8 to 50 of the accompanying consolidated annual report, which comprise:

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

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

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

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

Key Audit Matters

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

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

Key audit matter	How the matter was addressed in the audit
Valuation of goodwill *Refer to Note 14 to the financial statements* As disclosed in Note 14 the Group has recorded a significant amount of goodwill that is subject to an annual impairment test. As at 31 December 2022, the goodwill amounts to 40.1 m EUR which represents 22% of total assets. The Group performs an annual impairment test of non-current assets including goodwill to identify impairment losses, arising when the recoverable amount of cash generating unit is lower than the carrying amount recorded. Based on the impairment test, no impairment losses for goodwill have been identified during year 2022. The cash flow projections and discount rates applied to the projected future cash flows involve significant management judgement. The recoverable value significantly depends on the assumptions used with respect to sales growth, gross margin, discount rates as well as the Group management's ability to realize those assumptions and overall development of the economy. Adverse changes to these assumptions caused by volatility of the markets the Group operates in may negatively influence the carrying value of non-current assets presented in the Group's consolidated statements of financial position as of 31 December 2022. Accordingly, the impairment test of goodwill is considered to be a key audit matter.	*Our procedures included, but were not limited to:* Our audit procedures were focused on the assessment of key assumptions used by the management in calculations, including the cash flow projections and discount rates. In our evaluation, we have involved internal valuation specialists. We assessed assumptions used in cash flow projections which the outcome of impairment test is most sensitive to and evaluated the reasonableness of assumptions made by management by comparing those to both internal sources of information available within the Group as well as externally available industry, economic and financial data. Our assessment included sensitivity analysis. Furthermore, we evaluated management's budgeting process by comparing actual results to previously forecasted results. We assessed the completeness and accuracy of the disclosures relating to goodwill to assess compliance with disclosure requirements included in IFRS as adopted by EU.

Reporting on Other Information

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

- General Information about the Group, as set out on page 3 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 4 to 6 of the accompanying consolidated Annual Report,
- the Statement of Management responsibilities, as set out on page 7 of the accompanying consolidated Annual Report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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Inguna Stasa
Member of the Board
Certified Auditor of Latvia
Certificate No.145

Riga, Latvia

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