Financial Report 2022

Ekopak

Ekopak Sustainable Water

Together towards a sustainable future.

FINANCIAL REPORT 2022

IFRS Consolidated Financial Statements

1. Consolidated statement of profit or loss

		for the year ending December 31	
in 000€	**Notes**	**2022**	**2021**
Revenue	5	17.710	11.251
Other operating income	5	1.135	310
Operating income		**18.845**	**11.561**
Purchases of materials	7	-8.921	-5.243
Services and other goods	7	-4.555	-3.167
Employee benefit expense	7	-5.660	-2.777
Depreciation charges	9, 11, 12	-1.835	-953
Other operating charges	7	-168	-32
Operating profit / (loss)		**-2.294**	**-611**
Financial expenses	7	-277	-166
Financial income	7	50	29
Loss before taxes		**-2.521**	**-748**
Income taxes	8	535	48
Net loss for the year *		**-1.986**	**-700**
Earnings per share attributable to the owners of the parent			
Basic	18	-0,13	-0,05
Diluted	18	-0,13	-0,05

** The net loss for the year is full attributable to the owners of the parent*

The accompanying notes on pages 8 to 55 form an integral part of these IFRS Consolidated Financial Statements.

2. Consolidated statement of comprehensive income

in 000€	Notes	for the year ending December 31 2022	2021
Net loss for the year		**-1.986**	**-700**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax	19	35	-157
Other comprehensive income, net of tax		**35**	**-157**
Total comprehensive loss for the year, net of tax *		**-1.951**	**-857**

** The total comprehensive loss for the year is full attributable to the owners of the parent*

The accompanying notes on pages 8 to 55 form an integral part of these IFRS Consolidated Financial Statements.

3. Consolidated statement of financial position

		At December 31	
in 000€	**Notes**	**2022**	**2021**
Assets			
Non-current assets			
Goodwill	9	2.135	1.035
Intangible assets	10	4.592	245
Property, plant and equipment	11, 12	25.349	14.842
Deferred tax assets	8	1.547	1.023
Other financial assets		99	16
Total non-current assets		**33.722**	**17.161**
Current assets			
Contract assets	15	4.016	1.733
Inventories	13	4.837	2.152
Trade receivables	14	4.951	2.981
Other current assets	14	865	1.296
Cash and cash equivalents	16	32.508	42.100
Total current assets		**47.177**	**50.262**
Total assets		**80.899**	**67.423**

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		At December 31	
in 000€	**Notes**	**2022**	**2021**
Equity			
Share capital	17	6.671	6.671
Share premium	17	55.116	55.116
Other reserves	17	-2.274	-2.345
Accumulated (loss)/profit		-2.845	-859
Equity attributable to the owners of the parent		**56.668**	**58.583**
Total equity		**56.668**	**58.583**
Liabilities			
Non-current liabilities			
Borrowings	21	10.785	2.232
Lease liabilities	12, 21	999	393
Deferred tax liabilities	8	1.244	19
Provisions	19	539	542
Total non-current liabilities		**13.567**	**3.186**
Current liabilities			
Borrowings	21	1.926	522
Lease liabilities	12, 21	522	282
Trade and other payables	22	6.796	3.828
Tax payables	8	242	963
Contract liabilities	15	231	–
Other current liabilities	22	947	59
Total current liabilities		**10.664**	**5.654**
Total liabilities		**24.231**	**8.840**
Total equity and liabilities		**80.899**	**67.423**

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4. Consolidated statement of changes in equity

in 000€	Share capital	Share premium	Other reserves	Accumulated (loss)/profit	Total equity attributable to the owners of the parent	Total equity
At January 1, 2021	**–**	**–**	**12**	**-159**	**5.015**	**5.015**
Net profit	–	–	–	-700	-700	-700
Other comprehensive loss	–	–	-157	–	-157	-157
Total comprehensive (loss)/profit	**–**	**–**	**-157**	**-700**	**-857**	**-857**
Capital increase	1.820	54.805	–	–	56.625	56.625
Share issue costs net of tax	–	–	-2.259	–	-2.259	-2.259
Share based payment expense	–	–	59	–	59	59
Transfers within equity	4.851	311	–	–	–	–
At December 31, 2021	**6.671**	**55.116**	**-2.345**	**-859**	**58.583**	**58.583**

in 000€	Share capital	Share premium	Other reserves	Accumulated (loss)/profit	Total equity attributable to the owners of the parent	Total equity
At January 1, 2022	**6.671**	**55.116**	**-2.345**	**-859**	**58.583**	**58.583**
Net loss	–	–	–	-1.986	-1.986	-1.986
Other comprehensive income	–	–	35	–	35	35
Total comprehensive income	**–**	**–**	**35**	**-1.986**	**-1.951**	**-1.951**
Share based payment expense	–	–	36	–	36	36
At December 31, 2022	**6.671**	**55.116**	**-2.274**	**-2.845**	**56.668**	**56.668**

The accompanying notes on pages 8 to 55 form an integral part of these IFRS Consolidated Financial Statements.

5. Consolidated statement of cash flows

in 000€	Notes	For year ending December 31 2022	2021
Operating activities			
Net (loss)/profit		**-1.986**	**-700**
Non-cash and operational adjustments			
Depreciation of property, plant & equipment and ROU assets	11, 12	1.616	875
Amortization of intangible assets	10	248	78
(Gain)/loss on disposal of property, plant & equipment	11	-11	24
Increase/(decrease) in provisions	19	44	-68
Impairments on receivables	7	22	39
Interest and other finance income	7	-50	-29
Interest and other finance expense	7	277	166
Deferred tax expense	8	-613	-58
Tax expense	8	78	10
Equity settled share based payment expense	17.1	36	60
IFRS 16 - gain on early termination of lease	12	-3	-13
Net cash flow (used in)/from operating activities before working capital movements		**-342**	**384**
Movements in working capital			
Decrease/(Increase) in trade and other receivables	14	-1.046	-448
Increase in inventories	13	-2.086	-893
(Decrease)/increase in trade and other payables	22	2.142	1.652
(Increase)/decrease in contract assets	15	-2.283	-1.033
Increase/(decrease) in cash guarantees		-65	-15
Increase/(decrease) in deferred revenue		–	103
Income tax received/(paid)	8	12	-44
Interests paid	7	-212	-121
Interests received	7	1	1
Net cash flow (used in)/from operating activities		**-3.879**	**-414**
Investing activities			
Purchase of property, plant and equipment	11	-9.459	-10.220
Purchase of intangible assets	10	-824	-150
Proceeds from the sale of property, plant and equipment	11	22	41
Receipt of asset related government grants		489	–
Acquisition of subsidiary, less the acquired cash	6	-4.919	-1.063
Net cash flow used in investing activities		**-14.691**	**-11.392**

Financing activities			
Proceeds from borrowings	21	10.321	143
Repayment of borrowings	21	-884	-842
Repayment of leases	12, 21	-441	-290
Receipts from capital increase	17	–	56.625
Share issue costs		–	-3.013
Other financial expense, net		-18	-17
Net cash flow (used in)/from financing activities		**8.978**	**52.606**
Net cash flow		**-9.592**	**40.800**
Cash and cash equivalents at beginning of year	16	42.100	1.300
Cash & cash equivalents at end of year	**16**	**32.508**	**42.100**

The accompanying notes on pages 8 to 55 form an integral part of these IFRS Consolidated Financial Statements.

Notes to the IFRS Consolidated Financial Statements

1. Corporate information

Ekopak NV (further referred to „Ekopak“ or „the Company“) is a limited company incorporated and domiciled in Belgium quoted on Euronext. The registered office is located at 13 Careelstraat, 8700 Tielt in Belgium.

Ekopak is a technology company who is principally engaged in designing, building, financing and operating industrial water processing installations. Ekopak is active primarily in Europe.

Information on other related party relationships of the Company is provided in note 25.

The IFRS Consolidated Financial Statements (further referred as „the consolidated financial statements“) of Ekopak NV for the year ended December 31, 2022 were authorised for issue in accordance with a resolution of the directors on March 20, 2023.

2. Significant accounting policies

2.1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards („IFRS“) and as adopted by the European Union („adopted IFRS“) and interpretations issued by the IFRS interpretation committee applicable to companies reporting under IFRS.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000), except when otherwise indicated.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the consolidated financial statements and their effect are disclosed in note 4. The accounting policies have been applied consistently and are prepared on a going concern basis considering the following:

- the Company has a solid liquidity position with a cash position of KEUR 32.508.
- there are no impairment indicators since the Company expects a further growth in revenue and improvement in operating results in the future.

2.2. Principles of consolidation

2.2.1. Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The subsidiary Water-as-a-Service NV was established as per July 16, 2020. The subsidiary had an extended financial year, ending on December 31, 2021. For consolidation purposes, the subsidiary has been closed on December 31, 2020 and on December 31, 2021. The subsidiary was merged into Ekopak NV as per January 1, 2022.
The subsidiary iServ BV was acquired through a business combination on April 23, 2021, we refer to note 6 for more information. For consolidation purposes, the figures of iServ BV are included as of April 30, 2021. The impact of the difference between moment of completion of the acquisition (April 23) and the moment of inclusion of the figures of iServ (April 30) is considered immaterial with respect to the Consolidated Financial Statements. The subsidiary was merged into Ekopak NV as per January 1, 2022.

The subsidiaries Covalente, H_2O Production and SCI-du Cèdre Bleu were acquired through a business combination on September 16, 2022, we refer to note 6 for more information. For consolidation purposes, the figures are included as of September 1, 2022. The impact of the difference between moment of completion of the acquisition (September 16) and the moment of inclusion of the figures (September 1) is considered immaterial with respect to the Consolidated Financial Statements.

The subsidiary Ekopak France has been established as per September 14, 2021 and had a first closing date on December 31, 2021.

2.3. Summary of significant accounting policies

2.3.1. Foreign currency translation

The Company's consolidated financial statements are presented in euros. The Company's functional currency is euro.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into euro at the exchange rate at the end of the previous month-end. Monetary items in the consolidated statement of financial position are translated at the closing rate at each reporting date and the relevant translation adjustments are recognized in financial result.

2.3.2. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decisionmaker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. Operating segments have similar economic characteristics and are determined based on:

- the nature of the products and services.
- the type and characteristics of the contract (one off sales model, sales of consumables, services model, DBMO and DBFMO model). The DBFMO model and the operational part of the DBMO model are also commercially known as Water-as-a-Service (WaaS).
- whether the customer controls the water process installation or not.

2.3.3. Revenue

The Company is in the business of designing, building, financing and operating industrial water processing installations. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The normal credit term is 30 days net of invoice.

The Company has 3 revenue streams, being the traditional sales model, the DBMO (Design, Build, Maintain and Operate) model and the DBFMO (Design, Build, Finance, Maintain and Operate) model. The DBFMO model and the operational part of the DBMO model are also commercially known as Water-as-a-Service (WaaS). In addition, the Company sells consumables to customers operating a sold process water or disinfection installation as well as servicing such installations.

Sale of consumables

Contracts under this type of revenue stream have one single performance obligation which is the sale of consumables. Revenue is recognized at a point in time, being usually when the control over the products is transferred to the customer upon shipment.

Services

Service contracts have one single performance obligation which is the service of process water and desinfection installations. Revenue is recognized over time, being a rato of the services performed. The sale of spare parts is also reported as service turnover with recognition at a point in time, i.e. when the control over the products is transferred to the customer.

One off sales of process water and disinfection installations

Contracts under this type of revenue stream have one single performance obligation which is the design, build and delivery of the installation with a fixed transaction price. Revenue is recognized over time, which is the period of the development and construction of the process water installation until delivery and installation at the customer premises as the installation has no alternative use for the Company and an enforceable right to payment exist for the performance to date. Revenue is recognized based on the actual progress and expected margin at the end of the reporting period.

Design, Build, Maintain and Operate installations - DBMO
Contracts under this type of revenue typically consist of two distinct performance obligations, being the Design, Build and Maintain ("DBM") of the installation and the Operating of the installation. Revenue will be allocated to each distinct performance obligation based on its relative stand-alone selling price over the transaction price. In general, the contractual price for each distinct performance obligation is similar to its relative stand-alone selling price over the transaction price, i.e. any discounts are already allocated in the contract to each distinct performance obligation.

Revenue for the DBM is recognized over time, which is the period of the development and construction of the process water installation until delivery and installation at the customer premises. Revenue is recognized based on the actual progress and expected margin at the end of the reporting period.

Revenue from the operating of the process water installation is recognized over time, being monthly, when the services are performed. The price consists of a monthly fixed fee and a variable fee based on the output. The operating agreement is cancellable by the customer without reason at any time without significant financial penalty and long notice period.

Design, Build, Finance, Maintain and Operate installations – DBFMO - WaaS
Contracts under this type of revenue typically consist of a single separate performance obligation, being the operating of the installation as the customer does not control the water process installation during the non-cancellable term of the contract (10 up to 15 years).

Revenue from the operating of the process water installation is recognized over time, which is the contractual non-cancellable term of the Operating agreement (10 up to 15 years). The services are invoiced monthly. The price mainly consists of a monthly fixed fee and a variable fee based on the output.

Contract costs related to the design and build of the water installation process are recognized as a DBFMO installation in property, plant and equipment.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale and operating of the process water installations, the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration
If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Most of the contracts which include operating of the process water installations, contain a variable price based on the volume output of water. The variable fee is invoiced monthly based on the actual volume output of water of the month, together with the monthly fixed fee.

Some contracts for the operating of the process water installations include considerations payable to the customer, i.e. in case tap water used in excess of a certain threshold. The variable price components and considerations payable to the customer give rise to variable consideration.

Considerations payable to the customer
Some contracts contain clauses whereby there is a consideration payable to the customer in case the delivery of water is not coming from the process water installation but from tap water and when in excess of a certain threshold. The Company applies the most likely amount method to estimate this variable consideration in the contract. The Company then applies the requirements on constraining estimates of variable consideration (highly probable that no significant revenue reversal will occur) in order to determine the amount of variable consideration that can be included in the transaction price and recognized as revenue.

Significant financing component

The Company receives advance payments from customers for the sale of process water installations with a manufacturing lead time of three to six months after signing the contract and receipt of payment. There is not a significant financing component for these contracts considering the length of time between the customers' payment and the transfer of the asset.

The Company applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Contract balances

Contract assets

Contract assets are initially recognized for revenue earned from the design and build of the water process installation in the one off sales model and from the DBM part of a DBMO transaction, but which are not billed. Upon completion of the building and installation of the water process installation, the amount recognized as contract assets is reclassified to trade receivables. Contract assets are presented as a separate line in the consolidated statement of financial position.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. Contract liabilities are presented in the line other current liabilities in the consolidated statement of financial position.

Costs to fulfill a contract

The Company does incur costs to fulfill a contract which, when they are not in scope of another standard, are accounted for as contract asset. For the DBFMO contracts, the Company may incur costs to fulfill a non-distinct performance obligation which are accounted for as a DBFMO installation within property, plant and equipment. The Company evaluates whether those costs meet the recognition criteria for property, plant and equipment and when criteria are not met, expenses those costs as incurred.

2.3.4. Financing costs

Financing costs relate to interests and other costs incurred by the Company related to the borrowing of funds. Such costs mostly relate to interest charges on short and long-term borrowings and lease liabilities as well as the amortization of additional costs incurred on the issuance of the related debt. Financing costs are recognized in profit and loss for the year or capitalized in case they are related to a qualifying asset.

2.3.5. Other financial income and expenses

Other financial income and expenses include mainly foreign currency gains or losses on financial transactions and bank related expenses.

2.3.6. Income tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.3.7. Intangible assets other than goodwill

Intangible assets comprise primarily software, design components of containers used for the water process installations, customer lists resulting from business combinations and the direct development costs related to the innovating project Circeaulair.

During the development phase of these projects the development costs are accounted for under intangible assets under construction. The development phase is defined as the point at which the project is considered economically and technically feasible and there is a certainty that the project will be executed. We refer to note 10 for more information.

In case of Circeaulair the development costs are 100% neutralized by a government grant as per reporting date. We refer to accounting policy 2.3.12 for more information on the accounting for government grants.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized straight-line over the useful life, which is:

- Software & cloud platform related assets: 3 to 5 years
- Customer lists: 10 years
- Design components: 3 years.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets is recognized in the consolidated statement of profit or loss in the expense category „depreciation charges“.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

2.3.8. Goodwill

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

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.9. Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses. Construction in progress is stated at cost, net of accumulated impairment losses, if any. The cost comprises the initial purchase price plus other direct purchase costs (such as non-refundable tax, transport). The cost of self-constructed equipment (primarily water process installations under the DBMFO revenue model) comprises the cost of materials, direct labour costs and a proportional part of the production overheads and borrowing costs in case the construction would be more than 12 months.

A master agreement exists with several financial institutions which allows the financing of operational WaaS installations through a sale and leaseback transaction. Although legal ownership of these assets has been transferred to the financial institution, these assets are presented in Property, Plant and Equipment as the performance obligation to recognize the transaction as a sale is not satisfied.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Major spare parts that fulfill the definition of property, plant and equipment are capitalized as machinery and equipment. These spare parts will be used to replace malfunctioning or expired components. These spare parts are, unlike the spare parts included in inventories, not sold to the customers.

Depreciation and useful life

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	10 to 20 years
Plant, machinery and equipment	5 to 10 years
Computer equipment	2 to 3 years
DBMFO installations	10 to 15 years
Vehicles	3 to 5 years
Office furniture and equipment	3 to 10 years
Membranes in DBMFO installations	4 years
Leased assets	Shorter of the useful life or the duration of the lease or useful life in case the Company will obtain ownership of the asset at the end of the lease

Derecognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized.

2.3.10. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company leases office buildings and vehicles. Rental contracts are typically made for fixed periods of 36 months to 5 years but may have extension options as described below. Contracts may contain both lease and non-lease components. The Company has applied the practical expedient not to separate non-lease components for all lease categories.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities
Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. The Company has applied the portfolio approach to determine the interest rate implicit in the lease for similar lease assets with similar characteristics. The interest rate applied for the portfolio is determined based on the average interest rate implicit in each lease of the portfolio.

The lease payments do generally not include variable lease payments (e.g. based on an index or rate).

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets
Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs,
- and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term and low value assets
The Company applies the short-term lease recognition exemption to its short-term leases of vehicles (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company has no payments associated with low-value assets.

Residual value guarantees
The Company sometimes provides residual value guarantees in relation to vehicle leases. The Company initially estimates the amounts payable under the residual value guarantees to be zero.

2.3.11. Impairments of assets

Non-financial assets and goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

2.3.12. Government grants

Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to the acquisition of tangible or intangible assets are deducted from the asset and they are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.3.13. Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Spare-parts and servicing materials: purchase cost on a first-in/first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.3.14. Financial assets

The Company has only financial assets measured at amortized cost. Those include trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Trade and other receivables are recognized initially at the amount of consideration that is unconditional. Those financial assets do generally not include a significant financing component.

Other receivables include receivables on vendors packaging guarantee which is the price paid to the vendors for the packaging. The Company does recognize such as receivable when the guarantee is paid to the vendor.

Impairment of financial assets

The Company determines the value of the allowance for losses (impairment) on each reporting date. It recognizes this impairment for credit losses to be expected during the term of all financial instruments for which the credit risk – whether on an individual or collective basis – has increased significantly since initial recognition, taking into account all reasonable and substantiated information, including forward-looking information. In case the credit risk is low, the 12-month expected credit losses are recognized.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Based on the historical information and any available forward looking information, the expected credit losses are not material.

For the receivable on vendor packaging guarantee, the Company recognizes an impairment equal to the amount of the receivables that have an origination date of 24 months or later. This impairment equals the reversal of the payables to the customers in relation to the packaging guarantee paid and which have origination date of 24 months or later.

Derecognition

A financial asset is primarily derecognized when

(i) the rights to receive cash flows from the asset have expired, or

(ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

a. the Company has transferred substantially all the risks and rewards of the asset, or

b. the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.3.15. Financial liabilities

The Company has financial liabilities measured at amortized cost which include loans and borrowings, lease liabilities, trade payables and other current liabilities. Other current liabilities include the payable towards the customer for the packaging guarantee paid and deferred income relating to prepayments of service contracts. The Company adjusted the liability for all payables which have an origination date of 24 months or later, consistent with the impairment on the receivable on the vendor in relation to the packaging guarantee paid by the Company.

Those financial liabilities are recognized initially at fair value plus directly attributable transaction costs and are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

2.3.16. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.17. Provisions

The Company has only provision for disputes and litigations. A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

If the Company expects that some or all of the expenditure required settling a provision will be reimbursed, a separate asset is recognized once it is virtually certain that the reimbursement will be received.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Onerous contracts

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

2.3.18. Employee benefits

Pension commitments

The Company has two active Belgian "branche 23" pension plans (for executive and for the employees). Those plans provide a retirement lump sum and a death in service coverage with employer's contribution is expressed as a percentage of a reference salary. There are no employee contributions to the plans.

The company has also two dormant Belgian "branche 21" pension plans (for executive and for the employees). As of July 1, 2021 employer contributions for new and existing employees are made with respect to the active "branche 23" pensions plans.

Under Belgian law, defined contribution pension plans are subject to minimum guaranteed rates of return which are based on an average of 10-year government bond yields with a minimum of 1,75% and a maximum of 3,75% (currently, equal to 1,75%) for all contributions. Because of these minimum guaranteed rates of return, those pension plans are considered as a defined benefit plan under IFRS. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

The Company also has an active French pension plan resulting from the acquisition of H_2O Production which is a defined contribution plan.

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other current payables in the consolidated statement of financial position.

Share-based payments

Share-based compensation benefits are provided to employees via an employee stock ownership plan (ESOP). Information relating to these plans is set out in note 17. The plans are equity-settled plans as they will be settled by issuing new shares of the Company and there is no obligation for the Company to deliver cash or another financial asset.

The fair value of warrants granted under the ESOP plan is recognized as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The ESOP plan only has a service performance vesting conditions which are further detailed in note 17.

The total expense is recognized 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 period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2.3.19. Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares incurred before the equity contribution is presented as other current assets and reclassified as a deduction in equity, net of tax, from the proceeds upon the equity contribution.

2.3.20. Dividends

Dividends paid are recognized within the consolidated statement of changes in equity only when an obligation to pay the dividends arises prior to the year end.

2.3.21. Fair value measurements

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 Company. 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 identical 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.

3. New and revised standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2022 and have been endorsed by the European Union:

- **Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 1 January 2022).** The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.
  - Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.

  - Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

- **Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021, with early application permitted).** The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued).

The above amendments to the standards do not have a material impact on the entity.

The following new standard and amendments have been issued, are not mandatory for the first time for the financial year beginning 1 January 2022 but have been endorsed by the European Union:

- **IFRS 17 'Insurance contracts' (effective 1 January 2023)**. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. On 17 March 2020, IASB decided to defer pop effective date to annual reporting periods beginning on or after 1 January 2023. The endorsement includes the amendments issued by the Board in June 2020, which are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.

  The EU regulation provides an optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss. Entities making use of the exemption are not applying IFRSs as issued by the IASB and need to disclose the fact.

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023).** The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

- **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023).** The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)**. The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

- **Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023)**. The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2022 and have not been endorsed by the European Union:

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 01/01/2024),** affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
    - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
    - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
    - Clarify how conditions with which an entity must comply within 12 months after the reporting period, such as covenants, affect the corresponding liability's classification.

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024)**. The amendments explain how an entity accounts for a sale and leaseback after the date of the transaction, specifically where some or all the lease payments are variable lease payments that do not depend on an index or rate. They state that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not the right of use retained.

The following standard is mandatory since the financial year beginning 1 January 2016 (however not yet subjected to EU endorsement). The European Commission has decided not to launch the endorsement process of this interim standard but to wait for the final standard:

IFRS 14, 'Regulatory deferral accounts' (effective 1 January 2016). It concerns an interim standard on the accounting for certain balances that arise from rate–regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first–time adoption or subsequently) and on presentation and disclosure.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities for future periods.

On an ongoing basis, the Company evaluates its estimates, assumptions and judgments, including those related to revenue recognition – work in progress and assumptions applied when measuring the defined benefit obligation for the Company insurance plan.

The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4.1. DBFMO arrangements – assessment whether these contracts contain a lease

The Company has contracts with customers in place for sales under the DBFMO model as explained in the accounting policies. The assessment of whether a contract is or contains a lease may require judgement in applying the definition of a lease to those DBFMO arrangements. A DBFMO arrangement include significant services, so determining whether the contract conveys the right to direct the use of an identified asset may be judgemental.

At inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company has judged that the DBFMO arrangements do not contain a lease, although the customer obtains all of the economic benefits of the water process installation, because:

- There is no identified asset. Substantive substitution rights are in place for the Company throughout the period of use as the Company may, at its own discretion, replace the assets with another asset that produces the same volume and quality of water. In a DBFMO contract, the Company performance obligation is the delivery of a minimum volume of water, which meet the contractual quality requirements, during the contract term. In addition, the process water installation is built in a removal container which is easily to transport and connect to the customer installations and water tank. This substitution right is considered substantive by the Company as due to changing technology, the Company does want to optimise and improve, from a cost benefit, its manufacturing process of the required volume and quality water to be delivered to the customer.
- The customer is not able to direct the use of the asset as the responsibility to operate and maintain the water process installation is only with the Company and are only permitted to have access to observe the water process installation. The installation delivers the volume of water in a buffer tank owned by the customer. The contractual delivery of a minimum volume of water is the combination of the output of the water process installation and tap water. The Company can decide, at its own discretion and for a time decided by the Company, to stop the water process production for maintenance or other reasons.

As a result, the WaaS arrangements are accounted for in accordance with IFRS 15 contracts with customers.

4.2. Revenue recognized over time – performance obligation to design and build a process water installation

The Company recognized revenue under the one off sales model and the DBMO model for the construction of the water process installation over time, i.e. over the period when the installation is being designed and build. In determining the revenue to be recognized at the end of the reporting period, the Company has estimate the (i) progress over time and (ii) the margin that will be realized for the project.

The progress over time is estimated based on the direct costs incurred versus the total budgeted costs. The budget costs and the estimated margin on the project for the design and build of the process water installation is reviewed and, if necessary, revised at each reporting period.

4.3. Defined benefit plan

The Company has two active group insurance plans with minimum guaranteed return which is based on an average of 10-year government bond yields with a minimum of 1,75% and a maximum of 3,75% (currently, equal to 1,75%) for all contributions which are accounted for as a defined benefit plan. The Company makes use of an expert in performing the actuarial calculations using the project unit credit method. The actuarial calculation requires significant estimate with regards to the discount rate, inflation rate, salary increases and withdrawal rate. In making those estimates, management together with the expert make use of objective sources and historical information. More information on the estimate is provided in note 19.

The company has also two dormant group insurance plans (for executive and for the employees). As of July 1, 2021 employer contributions for new and existing employees are made with respect to the active "branche 23" pension plans.

4.4. Recognition of deferred tax assets over tax losses carried forward

Deferred taxes are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Company has KEUR 5.935 of tax losses carried forward. These losses do not expire and are not related to structural losses, but relating to IPO related costs deducted in the fiscal result and the losses due to the important growth in the structure of the group to be followed by future revenues. The Company has recognized deferred tax assets over tax losses carried forward for a total amount of KEUR 1.482. The Company has determined it can recognize deferred tax assets on the tax losses carried forward, since the Company expects an increase in revenue and operating profit resulting from the increasing importance of the DBFMO business model in the near future and as such is convinced that the tax losses carried forward will be recovered in the near future.

5. Operating segments

For management purposes, the Company is organized as from 2019 in two business units based on product and service and the related performance obligations. The two reportable operating segments are the following:

- Non-WaaS model (which include the traditional sales, recurring services, consumables and short-term rental sales): the contracts with the customer are to design and build a process water installation, ownership and control over the process water installation is transferred to customer. iServ was included in the Non-WaaS model as of April 23, 2021. H_2O Production is included in the Non-WaaS model as of September 1, 2022.
- Water-As-A-Service ("WaaS") model (which include the DBFMO contracts and the operating sales of the DBMO contracts): the contract with the customer is in substance the delivery, during the contractual period, of a guaranteed minimum volume of water which meet the contractual quality requirements under the DBFMO contracts. Under the DBMO contracts, eventually, at the discretion of the customer, a cancellable operating agreement is signed between the Company and the customer to maintain and operate the process water installation.

These segments are reflected in the organization structure and the internal reporting. No operating segments have been aggregated to form the above reportable operating segments. The measurement principles used by the Company in preparing this segment reporting are also the basis for segment performance assessment and are in conformity with IFRS. The Chief Executive Officer of the Company acts as the chief operating decision maker. As a performance indicator, the chief operating decision maker controls the performance by the Company's revenue, adjusted EBITDA and EBITDA. The line item expenses from claims can be reconciled to note 7.3.

The following table summarizes the segment reporting for the year ending December 31, 2022.

in 000€	NON-WAAS	WAAS	TOTAL SEGMENTS	CORP-ORATE	TOTAL CONSO-LIDATED
Revenue	15.193	2.517	17.710	–	17.710
Other operating income	579	556	1.135	–	1.135
Purchases of materials	-8.601	-320	-8.921	–	-8.921
Services and other goods	-1.889	-368	-2.257	-2.298	-4.555
Employee benefit expense	-4.419	-698	-5.117	-543	-5.660
Other operating charges, net, without expenses from claims	-160	-5	-165	–	-165
Adjusted EBITDA	**703**	**1.682**	**2.385**	**-2.841**	**-456**
Expenses from claims	-3	–	-3	–	-3
EBITDA	**700**	**1.682**	**2.382**	**-2.841**	**-459**
Depreciation charges	-1.182	-653	-1.835	–	-1.835
Operating profit / (loss)	**-482**	**1.029**	**547**	**-2.841**	**-2.294**
Financial expenses	–	-94	-94	-183	-277
Financial income	–	–	–	50	50
Profit (loss) before tax	**-482**	**935**	**453**	**-2.974**	**-2.521**
Segment assets	66.437	14.462	80.899	–	80.899
Segment liabilities	18.337	5.894	24.231	–	24.231

Since 2022 the WaaS segment contains the project start-up expenses of the projects Circeaulair and Waterkracht amounting respectively to KEUR 435 and KEUR 121. KEUR 222 is included in the employee benefit expenses and KEUR 332 is included in the Services and other goods.

The project start-up expenses are 100% offset with an equal amount recorded within other operating income (for Circeaulair a government grant and an invoice to be issued for Waterkracht).

The column 'Corporate' included in the line items 'Services and Other goods' and 'Employee benefit expense' relate to group charges. Within the 'Services and Other goods' the corporate expenses are mainly related to marketing, management fees, IT related costs and consultants. The corporate expenses within 'Employee benefit expense' consists of salary costs of management and other employees who work at Corporate level.

The following table summarizes the segment reporting for the year ending December 31, 2021.

in 000€	NON-WAAS	WAAS	TOTAL SEGMENTS	CORPORATE	TOTAL CONSO-LIDATED
Revenue	10.046	1.205	11.251	–	11.251
Other operating income	310	–	310	–	310
Purchases of materials	-5.082	-161	-5.243	–	-5.243
Services and other goods	-1.751	-42	-1.793	-1.374	-3.167
Employee benefit expense	-2.588	-160	-2.748	-29	-2.777
Other operating charges, net, without expenses from claims	-101	-3	-104	–	-104
Adjusted EBITDA	**834**	**839**	**1.673**	**-1.403**	**270**
Expenses from claims	72	–	72	–	72
EBITDA	**906**	**839**	**1.745**	**-1.403**	**342**
Depreciation charges	-667	-286	-953	–	-953
Operating profit / (loss)	**239**	**553**	**792**	**-1.403**	**-611**
Financial expenses	–	–	–	-166	-166
Financial income	–	–	–	29	29
Profit (loss) before tax	**239**	**553**	**792**	**-1.540**	**-748**
Segment assets	56.037	11.386	67.423	–	67.423
Segment liabilities	7.735	1.105	8.840	–	8.840

The column 'Corporate' included in the line item 'Services and other goods' relate to group charges amounting to mainly KEUR 437 and IPO related costs including professional fees amounting to KEUR 572 and management fees amounting to KEUR 13.

The revenue by product and service can be presented by product as follows:

in 000€	2022	2021
Consumables	2.024	1.856
Services	4.627	3.740
WaaS revenue	2.517	1.205
One off sales of water process installations	8.542	4.449
Total revenue by product type	**17.710**	**11.251**

Revenue of mainly all products and services is satisfied over time for the WaaS revenue and services performed under a service contract. Revenue of one off sales of water process installations is recognized over time based on the actual progress and expected margin at the end of the reporting period. Revenue related to consumables and single services is satisfied at a certain point in time.

The revenue can be presented by geographical area, based on the country in which the customer is domiciled, as follows:

in 000€	2022	2021
Belgium	13.094	9.012
France	3.205	403
Other countries	1.411	1.837
Total revenue by geography	**17.710**	**11.251**

Most non-current assets are located in the country of domicile, Belgium. A total of KEUR 7.246 non-current assets are located in France.

The Company has no customers which revenue present more than 10% of total revenues of one of the segments in the year 2022. The Company had one customer which revenue present 17% (KEUR 1.525) of total revenues of the „Non-WaaS“ segment in the year 2021.

6. Business combinations

H_2O Production

The Group acquired on September 16, 2022 100% of the shares in **Covalente SAS, H_2O Production SAS and SCI du Cèdre Bleu**. Covalente is the holding company of the operational entity H_2O Production and SCI du Cèdre Bleu is a real estate company. H_2O Production is an expert in various technologies for the production of demineralized water. The acquisition creates opportunities to further strengthen the Ekopak portfolio in the French market.

The enterprise value of Covalente, H_2O Production and SCI du Cèdre Bleu , in the transaction amounts to KEUR 5.911.

The provisional identification and valuation of the fair value of the assets and liabilities of Covalente, H_2O Production and SCI du Cèdre Bleu are presented below:

in 000€	Fair value
Non-current assets	5.673
Working capital	460
Cash and cash equivalents	255
Financial debt	-517
Other assets and liabilities	-1.321
Total identified assets and liabilities	**4.550**
Goodwill	1.099
Fair value compensation	**5.649**
Contingent consideration	475
Consideration paid in cash	5.174

The provisional fair value adjustments relate to

- intangible assets for the recognition of
  - the customer list for an amount of KEUR 4.229,
  - the order backlog for an amount of KEUR 30 and
  - the reversal of the pre-acquisition intangibles for an amount of KEUR 170.
- buildings for an amount of KEUR 911
- inventory step-up for KEUR 212

- the deferred tax liability recognized resulting from the fair value adjustments amounts to KEUR 1.303.

The transaction resulted in the recognition of goodwill for an amount of KEUR 1.099, which mainly represent the expected synergies with other Group entities. The goodwill is non-deductible for tax purposes.

If the acquisition would have taken place on January 1, 2022, the contribution to revenue would have been KEUR 3.057 and the contribution to net result would have been a loss of KEUR 170. The contribution to net result before impact from the purchase price allocation would have been a profit of KEUR 288. Since acquisition date, the contribution to revenue was KEUR 1.047 and the contribution to net result was KEUR -7 (before Fair Value adjustment : KEUR 194).

The increase in the headcount resulting from the acquisition is 12, in full time equivalents the increase is 3,79 as the employees are included since 16 September 2022.

The contingent consideration is based on EBITDA thresholds and payable in September 2023. If the combined EBITDA for the period between September 1, 2022 and August 31, 2023 under French GAAP for Covalente, H_2O Production and SCI du Cèdre Bleu is between KEUR 925 and KEUR 1.000, the earn-out will amount to KEUR 250. For an EBITDA between KEUR 1.000 and 1.300, the earn-out is in the amount of KEUR 500. If the EBITDA is equal to or higher than KEUR 1.300, an earn-out of KEUR 750 is payable. The fair value of the earn-out is calculated as the probability weighted amount of the estimated EBITDA based on the budget. The highest probability is given to the scenario where the EBITDA is between KEUR 1.000 and KEUR 1.300. As the earn-out is payable within one year from the acquisition date, there is no impact of discounting.

The reconciliation with the consolidated statement of cash flows is presented below:

Consideration paid in cash	5.174
Cash acquired	-255
Acquisition of subsidiaries, net of cash	**4.919**

iServ

The Group acquired on April 23, 2021 100% of the shares in **iServ BV**. iServ BV is a specialized service provider for the treatment of water, based in Genk. The target market of iServ consists of producers and companies active in water treatment and companies that need to treat their water for use in their industrial applications, production or services. The acquisition creates opportunities for the steady growth of Ekopak in the sector of ecological water treatment and strengthens Ekopak's presence on the Belgian territory. The acquisition enables Ekopak to focus even more on quick customer service.

The identification and valuation of the fair value of the assets and liabilities of iServ are presented below:

in 000€	Fair value
Non-current assets	474
Working capital	480
Cash and cash equivalents	167
Financial debt	-549
Other assets and liabilities	-377
Total identified assets and liabilities	**195**
Goodwill	1.035
Fair value compensation	**1.230**

The fair value adjustment of the intangible assets relates to the recognition of the customer list for an amount of KEUR 81. The fair value adjustment of the inventory for KEUR -77 relates to the step-down of inventory. The deferred tax liability recognized resulting from the fair value adjustments amounts to KEUR 28.

The transaction resulted in the recognition of goodwill for an amount of KEUR 1.035, which mainly represent the expected synergies with other Group entities. The goodwill is non-deductible for tax purposes.

If the acquisition would have taken place on January 1, 2021, the contribution to revenue would have been KEUR 2.397 and the contribution to net result would have been KEUR 23. Since acquisition date, the contribution to revenue was KEUR 1.361 and the contribution to net result was KEUR 63.

The increase in the headcount resulting from the acquisition is 14, in full time equivalents the increase is 7,59 as the employees are included since 23 April 2021.

The reconciliation with the consolidated statement of cash flows is presented below:

Fair value compensation	-1.230
Cash acquired	167
Acquisition of subsidiaries, net of cash	**-1.063**

7. Income and expenses

7.1. Purchases, services and other goods

in 000€	2022	2021
Purchase of materials	-7.021	-4.142
Other purchases	-1.900	-1.101
Total purchases of materials	**-8.921**	**-5.243**
Fleet charges	-660	-270
Housing	-182	-133
Fees for recruitment and interim personnel	-553	-377
IT charges	-333	-152
Office charges	-128	-155
Professional fees	-1.461	-1.615
Sales and promotion charges	-1.085	-299
Small material charges	-153	-166
Total Services and other goods	**-4.555**	**-3.167**

The purchase of equipment materials relates to the materials purchased for the building of the water process installations as well as the purchase of consumables. The other purchases are related to outsourced production capacity.

We note that the comparative figures of 2021 services and other goods have been reclassified to include a more consistent presentation.

The fleet charges mainly include fuel and rental charges and increased as a result of increasing FTEs. Refer also to the increased fees for recruitment and interim personnel charges.

The housing increased due to the increasing number of offices in Belgium and France.

The professional fees include the fees paid to the accountants, lawyer, design agencies, recruitment agencies, other service providers to the Company and management fees. Management fees include the directors remunerations and fees for management active through a management company. In 2021 the professional fees contained the one-off IPO related costs for an amount of KEUR 572. In 2022 the professional fees increased because of ISO certification and the roll out of the ESG strategy.

Sales and promotion charges increased because of sponsoring costs for the Soudal-Quick Step cycling team.

7.2. Employee benefits expenses

in 000€	2022	2021
Gross Salaries	-4.288	-1.944
Social Security charges	-735	-364
Group Insurance	-177	-75
Share based payment costs	-36	-60
Other Insurance	-66	-27
Other payroll charges	-358	-307
Total employee benefit expenses	**-5.660**	**-2.777**

The Company had an average of 94,2 FTE during 2022 (54,4 FTE during 2021) which explains the overall increase of employee benefit expenses and increase in other operating income due to the benefits in kind recuperation. The gross salaries in 2022 were decreased with the capitalized labour cost amounting to 2.210 KEUR (2021: KEUR 782). These costs are capitalized in the context of the production of WaaS installations.

7.3. Other operating charges

in 000€	2022	2021
Non deductible taxes & contributions	-75	-24
Traffic loads	-23	-11
(Reversal of) write-offs on receivables	–	-39
Claims (settlement & provisions, net)	–	72
Loss on receivables	-55	–
Other operating charges	-15	-29
Total other operating charges	**-168**	**-32**

7.4. Financial expenses and income

in 000€	2022	2021
Interest charges - borrowings	-186	-107
Interest charges - lease liabilities	-26	-14
Bank charges	-52	-42
Other financial expenses	-13	-3
Financial expenses	**-277**	**-166**
Exchange differences	4	–
Payment discounts and differences	45	28
Interest income	1	1
Financial income	**50**	**29**
Net financial result	**-227**	**-137**

8. Income and deferred taxes

The major components of income tax expense are:

	for the year ending 31st December	
in 000€	**2022**	**2021**
Consolidated statement of profit or loss		
Current income tax:		
Estimated tax liability for the year	78	10
Deferred income tax:		
Relating to origination and reversal of temporary differences	-77	29
Relating to tax loss carried forward	-536	-840
of which has been recorded directly in equity (other reserves)	–	753
Income tax expense reported in the consolidated statement of profit or loss	**-535**	**-48**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognized in OCI during the year:		
Tax expense/(income) on actuarial gains and losses	12	-52
Deferred tax charged to OCI	**12**	**-52**

Reconciliation of tax expense and the accounting loss multiplied by Ekopak's domestic tax rate is as follows:

in 000€	**2022**	**2021**
Profit/(Loss) before tax	**-2.521**	**-748**
Tax expense/(income) at the statutory tax rate of 25%	-630	-187
Disallowed expenses	86	69
Minimum tax	–	9
Untaxed income	-6	–
Tax losses for which no DTA is recognized	11	–
Prepaid share issue costs	–	52
Other	4	9
Income tax expense	**-535**	**-48**

The domestic tax rate is 25% for both 2022 and 2021.

The deferred taxes are explained as follows:

		Consolidated statement of financial position		Consolidated statement of profit or loss & OCI	Acquisition of subsidiary
		At December 31		For the year-ending December 31	
in 000€	**Notes**	**2022**	**2021**	**2022**	**2022**
Tax losses		1.482	946	536	–
Pension liabilities		72	73	-1	–
Leases		11	14	-3	–
Offsetting of deferred tax		-18	-10	-8	–
Total deferred tax assets		**1.547**	**1.023**	**524**	**–**
Property, plant & equipment		-234	-10	3	-227
Intangible assets		-996	-15	41	-1.022
Inventory valuation		-32	-4	25	-53
Offsetting of deferred tax		18	10	8	–
Total deferred tax liabilities		**-1.244**	**-19**	**77**	**-1.302**
Net deferred tax asset		**303**	**1.004**		
Total deferred tax (expense)/income in P&L				**613**	
Total deferred tax (expense)/income in OCI				**-12**	**–**
Total deferred tax (expense)/income in other reserves				**–**	**–**

The Company has a total of KEUR 5.935 tax loss carryforwards for which a deferred tax assets has been recognized. The tax loss carryforwards will be utilized in the coming years when taxable profits are generated. The tax loss carryforward do not expire and are not related to structural losses. The losses are related to IPO related costs deducted in the fiscal result and to the important growth in the structure of the group to be followed by future revenues.

9. Goodwill

The changes in the carrying value of goodwill at December 31, 2022 and 2021 can be presented as follows:

	Goodwill
Acquisition value	
At 1st January 2021	**–**
Business combinations	1.035
At December 31, 2021	**1.035**
Business combinations	**1.100**
At 31st December 2022	**2.135**
Amortization	
At December 31, 2021	**–**
At December 31, 2022	**–**
Net carrying value	
At December 31, 2020	–
At December 31, 2021	1.035
At December 31, 2022	**2.135**

The group distinguishes two cash generating units (CGUs): WaaS and Non-WaaS. The goodwill at December 31, 2022 relates to the acquisitions of iServ BV that has been allocated to the CGU WaaS (KEUR 1.035) and to the acquisition of Covalente, H_2O Production and SCI du Cèdre Bleu that has been allocated to the CGU Non-Waas (KEUR 1.100).

As per December 31, 2022 and 2021 the Group performed an impairment analysis on the WaaS goodwill based upon a discounted cash flow method that contains cash flows for the following four years and a residual value as of year five. The value retrieved from the valuation model is for 99% related to the terminal value. The estimates in the valuation method are based on experience from the past, existing agreements and forecast looking information of existing customers and partners, supplemented where relevant with market evolutions.

The assumptions used in the model are the pre-tax discount rate (pre-tax WACC) of 12,5% (2021: 11,4%), a perpetual growth rate of 2% (2021: 2%) and EBITDA as a percentage of sales varying between 60% and 67% (2021: 69%).

The headroom is more than three times the carrying value of the CGU. The headroom remains between two and three times the carrying value of the CGU in the scenario of increasing the pre-tax WACC to 13,5%. In the scenarios of decreasing the perpetual growth rate to 0% or decreasing the EBITDA to 10%, the headroom remains more than two times the carrying value of the CGU.

The recoverable amount of the Non-WaaS goodwill resulting from the Covalente, H_2O Production and SCI du Cèdre Bleu acquisition on September 16, 2022 is based on the fair value less costs of disposal. The fair value is based on the at arm's length market transaction for the acquisition as the fair value would not be materially different at the reporting date compared to the acquisition date.

Based on the above information, management concluded that no impairment losses need to be recorded.

10. Intangible assets

The intangible assets as per December 31, 2022 consist of intangible assets under construction, software, other intangible assets and customer list.

The intangible assets under construction relate for KEUR 488 to the Circeaulair project. An amount of KEUR 488 was received as capital grant on the Circeaulair project and has been deducted from the asset.

The software relates to capitalized standard software purchased or licensed from third parties and the cloudplatform used for monitoring of the service activities. The other intangible assets are mainly consisting of an electronic 3D design components library for which external expenses of technical designers have been capitalized.

The customer list results from the business combination of iServ BV which is disclosed in note 6. The customer list is depreciated straight line over 2,5 years.

The total net increase in intangibles resulting from the business combination of H_2O Production amounts to KEUR 4.259 (2021: iServ BV KEUR 84) and is presented in the line item non-current assets as disclosed in note 6.

The changes in the carrying value of the intangible assets at December 31, 2022 and 2021 can be presented as follows:

in 000€	Intangible assets under construction	Customer list	Software	Other intangible assets	Total
Acquisition value					
At January 1, 2021	**–**	**–**	**120**	**38**	**158**
Additions	–	–	150	–	150
Business combinations	–	81	7	–	88
Disposals	–	–	-23	–	-23
At December 31, 2021	**–**	**81**	**254**	**38**	**373**
Additions	488	–	336	–	824
Government grant	(488)	–	–	–	-488
Business combinations	–	4.258	9	–	4.267
Disposals	–	–	-2	–	-2
At 31st December 2022	**–**	**4.339**	**597**	**38**	**4.974**
Amortization					
At January 1, 2021	**–**	**–**	**-42**	**-26**	**-68**
Additions	–	-22	-44	-12	-78
Business combinations	–	–	-4	–	-4
Disposals	–	–	22	–	22
At December 31, 2021	**–**	**-22**	**-68**	**-38**	**-128**
Additions	–	-166	-82	–	-248
Business combinations	–	–	-8	–	-8
Disposals	–	–	2	–	2
At December 31, 2022	**–**	**-188**	**-156**	**-38**	**-382**
Net carrying value					
At January 1, 2021	–	–	78	12	90
At December 31, 2021	–	59	186	–	245
At December 31, 2022	–	**4.151**	**441**	–	**4.592**

11. Property, Plant and Equipment

The land and buildings relate to the owned properties of Ekopak that are used as production and administrative facilities. The additions during 2022 mainly relate to the investment of KEUR 3.310 in land for the building of its new business premises on the De Prijkels site in Deinze and KEUR 789 is included in the assets under construction related to this building.

As per December 31, 2022 WAAS and Pilot installations under construction increased for a net amount of KEUR 1.216. A total amount of KEUR 3.019 relates to WaaS and Pilot installations which have been transferred to machinery and equipment as these were completed during 2022. Optimizing of operational installations led to an increase of KEUR 391 as per December 31, 2022. Furthermore KEUR 75 relates to the acquisition of new installations for demineralised water.

In 2022, several WaaS-installations entered into a sale and leaseback transaction with a financial institution. The carrying value of these financed WaaS installations amounts to KEUR 4,816 as per December 2022. Legal ownership of these assets is transferred to the financial institution. Ekopak has a repurchase option.

The machinery and equipment consists of warehouse equipment, computer equipment and divers tools, equipment and machinery used for the production of installations. The machinery and equipment also contains rent containers that are held as spare containers to be able to do replacements or repairs of active installations, as well as consumables that are parts that will be necessary to replace in active installations after a period of time.

The right-of-use assets mainly relate to leased vehicles and buildings, we refer to note 12 for further information on the right-of-use assets and related liabilities.

The land and building has a mortgage in favour of a bank for a total amount of KEUR 55 and mortgage mandates for a total amount of KEUR 1.925. There are no other restrictions or pledges on the property, plant and equipment. We refer to note 21 for further information on the pledges and guarantees.

The total net increase in property, plant and equipment resulting from the business combination of H_2O Production amounts to KEUR 1.385 (2021: iServ BV KEUR 390) and is presented in the line item non-current assets as disclosed in note 6.

The changes in the carrying value of the property, plant and equipment at December 31, 2022 and 2021 can be presented as follows:

	Land and buildings	DBFMO Installations	Machinery and Equipment	Office furniture and equipment	Vehicles	Right-of-use assets	Construction in progress buildings	Construction in progress - DBFMO	Total
Acquisition value (in 000€)									
At 1st January 2021	**2.415**	**1.557**	**1.225**	**105**	**112**	**912**	**-**	**480**	**6.806**
Additions *	32	30	216	71	313	241	-	9.557	10.461
Business combinations	-	-	134	25	159	194	-	95	607
Disposals	-	-47	-8	-3	-107	-263	-	-	-428
Transfers	-	5.076	-209	-	-	-18	-	-4.849	-
At December 31, 2021	**2.447**	**6.616**	**1.358**	**198**	**477**	**1.066**	**-**	**5.283**	**17.446**
Additions *	3.388	414	480	50	80	1.286	812	4.235	10.745
Business combinations	1.657	369	157	20	7	-	-	-	2.210
Disposals	-	-	-18	-3	-82	-205	-	-	-308
Lease modifications	-	-	-	-	-	-6	-	-	-6
Transfers	115	3.019	-107	-8	-	-	-	-3.019	-
At December 31, 2022	**7.607**	**10.418**	**1.870**	**257**	**482**	**2.141**	**812**	**6.499**	**30.086**
Depreciation (in 000€)									
At 1st January 2021	**-742**	**-108**	**-470**	**-73**	**-37**	**-429**	**-**	**-**	**-1.858**
Additions	-141	-286	-105	-21	-43	-279	-	-	-875
Business combinations	-	-	-37	-21	-159	-	-	-	-217
Disposals	-	23	7	3	68	244	-	-	345
Transfers	-	-144	126	-	-	18	-	-	-
At December 31, 2021	**-883**	**-515**	**-479**	**-112**	**-171**	**-445**	**-**	**-**	**-2.605**
Additions	-184	-672	-209	-33	-91	-427	-	-	-1.616
Business combinations	-325	-333	-141	-19	-7	-	-	-	-825
Disposals	-	-	17	4	72	205	-	-	298
Lease modifications	-	-	-	-	-	9	-	-	9
At December 31, 2022	**-1.434**	**-1.520**	**-772**	**-158**	**-197**	**-657**	**-**	**-**	**-4.739**

	Land and buildings	DBFMO Installations	Machinery and Equipment	Office furniture and equipment	Vehicles	Right-of-use assets	Construction in progress buildings	Construction in progress - DBFMO	Total
Net book value									
At January 1, 2021	1.673	1.449	755	32	75	483	-	480	4.947
At December 31, 2021	1.564	6.102	879	86	306	621	-	5.283	14.842
At December 31, 2022	6.173	8.899	1.098	99	285	1.484	812	6.499	25.349

* The additions include an amount of KEUR 86 (2021: KEUR 88) depreciations of other assets activated as part of the cost of DBFMO installations and construction in progress.

12. Leases

This note provides information for leases where the Company is a lessee. There are no leases where the Company is a lessor. The Company leases office buildings and vehicles. Rental contracts are made for fixed periods of 3 to 5 years. Contracts may contain both lease and non-lease components.

Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

A number of contracts have a lease term of less than 12 months. Ekopak applies the short-term exemption for these contracts.

The consolidated statement of financial positions presents the following amounts relating to leases:

	At December 31	
in 000€	**2022**	**2021**
Right-of-use assets		
Land and buildings	391	206
Vehicles	1.093	415
Total right-of-use assets	**1.484**	**621**
Lease liabilities		
Current	522	282
Non-current	999	393
Total lease liabilities	**1.521**	**675**

Below are the carrying amounts of right-of-use assets recognized and the movements during the years:

in 000€	Land and buildings	Machinery and equipment	Vehicles	Total
Acquisition value				
At January 1, 2021	**–**	**18**	**894**	**912**
Additions	146	–	95	241
Business combinations	113	–	81	194
Disposals	–	–	-263	-263
Transfers	–	-18	–	-18
At December 31, 2021	**259**	**–**	**807**	**1.066**
Additions	344	–	942	1.286
Lease modifications	7	–	-13	-6
Disposals	–	–	-205	-205
At December 31, 2022	**610**	**–**	**1.531**	**2.141**
Depreciation				
At January 1, 2021	**–**	**-18**	**-410**	**-428**
Depreciation charge for the year	-53	–	-226	-279
Disposals	–	–	245	245
Transfers	–	18	–	18
At December 31, 2021	**-53**	**–**	**-392**	**-445**
Depreciation charge for the year	-166	–	-251	-417
Disposals	–	–	205	205
At December 31, 2022	**-219**	**–**	**-438**	**-657**
Net book value				
At January 1, 2021	–	-1	484	484
At December 31, 2021	206	–	415	621
At December 31, 2022	391	–	1.093	1.484

The disposals and early termination is combined as disposals in the right-of-use assets category of note 11.

Below are the values for the movements in lease liability during the years:

in 000€	Lease Liability
At January 1, 2021	**562**
Additions	241
Business combinations	194
Early termination	-32
Payments	-290
At December 31, 2021	**675**
At January 1st 2022	**675**
Additions	1.286
Lease modifications	1
Payments	-441
At December 31, 2022	**1.521**

The following amounts are recognized in the consolidated income statement:

in 000€	2022	2021
Depreciation expense of right-of-use assets	-417	-279
Interest expense on lease liabilities	-23	-9
Gain on disposal of IFRS16 assets	3	13
Expense relating to short-term leases and low-value assets	-268	-126
Total amount recognized in the consolidated income statement	**-705**	**-401**

Cash-flows relating to leases are presented as follows:

- Cash payments for the principal portion of the lease liabilities as cash flows from financing activities,
- Cash payments for the interest portion as cash flows from operating activities, and,
- Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities.

13. Inventory

The inventory consists only of goods held for resale which include spare parts and consumables that are being used as part of the agreements with customers to operate the installation. The inventory is stated at its cost as no impairment have been recorded.

	At December 31	
in 000€	**2022**	**2021**
Consumables	171	68
Spare parts	4.666	2.021
Total inventories	**4.837**	**2.089**

14. Trade and other receivables

Trade and other receivables

Trade and other receivables include the following:

	At December 31	
in 000€	**2022**	**2021**
Trade receivables	4.951	2.981
Receivable on vendor - packaging guarantee	74	45
VAT receivable	398	1.011
Deferred charges	205	170
Other current assets	178	45
Total trade receivables and other current assets	**5.806**	**4.252**

The Company applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. The historical losses have been very limited because the Company only works with customers active in the chemical, pharmaceutical and food industry with outstanding credit ratings. As such the expected credit loss provision is not material. Trade receivables are non-interest-bearing and are generally on payment terms of 30 days net of invoice.

The receivable on vendor – packaging guarantee relates to the price paid to the vendors for the packaging that will be reimbursed upon return of the packaging. At the same time, the Company has a payable towards the customers for the packaging delivered to and paid by the customers. The receivable is being reviewed regularly for expected credit losses and all receivables outstanding more than 24 months are being fully impaired.

The increase in the other current assets relate to a government grant to be received for which the conditions have been fulfilled in relation to the Circeaulair project for an amount of KEUR 157.

15. Contract assets and contract liabilities

Contract assets

Contract assets are initially recognized for revenue earned from the design and building of the water process installation in the one off sales model and from the DBM part of a DBMO transaction but which are not billed.

The contract assets amount to KEUR 4.016, net of prepayments (KEUR 8.362), and KEUR 1.733 as per December 31, 2022 and 2021. The contract assets are related to several open projects. The increase is due to an increase in the number of the open projects at reporting date compared to December 31, 2021 as well as the completion status of the projects.

Contract liabilities

Contract liabilities relate to prepayments of KEUR 231 for one off water process installations contracted by Ekopak France.

16. Cash and cash equivalents

The cash and cash equivalents can be presented as follows:

	At December 31	
in 000€	**2022**	**2021**
Cash at banks and on hand	24.508	42.100
Term accounts	8.000	–
Cash and cash equivalents	**32.508**	**42.100**

Cash and cash equivalent consists mainly of cash at banks and cash on term accounts with an original maturity less than 3 months.

The cash and cash equivalents as disclosed above do not contain restrictions.

17. Equity

The Company has issued ordinary shares with no nominal value. The following share transactions have taken place during the period between December 31, 2021 and December 31, 2022:

	Total number of ordinary shares adjusted for share split (in 000 shares)	Total share capital in €000	Total share premium in €000	Restricted reserves in €000	Par value per ordinary share adjusted for share split (per share)
Outstanding at January 1, 2021	**10.780**	**–**	**–**	**5.162**	**0,00**
Capital increase in cash - public offering and private placement	4.044	1.820	54.805	–	0,45
Change legal form - transfer restricted reserves to share capital	–	4.851	311	-5.162	–
Outstanding on December 31, 2021	**14.824**	**6.671**	**55.116**	**–**	**0,45**
Outstanding at January 1, 2022	14.824	6.671	55.116	–	0,45
Outstanding on December 31, 2022	**14.824**	**6.671**	**55.116**	**–**	**0,45**

At February 19, 2021, the Company has amended its bylaws and changed the legal form resulting in a transfer from the restricted reserves to share capital and share premium.

At March 31, 2021, the Company has issued 3.571.428 new ordinary shares through private placement for a total issue price of KEUR 1.607. The difference between the subscription price and the issue price was added to share premium. Share issue costs were deducted from equity for a total amount net of tax of KEUR 2.258.

At April 8, 2021, The Company has issued 473.214 new ordinary shares for a total issue price of KEUR 213. The difference between the subscription price and the issue price was added to share premium.

The other reserves consist of the following:

	At December 31	
in 000€	**2022**	**2021**
Restricted reserve - legal reserve	6	6
Other reserves	-2.213	-2.213
Share based payment reserve	96	60
Other comprehensive income:		
Actuarial gains (losses) on defined benefit plans	-163	-198
Total other reserves	**-2.274**	**-2.345**

The negative other reserves are for EUR 2.3 million explained by the portion of the IPO costs (net of tax) which was recorded directly through equity.

17.1. Share-based payments

On December 30, 2020, the Company has approved and issued 30,000 warrants in the context of an employee stock ownership plan (the ESOP Warrants) to certain members of the Executive Management. The ESOP Warrants have been granted free of charge. On December 16, 2021, the Company approved and issued an additional 5,000 warrants.

Each ESOP Warrant entitles its holder to subscribe for one new Share at an exercise price of EUR 16.20 per warrant under the 2020 plan and EUR 17.63 per warrant under the 2021 plan. The new Shares that will be issued pursuant to the exercise of the ESOP Warrants, will be ordinary shares representing the capital, of the same class as the then existing Shares, fully paid up, with voting rights and without nominal value. They will have the same rights as the then existing Shares and will be profit sharing as from any distribution in respect of which the relevant ex-dividend date falls after the date of their issuance.

The ESOP Warrants shall only be acquired in a final manner ("vested") in cumulative tranches over a period of three years as of the starting date (determined for each beneficiary separately): i.e., a first tranche of one third vests on the first anniversary of the starting date and subsequently one third vest each next anniversary. ESOP Warrants can only be exercised by the relevant holder of such ESOP Warrants, provided that they have effectively vested, as of the beginning of the fourth calendar year following the year in which the Issuer granted the ESOP Warrants to the holders thereof. As of that time, the ESOP Warrants can be exercised during the first fifteen days of each quarter. However, the terms and conditions of the ESOP Warrants provide that the ESOP Warrants can or must also be exercised, regardless of whether they have vested or not, in a number of specified cases of accelerated vesting set out in the issue and exercise conditions.

The terms and conditions of the ESOP Warrants contain customary good leaver and bad leaver provisions in the event of termination of the professional relationship between the beneficiary and Ekopak. The terms and conditions of the ESOP Warrants also provide that all ESOP Warrants (whether or not vested) will become exercisable during a special exercise period to be organized by the Board in the event of certain liquidity events. These liquidity events include (i) the dissolution and liquidation of the Issuer; (ii) a transfer of all or substantially all assets or Shares of the Issuer; (iii) a merger, demerger or other corporate restructuring of the Issuer resulting in the shareholders holding the majority of the voting rights in the Issuer prior to the transaction not holding the majority of the voting rights in the surviving entity after the transaction; (iv) the launch of a public takeover bid on the Shares; and (v) any other transaction with substantially the same economic effect as determined by the Board of Directors.

The outstanding warrants as per December 31, 2022 is presented in the table below:

	2022	2021
Outstanding at January 1	35.000	30.000
Granted	–	5.000
Forfeited / Cancelled	–	–
Outstanding at December 31	**35.000**	**35.000**
Exercisable at December 31	–	–

None of the warrants have forfeited or are currently exercisable. 21.666 warrants have vested. The weighted average fair value of the warrants amount to € 3,21. The weighted average remaining contractual life is 3,14 years.

The fair value of the warrants are presented below per warrant plan based on a Black-Scholes Merton valuation model with the following assumptions:

	ESOP 2021	ESOP 2020
Share price	17,70	16,20
Exercise price	17,63	16,20
Volatility	20 %	24 %
Risk-free interest rate	-0,53	-0,66
Contractual term	5,00	5,00
Dividend yield	–	–
Fair value warrants per share	**€ 3,01**	**€ 3,24**

The volatility of the ESOP 2020 has been determined based on the average volatility of similar European peers in the „waterwaste services“ sector. For ESOP 2021, the volatility was based on both the average volatility of similar European peers as well as Ekopak's volatility since listing.

The share-based payment expense per December 31, 2022 and 2021 is as follows:

in 000€	2022	2021
Expense arising from equity-settled share-based payment transactions	36	60
Total expense arising from share-based payment transactions	**36**	**60**

18. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit (loss) for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year. The Company has 35,000 diluted potentially ordinary shares of the ESOP Warrants. The Company is in a loss-making position during 2021 and 2022 and as such the potential ordinary shares would decrease the loss per share, resulting in a non-dilutive effect. As such the basic earnings per share equal the diluted earnings per share.

The following income and share data was used in the earnings per share computations:

in 000€, except per share data in '000	2022	2021
Net profit / (loss) attributable to ordinary equity holders of the parent for basic earnings and diluted earnings per share	-1.986	-700
Weighted average number of ordinary shares for basic and diluted earnings per share	14.825	13.828

19. Provisions and defined benefit obligations

Provisions include the following:

in 000€	At December 31 2022	2021
Provision legal claim from customers	-251	-248
Net defined benefit liability	-288	-294
Total provisions and defined benefit obligations	**-539**	**-542**

Movements in the provision legal claim from customers during the financial year are set out below:

in 000€	2022	2021
At January 1	-248	-320
Additions	-3	-26
Reversals	–	98
At December 31	**-251**	**-248**

The increase in provisions for KEUR 44 in the consolidated statement of cash flows includes the additions from the table above for the amount of KEUR 3 and KEUR 41 from the increase in defined benefit liability for the amount included in the statement of profit and loss.

Provisions for legal claims from customers

The Company has a legal claim from a customer for which it has recognized the expected indemnities to be paid and the related professional fees and interests, in case the Company would not be able to successfully defend the case against court or in appeal.

The claim relate to a project realized before 2018 where the customer claims that the water quality and volume produced do not meet the contractual requirements.

The claim has not yet been settled as per year-end 2022 and is currently in expertise for the court. The Company does not expect a judgment before 2024. Ekopak lost in first instance during 2018, but filed an appeal. Yearly interests are accrued on the claim.

Contingent liabilities and unrecognized contractual commitments

The Company does not have contingent liabilities and material unrecognized contractual commitments.

Defined benefit obligations

The Company has two active Belgian Branche 23 group insurance schemes for management and employees whereby the monthly employer contribution in the plan is equal to a percentage over a reference salary. The percentage is variable and based on the number of years the person is working for the Company.

The company has also two dormant Belgian Branche 21 group insurance plans (for management and for the employees). As of July 1, 2021 employer contributions for new and existing employees are made with respect to the active Belgian Branche 23 group insurance schemes.

There are no employee contributions into the plans. The Company insurance builds up a retirement capital and covers death-in-service benefits for the members.

The employer contribution are subject to a minimum guaranteed return which is based on an average of 10-year government bond yields with a minimum of 1,75% and a maximum of 3,75% (currently, equal to 1,75%) for all contributions which lead to the Company insurance schemes to be classified as a defined benefit plan.

The number of the members and the average age of the members in the plans is as follows:

	At December 31	
	2022	2021
Number of active members	85	43
Number of inactive members	9	7
Average age	37	37

The net defined benefit liability is as follows:

	At December 31	
in €000	**2022**	**2021**
Net defined benefit liability at the beginning of the year	**294**	**80**
Defined benefit cost included in profit & loss	186	68
Total remeasurement included in other comprehensive income	-47	209
Employer contributions	-145	-64
Net defined benefit liability at the end of the year	**288**	**294**

The decrease in the net defined benefit liability compared to last year, mainly results from the increase on the discount rate used from 0,85% to 3,80%.

The gross defined benefit liability is as follows:

	At December 31	
in €000	**2022**	**2021**
Defined benefit liability at the beginning of the year	**468**	**189**
Current service cost	184	67
Interest cost	4	2
Benefit payments	-7	-4
Taxes on contributions	-17	-7
Insurance premiums on risk coverages	-9	-5
Actuarial loss/(gain) on DBO due to change in financial assumptions	-437	173
Actuarial loss on DBO due to change in demographic assumptions	125	–
Actuarial loss (gain) on DBO due to experience adjustments	245	51
Defined benefit liability at the end of the year	**556**	**468**

The fair value of the plan assets is as follows:

	At December 31	
in €000	**2022**	**2021**
Fair value of plan assets at the beginning of the period	**174**	**110**
Interest income	2	1
Employer contributions	145	64
Benefit payments	-7	-4
Taxes on contributions	-17	-7
Insurance premiums on risk coverages	-9	-5
Changes in return of plan assets	-20	15
Fair value of plan assets at the end of the period	**268**	**174**

All plan assets are invested in an insurance contract (branch 23 product).

The defined benefit calculation has been performed based on the below assumptions:

	At December 31	
	2022	**2021**
Discount rate	3,80 %	0,85 %
Duration of liabilities (years)	24	25
Inflation rate	2,20 %	1,80 %
Salary increase (excluding inflation)	3,30 %	3,00 %
Withdrawal rate (annual)	3,20 %	2,50 %

The discount rate was derived from the index iBoxx EUR Corporate AA on each valuation date, considering the weighted average duration of liabilities. The inflation rate is based on the long-term objective of the European Central Bank. Retirement age assumption is in line with current legal requirements. The withdrawal rate and the salary increase rate reflect the expectations of the company on a long-term basis.

A sensitivity with reasonable possible changes on the discount rate and the inflation rate will impact the net defined benefit liability as follows (positive = increase net defined benefit liability / negative = decrease of net defined benefit liability):

	At December 31	
in €000	**2022**	**2021**
Increase of 0,50% (2021: 0,25%) in the discount rate	-66	-33
Decrease of 0,50% (2021: 0,25%) in the discount rate	77	35
Increase of 0,50% (2021: 0,25%) in the inflation rate	41	17
Decrease of 0,50% (2021: 0,25%) in the inflation rate	-37	-17

The expected employer contributions for the year 2023 amounts to KEUR 242.

20. Fair value

The carrying value of the financial assets and the financial liabilities can be presented as follows:

	Carrying value	
	At December 31	
in 000€	**2022**	**2021**
Financial assets		
Debt instruments measured at amortized cost		
Trade receivables	4.951	2.981
Other current receivables	74	45
Cash & cash equivalents	32.508	42.100
Total debt instruments	**37.533**	**45.126**
Financial liabilities measured at amortized cost		
Borrowings	12.711	2.754
Lease liabilities	1.521	675
Trade payables	5.643	3.828
Other current liabilities	472	55
Total financial liabilities measured at amortized cost	**20.347**	**7.312**
Financial liabilities measured at fair value		
Contingent consideration	475	–
Total financial liability measured at fair value	**475**	–
Total non-current	10.785	2.232
Total current	10.037	5.080

We refer to note 6 business combinations for more information on the contingent consideration. It relates to the earn-out payable accounted at fair value regarding the business combination of H_2O Production. The contingent consideration is classified as a level 3 in the fair value hierarchy and remeasured trough profit and loss at each reporting period.

The fair value of the financial assets and the financial liabilities can be presented as follows:

	Fair value	
	At December 31	
in 000€	**2022**	**2021**
Financial assets		
Debt instruments measured at amortized cost		
Trade receivables	4.951	2.981
Other current receivables	74	45
Cash & cash equivalents	32.508	42.100
Total debt instruments	**37.533**	**45.126**
Financial liabilities measured at amortized cost		
Borrowings	12.201	2.779
Lease liabilities	1.521	675
Trade payables	5.643	3.828
Other current liabilities	472	55
Total financial liabilities measured at amortized cost	**19.837**	**7.337**
Financial liabilities measured at fair value		
Contingent consideration	475	–
Total financial liability measured at fair value	**475**	–
Total non-current	9.387	2.254
Total current	10.925	5.083

The fair value of the financial assets and financial liabilities has been determined on the basis of the following methods and assumptions:

- The carrying value of the cash and cash equivalents, the trade receivables and the other current receivables approximate their fair value due to their short-term character.
- The carrying value of trade payables and other liabilities approximate their fair value due to the short-term character of these instruments.
- Loans and borrowings are evaluated based on their interest rates and maturity dates. Most interest-bearing debts have fixed interest rates and have a different fair value. We have estimated the fair value by discounting the future payments including interest with the current interest rate with similar maturity.

The fair value for the borrowings is classified as a level 2 in the fair value hierarchy. The Company has used public interest rates based on Euribor adjusted with an estimated debt margin in each contract to estimate fair value.

21. Borrowing and lease liabilities

The short and long term liabilities include the following:

	At December 31	
in 000€	**2022**	**2021**
Leasing liabilities	1.521	675
Investment borrowings	6.747	1.500
Government loan	72	148
Investment borrowing for specific customer project	5.892	1.106
Total borrowings and lease liabilities	**14.232**	**3.429**
of which current	2.448	804
of which non-current	11.784	2.625

Total borrowings and lease liabilities	**14.232**	**3.429**
with a fixed interest rate	13.604	2.728
with an interest rate subject to a 5 yearly revision	628	701

The investment credits are collateralized by means of the following:

- Mortgage for the investment credit in relation to the building of KEUR 55.
- Proxy for a mortgage in relation to the building of KEUR 1.093.

The engaged but undrawn investment borrowings are collateralized by means of the following:

- Mortgage for the investment credit in relation to the future building at Deinze for an amount of KEUR 50 and KEUR 5 appurtenances.
- Proxy for a mortgage in relation to the future building at Deinze for an amount of KEUR 20.950 and KEUR 2.095 appurtenances.

The investment borrowings for specific customer projects (WaaS-installations) are collateralized by:

a pledge on all current and future receivables resulting from the agreement between Ekopak and the customer (for one loan limited to KEUR 1.500). The carrying value of these receivables per 31 December 2022 amounts to KEUR 334.

The Company is meeting all requirements of the loan covenants on its available credit facilities.

Cashflows from financing activities

The cashflow from the financing activities can be presented as follows:

in 000€	**2022**	**2021**
At January 1	**3.429**	**3.660**
Proceeds from loans & borrowings	10.321	143
Repayment of loans & borrowings	-884	-842
New loans and borrowings through business combinations	517	355
New leases (non-cash)	1.286	241
New leases through business combinations	–	194
Repayment of leases	-441	-290
Early termination of leases (non-cash)	4	-32
At December 31	**14.232**	**3.429**

22. Short term liabilities

The short term liabilities are the following:

	At December 31	
in 000€	**2022**	**2021**
Trade and other payables		
Trade payables	-5.643	-3.433
Payroll-related liabilities	-1.153	-396
Total trade and other payables	**-6.796**	**-3.828**
Other current liabilities		
Payable towards customer for packaging guarantees	-69	-43
Deferred income	-309	–
Contingent consideration	-475	–
Other	-94	-16
Total other current liabilities	**-947**	**-59**

The payable towards the customers for packaging guarantees is the expected reimbursement of the price paid by each customer for the packaging materials delivered by the Company to the customer when returned by the customer to the Company. This payable is related to the receivable towards the suppliers for packaging guarantee. There are no other material obligations for other returns, refunds or warranties.

The increase in other current liabilities is mainly due to the contingent consideration resulting from the acquisition of H_2O Production as described in note 6 Business combinations (KEUR 475) and deferred income (KEUR 309) relating to prepayments of service contracts.

23. Capital management

The primary objective of the Company's shareholders' capital management strategy is to ensure it maintains healthy capital ratios to support its business and maximize shareholder value. Capital is defined as the Company's shareholder's equity. The shareholder's equity totals KEUR 56.668 and KEUR 58.583 as per December 31, 2022 and 2021 respectively. The ratio shareholder's equity to the total liabilities and equity (solvability ratio) is 70% and 87% as per December 31, 2022 and 2021 respectively.

The Company consistently reviews its capital structure and makes adjustments in light of changing economic conditions, expected business growth and cash requirements to fund the growth.

24. Financial risk management

Market risks

The Company is not exposed significantly to market risks such as interest rate risk, foreign currency risks and other market risks that may impact the fair value or future cash flows of its financial instruments. As such, sensitivity analysis is not provided.

Interest rate risk

The Company is not subject to immediate changes in interest rates as almost all borrowings outstanding have a fixed interest rate except for one long-term investment borrowings where the fixed interest rate can be revised every 5 years. As for the latter the interest rate has been revised in 2019, the next interest revision date is 2024.

Foreign exchange risk

The Company invoices its customers in EUR and not in other foreign currency. In addition, the Company purchases its materials also in EUR. Euro is the functional currency of the Company. As such, the Company is not subject to foreign exchange risks.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The Company expects to meet its obligations related to the financing agreements through operating cash flows. This risk is countered by regular liquidity management at the corporate level. The Company has historically entered into financing and lease agreements with financial institutions to finance significant projects and certain working capital requirements.

The range of contracted obligations is as follows:

in 000€	Less than 1 year	2 to 3 years	4-5 years	More than 5 years	Total
At December 31, 2022					
Borrowings	2.291	4.306	3.768	3.760	14.125
Lease liabilities	519	716	337	3	1.575
Trade payables and other payables	6.796	–	–	–	6.796
Other current liabilities	947	–	–	–	947
Total	**10.553**	**5.022**	**4.105**	**3.763**	**23.443**
At December 31, 2021					
Borrowings	572	958	815	609	2.954
Lease liabilities	291	379	19	–	689
Trade payables and other payables	3.828	–	–	–	3.828
Other current liabilities	59	–	–	–	59
Total	**4.750**	**1.337**	**834**	**609**	**7.530**

The amounts disclosed in the table above are the contractual undiscounted cash flows. Balances due within one year approximate their carrying balances as the impact of discounting is not significant.

The Company is subject to the covenants described in note 21 on borrowing and lease liabilities.

Credit risk

Credit risk is the risk that third parties may not meet their contractual obligations resulting in a loss for the Company. The Company is exposed to credit risk from its operating activities (primarily trade receivables and contract assets) and from its financing activities (cash and cash equivalents), which are mainly cash held and short-term deposits with high-creditworthy financial institutions. The Company limits this exposure by contracting with credit-worthy business partners or with financial institutions which meet high credit rating requirements. In addition, the portfolio of receivables is monitored on a continuous basis.

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and controls relating to customer credit risk management. Historically, the Company had no significant credit losses and currently has accounted for a credit loss allowance only for a limited number of customers for which credit losses are highly probable. The Company is of the opinion that the expected credit losses are not material.

The Company evaluates the concentration of risk with respect to trade receivables and contract assets regularly. The customer only works with customers active in the chemical, pharmaceutical and food industry with outstanding credit ratings. The Company has no customers which revenue present more than 10% of total revenues.

Set out below is the information about the maximum credit risk exposure on the Company's trade receivables:

in 000€	Total	Non-due	Less than 30 days	31-60 days	>61 days
At December 31, 2022	4.951	3.749	812	211	179
At December 31, 2021	2.981	2.244	349	61	327

Cash and cash equivalents

The credit risk from the cash and cash equivalents held at financial institutions is managed by placing cash at high-creditworthy financial institutions (KBC, BNP Paribas Fortis, ING, Belfius and Beobank). The Company does not invest its excess cash in financial instruments other than cash equivalents. The Company's maximum exposure to credit risk is the carrying value of the cash and cash equivalents in the consolidated statement of financial position.

Operational risks

For the operational risks, we refer to the risk management section included in the Corporate Governance addendum by the integrated annual report.

25. Related party disclosures

This disclosure provides an overview of all transactions with related parties with Pilovan BV and Alychlo NV as shareholder and its representatives in key management.

Key management is employed through management agreements and payroll. In addition, the Company has a group insurance plan in favour of key management.

in 000€	2022	2021
Short-term employee benefits	961	553
Post-employment benefits	14	11
Total	**975**	**564**
Warrants granted	35.000	35.000
Warrants outstanding	35.000	35.000

The key management consist of 6 persons (including the CEO) as of 2022 (2021: 5).

Key management has been granted 35.000 warrants at December 31, 2022 (2021: 35.000). We refer to note 17 for additional details.

The Company has a current account receivable on Pilovan which is fully owned by one of the shareholders and management member as well as a current account receivable on the management member in person. The current accounts together totals KEUR 0 and KEUR 9 as per December 31, 2022 and 2021 respectively. The current account is interest bearing. Total interest income received from these related parties totals KEUR 1 at December 31, 2022 and 2021.

We refer to the remuneration report for more information with respect to remuneration of key management.

26. Events after the reporting period

There are no events after the reporting period.

27. Auditor fees

The fees for professional services provided by PwC in 2021 and 2022 were as follows:

in 000€	2022	2021
Audit fees	84	68
Fees of auditor related to specific services (mainly IPO and legal missions related)	–	222
Total	**84**	**290**

28. Interests in other entities

The group's principal subsidiaries at 31 December 2022 are set out below.

Name of entity	Country of incorporation	Ownership interest held by the group At December 31 2022	2021
Ekopak NV	Belgium	100 %	100 %
Water-as-a-Service NV	Belgium	0 %	100 %
iServ BV	Belgium	0 %	100 %
Ekopak SAS	France	100 %	100 %
H_2O Production	France	100 %	0 %
Covalente	France	100 %	0 %
SCI du Cèdre Bleu	France	100 %	0 %

Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Changes in the group's subsidiaries compared to last year, relate to the in note 6 described acquisition of Covalente, H_2O Production and SCI du Cèdre Bleu as per 16 September 2022 and the merger of iServ BV and Water-as-a-Service NV into Ekopak NV per January 1, 2022.

29. NON-GAAP Measures

Adjusted EBITDA is used in note 5 as one of the bases of the Segments performance measurement. We calculate adjusted EBITDA as profit (loss) before tax plus financial expenses, minus financial income, plus expenses from claims and depreciation charges.

EBITDA is used in note 5 as one of the bases of the Segments performance measurement. We calculate EBITDA as profit (loss) before tax plus financial expenses, minus financial income, plus depreciation charges.

30. ESEF

This PDF version is not ESEF (European Single Electronic Reporting Format) compliant. The ESEF package is available on our website and includes a readable XHTML version. This PDF is prepared for the ease of use, the ESEF package prevails in case of discrepancy with other formats.

Supplementary information

The financial statements of the parent company, Ekopak NV, are presented below in a condensed form.

The accounting principles used for the statutory annual accounts of Ekopak NV differ from the accounting principles used for the consolidated annual accounts: the statutory annual accounts follow the Belgian legal requirements, while the consolidated annual accounts follow the International Financial Reporting Standards. Only the consolidated annual financial statements as set forth in the preceding pages present a true and fair view of the financial position and performance of the Ekopak Group.

The annual report of the Board of Directors to the Annual General Meeting of Shareholders and the annual accounts of Ekopak NV, as well as the Auditor's Report, will be filed with the National Bank of Belgium within the statutory periods. These documents are available upon request from Ekopak's Investor Relations department (info@ekopak.be), and at https://ekopaksustainablewater.com/investor-relations/.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Ekopak NV for the year ended 31 December 2022 give a true and fair view of the financial position and results of the company in accordance with all legal and regulatory dispositions.

1. Balance sheet after appropriation

in 000€	2022	2021
Fixed assets	**31.395**	**9.700**
Intangible fixed assets	1.278	172
Tangible fixed assets	22.648	4.532
Financial assets	7.468	4.996
Current assets	**43.807**	**56.406**
Inventory	8.307	8.849
Amounts receivable within one year	5.170	15.140
Cash and cash equivalents	30.162	32.246
Deferred charges and accrued income	169	171
Total assets	**75.203**	**66.106**
Capital and reserves	**55.490**	**58.118**
Capital	6.671	6.671
Share premium	55.116	55.116
Reserves	53	53
Accumulated profits	-6.350	-3.722
Provisions	**251**	**248**
Provisions for liabilities and charges	251	248
Creditors	**19.462**	**7.739**
Amounts payable after more than one year	10.486	2.245
Amounts payable within one year	8.463	5.487
Total liabilities	**75.203**	**66.106**

As per 1 January 2022, iServ BV and WaaS NV merged into Ekopak NV.

The increase in intangible fixed assets is mainly related to the recognition of the goodwill of iServ BV (0,8 million EUR) as well as the capitalization of software (0,2 million EUR)

The increase in tangible fixed assets is mainly related to the merger with WaaS NV(4,2 million EUR), investment for the new HQ at the Prijkels (4,1 million EUR), new WaaS installations (8,9 million EUR) and Pilot installations (1 million EUR) compensated by depreciations (1,4 million EUR).

Financial assets increased due to acquisition of H2O Group (4,4 million euro). The increase is partly offset by the reversal of the iServ BV (1,2 million EUR) and WaaS NV investment of (0,8 million EUR).

Amounts receivable decreased due to the merger with WaaS NV and iServ BV (7 million EUR). Trade receivables further decreased due to improved internal credit risk procedures.

The cash position of Ekopak NV decreased slightly.

Equity decreased with 2,6 million EUR as a result of the loss appropriation of 2022.

Amounts payable after more than one year increased as a consequence of the sale and lease back transactions incurred for WaaS-installations for a total amount of 4,4 million EUR. Furthermore Ekopak NV entered into a loan agreement for the acquisition of the H2O group of which 4,3 million EUR is included in the long term payables.

Amounts payable within one year increased with an amount of 3 million EUR. This is mainly related to the increase in short term borrowings consisting of 0,6 million EUR related to the sale and lease back transactions and 0,7 million EUR related to the acquisition of the H2O group. Other increase in short term payables relate trade payables for an amount of 1,8 million EUR and payroll related debts of 0,5 million EUR.

2. Income statement

in 000€	2022	2021
Operating income	22.319	19.623
Operating costs	-24.735	-19.276
Financial result	-201	-3.740
Income taxes	-12	-7
Profit/(loss) for the year	**-2.628**	**-3.401**

Ekopak NV's operating income in 2022 increased with 14% to 22,3 million euro. This is related to the overall growth of the Company and is mainly the consequence of the growth in one off sales of water installations.

The operating costs increased with 5,5 million euro and consists mainly of the increases in in selling and general administrative expenses (2,4 million EUR) and in employee benefit expenses (3,5 million EUR). The latter increase is a result of the surge in personnel (FTE increased from 46,3 in 2021 to 87,01). This growth in personnel enables Ekopak NV to be well prepared for the future.

3. Proposed appropriation of Ekopak NV result

in 000€	2022	2021
Profit/(loss) for the year for appropriation	-2.628	-3.401
Profit brought forward	-3.722	-321
Profit to be appropriated	**-6.350**	**-3.722**
Profit to be carried forward	-6.350	-3.722
Total	**-6.350**	**-3.722**

The loss of the financial year is carried forward towards 2023.

Statutory auditor's report

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF EKOPAK NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Ekopak NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 4 December 2020, following the proposal formulated by the board of directors. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the Group's consolidated accounts for 3 consecutive years.

1. Report on the consolidated accounts

1.1. Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR'000 80,899 and a loss for the year of EUR'000 1,986.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

1.2. Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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

1.3. Key audit matters

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

2. Valuation of contract assets

2.1. Description of the Key Audit Matter

Reference is made to note 2.3.3: Significant accounting policies on One off sales, 4.2 Revenue recognised over time and Note 15: Contract assets. Contract assets amounted to EUR'000 4,016 at 31 December 2022.

We focused on revenue recognition of construction contracts and its related contract assets because the Group generates a substantial part of its revenue from projects which qualify as construction contracts under IFRS. The recognition of revenue and the estimation of the outcome of fixed price construction contracts is complex and requires significant management judgement, in particular with respect to the allocation of the cost incurred to the correct projects and the cost to complete the contracts (margin that will be realised) as well to the assessment of the stage of completion of the project (progress over time). For these reasons, we identified the contract assets from these construction contracts as most significant during our audit.

2.2. How our Audit addressed the Key Audit Matter

Our testing on contract assets included procedures to gain an understanding of the related process and controls as well as substantive test procedures related to the recording of the contract assets, the related revenues and the determination of the stage of completion of the contracts. Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies. We also included an evaluation of the significant judgements made by management based on the examination of the related project documentation and the discussion on the status of projects under construction with finance and technical staff of the Group for specific individual transactions/projects.

In addition, in order to evaluate the reliability of management's estimates, we reconciled the total price to the signed contracts and tested a sample of purchase invoices and timesheets to verify if these were allocated to the correct projects. We evaluated how lessons learned from the run-off in 2022 of projects open per 31 December 2021 were taken into account in the valuation of contract assets per 31 December 2022. Furthermore, we reconciled and recalculated the proportional part of the production overhead cost allocated to the different projects. We also performed testing over unexpected journal entries posted to revenue to identify potential unusual or irregular items that could influence contract assets and the related revenue recognition.

We found management's judgements in respect of the contract assets to be consistent and in line

with our expectations.

3. Valuation of construction in progress (DBFMO)

3.1. Description of the Key Audit Matter

Reference is made to Note 2.3 Significant accounting policies: 2.3.9 Property, plant and equipment and Note 11: Property, plant and equipment. The construction in progress related to DBFMO amounted to EUR'000 6,499 at 31 December 2022 and is related to the DBFMO – Design Build Finance Maintain Operate assets under construction (also referred to as WaaS "Water-as-a-Service"). Considering the magnitude of the total costs capitalised as construction in progress (costs of materials, direct labour costs and part of the production overheads) and considering the capitalization of costs requires a significant effort in allocating the costs to the correct project and setting the allocation keys we identified the construction in progress as most significant during our audit.

3.2. How our Audit addressed the Key Audit Matter

Our testing on the construction in progress assets included procedures to gain an understanding of the related process and controls as well as substantive test procedures related to the recording of the construction in progress and the related capitalised costs. Our audit procedures included considering the appropriateness of the Group's accounting policies. We also included an evaluation of the significant judgements made by management based on the examination of the project documentation and the discussion on the progress of the projects under construction with finance and technical staff of the Group for specific individual projects.

In addition, in order to evaluate the reliability of the capitalised cost, we tested a sample of purchase invoices and timesheets to verify if these were allocated to the correct project. Furthermore, we reconciled and recalculated the proportional part of the production overhead allocated to the different projects. We also performed testing over unusual large journal entries impacting construction in progress.

We found no material errors from our testing.

3.3. Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors 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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

3.4. Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts 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 accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

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

- Identify and assess the risks of material misstatement of the consolidated accounts, 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 the board of directors;
- Conclude on the appropriateness of the board of directors' 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 statutory auditor's report to the related disclosures in the consolidated accounts 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 statutory 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 accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and 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 the audit committee 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.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

4. Other legal and regulatory requirements

4.1. Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, the report on non-financial information and the other information included in the annual report on the consolidated accounts.

4.2. Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, report on non-financial information and the other information included in the annual report on the consolidated accounts and to report on these matters.

4.3. Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on the framework of the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI) framework as well as with EU taxonomy. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with framework of the International Integrated Reporting Council (IIRC), the Global Reporting Initiative (GRI) framework as well as with EU taxonomy as disclosed in the directors' report on the consolidated accounts.

4.4. Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.

4.5. European Uniform Electronic Format (ESEF)

Since Ekopak does not prepare digital consolidated financial statements in English we are unable to express an opinion on these. However, we refer to our report on the consolidated financial statements for the year ended December 31, 2022 in Dutch. This contains our opinion on the official Dutch version of the digital consolidated financial statements of Ekopak which have been prepared in accordance with the ESEF requirements under the Delegated Regulation.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 6 April 2023

The statutory auditor

PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV

Represented by

Peter Opsomer

Réviseur d'Entreprises / Bedrijfsrevisor

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