Consolidated Annual Report

2023

MAXIMA GRUPĖ

Consolidated Annual Report 2023

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About Maxima Group

Letter from the CEO

First of all, I would like to thank our customers, colleagues, and partners for their trust and cooperation during these uncertain times. This encourages us to enter 2024 with even greater motivation to serve our customers, striving to achieve our goals, maintaining high standards, and adhering to sustainable business principles.

2023 proved to be another year marked by global unpredictability due to the ongoing war, fluctuating commodity and energy prices, high inflation along with a decline in consumption. Despite these challenges, we managed to maintain stability and continue to pursue our goals. The Group companies focused on new sales promotion initiatives and attractive pricing offers for customers. Also, we continued expansion in Poland and Bulgaria, standardisation of store formats, expansion of private labels and improving efficiency of operational processes.

After reviewing the private label strategy and goals, at the beginning of 2023 we introduced a new product line called "Well Done". By the end of the year, we were able to offer more than 400 different high-quality "Well Done" products at low prices. Customers responded favourably to the introduction of "Well Done" products from the get-go as evidenced by steadily increasing sales.

The store standardisation project in the Baltic countries, which had been going on for several years, was approaching its final stage in 2023. In each country, at least 70% of Maxima stores currently operate in the new standard format.

Also, in Lithuania one of the largest projects in the history of the Maxima chain has been initiated – the construction of a 46,000 square meter logistics center. This warehouse, which will start operating in 2024, will supply goods to every chain store in Lithuania, significantly contributing to the chain's efficiency.

As in previous years, Poland and Bulgaria continue to be the main development markets for the Group. Revenue growth in Poland accounted for half of the Group's total revenue growth in 2023. In 2023, Stokrotka chain expanded by 60 new stores in Poland, and T-Market by 12 new stores in Bulgaria.

We are an important part of the communities in which we operate and take responsibility for our activities and their potential impact on the environment. Demonstrating responsibility through actions, Maxima Grupė joined the international Science Based Targets initiative in March 2023, committing to achieve the goals aligned with the Paris Climate Agreement.

By setting goals, we committed to specific and measurable actions to reduce greenhouse gas emissions and their environmental impact by 2030. These goals were officially validated by the global Science Based Targets initiative at the end of 2023, and Maxima Grupė officially joined the ranks of the world's most advanced companies participating in this initiative.

Sincerely,

Manfredas Dargužis,
CEO of MAXIMA GRUPĖ

Who we are today

Over 30 years since its founding, the MAXIMA Group of companies (hereinafter "the Group" or "MAXIMA Group"), controlled by MAXIMA GRUPĖ, UAB with headquarters in Vilnius (hereinafter "MAXIMA GRUPĖ" or "the Company"), has become one of the largest retail chains in the Baltic region and has successfully expanded its operations in Poland and Bulgaria. The Group's primary business activity is grocery retail trade.

Number of stores:
1,599*
*including 86 franchise stores

Number of employees:
37,828

Daily customers:
1.6m

E-commerce orders:
3.6m

Total revenue:
5,845m

EBITDA
479m

Investments into fixed assets:
168m

MAXIMA Group operates 1,599 retail stores (including 86 franchise stores) in five different countries – Lithuania, Latvia, Estonia, Poland, and Bulgaria. The Group's store brand portfolio consists of MAXIMA retail chain in the Baltics, STOKROTKA in Poland, T-MARKET in Bulgaria, and the online grocery platform BARBORA, which provides services in the Baltics. Across the countries in which the Group operates, stores are classified into formats based on trade area and assortment. Each day, around 1.6 million customers visit the stores.

The Group also includes FRANMAX, UAB (hereinafter "FRANMAX"), which provides information technology development and support services for the Group's companies, and MAXIMA International Sourcing, UAB (hereinafter "MAXIMA International Sourcing"), which provides the Group's retail companies with centralised procurement and agency services for purchasing food and household goods. MAXIMA Group is a part of a larger corporate group controlled by Uždaroji akcinė bendrovė "Vilniaus prekyba" (hereinafter "Vilniaus prekyba"). In the Baltics, Sweden, Poland and Bulgaria, Vilniaus prekyba controls and manages a group of subsidiary companies that operate chains of retail stores (MAXIMA Group), pharmacies (EUROAPOTHECA Group), real estate development and management companies (AKROPOLIS Group), DIY stores (ERMI Group), and restaurants and cafes network (DELANO).

[2-1] [2-2] [2-6]

Main events

1 1st quarter 2023

- On 2 January 2023, Lauryna Šaltinė was appointed CFO of MAXIMA GRUPĖ, succeeding Povilas Šulys, who was appointed CFO of MAXIMA LT, UAB (hereinafter "MAXIMA Lithuania").
- On 17 January 2023, Agnė Voverė was appointed Chairwoman of the Management Board of RADAS, UAB.
- On 18 January 2023, Asta Juodeškaitė was appointed CEO of RADAS, UAB and Barbora, UAB (hereinafter "BARBORA"). She replaced Andrius Mikalauskas, who left the Group, in these positions.
- On 1 February 2023, Kristina Mustonen was appointed as sole Board Member (CEO) of MAXIMA Eesti OÜ (hereinafter "MAXIMA Estonia"), succeeding Edvinas Volkas, who left the Group.
- Lauryna Šaltinė was appointed to the Management Board of MAXIMA GRUPĖ, while Edvinas Volkas was recalled from this position.
- On 1 March 2023, Viktoras Juozapaitis was appointed CEO of RADAS, UAB and BARBORA.
- On 16 March 2023, MAXIMA GRUPĖ joined Science Based Targets initiative (SBTi), which unites companies and organisations working to reduce their greenhouse gas (GHG) emissions. Companies operating under SBTi's guidelines are seeking to implement the Paris Climate Agreement to halt the greenhouse effect and prevent global temperatures from rising by more than 1.5°C.

2 2nd quarter 2023

- In May 2023, MAXIMA GRUPĖ concluded financing agreements for the total amount of EUR 100 million with banks SEB bankas AB, Skandinaviska Enskilda Banken, AB and Swedbank, AB.
- On 2 June 2023, Jurgita Šlekytė was appointed to the Supervisory Board of MAXIMA GRUPĖ, replacing Manfredas Dargužis.
- Jolanta Bivainytė was appointed to the Management Board of MAXIMA GRUPĖ, replacing Tomas Rupšys.
- Manfredas Dargužis was appointed Chairman of the Management Board of MAXIMA GRUPĖ, replacing Agnė Voverė.
- At MAXIMA Lithuania, a new Management Board comprising Jolanta Bivainytė, Vilius Rimkus, and Marius Tilmantas was formed for a four-year term. Jolanta Bivainytė was appointed Chairwoman of the Management Board.
- On 5 June 2023, Manfredas Dargužis was appointed CEO, succeeding Agnė Voverė who was appointed Head of the Baltic Region.
- Jolanta Bivainytė was appointed CEO of MAXIMA Lithuania, succeeding Tomas Rupšys who left the Group.
- In June 2023, the international credit rating agency Standard & Poor's reviewed MAXIMA GRUPĖ's operational and financial performance and affirmed MAXIMA GRUPĖ's BB+ credit rating with a stable outlook.

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3rd quarter 2023

- On 1 August 2023, Agnė Voverė was appointed CEO of MAXIMA International Sourcing, succeeding Mykolas Navickas who left the Group.
- On the maturity date, 13 September 2023, MAXIMA GRUPĖ redeemed its bonds (ISIN: XS1878323499) with a nominal value of EUR 106,961,000.

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4th quarter 2023

- On 6 November 2023, Manfredas Dargužis was appointed to the Management Board of RADAS, UAB, replacing Agnė Voverė. On 17 November 2023, Manfredas Dargužis was appointed Chairman of the Management Board at RADAS, UAB.

EVENTS AFTER THE REPORTING PERIOD

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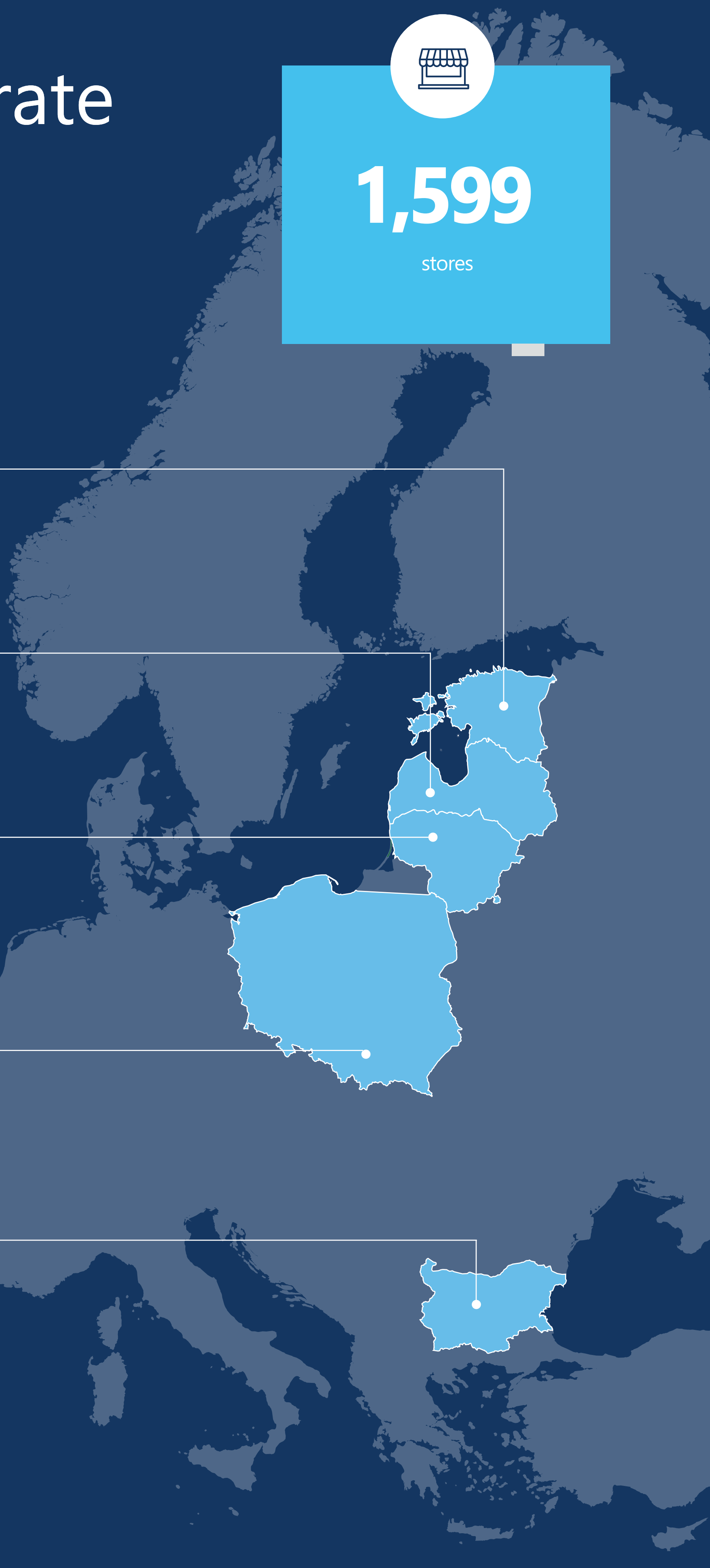
1st quarter 2024

- On 1 February 2024, MAXIMA GRUPĖ withdrew from the shareholders of the charity fund Vilniaus preky-bos paramos fondas “Dabar”.
- On 8 February 2024, MAXIMA GRUPĖ was officially entered on the SBTi list of companies, which have their greenhouse gas reduction targets validated, after the official approval dated 20 December 2023.
- On 24 February 2024, Diana Gegelytė was appointed as sole Board Member (CEO) of MAXIMA Estonia, succeeding Kristina Mustonen, who left the Group.
- On 3 March 2024 Barbora Polska, Sp. z o. o. providing food delivery service in Poland has ceased its operations.
- On 19 March 2024 the sole shareholder of MAXIMA GRUPĖ adopted a decision to reduce the number of the members of the Supervisory Board from 5 members to 3 members, and accordingly approved the new wording of the Articles of Association of MAXIMA GRUPĖ, elected a new Supervisory Board for a new term of office of 4 years, comprising Nerijus Maknevičius, Matas Kasperavičius, Paulius Mencas, as well as with regard to resignation notice received from Rasa Milašiūnienė recalled the independent member of the Audit Committee Rasa Milašiūnienė, and the shareholder nominated member Evelina Černienė, and until the end of the Audit Committee's term of office appointed the independent member Eglė Čiužaitė, and the shareholder nominated member Matas Kasperavičius.

Where we operate

1,599
stores



Estonia
83
BARBORA
MAXIMA
stores

Latvia
170
BARBORA
MAXIMA
stores

Lithuania
246
BARBORA
MAXIMA
stores

Poland
976
BARBORA
stokrotka
stores
(*including 86 franchise stores)

Bulgaria
124
T MARKET
stores

Business overview

CONSOLIDATED REVENUE

+13.4%

€5,844.5 million 2023

€5,153.7 million 2022

RETAIL OPERATORS REVENUE GROWTH BY COUNTRIES

€ million	2023	2022	CHANGE
Lithuania	2,142.6	1,984.9	+7.9%
Latvia	1,073.4	974.6	+10.1%
Estonia	593.3	546.4	+8.6%
Poland	1,739.0	1,394.8	+24.7%
Bulgaria	275.0	239.2	+15.0%

CONSOLIDATED LFL REVENUE (CONSTANT EXCHANGE RATES)

2023 growth of LFL revenue of retailer operators by country compared to 2022:

+10.4*%

2023

	2023
Lithuania	+10.4%
Latvia	+11.0%
Estonia	+7.5%
Poland	+11.6%
Bulgaria	+7.5%

MARKET SHARE

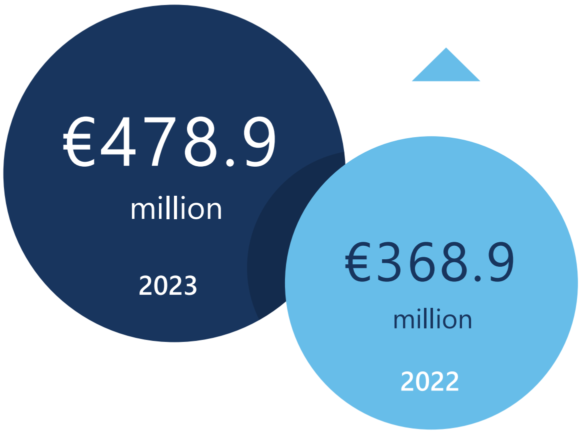
Retail operators by country

	2023
Lithuania	30.6%
Latvia	23.7%
Estonia	15.3%
Poland	2.5%
Bulgaria	2.6%

*Like-for-like (LFL) in actual exchange rates for 2023: 12.9%

Business overview

CONSOLIDATED EBITDA

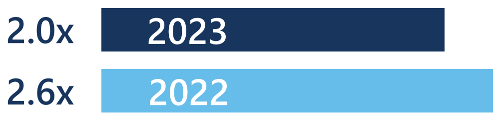


EBITDA BY RETAIL OPERATIONS

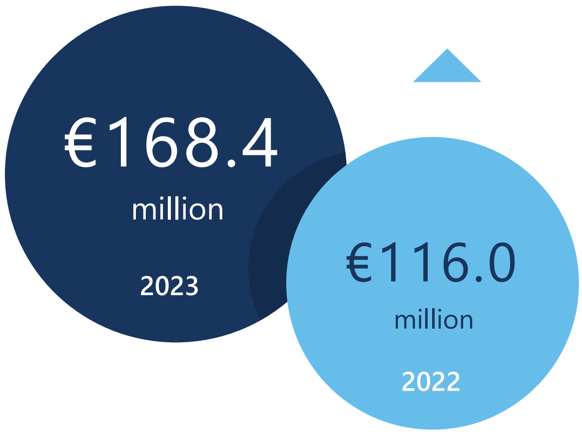
€ million	2023	2022
Lithuania	207.7	174.6
Latvia	100.7	72.7
Estonia	40.4	26.8
Poland	116.3	88.9
Bulgaria	18.6	16.0

CONSOLIDATED NET DEBT TO EBITDA

(inc. lease liability)



CONSOLIDATED INVESTMENT INTO FIXED ASSETS



Maxima Group

The year 2023 was marked with persistently high inflation levels in all markets, prompting grocery retailers to explore new promotional strategies and redefine price perceptions. Despite intense competitive environment, the Group's revenue increased by 13%, even with slower store chain expansion than in previous years. This achievement can be attributed to a substantial increase in both the average basket and customer traffic to the Group's stores in all countries. Furthermore, lower electricity and fuel prices played a significant role in regaining MAXIMA Group profitability levels, similar to those in the past few years.

In 2023, MAXIMA Group generated consolidated revenue of EUR 5,844.5 million. A significant portion of revenue increase came from sales in Poland, which accounted for half of the total annual revenue growth. Furthermore, Lithuania and Latvia recorded considerable revenue growth, with year-over-year increases of +8% and +10%, respectively. Overall, revenue in LFL stores soared by 10.4% at constant exchange rates.

Across all markets, except for Bulgaria, inflation drove market growth, while consumption declined. Conversely, in Bulgaria, both consumption and inflation spurred the highest market growth among all countries, reaching approximately 18%. Latvia experienced the lowest market growth at around 8%.

In 2023, the Group achieved consolidated EBITDA of EUR 478.9 million, with the consolidated EBITDA margin improving by 1 percentage point from the previous year to 8.2%. The Group's companies amortised part of the increase in the cost of goods to keep attractive prices for customers, which impacted profitability levels.

However, strategic investments made in improving store efficiency, optimising both store and warehouse operations, along with lower utilities and transportation expenses, boosted the Group's financial performance over the 2022 result.

In 2023, MAXIMA Group companies invested EUR 168 million in fixed assets, amounting to 3% of the total Group revenue, marking a 45% increase from EUR 116 million in 2022. The majority of these investments were allocated to expansion efforts in Poland and the construction of a temperature warehouse in Lithuania. Continuous expansion initiatives were also undertaken in Bulgaria. By the end of 2023, total number of stores operated by the Group in five countries reached 1,599 (which includes 86 franchise stores in Poland).

The Group's e-grocery's gross revenue grew by 5.5% compared to the previous year. BARBORA generated the majority of sales, while STOKROTKA and T-MARKET also contributed through their e-commerce channels. Throughout 2023, the primary focus in e-commerce across all markets was on increasing the average basket sizes and enhancing efficiency in picking and delivery operations.

At the reporting date, the Group's net debt was EUR 957 million (incl. lease liabilities of EUR 768 million) and decreased by EUR 6.3 million compared to the end of 2022. The Group's financial leverage showed improvement compared to the previous year, with the net debt/EBITDA ratio reaching 2.0 by the end of 2023.

At the end 2023, MAXIMA Group had 37,828 employees, which is a 1.1% decrease from the previous year.

Number of employees by country:

Lithuania: **12,704** Latvia: **6,297** Estonia: **3,390** Poland: **12,935** Bulgaria: **2,502**

Lithuania

REVENUE CHANGE

+7.9%

LFL CHANGE

+10.4%

MARKET SHARE

30.6%

MARKET GROWTH

+8.5%

EBITDA

€207.7m

EBITDA MARGIN

9.7%

In 2023, MAXIMA Lithuania achieved a significant EUR 2 billion revenue milestone: revenue amounted to EUR 2.1 billion, with an 8% increase compared to 2022. The increase was driven by 10.4% revenue growth of LFL stores. With a lower number of stores, compared to last year, MAXIMA Lithuania maintained its leadership in the market, with market share above 30%.

Compared to 2022, EBITDA of MAXIMA Lithuania increased by EUR 33 million and reached EUR 207.7 million, with a year-over-year increase of 0.9 percentage points in EBITDA margin. In 2023, MAXIMA Lithuania focused on the commitment to maintain affordable prices and enticing deals for customers to boost traffic to stores and sales quantities despite inflationary pressures. Furthermore, the stabilization of electricity and fuel prices following the 2022 shock considerably contributed to the growth in EBITDA.

In 2023, MAXIMA Lithuania began the construction of a 46,000 square meter logistics centre, planned to start operations in 2024. The new warehouse reflects the company's dedication to delivering the freshest goods to customers and contributes to improving the overall company efficiency. Moreover, the store standardization process continued from prior years, and 44 additional stores were standardized by the end of the year.

Latvia

REVENUE CHANGE

+10.1%

LFL CHANGE

+11.0%

MARKET SHARE

23.7%

MARKET GROWTH

+8.2%

EBITDA

€100.7m

EBITDA MARGIN

9.4%

2023 was a record year in MAXIMA Latvia, as revenue reached more than EUR 1 billion for the first time with a LFL revenue growth of 11%. Despite competitive pressure and active expansion of competitors, MAXIMA Latvia managed to increase its market share to 23.7%.

In 2023, MAXIMA Latvia's EBITDA reached EUR 100.7 million, with a margin of 9.4%, a 1.9 percentage points increase from the previous year. The major impact for EBITDA increase comes from reduction of utilities costs and effective operational costs management.

In 2023, MAXIMA Latvia focused on minimizing pressure of food inflation on customers by introducing a range of both short-term and long-term price reduction initiatives for essential daily products. Projects and initiatives like "Cenu līderis" and "Latvijas pienam būs BŪT!" made quality food and household products more affordable for customers and significantly contributed to MAXIMA Latvia's store receipts and quantities sold growth, thereby strengthening its market presence.

With store format standardization still in progress, 33 stores were rearranged in 2023, bringing the total to 70% of MAXIMA Latvia stores already rearranged. With more standardized stores, both customers and employees of MAXIMA benefit from unified product assortment and standardized store layout.

Estonia

REVENUE CHANGE

+8.6%

LFL CHANGE

+7.5%

MARKET SHARE

15.3%

MARKET GROWTH

+8.7%

EBITDA

€40.4m

EBITDA MARGIN

6.8%

In 2023, despite many competitors in Estonia expanding more aggressively than MAXIMA, successful sales promotion campaigns and pricing strategy enabled MAXIMA Estonia to maintain its market share at the same level as in 2022. This resulted in revenue growth of 8.6%, reaching EUR 593.3 million.

MAXIMA Estonia's EBITDA reached EUR 40.4 million, reflecting an increase of EUR 13.6 million compared to the previous year. Growth in EBITDA was primarily driven by an increase in the average basket size and a rise in the customer traffic to the stores. Additionally, EBITDA margin increased by 1.9 percentage points year-over-year. This improvement was attributed to a decrease in electricity prices and investments in more efficient electricity consumption solutions, as well as enhanced efficiency in store and supply chain operations.

In 2023, MAXIMA Estonia successfully opened two new X format stores and continued with the store standardization project. By the end of 2023, 80% of all stores in Estonia were standardized, aiming at enhancing the shopping experience for customers and improving the efficiency of store operations.

Poland

REVENUE CHANGE[1]

+20.5%

LFL CHANGE[1]

+11.6%

MARKET SHARE

2.5%

MARKET GROWTH

+10.1%

EBITDA

€116.3m

EBITDA MARGIN

6.7%

The evolving presence in the Polish market and improving sales of LFL stores enabled STOKROTKA to generate EUR 1,739 million in revenue, a 24.7% growth (20.5% at constant exchange rates) from the previous year.

The Polish retail market in 2023 was exceptionally competitive with various promo and low-price initiatives in place. STOKROTKA responded to customer needs and managed to keep attractive and attainable prices for everyday products and increased promotional activities which helped to increase customer flow. This contributed to a double-digit growth in the average basket and LFL revenue.

In 2023, STOKROTKA's EBITDA amounted to EUR 116.3 million, with a 6.7% margin, demonstrating growth in both absolute and marginal terms. Despite a tighter gross margin, an increase in profitability on EBITDA level was achieved through decreased electricity prices and economies of scale.

Despite opening fewer stores than in previous years, STOKROTKA continued to establish its presence in the Polish market with the addition of 60 stores in 2023. The market share of STOKROTKA increased by 0.2 percentage points to 2.5%.

[1]At constant exchange rates

Bulgaria

REVENUE CHANGE

+15%

LFL CHANGE

+7.5%

MARKET SHARE

2.6%

MARKET GROWTH

+17.5%

EBITDA

€18.6m

EBITDA MARGIN

6.8%

Despite highly competitive and expansive Bulgarian market, T-MARKET continued to grow revenue in double digits at 15% to EUR 275 million in 2023, with a market share of 2.6%.

Throughout 2023, T-MARKET expanded its store portfolio by 12 stores (13 new stores opened and one closed) and established its presence near the Black Sea and in smaller regions.

Growth in the average basket and increase in LFL revenue sustained an increase in EBITDA, in comparison to the previous year. Additionally, savings in operational costs and a decrease in electricity prices contributed to EBITDA growth, reaching EUR 18.6 million with a margin of 6.8%.

E-Commerce

GROSS REVENUE

+5.5%

ORDERS

3.6m

MAXIMA Group’s e-commerce branch comprises the BARBORA e-commerce platform and the online channels of STOKROTKA and T-MARKET retail chains. In March 2024, the Group's e-commerce channel BARBORA stopped operations in Poland and continued operations solely in the Baltic countries.

In 2023, Group’s sales of goods via online channels amounted to EUR 171.3 million, with EUR 164 million attributed to sales through BARBORA. The growth was primarily driven by a double-digit sales increase in Estonia and Poland. Throughout 2023, the Group delivered a total of 3.6 million orders, with BARBORA accounting for more than 2.7 million deliveries in the Baltics and 0.6 million in Poland.

BARBORA offers customers the option to order groceries online for home delivery or drive-in pickup and continues to prioritize achieving efficiency in its order picking and delivery processes, as well as exploring options to automate parts of its distribution.

In 2023, more established operations and effective cost control measures resulted in higher e-commerce channel efficiency, although EBITDA remained negative at EUR 17.8 million.

Plans and Forecasts

The Group focuses on maintaining its market leadership in the Baltic countries while concurrently strengthening its presence in Poland and Bulgaria. Openings of new stores and reconstructions of current stores will have a substantial impact on the overall operations and results of the Company.

One of the Group's priorities is refining the assortment in stores by expanding and strengthening the position of private label products. To achieve this, the Group will continue to expand the range of products under the "Well Done" private label introduced in 2023 and refine directions of product categories in the assortment. A significant focus will be on supplier negotiations, with one-window communication principle, initiated in 2023. This approach will help to establish new partnerships, introduce innovative products for customers and reinforce negotiation positions on prices of conventional products for customers. These Group's directions align with recent market trends, which prioritize competitive pricing and product propositions.

In response to evolving market pricing dynamics, the Group is enhancing efficiency in both store and warehouse operations. The implementation of IT solutions and new temperature warehouse in Lithuania is underway to optimize the supply chain. The ongoing store unification program and self-service checkouts development are not only aimed at simplifying tasks of store employees but also enhancing overall shopping experience for clients.

MAXIMA Group will continue initiatives aimed at mitigating climate impact, with a target of reducing Scope 1 and 2 greenhouse gas emissions by 42% by 2030. In February 2024, MAXIMA Group has been officially included in the list of companies approved by SBTi for setting greenhouse gas reduction targets which signifies that the Group's targets meet established criteria and are aligned with 1.5 °C trajectory. In the immediate future, the Company will persistently pursue initiatives centred around renewable energy adoption and gradual transition to more climate change beneficial refrigerants (freons).

One primary area of emphasis for the Group's subsidiaries, as well as for MAXIMA GRUPĖ itself as a shareholder, is to secure sufficient funding to support liquidity and facilitate store network expansion and renewal across all regions. This involves exploring various options within the debt capital markets and evaluating financing opportunities with international banks.

2

Consolidated financial statements

Independent Auditor’s Report

(All tabular amounts are in EUR thousands unless otherwise stated)

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Consolidated statement of financial position

	Notes	At 31 December 2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	5	894 420	790 280
Right-of-use assets	6	721 387	649 393
Investment properties	7	12 010	14 212
Intangible assets (except for goodwill)	8	44 714	38 939
Goodwill	9	211 162	205 819
Non-current receivables and prepayments	10	18 556	17 012
Deferred tax assets	11	6 896	7 588
		1 909 145	**1 723 243**
Current assets			
Inventories	12	438 153	413 988
Trade and other receivables, prepayments and other short-term financial assets	13	96 007	93 459
Cash and cash equivalents	14	331 014	286 712
		865 174	**794 159**
TOTAL ASSETS		**2 774 319**	**2 517 402**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 019 263	1 019 263
Share premium	15	41 352	41 352
Legal reserve	16	68 194	65 051
Reverse acquisition reserve	16	(1 430 271)	(1 430 271)
Other reserves		(323)	(364)
Foreign currency translation reserve		(16 540)	(39 392)
Retained earnings		873 044	761 515
Total equity		**554 719**	**417 154**
Non-current liabilities			
Borrowings (except for lease liabilities)	17	427 630	348 094
Lease liabilities	6	644 547	578 023
Deferred tax liabilities	11	22 204	17 148
Other non-current liabilities		8 763	7 641
		1 103 144	**950 906**
Current liabilities			
Borrowings (except for lease liabilities)	17	92 042	218 785
Lease liabilities	6	123 923	105 263
Current income tax liabilities		9 896	8 115
Trade and other payables	18	890 595	817 179
		1 116 456	**1 149 342**
Total liabilities		**2 219 600**	**2 100 248**
TOTAL EQUITY AND LIABILITIES		**2 774 319**	**2 517 402**

Manfredas Dargužis
Chief Executive Officer

Lauryna Šaltinė
Chief Financial Officer

The consolidated financial statements have been approved and signed electronically on 29 March 2024.

The accompanying notes are an integral part of these consolidated financial statements.

(All tabular amounts are in EUR thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2023	2022
Revenue	4, 19	5 844 538	5 153 712
Cost of sales		(5 330 617)	(4 774 101)
Operating expenses	20	(240 534)	(197 238)
Other gains (losses)		(399)	114
Profit from operations		**272 988**	**182 487**
Finance income	21	5 077	1 119
Finance costs	21	(59 903)	(53 930)
Finance costs, net		(54 826)	(52 811)
Profit before tax		**218 162**	**129 676**
Income tax expense	22	(33 490)	(25 279)
Net profit	4	**184 672**	**104 397**
Net profit attributable to:			
Equity holders of the parent		184 672	104 397
		184 672	**104 397**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss		-	-
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		22 852	(6 459)
Net change gain (loss) on cash flow hedges	24.2	41	(706)
Other comprehensive income (loss)		**22 893**	**(7 165)**
Total comprehensive income		**207 565**	**97 232**
Total comprehensive income attributable to:			
Equity holders of the parent		207 565	97 232
		207 565	**97 232**

(All tabular amounts are in EUR thousands unless otherwise stated)

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Reverse acquisition reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total equity
At 1 January 2022		**1 019 263**	**41 352**	**53 359**	**(1 430 271)**	**342**	**(32 933)**	**763 810**	**414 922**
Profit for the year		-	-	-	-	-	-	104 397	104 397
Other comprehensive income		-	-	-	-	(706)	(6 459)	-	(7 165)
Total comprehensive income for the year		-	-	-	-	*(706)*	*(6 459)*	*104 397*	*97 232*
Transfer to legal reserve	16	-	-	11 692	-	-	-	(11 692)	-
Dividends	23	-	-	-	-	-	-	(95 000)	(95 000)
Total transactions with shareholders recognised directly in equity		-	-	*11 692*	-	-	-	*(106 692)*	*(95 000)*
At 31 December 2022		**1 019 263**	**41 352**	**65 051**	**(1 430 271)**	**(364)**	**(39 392)**	**761 515**	**417 154**
At 1 January 2023		**1 019 263**	**41 352**	**65 051**	**(1 430 271)**	**(364)**	**(39 392)**	**761 515**	**417 154**
Profit for the year		-	-	-	-	-	-	184 672	184 672
Other comprehensive income		-	-	-	-	41	22 852	-	22 893
Total comprehensive income for the year		-	-	-	-	*41*	*22 852*	*184 672*	*207 565*
Transfer to legal reserve	16	-	-	3 143	-	-	-	(3 143)	-
Dividends	23	-	-	-	-	-	-	(70 000)	(70 000)
Total transactions with shareholders recognised directly in equity		-	-	*3 143*	-	-	-	*(73 143)*	*(70 000)*
At 31 December 2023		**1 019 263**	**41 352**	**68 194**	**(1 430 271)**	**(323)**	**(16 540)**	**873 044**	**554 719**

(All tabular amounts are in EUR thousands unless otherwise stated)

Consolidated statement of cash flows

	Notes	Year ended 31 December 2023	Year ended 31 December 2022
OPERATING ACTIVITIES			
Net profit		184 672	104 397
Adjustments for:			
Depreciation	5, 6, 7	190 616	171 479
Amortisation	8	7 167	11 372
Property, plant & equipment, intangible assets, right-of-use assets impairment charge (reversal)	20	6 361	1 682
(Profit) / loss on disposal and write-offs of property, plant and equipment and intangible assets	5, 8	2 214	1 889
Gain on bargain purchase of shares in subsidiary		-	(48)
Income tax expense	22	33 490	25 279
Interest expenses	21	64 888	52 600
Interest and other finance income	21	(5 077)	(1 119)
Changes in working capital			
- trade and other receivables		(3 799)	(15 305)
- inventories		(27 302)	(69 593)
- reverse factoring arrangements	18	8 712	2 119
- trade and other payables		50 741	101 593
Cash generated from operations		**512 683**	**386 345**
Income tax paid	22	(24 966)	(23 016)
Net cash generated from operating activities		**487 717**	**363 329**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and investment properties	5, 7, 8	(174 566)	(127 833)
Proceeds from disposal of property, plant and equipment		10 097	4 189
Acquisition of subsidiaries, net of cash acquired		-	(24)
Loans granted		(447)	-
Proceeds from repayment of loans granted		179	198
Interest received		4 184	340
Acquisition of lease contracts		-	-
Finance sublease receivable collected		3 964	3 848
Net cash (used in) investing activities		**(156 589)**	**(119 282)**
FINANCING ACTIVITIES	26		
Proceeds from borrowings		172 939	327 531
Repayment of borrowings		(211 189)	(292 528)
Payment of principal portion on lease liabilities		(103 190)	(95 073)
Dividends paid	23	(70 000)	(95 000)
Interest paid, including interest on leases		(64 372)	(44 322)
Net cash (used in) financing activities		**(275 812)**	**(199 392)**
Net increase (decrease) in cash and cash equivalents		**55 316**	**44 655**
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE BEGINNING OF THE YEAR	14	**263 511**	**218 856**
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE END OF THE YEAR	14	**318 827**	**263 511**

(All tabular amounts are in EUR thousands unless otherwise stated)

Notes to the consolidated financial statements

1. General information

MAXIMA GRUPĖ, UAB (hereinafter "the Company") was incorporated and commenced its operations on 27 August 2007. The Company's registered address is Ozo st. 25, Vilnius, Lithuania. The Company's legal status - private limited liability company, entity code 301066547.

The sole shareholder of the Company is Uždaroji Akcinė Bendrovė Vilniaus Prekyba incorporated in Lithuania. The ultimate shareholder is METODIKA B.V., incorporated in the Netherlands.

The consolidated group is comprised of the Company and its subsidiary undertakings (hereinafter collectively referred to as "the Group"). In 2023 and 2022, the Group's main subsidiaries are listed in the table below. Other subsidiaries not listed below are mainly involved in real estate management. The Group owns 100% of shares in all subsidiaries. In 2023, 19 real estate companies were merged with the remaining real estate companies in Lithuania, all of which were subsidiaries of Maxima LT, UAB (in 2022 there were no significant business combinations).

Significant subsidiary	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2023	2022	
MAXIMA LT, UAB	Lithuania	100%	100%	Retail in food and consumables
MAXIMA Latvija SIA	Latvia	100%	100%	Retail in food and consumables
MAXIMA Eesti OU	Estonia	100%	100%	Retail in food and consumables
MAXIMA Bulgaria EOOD	Bulgaria	100%	100%	Retail in food and consumables
Stokrotka Sp.z.o.o.	Poland	100%	100%	Retail in food and consumables
BARBORA, UAB	Lithuania	100%	100%	E-trade
PATRIKA SIA	Latvia	100%	100%	E-trade
SUPERSA OU	Estonia	100%	100%	E-trade
Barbora Polska Sp.z.o.o.	Poland	100%	100%	E-trade
FRANMAX, UAB	Lithuania	100%	100%	IT development, maintenance and consulting services
MAXIMA INTERNATIONAL SOURCING, UAB	Lithuania	100%	100%	Procurement and agency services of food and consumables

The Group's principal business activity is retail and e-trade in food and consumables.

As of 31 December 2023, the Group employed 37.8 thousand employees (total remuneration related costs amounted to EUR 599 million in 2023 (31 December 2022: 38.3 thousand employees, remuneration related costs EUR 535 million).

The Group's bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges (Note 17).

The Company's management authorized these consolidated financial statements on 29 March 2024. The Company's shareholders have a statutory right to approve or not to approve these consolidated financial statements and to require the preparation of a new set of consolidated financial statements.

2. Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, except for the below amended IFRSs which have been adopted by the Group as of 1 January 2023.

(All tabular amounts are in EUR thousands unless otherwise stated)

2.1. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS"), as adopted by the European Union (hereinafter "the EU"). These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

All amounts in these consolidated financial statements are presented in euros, the functional currency of the Company and presentation currency of the Group, and they have been rounded to the nearest thousand (in thousand EUR), unless otherwise stated. Due to rounding the numbers in these consolidated financial statements may not sum up.

2.2. Adoption of new and/or revised IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC)

New standards, amendments and interpretations adopted by the Group

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The accounting policies disclosed in previous years were reviewed and only material accounting policies are disclosed in these consolidated financial statements. Some accounting policies were removed as the information itself was not considered material for an understanding of the Group's accounting for those particular transactions or events. Certain accounting policies were revised and shortened to remove generic IFRS information that did not contain any Group specific information.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

These amendments had no material impact on the financial statements of the Group.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

(All tabular amounts are in EUR thousands unless otherwise stated)

The Group accounting policy for deferred taxes is in line with the requirements of the amendments. Currently the Group recognises deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)

In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. These amendments were introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The amendments had no impact on the consolidated financial statements of the Group as amendments permit to not recognise deferred tax assets and liabilities related to the Pillar Two tax reforms. No amounts were recognised in the current and prior period in relation to the Pillar Two Model Rules.

The Group is in the process of assessing its exposure to the Pillar Two legislation for the periods when it comes into effect. Due to the complexities in applying the legislation and calculating the Global Anti-Base Erosion Rules (GloBE) income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist it with applying the legislation as of 1 January 2024.

Several other amendments apply for the first time in 2023, but do not have an impact on the financial statements of the Group for the year ended 31 December 2023.

IFRSs issued but not yet effective

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).

In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. The Group is currently assessing the impact of the amendments on its financial statements.

Other standards

There are no other IFRSs, IAS amendments or IFRIC interpretations that are not yet effective that would be expected to have an impact on the Group.

The Group plans to adopt the above mentioned standards and interpretations on their effective dates provided they are endorsed by the EU.

2.3. Goodwill

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

(All tabular amounts are in EUR thousands unless otherwise stated)

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or their groups) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.4. Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the cost of assets to their residual values over their estimated useful lives, as follows:

Buildings	2 – 37 years
Equipment and other assets	2 – 12 years
Vehicles	2 – 4 years

Buildings average residual useful live as of the reporting date is 22 years.

Leasehold improvements are depreciated on a straight–line basis over the shorter of the estimated useful life of the improvement and the term of the lease.

Properties in the course of construction for operations or for administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of property, plant and equipment is recognised in profit or loss. Depreciation of property, plant and equipment directly related to sales of goods and services is recognised in cost of sales and depreciation of other property, plant and equipment is recognised in operating expenses.

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

A gain or loss arising on the disposal of an asset is recognised in profit or loss.

2.5. Investment properties

Investment properties, store buildings and other commercial premises, are held for long-term rental yields and are not occupied by the Group. They are measured initially at cost. Subsequent to initial recognition, investment properties are stated at historical cost less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method. Estimated useful lives of investment property is 10 – 30 years. Land is not depreciated.

Investment properties are derecognised either when they have been disposed of (i.e., at the date a buyer obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use.

(All tabular amounts are in EUR thousands unless otherwise stated)

2.6. Intangible assets with finite useful lives

Intangible assets expected to provide economic benefits in future periods are measured at acquisition cost less subsequent accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated on the straight-line method to write off the cost of each asset over their estimated useful lives.

Intangible assets acquired in a business combination (trademarks, customer contracts) are recognised at fair value at the acquisition date. They have finite useful life and are carried at cost (being fair value if acquired in a business combination) less accumulated amortisation and impairment losses, if any.

All amortisation of intangible assets is recognised in profit or loss as operating expenses unless it relates to operation of warehouses or retail outlets when it is recognised as cost of sales. The Group amortises intangible assets over the following periods:

Software	2 - 5 years
Brands and trademarks	5 - 15 years
Customer contracts	15 years
Other intangible assets	2 - 5 years

2.7. Impairment of non-financial assets (except for goodwill)

At each financial year end, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined in order to determine the extent of the impairment loss, if any.

2.8. Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs necessary to be incurred in selling. The cost of inventories is calculated by using weighted average cost method: weighted average inventory unit cost = total cost of units for particular item / number of units of particular item.

The cost of inventories is net of volume discounts and rebates received from suppliers during the reporting period but applicable to the inventories still held in stock. Warehousing of inventory and logistics costs incurred for transportation of inventory between different locations of retail operators are accounted for as cost of sales in the relevant accounting period.

2.9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.9.1. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from contracts with customers*. Refer to the accounting policies in Note 2.13.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

(All tabular amounts are in EUR thousands unless otherwise stated)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

a) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, cash and cash equivalents, time deposits and loans granted.

Impairment of financial assets – credit loss allowance for expected credit losses

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience. In addition, the Group reviews individual significant trade and other receivables and recognises individual loss allowances if needed.

The Group considers a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.9.2. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as follows:

- financial liabilities at fair value through profit or loss,
- financial liabilities at amortised cost,
- derivatives designated as hedging instruments in an effective hedge.

All financial liabilities are recognised initially at fair value and, in case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, borrowings including bank overdrafts and bonds, and derivative financial instruments.

<u>Subsequent measurement</u>

The measurement of financial liabilities depends on their classification, as described below:

a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of selling in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 *Financial instruments*.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities are designated upon initial recognition at fair value through profit or loss if the criteria in IFRS 9 for such a designation are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

b) *Financial liabilities at amortised cost*

After initial recognition financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR unwinding process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR unwinding is included in profit or loss as finance costs.

This category generally applies to interest-bearing borrowings, including bank overdrafts and issued bonds, and trade and other payables.

<u>Derecognition</u>

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

2.10. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized. All other borrowing costs are expensed in the period they occur.

2.11. Derivative financial instruments and hedging activities

The Group engages in derivative financial instruments transactions, such as forwards, to hedge purchase and sale price fluctuation risk, and interest rate swaps to hedge cash flows fluctuation risk of EURIBOR on the loans taken from banks, i. e. effectively switching the interest into a fixed rate.

On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices for forwards (level 1) and using valuation models for interest rate swaps (level

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2 and 3). The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in profit or loss.

For the purposes of hedge accounting, hedges are classified into two categories:
(a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or a firm commitment (fair value hedges); and
(b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedge relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument;
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship;
- The hedge ratio of the hedge relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the other reserves, while any ineffective portion is recognised immediately in profit or loss.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in other comprehensive income is removed from other reserves and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period during which the hedged cash flows affect profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs. Where the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the statement of comprehensive income (profit or loss).

2.12. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(All tabular amounts are in EUR thousands unless otherwise stated)

2.13. Revenue from contracts with customers

a) Retail revenue

The Group recognises revenue from its retail customers as it satisfies its performance obligations at the point of check out in its retail stores. Payment of the transaction price is due immediately when the customer purchases the goods.

Revenue from online sales is recognised upon delivery of goods, i.e. upon transfer of control of goods to customer. Online customers pay either at the time of order of goods online using the electronic means of payment or at the time of delivery of goods in cash or by using bank cards. Contract liability is recognised for the payments received before goods are delivered to the customer.

The Group sells gift cards that can be purchased in stores and can later be used to pay for goods in the Group's retail stores. The client pays for the gift card at the time of purchase of gift card. A contract liability for the sold gift cards is recognised at the time of the sale transaction. Revenue is recognised when the gift cards are redeemed by the retail customer or expire, whichever event occurs earlier.

The Group operates a loyalty programme, which allows customers to accumulate points when they purchase goods in the Group's retail stores and online. The points can be redeemed for payment of part of next purchase. A contract liability for the loyalty points is recognised at the time of the original sale transaction under contract liabilities in trade and other payables. Revenue is recognised at the earlier of when the points are redeemed or when they expire. For allocation of transaction price to the loyalty points see Note 3.2.

Retail revenue is recognised at a point in time.

b) Commission income

For certain products and services, e.g. lottery tickets, collection of payments for utilities on behalf of utility service providers from retail customers, etc., the Group acts as an agent and recognises commission income in its revenue when the related goods are sold in retail stores. A commission income from the principle is recognised when payment from the retail customer for the sold product or service is received. At this time the consideration is unconditional because only the passage of time is required before the payment is due. Commission income is recognised as revenue at a point in time.

c) Wholesale revenue

The Group sells goods to franchisees and other retailers. Revenue is recognised when control of the sold goods has been transferred to the wholesale client in accordance with the terms of delivery. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Wholesale revenue is recognised at a point in time.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to the customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional on the acceptance of the goods and services by the customer.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.9.1.

(All tabular amounts are in EUR thousands unless otherwise stated)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

2.14. Cost of sales

Cost of sales consists of cost of inventory, net of supplier discounts, and other costs attributable to sales of goods, including warehousing, logistics and retail operations.

Cost of sales are reduced by slotting fees and advertising income earned in accordance with written agreements with suppliers that the Group will be paid for promotional activities, including various advertising and market development efforts in the retail stores. Cost of sales are also shown net of fines and penalties received from suppliers for, e.g. late delivery or poor quality of goods. See Note 3.1 for critical judgements applied.

As at the year-end supplier discounts are allocated to the carrying value of inventory based on the amount of inventory sold and remaining in inventory.

The Group's cost of sales can be sub-divided into: the cost of goods sold (accounting for approximately 81 per cent of the total cost of sales for the year ended 31 December 2023 (2022: approximately 80 per cent), employee remuneration costs (accounting for approximately 9 per cent of the total cost of sales for the year ended 31 December 2023 (2022: approximately 10 per cent) and other costs including expenses relating to logistics, utilities, depreciation and amortisation, repair and maintenance, etc (accounting for approximately 10 per cent of the total cost of sales for the year ended 31 December 2023 (2022: approximately 10 per cent).

2.15. Income tax

The income tax expense comprises of current tax expenses and changes in deferred tax.

a) Current income tax

The current income tax expenses are based on taxable profit for the year. The income tax for the Group is calculated according to the laws of the country in which respective Group’s entity operates.

The main corporate income tax rates that have been applied in calculation of current income tax in respective countries:

	2023	2022
Lithuania	15%	15%
Latvia*	20/80	20/80
Estonia*	20/80 (14/86 for regular profit distribution amount)	20/80 (14/86 for regular profit distribution amount)
Poland	19%	19%
Bulgaria	10%	10%

* the taxation of income of subsidiaries operating in Latvia and Estonia is delayed till the moment of earnings distribution, i.e. till the moment of payment of dividends.

(All tabular amounts are in EUR thousands unless otherwise stated)

b) Deferred income tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

As the object of taxation in Latvia and Estonia is dividends, not profit, there are no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. In the consolidated financial statements the Group recognises deferred tax liabilities in respect of taxable temporary differences from investments in Latvian and Estonian subsidiaries for the taxes payable on the estimated dividend to be distributed in the foreseeable future from the retained earnings.

2.16. Employee benefits

a) Social security contributions

The Group pays social security contributions to the state Social Security Funds (hereinafter - the Fund) on behalf of its employees based on the defined contribution plans in accordance with the local legal requirements in respective countries. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Social security contributions are recognised as expenses on an accrual basis in the statement of comprehensive income.

b) Bonus plans

The Group recognises a liability and an expense for employee bonuses when the Group is contractually obliged in accordance with the employment agreements or where there is a past practice that has created a constructive obligation. Long term liabilities are discounted. Remeasurements of liabilities are recognised immediately in profit or loss.

2.17. Leases

The determination of whether a contract is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The 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.

2.17.1. The Group as a lessee

As a lessee the Group recognises a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

(All tabular amounts are in EUR thousands unless otherwise stated)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. The right-of-use assets are subject to impairment, see Note 2.7.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period when they occur.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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). It also applies the lease of low-value assets recognition exemption to leases of office equipment and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.17.2. The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income are accounted for on a straight-line basis over the lease term and are included in profit or loss in revenue.

2.17.3. Sublease

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the classification of a sublease as a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease. When subleases are classified as finance leases the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and presents the net investment in the sublease under current receivables for amounts to be settled within 12 months and non-current receivables and prepayments in the statement of financial position. During the term of the sublease the Group recognises finance income on sublease based on pattern reflecting a constant period rate of return on the net investment in the lease.

For subleases classified as operating lease, the Group recognises the lease income on a straight-line basis over the lease term and includes them in profit or loss in revenue. Modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(All tabular amounts are in EUR thousands unless otherwise stated)

2.18. Foreign currencies

a) Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in EUR, which is functional currency of the Company, and the presentation currency for the consolidated financial statements.

b) Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the exchange rates prevailing on the dates of those transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

c) Group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in EUR using exchange rates prevailing on the reporting date.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used.

All resulting exchange differences are recognised in other comprehensive income and foreign currency translation reserve in equity. Such translation differences are recognised as profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate. Exchange differences arising are recognised in other comprehensive income and foreign currency translation reserve in equity.

2.19. Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.20. Subsequent events

Subsequent events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the consolidated financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1. Critical judgments in applying the accounting policy

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(All tabular amounts are in EUR thousands unless otherwise stated)

Critical judgement in classifying income from various advertising and market development services

The Group receives slotting fees for the product placements in stores and various advertising income from suppliers in cases when the retailer and the supplier have entered into written agreement that it will be paid for additional arrangement of the goods in the special places or for promotional activities, including various advertising and market development efforts. The product placement and advertising services cannot be sold separately from the supply of goods and the supplier would not obtain any rights or receive any benefit without selling products to the retailer. Therefore the Group concluded that such income should be recognised as a reduction of cost of sales.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases (buildings and land), to lease the assets for additional term of five to thirty years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend the lease term. It considers all relevant factors that create an economic incentive for it to exercise the renewal option (e.g., lease term, geographical location of the store, leasehold improvements, etc). The Group included the renewal period as part of the lease term for leases of buildings leased for retail operations where after considering a number of relevant factors the Group concluded that it is reasonably certain that the Group will exercise an extension option.

Potential future cash flows that have not been included in the lease liability for extension options which realisation is not reasonably certain are disclosed in Note 6.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Distinction between properties held for own use and those held to earn rental income.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in the retail operations or supply of goods or services or for administrative purposes. If one portion of the same property is used in the Group's activity, and other portion of the property is rented, leased portion of property is accounted for as an investment property only if that property could be sold or leased out under a finance lease separately. If the property requires the separation before the portions can be sold or leased out under a finance lease separately, then those portions are not accounted for as separate portions until the separation is feasible, and are presented in property, plant and equipment in the consolidated statement of financial position. See Note 7 for disclosures of investment properties.

Classification of reverse factoring arrangements (supply chain financing arrangements)

Supplier financing arrangement is a reverse factoring arrangement, where a financial institution (the Factor) agrees to pay amounts the Group owes to the suppliers and the Group agrees to pay the financial institution at the same date as, or a date later than, suppliers are paid. Based on the agreements the Group authorises the Factor to repay the invoices to the supplier. If the Factor would repay the invoice, the Group assumes an unconditional obligation to repay to the Factor. This represents a change of the creditor with a written consent of the Group. The moment of legal release of a debtor under obligation which is being assigned by way of factoring transaction is defined by Article 6.909, part 3, of the Lithuanian Civil Code. It establishes that in the case of factoring, only the payment of outstanding monetary claim releases the original debtor from its obligations towards the supplier. Therefore, while the factored amounts are still unpaid and remain on the Group's statement of financial position, the Group is not legally released from its obligations towards the original suppliers, even if they have transferred those amounts to a Factor (third party) by way of factoring transaction. Based on the above, the Group continues recognising liabilities until it is unconditionally and legally released from obligations towards the original suppliers.

(All tabular amounts are in EUR thousands unless otherwise stated)

The Group presents liabilities that are part of a reverse factoring arrangement as part of trade payables only when those liabilities have a similar nature and function to trade payables. However, these liabilities are presented separately when the size, nature or function of those liabilities makes separate presentation relevant to an understanding of the Group's financial position. In assessing whether it is required to present such liabilities separately, the Group considers the amounts, nature and timing of those liabilities. As of 31 December 2023 and 2022 the Group's liabilities under supplier financing arrangements are presented within trade and other payables (Note 18). As the supplier financing arrangement is closely related to operating purchasing activities of the Group, the Group presents cash outflows to settle the liability as arising from operating activities in its consolidated statement of cash flows.

Determination of discount rate for discounting of lease payments

At the commencement date of the lease contract, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. In 2023, the Group estimated interest rates implicit in the lease using the following inputs provided by the independent valuers for each specific lease contract:

- estimated property yield at the lease commencement and at the end of the lease;
- an estimate of lessor's initial direct costs (incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained);
- an estimate of property purchaser's costs.

3.2. Key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The estimates and underlining assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, as well as in the future periods if the revision affects future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for five years using data from the Group's internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates used to extrapolate cash flow projections beyond the period of five years, revenue and EBITDA (for the definition of EBITDA see Note 4) growth. Management estimates discount rates using rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. The post-tax discount rates ranged from 7.5 to 10.5 percent (2022: 6.5 – 8.7 percent) and terminal growth rate was from 1.0 to 1.5 percent (2022: 1.0 – 1.5 percent). These discount rates are derived from the Group's post-tax weighted average cost of capital as adjusted for the specific risks relating to each geographical region. Changes in revenue and costs, and, consequently, EBITDA, are based on historical trends and expectations of future developments in the markets the Group operates. The increase in discount rates by 0.5 percentage points and decrease in terminal growth rates by 0.5 percentage points would not result in goodwill impairment. More information about goodwill is disclosed in Note 9.

Impairment of property, plant and equipment, intangible assets and right-of-use assets

Property, plant and equipment, intangible assets and right-of-use assets are tested for impairment at cash generated units which are separate stores. Costs and assets that cannot be directly attributed to stores, e.g. related to warehouses, administration, marketing activities, etc. are allocated to stores based on store revenue. E-commerce revenue

(All tabular amounts are in EUR thousands unless otherwise stated)

are directly related to particular store, therefore are included in cash inflows of the particular store. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flow model does not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Recoverable amounts for cash-generating units are based on value in use, which is calculated from cash flow projections for five years using data from the Group's latest internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected future cash inflows. The terminal growth rate is in line with average retail market growth trends. Management estimates discount rates using post-tax rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. Post-tax discount rates are used to discount post-tax estimated cash flows.

The post-tax discount rates used to calculate value in use range from 7.5 to 10.5 percent (2022: 6.5 to 8.7 percent) and terminal growth rates range from 1.0 to 1.5 percent (2022: 1.0 to 1.5 percent) depending on the specific country conditions in which each store operates. Pre-tax discount rates were in the range from 7.7 to 10.6 percent (2022: 7.6 to 10.7 percent).

Further information is disclosed in Notes 5, 6 and 8.

Contingent liabilities

In the process of preparation of the annual financial statements management evaluates available information on the status and potential outcome of pending litigations and other contingent liabilities (Note 27) and accordingly recognises contingent liabilities and / or discloses in the consolidated financial statements.

4. Segment information

The Group's Board is the Chief Operating Decision Maker in the Group. Segments are defined based on how the Board monitors operating results of the separate Group's business units for the purpose of making decisions about resource allocation and performance assessment. The Group's operations are organised and monitored by the Board by two segments, i.e. retail operations and real estate management. Retail operations are further examined by the Board from the geographical perspective.

- Retail segment consists of the Group's retail operations in Lithuania, Latvia, Estonia, Poland and Bulgaria and e-commerce operations.
- Real estate segment leases commercial premises to the customers within the Group and externally.

Segment performance is evaluated based on revenue, EBITDA and net profit. EBITDA is non-IFRS measure. EBITDA is calculated by adjusting net profit by income tax expenses, depreciation and amortisation, finance income and costs, impairment of property, plant and equipment, investment properties, intangible assets and right-of-use assets, and profit from disposal of subsidiaries. The Board does not analyse assets and liabilities by segments. Accounting policies used for segments are the same as the accounting policies used in the preparation of the consolidated financial statements. Inter-segment transactions are eliminated upon consolidation and are reflected in the "Consolidation adjustments" column in the segment information below.

In column "Other" in the segment information below are included results of corporate headquarters and other intermediary holdings in the Group.

(All tabular amounts are in EUR thousands unless otherwise stated)

	2023						
	Retail						
	Lithuania	**Latvia**	**Estonia**	**Poland**	**Bulgaria**	**E-commerce**	**Total retail**
Revenue	2 142 619	1 073 396	593 329	1 739 017	275 026	60 554	5 883 941
incl. external customers	*2 135 938*	*1 073 176*	*593 224*	*1 725 164*	*275 025*	*31 303*	*5 833 830*
incl. inter-segment	*6 681*	*219*	*105*	*13 853*	*1*	*29 251*	*50 110*
EBITDA	**207 719**	**100 698**	**40 360**	**116 269**	**18 568**	**(17 784)**	**465 830**
Interest expenses	20 681	4 864	5 170	24 983	3 806	1 309	60 813
Depreciation and amortisation	80 791	38 441	24 896	78 672	13 417	3 926	240 143
Net profit (loss)	**116 677**	**56 529**	**11 710**	**3 342**	**708**	**(50 304)**	**138 662**

	2023						
	Total retail	**Real estate**	**Other segments**	**Total reported segments**	**Other**	**Consolidation adjustments**	**Total**
Revenue	5 883 940	72 122	193 780	6 149 842	3 750	(309 054)	5 844 538
incl. external customers	*5 833 830*	*5 441*	*798*	*5 840 069*	*662*	*3 807*	*5 844 538*
incl. inter-segment	*50 110*	*66 681*	*192 982*	*309 773*	*3 088*	*(312 861)*	-
EBITDA	**465 830**	**65 759**	**13 535**	**545 124**	**(2 303)**	**(63 873)**	**478 948**
Interest expenses	60 812	7 227	258	68 297	20 901	(24 310)	64 888
Depreciation and amortisation	240 144	28 474	3 217	271 835	687	(74 740)	197 782
Net profit (loss)	**138 662**	**30 092**	**8 899**	**177 653**	**69 871**	**(62 852)**	**184 672**

	2022						
	Retail						
	Lithuania	**Latvia**	**Estonia**	**Poland**	**Bulgaria**	**E-commerce**	**Total retail**
Revenue	1 984 944	974 608	546 441	1 394 790	239 174	56 077	5 196 034
incl. external customers	*1 977 296*	*974 346*	*546 314*	*1 380 248*	*239 174*	*26 398*	*5 143 776*
incl. inter-segment	*7 648*	*262*	*127*	*14 542*	-	*29 679*	*52 258*
EBITDA	**174 629**	**72 700**	**26 767**	**88 859**	**15 952**	**(23 670)**	**355 237**
Interest expenses	14 005	4 777	4 263	17 690	3 263	576	44 574
Depreciation and amortisation	78 603	36 271	23 726	63 627	11 539	4 334	218 100
Net profit (loss)	**88 542**	**30 574**	**1 909**	**5 193**	**1 256**	**(29 546)**	**97 928**

	2022						
	Total retail	**Real estate**	**Other segments**	**Total reported segments**	**Other**	**Consolidation adjustments**	**Total**
Revenue	5 196 034	65 850	190 385	5 452 269	3 190	(301 747)	5 153 712
incl. external customers	*5 143 776*	*4 774*	*1 256*	*5 149 806*	*590*	*3 316*	*5 153 712*
incl. inter-segment	*52 258*	*61 076*	*189 129*	*302 463*	*2 600*	*(305 063)*	-
EBITDA	**355 237**	**60 684**	**16 473**	**432 394**	**(3 966)**	**(59 501)**	**368 927**
Interest expenses	44 574	3 159	223	*47 956*	19 213	(14 569)	*52 600*
Depreciation and amortisation	218 100	28 347	3 353	249 800	652	(67 601)	182 851
Net profit (loss)	**97 928**	**25 577**	**9 857**	**133 362**	**55 411**	**(84 376)**	**104 397**

Segments' net profit (loss) includes dividends received from directly controlled subsidiaries. During the year ended 31 December 2023 dividends included in the Lithuania segment's net profit (loss) amounted to EUR 20,313 thousand

(All tabular amounts are in EUR thousands unless otherwise stated)

(2022: EUR 16,537 thousand), in Latvia segment's net profit (loss) amounted to EUR 300 thousand (2022: EUR 704 thousand) and in Estonia segment's net profit (loss) amounted to EUR 2,300 thousand (2022: EUR 3,045 thousand).

The Company is domiciled in Lithuania. The amount of the Group's revenue from external customers broken down by countries is shown below:

	2023	2022
Lithuania	2 144 050	1 985 849
Latvia	1 074 003	975 062
Estonia	594 604	547 429
Poland	1 756 856	1 406 163
Bulgaria	275 025	239 209
	5 844 538	**5 153 712**

Non-current assets other than financial instruments and deferred tax assets, broken down by location of assets, are shown below:

	2023	2022
Lithuania	487 847	432 526
Latvia	426 991	428 603
Estonia	185 160	174 044
Poland	692 715	579 168
Bulgaria	91 445	84 302
	1 884 158	**1 698 643**

(All tabular amounts are in EUR thousands unless otherwise stated)

5. Property, plant and equipment

	Land and buildings	Equipment and other assets	Vehicles	Construction in progress & prepayments	Total
Cost					
At 1 January 2022	985 794	501 960	2 710	31 670	1 522 133
Additions	16 855	54 728	410	43 990	115 983
Acquisition of subsidiary	-	44	-	-	44
Disposals and write-offs	(1 767)	(21 495)	(1 102)	(629)	(24 992)
Exchange differences	(3 707)	(2 009)	(47)	(376)	(6 139)
Reclassifications (to) from other assets	1 710	38	822	(257)	2 313
Reclassifications	(47 523)	90 168	-	(42 645)	-
At 31 December 2022	951 362	623 434	2 793	31 753	1 609 342
Additions	19 008	58 427	209	90 745	168 389
Disposals and write-offs	(3 502)	(28 626)	(2 303)	(7 428)	(41 859)
Exchange differences	12 424	19 191	203	2 769	34 587
Reclassifications (to) from other assets	2 653	(59)	920	(715)	2 799
Reclassifications	13 043	28 178	-	(41 221)	-
At 31 December 2023	994 988	700 545	1 822	75 903	1 773 258
Accumulated depreciation and impairment					
At 1 January 2022	488 847	276 781	1 968	5 228	772 824
Depreciation	18 802	48 016	375	-	67 193
Impairment charge (reversal)	(813)	1 518	-	(4)	701
Acquisition of subsidiary	-	14	-	-	14
Disposals and write-offs	(611)	(18 838)	(1 022)	-	(20 471)
Exchange differences	(1 049)	(1 249)	(24)	-	(2 322)
Reclassifications (to) from other assets	303	(1)	821	-	1 123
Reclassifications	(31 693)	31 693	-	-	-
At 31 December 2022	473 786	337 934	2 118	5 224	819 062
Depreciation	17 042	57 558	337	-	74 937
Impairment charge (reversal)	(186)	2 518	-	-	2 332
Disposals and write-offs	(1 609)	(26 072)	(2 319)	-	(30 000)
Exchange differences	3 096	8 333	180	-	11 609
Reclassifications (to) from other assets	-	-	898	-	898
At 31 December 2023	492 129	380 271	1 214	5 224	878 838
Carrying amount					
At 31 December 2023	**502 859**	**320 274**	**608**	**70 679**	**894 420**
At 31 December 2022	**477 576**	**285 500**	**675**	**26 529**	**790 280**

In 2023, major part of depreciation of property, plant and equipment was accounted for as cost of sales – EUR 65,526 thousand (2022: EUR 62,791 thousand). Remaining part is accounted for as operating expenses.

Pledged property, plant and equipment

The Group has pledged property, plant and equipment with the total carrying value of EUR 234,488 thousand (2022: EUR 216,192 thousand) to secure banking facilities granted to the Group (Note 17).

(All tabular amounts are in EUR thousands unless otherwise stated)

6. Leases

6.1. The Group as a lessee

The Group has lease contracts for land, buildings and vehicles used in its operations. Leases of buildings generally have lease terms between 2 and 40 years, while vehicles generally have lease terms between 2 and 7 years. Land is leased for a period between 2 and 100 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are lease contracts that include extension options, which are further discussed below.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases of office and other equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below is the carrying amount of right-of-use assets at the end of the reporting period:

	Land	Buildings	Vehicles	Total
At 31 December 2023	17 851	685 295	18 241	**721 387**
At 31 December 2022	14 777	623 062	11 554	**649 393**

Additions to the right-of-use assets during 2023 were EUR 161,507 thousand (2022: EUR 89,850 thousand). In 2023, the Group recognised impairment of right-of-use assets amounting to EUR 4,200 thousand (2022: EUR 358 thousand).

2023 the Group has no pledged lease contracts, in 2022 pledged right-of-use assets total carrying value was EUR 2,497 thousand, to secure banking facilities granted to the Group (Note 17).

Depreciation charge of right-of-use assets during the year is provided below:

	Land	Buildings	Vehicles	Total
2023	586	107 482	7 217	**115 285**
2022	530	96 514	6 768	**103 812**

Interest expenses on lease liabilities are disclosed in Note 21. In 2023 expenses relating to short-term leases amounted to EUR 1,504 thousand (2022: EUR 3,152 thousand) and expenses of leases of low-value assets amounted to EUR 3,988 thousand (2022: EUR 3,873 thousand).

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In addition, the Group has an ability to re-negotiate terms of lease contracts with the property owners which also contributes to the Group's flexibility. As of 31 December 2023, potential future cash outflows of EUR 137,300 thousand (2022: EUR 209,292 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

6.2. The Group as a lessor

The Group leases and subleases retail and administrative premises to various tenants. These leases have terms between 1 and 28 years.

(All tabular amounts are in EUR thousands unless otherwise stated)

Finance leases

The Group recognises net investment in the lease for leases classified as finance leases. Interest income on the net investment in a lease is disclosed in Note 21.

A maturity analysis of the undiscounted lease payments receivable is provided below:

	2023	2022
In the first year	3 732	3 636
In the second year	3 485	3 006
In the third year	2 874	2 683
In the fourth year	2 464	2 157
In the fifth year	1 957	1 790
After 5 years	5 197	3 923
	19 709	**17 195**
Unearned finance income	(3 952)	(2 761)
Net investment in the lease	**15 757**	**14 434**

Operating leases

Rental income recognised by the Group during the year are disclosed in Note 19.

Future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2023	2022
Not later than 1 year	22 010	20 150
Later than 1 year and no later than 5 years	41 616	38 611
Later than 5 years	19 146	14 748
	82 772	**73 509**

(All tabular amounts are in EUR thousands unless otherwise stated)

7. Investment properties

	Land and buildings
Cost	
At 1 January 2022	20 276
Additions	-
Disposals	(3 050)
Exchange differences	(383)
Reclassifications (to) from other assets	(1 853)
At 31 December 2022	14 990
Additions	3
Disposals	-
Exchange differences	1 210
Reclassifications (to) from other assets	(2 661)
At 31 December 2023	13 542
Accumulated depreciation	
At 1 January 2022	1 864
Depreciation	474
Disposals	(1 092)
Exchange differences	(92)
Reclassifications (to) from other assets	(376)
At 31 December 2022	778
Depreciation	394
Disposals	-
Exchange differences	320
Reclassifications (to) from other assets	40
At 31 December 2023	1 532
Carrying amount	
At 31 December 2023	**12 010**
At 31 December 2022	**14 212**

As of 31 December 2023, the fair value of investment properties amounted to EUR 16,294 thousand (2022: EUR 15,342 thousand). It was determined by independent valuators using discounted cash flow method (hierarchy level 3). Net operating income were estimated for a period of rent contracts signed and discounted together with estimated terminal value by applying 9 – 13.5 percent discount rates (2022: 9 – 13.5 percent).

The Group has pledged investment property with the total carrying value of EUR 4,515 thousand (2022: EUR 4,300 thousand) to secure banking facilities granted to the Group (Note 17).

(All tabular amounts are in EUR thousands unless otherwise stated)

8. Intangible assets (except for goodwill)

	Software	Brands and trademarks	Contracts with customers	Other intangible assets	Total
Cost					
At 1 January 2022	18 981	60 202	1 487	6 380	87 049
Additions	8 262	-	-	692	8 954
Disposals and write-offs	(80)	-	-	(68)	(148)
Acquisition of subsidiary	13	-	-	-	13
Exchange differences	(104)	(658)	(27)	37	(753)
Reclassifications	(11)	-	-	11	-
Reclassifications from (to) other assets	7	-	-	(227)	(220)
At 31 December 2022	27 068	59 544	1 460	6 825	94 895
Additions	11 413	-	-	378	11 791
Disposals and write-offs	(85)	-	-	(216)	(301)
Acquisition of subsidiary	-	-	-	-	-
Exchange differences	1 007	(399)	115	2 368	3 093
Reclassifications from (to) other assets	(15)	-	-	(1 773)	(1 788)
At 31 December 2023	39 388	59 145	1 575	7 582	107 690
At 1 January 2022	12 562	28 602	243	2 905	44 312
Amortisation	2 100	7 148	31	2 093	11 372
Impairment charge (reversal)	-	-	-	623	623
Disposals and write-offs	(80)	-	-	(68)	(148)
Acquisition of subsidiaries	10	-	-	-	10
Exchange differences	(96)	(178)	(4)	125	(153)
Reclassifications from (to) other assets	-	-	-	(60)	(60)
At 31 December 2022	14 496	35 572	270	5 618	55 956
Amortisation	2 340	2 820	25	1 982	7 167
Impairment charge (reversal)	-	-	-	(171)	(171)
Disposals and write-offs	(72)	-	-	(215)	(287)
Exchange differences	380	1 092	22	112	1 606
Reclassifications from (to) other assets	-	-	-	(1 295)	(1 295)
At 31 December 2023	17 144	39 484	317	6 031	62 976
Carrying amount					
At 31 December 2023	**22 244**	**19 661**	**1 258**	**1 551**	**44 714**
At 31 December 2022	**12 572**	**23 972**	**1 190**	**1 207**	**38 939**

Part of amortisation of intangible assets is accounted for as costs of sales – EUR 305 thousand in 2023 (2022: EUR 264 thousand). Remaining part is accounted for as operating expenses.

Under the brands and trademarks the Group accounted for Stokrotka brand acquired in a business combination in 2018. Its carrying amount was EUR 22,498 thousand as of 31 December 2023 (2022: EUR 23,093 thousand) and it is amortised over the remaining useful life of 9 years (2022: 10 years).

(All tabular amounts are in EUR thousands unless otherwise stated)

9. Goodwill

At 1 January 2022	207 073
Exchange differences	(1 254)
At 31 December 2022	205 819
Exchange differences	5 343
At 31 December 2023	211 162

For the purpose of impairment testing, the goodwill as of 31 December 2023 and 2022 was allocated to the below listed cash generating units which are also operating and reportable segments. Goodwill was allocated to cash generating units that are expected to benefit from the synergies of the business combination.

	2023	**2022**
Retail - Lithuania	21 210	19 998
Retail - Latvia	134 898	134 300
Retail - Estonia	12 636	12 185
Retail - Poland	42 265	39 183
Retail - Bulgaria	153	153
	211 162	**205 819**

Goodwill is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitors that goodwill. In 2023 and 2022 impairment tests did not result in additional goodwill impairment.

10. Non-current receivables and prepayments

	2023	**2022**
Net investment in the lease	12 834	11 404
Prepayments	5 722	5 608
	18 556	**17 012**

(All tabular amounts are in EUR thousands unless otherwise stated)

11. Deferred income tax

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereof, during the current and prior reporting periods (before offsetting):

Deferred tax assets	**Accrued expenses**	**Contract liability**	**Tax losses**	**Impairment of assets**	**Different depreciation and amortisation rates**	**Other**	**Total**
At 1 January 2022	**2 873**	**536**	**6**	**2 106**	**5 473**	**7 541**	**18 535**
(Charged) / credited to statement of comprehensive income	514	(6)	-	573	(842)	1 517	1 756
Exchange differences	2	-	-	(31)	(2)	(62)	(93)
Other	-	-	-	-	-	53	53
At 31 December 2022	**3 389**	**530**	**6**	**2 648**	**4 629**	**9 049**	**20 251**
(Charged) / credited to statement of comprehensive income	153	(31)	-	171	(875)	1 696	1 114
Exchange differences	122	-	-	200	8	498	828
Other	-	-	-	-	(40)	76	36
At 31 December 2023	**3 664**	**499**	**6**	**3 019**	**3 722**	**11 319**	**22 229**

Deferred tax liabilities	**Different depreciation and amortisation rates**	**Fair value adjustments**	**Investments in subsidiaries**	**Total**
At 1 January 2022	**13 770**	**11 621**	**1 623**	**27 014**
Charged / (credited) to statement of comprehensive income	2 652	(1 887)	2 322	3 087
Exchange differences	(126)	(192)	-	(318)
Other	28	-	-	28
At 31 December 2022	**16 324**	**9 542**	**3 945**	**29 811**
Charged / (credited) to statement of comprehensive income	2 471	(1 209)	4 986	6 248
Exchange differences	817	662	-	1 479
Other	-	-	-	-
At 31 December 2023	**19 612**	**8 995**	**8 931**	**37 538**

As of 31 December 2023 deferred tax assets to be realised within one year amounted to EUR 13,541 thousand and deferred tax liabilities to be settled within one year amounted to EUR 13,299 thousand (2022: EUR 12,027 thousand and EUR 7,887 thousand, respectively).

Deferred tax assets and liabilities have been offset when there was a legally enforceable right to set off current tax assets against current tax liabilities and when they related to income taxes levied by the same taxation authority and the Group intended to settle its current tax assets and liabilities on a net basis.

Taxable temporary differences on investments in subsidiaries

As of 31 December 2023 the Group recognised deferred tax liability of EUR 8,931 thousand (2022: EUR 3,945 thousand) associated with investments in subsidiaries in Latvia and Estonia for the amounts that are planned to be distributed as dividends in the foreseeable future. Temporary differences associated with investments in subsidiaries for

(All tabular amounts are in EUR thousands unless otherwise stated)

which deferred tax liabilities have not been recognised amounted to EUR 206,401 thousand as of 31 December 2023 (2022: EUR 137,688 thousand).

Tax losses

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2023 the Group did not recognise deferred income tax assets of EUR 1,396 thousand (2022: EUR 5,786 thousand) in respect of tax losses amounting to EUR 9,183 thousand (2022: EUR 32,250 thousand) that can be carried forward against future taxable income. The expiry dates of tax losses for which no deferred tax asset was recognised are provided below:

	2023	**2022**
Within 1 year	710	17
Within 2 years	-	3
Within 3 years	-	65
Within 4 years	-	8 759
Within 5 years	16	14 877
Indefinitely	8 458	8 529
Total	**9 184**	**32 250**

12.Inventories

	2023	**2022**
Goods for resale	423 265	403 022
Goods in transit	9 311	5 716
Materials	5 577	5 250
	438 153	**413 988**

The allowances for net realisable value of inventories comprise EUR 20,683 thousand (2022: EUR 20,936 thousand). The change in allowance for inventory is accounted for in cost of sales. In 2023, decrease in allowance amounting to EUR 253 thousand was included in cost of sales (2022: increase of EUR 4,249 thousand).

Inventories recognised as an expense during the year ended 31 December 2023 amounted to EUR 4,786,541 thousand and write-offs amounted to EUR 111,264 thousand. These expenses were included in cost of sales.

The Group has pledged inventories with the total carrying value of EUR 20,000 thousand (in 2022 there were no pledged inventories) to secure banking facilities granted to the Group (Note 17).

(All tabular amounts are in EUR thousands unless otherwise stated)

13. Trade and other receivables, prepayments and other short-term financial assets

	2023	2022
Trade receivables	13 284	11 735
Other receivables	60 826	55 373
Less: allowances for trade receivables	(1 857)	(918)
Less: allowances for other receivables	(1 457)	(2 457)
Trade and other receivables, net	70 796	63 733
Current year portion of net investment in the lease	2 923	3 030
Contract assets	3 091	2 897
Derivative financial instruments	86	267
Short term loans granted	302	20
	77 198	69 946
Deferred charges	7 069	6 019
Prepayments	2 592	2 465
Prepaid income tax	216	1 823
VAT receivable	8 322	12 366
Other prepaid taxes	610	839
	96 007	**93 459**

Other receivables mainly relate to receivables for sold property, plant and equipment and advertising and other services provided to the Group's suppliers (see Note 2.13. for accounting policy).

Contract assets are assets recognised for services performed to the Group's customers before the end of the year, but for which invoices have not been issued at that date. After invoice is issued, which reflects the unconditional right to payment, contract assets are transferred to trade receivables.

Trade receivables and other receivables are non-interest bearing and generally have payment terms of 16 to 41 days (2022: 21 to 41 days).

Movements of the Group's allowance for expected credit losses of trade receivables and other receivables are as follows:

	2023	2022
At 1 January	3 375	3 444
Impairment losses	358	360
Write-off of impairment loss due to receivables write-off	(663)	(412)
Other	244	(17)
At 31 December	**3 314**	**3 375**

The amount of allowances for trade and other receivables expenses is recognised as operating expenses.

(All tabular amounts are in EUR thousands unless otherwise stated)

14. Cash and cash equivalents

	2023	2022
Cash at bank	152 726	218 459
Cash on hand and in transit	79 677	68 253
Short-term bank deposits	98 611	-
	331 014	**286 712**

Cash in transit is comprised of cash in the cash registers of the stores not yet collected for encashment and cash collected for encashment but not delivered to the bank yet, as well as bank transfers made at the year-end (including payments for customers purchased goods by debit or credit cards), which have not yet reached their destination before the year end. Cash in transit reaches the Group's bank accounts in several days after the year end.

Bank deposits are short-term with maturity of three months or less.

Cash in certain bank accounts and future cash inflows into these accounts amounting to EUR 27,312 thousand (2022: EUR 57,256 thousand) were pledged to the banks as security for credit facilities granted (Note 17).

In the consolidated statement of cash flows cash and cash equivalents, less overdrafts, comprise of the following:

	2023	2022
Cash and cash equivalents	331 014	286 712
Bank overdrafts (Note 17)	(12 187)	(23 201)
	318 827	**263 511**

15. Share capital and share premium

	2023	2022
Number of shares (in thousands)	3 514 699	3 514 699
Par value of one share	0.29	0.29
Total share capital	**1 019 263**	**1 019 263**

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

In 2023 and 2022 there were no changes in the Company's share capital.

Share premium

Share premium was recognised for the difference between the proceeds received on share issue and par value of the shares issued.

16. Reserves

Legal reserve

Legal reserve is a compulsory reserve under the Lithuanian legislation. Legal reserve is made up by transfers from retained earnings. The reserve should comprise 10% of the Company's share capital and could be used to cover losses of the Company. Annual transfers of 5% of the Company's net profit are compulsory until the reserve reaches 10% of the Company's share capital. As of 31 December 2023, legal reserve amounted to EUR 68,194 thousand (2022: EUR 65,051 thousand).

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Reverse acquisition reserve

In 2007, in the course of the Group's restructuring MAXIMA MGN, UAB, the newly incorporated subsidiary of the Company, acquired 100 per cent of shares of MAXIMA LT, UAB from the Company's sole shareholder at that time Uzdaroji Akcine Bendrove Vilniaus Prekyba (currently LEKSITA, UAB), for a total consideration of EUR 1,667,292 thousand. At the time of the transaction, i.e. before and after the restructuring, the ultimate parent of the Group was Uzdaroji Akcine Bendrove Vilniaus Prekyba (currently LEKSITA, UAB). The acquisition was accounted for as a reverse acquisition, and for accounting purposes the legal subsidiary MAXIMA LT, UAB (identified as acquirer), has been deemed to have acquired the legal parent, MAXIMA GRUPĖ, UAB (identified as acquiree). The net assets of MAXIMA LT, UAB have been recognised at their pre-combination carrying amounts. No goodwill was recognised. The reverse acquisition reserve comprises principally of the pre-acquisition reserves of MAXIMA LT, UAB and its subsidiaries, elimination of the investment in MAXIMA LT, UAB and elimination of net assets of MAXIMA MGN, UAB.

17. Borrowings (except for lease liabilities)

	2023	2022
Non-current		
Bank loans	190 802	112 041
Bonds	236 828	236 053
	427 630	348 094
Current		
Bank loans	72 839	45 938
Bank overdrafts	12 187	23 201
Bonds	7 016	114 737
Short-term notes	-	34 909
	92 042	218 785
	519 672	**566 879**

In July 2022, the Group issued EUR 240 million nominal value fixed 6.25% interest rate 5-year unsecured bonds. Bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges. The fair value of bonds amounted to EUR 243,844 thousand as of 31 December 2023 (2022: EUR 344,793 thousand).

On 13 September 2018 the Group issued EUR 300 million nominal value fixed 3.25% interest rate coupon bonds. Bonds matured on 13 September 2023 and part of the proceeds from the 2022 issued bonds was used for the purchase of EUR 193 million nominal value bonds. The remaining portion was purchased through a bank financing agreement.

In 2023 Group has signed several new financing agreements for EUR 126 million, of which effective interests rate range were 5.17% - 7.98%. Financing is provided for periods from 5 to 6 years.

The bank loans as of 31 December 2023 and 2022 are secured by cash in certain bank accounts (Note 14), property, plant and equipment (Note 5), right-of-use assets (Note 6) and investment property (Note 7).

As of 31 December, the carrying amounts of the borrowings are denominated in the following currencies:

	2023	2022
EUR	479 361	534 177
PLN	38 914	32 702
BGN	1 397	-
	519 672	**566 879**

(All tabular amounts are in EUR thousands unless otherwise stated)

The weighted average effective interest rates as of 31 December were as follows:

	2023	2022
Bank loans	4.64%	3.01%
Bonds	6.68%	5.33%
Short-term notes	-	1.06%
Total	5.60%	4.35%

Non-current borrowings (except for lease liabilities) are repayable as follows:

	2023	2022
In the second year	55 663	41 310
In the third to fifth years (inclusive)	364 662	296 879
After five years	7 305	9 905
	427 630	**348 094**

For undiscounted contractual future cash outflows see Note 24.1.

The undrawn borrowing facilities were as follows:

	2023	2022
Expiring within one year	80 524	33 498
Expiring beyond one year	15 000	29 000
	95 524	**62 498**

In accordance with the Euro Medium Term Note Program issued for bonds and the agreements signed with banks the Group must comply with several covenants. As of 31 December 2023 the Group complied with all of them.

18. Trade and other payables

	2023	2022
Trade payables	698 088	657 408
Liabilities under reverse factoring arrangements	18 673	9 961
Derivative financial instruments	323	364
Other amounts payable	16 608	10 991
Accrued expenses	11 933	7 516
	745 625	686 240
Remuneration, social security and other related taxes	84 025	73 809
Payable taxes, other than corporate income tax	38 545	36 438
Contract liabilities	19 699	18 070
Advances received	2 701	2 622
	890 595	**817 179**

The Group is involved in reverse factoring arrangements with banks under which the banks agree to pay amounts the Group owes to the Group's suppliers and the Group agrees to pay the banks at a date later than suppliers are paid. Payables to the banks under reverse factoring arrangement amounted to EUR 18,673 thousand as of 31 December 2023 (2022: EUR 9,961 thousand). Liabilities under reverse factoring arrangement have a similar nature and

(All tabular amounts are in EUR thousands unless otherwise stated)

function to trade payables (only credit period is extended), as they are part of the working capital used in the Group's normal operating cycle.

Derivatives designated as hedging instruments reflect the negative change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable future purchases in USD.

Contract liabilities represent the Group's liability to customers to transfer goods or services for the loyalty points received and gift cards. They also include prepayments for goods and services received from the Group's customers. In 2023, the Group recognised EUR 18,070 thousand (of which EUR 6,639 thousand loyalty points) revenue that was included in the contract liability balance as of 31 December 2022 (2022: EUR 15,249 thousand).

19. Revenue

	2023	**2022**
Revenue from contracts with customers		
Retail revenue	5 699 645	5 020 162
Commission income	9 971	9 585
Wholesale revenue	72 142	66 418
Other	27 709	26 243
	5 809 467	5 122 408
Other income		
Rental income	35 071	31 304
	35 071	31 304
	5 844 538	**5 153 712**

All revenue from contracts with customers during the year were recognised at a point of time.

20. Operating expenses

	2023	**2022**
Employee remuneration and related taxes	100 248	77 639
Long-term employee benefits	275	2 030
Transportation services	2 463	3 844
Property, plant and equipment, intangible assets, right-of-use assets impairment charge	6 361	1 682
Depreciation and amortisation	36 142	26 139
Advertising	32 865	32 119
Rental expenses	1 135	726
Utilities	13 010	12 968
Taxes (except for income tax)	8 286	7 834
Repair and maintenance	14 315	10 468
Consulting and other professional services	5 696	5 828
Other	19 738	15 961
	240 534	**197 238**

(All tabular amounts are in EUR thousands unless otherwise stated)

21. Finance costs, net

	2023	2022
Finance costs		
Interest expenses		
– Bank borrowings	(8 591)	(3 862)
– Bonds	(18 583)	(15 325)
– Lease	(37 714)	(29 990)
– Interest on resolved uncertain tax position	-	(3 423)
– Other	-	-
	(64 888)	(52 600)
Other	(37)	(38)
Net foreign exchange gain/(loss)	5 022	(1 292)
	(59 903)	**(53 930)**
Finance income		
Interest income on net investment in the lease	893	674
Bank interest income	3 999	340
Other income	185	105
	5 077	**1 119**
Finance costs, net	**(54 826)**	**(52 811)**

The tax dispute with the Polish tax authorities disclosed in Note 27 was concluded at the beginning of 2023 and the Group in 2022 recognised interest expenses incurred on the resolved uncertain tax position amounting to EUR 3,423 thousand. In 2023 the amount of interest, which was overpaid due to chosen conservative principle of interest calculation, equal to EUR 185 thousand was returned.

22. Income tax expense

	2023	2022
Current tax	28 395	20 749
Adjustments for current tax of prior periods	(39)	3 199
Deferred tax (Note 11)	5 134	1 331
Income tax expense	**33 490**	**25 279**

The tax dispute with the Polish tax authorities on corporate income tax for 2011 was concluded at the beginning of 2023 and the Group adjusted its 2022 corporate income tax return by EUR 3,368 thousand (Note 27).

The total income tax charge can be reconciled to the accounting profit before tax as follows:

	2023	2022
Profit before income tax	218 162	129 676
Tax at domestic tax rate of 15% (2022: 15%)	32 724	19 451
Income not subject to tax	(1 661)	(883)
Expenses not deductible for tax purposes	3 091	2 668
Tax losses for which no deferred income tax was recognised	2 018	2 092
Utilisation of previously unrecognised tax losses	(205)	(169)
Tax incentives (charity, etc)	(573)	(446)
Adjustments in respect of prior year	(19)	2 426
Effect of different tax rates of foreign subsidiaries	(2 027)	132
Other	144	8
Income tax expense	**33 490**	**25 279**
Effective income tax rate	15%	19%

(All tabular amounts are in EUR thousands unless otherwise stated)

23. Dividends per share

Dividends declared in 2023 and 2022 amounted to EUR 70,000 thousand (EUR 0.020 per share) and EUR 95,000 thousand (EUR 0.027 per share), respectively.

24. Financial risk management

24.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

a) Market risk

Foreign currency exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to USD due to purchasing of goods in foreign countries while income is mostly denominated in local currencies. The potential adverse effect from foreign exchange risk is substantially diminished, because the Group companies use foreign currency policies for the management of open currency exposure by currency acquisitions. In 2023 and 2022, the Group was using derivative financial instruments to be able to hedge its risks arising from foreign currency fluctuations ("forwards").

Carrying amounts of borrowings by currencies are disclosed in Note 17.

Interest rate risk

The Group's interest rate risk arises from long-term borrowings. The Group is exposed to cash flow interest rate risk as some of the Group's borrowings are subject to floating interest rates related to EURIBOR.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps or borrowing at fixed rates directly. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The Group's borrowings with variable interest rates amounted to EUR 211,839 thousand as of 31 December 2023 (2022: EUR 91,958 thousand) with repricing periods between 1 - 6 months (2022: 1 - 6 months). The remaining borrowings are with fixed interest rates. Fair value of bonds is disclosed in Note 17, fair value of borrowings with fixed interests rate is EUR 72,426 thousand, fair value of other borrowings approximates their carrying value. The Group estimates that the increase of variable interest rates by 100 basis points, applied to exposed amounts as of 31 December 2023 and with all other variables held constant, would result in an increase in interest expense of EUR 2,118 thousand.

b) Credit risk

The Group's credit risk arises from its trade and other receivable, contract assets, cash and cash equivalents and loans granted. Management considers that the Group's maximum exposure to credit risk is reflected by the carrying amount of the financial assets at the reporting date.

The credit risk of liquid funds (cash and cash equivalents) is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies or subsidiaries of such banks. Sales to retail customers are settled in cash or using credit cards. Management does not expect any material losses from non-performance of the Group's counterparties.

(All tabular amounts are in EUR thousands unless otherwise stated)

The Group monitors creditworthiness of debtors by using controls that include credit approvals, limits, prepayment requirements and other monitoring procedures. Each Group's entity is responsible for managing and analysing credit risk for each of its new clients. There is no significant concentration of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The amounts presented in the consolidated statement of financial position are net of estimated allowances for doubtful amounts. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, type of service, collateral received). Some of the Group's trade and other receivables are secured by pledged real estate and bank guarantees and insurance. The Group's trade and other receivable secured by collateral amounted to EUR 3,757 thousand as of 31 December 2023 (2022: EUR 3,275 thousand). A loss allowance has not been recognised for the amount of trade and other receivables covered by collateral. Collateral obtained by the Group has not affected the expected credit losses as of 31 December 2023 (2022: has not affected the expected credit losses). COVID-19 pandemic did not have material effect on the ECLs and allowances for doubtful amounts receivable.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables and contract assetsusing provision matrix:

31 December 2023

	Current	**1-30 days past due**	**31-90 days past due**	**>90 days past due**	**Total**
Expected credit loss rate	0.1%-1%	0.5%-8%	7%	100%	
Gross carrying amount - trade and other receivables from non-related parties	61 132	7 727	1 202	3 396	73 457
Gross carrying amount - trade and other receivables from related parties	465	188	-	-	653
Contract assets	3 049	15	28	-	3 091
Expected credit loss	(45)	(81)	(114)	(3 074)	(3 314)
	64 601	**7 848**	**1 116**	**322**	**73 887**

31 December 2022

	Current	**1-30 days past due**	**31-90 days past due**	**>90 days past due**	**Total**
Expected credit loss rate	0.1%-1%	0.5%-8%	7%	100%	
Gross carrying amount - trade and other receivables from non-related parties	53 923	7 170	857	3 745	65 695
Gross carrying amount - trade and other receivables from related parties	1 299	112	-	2	1 413
Contract assets	2 897	-	-	-	2 897
Expected credit loss	(121)	(86)	(56)	(3 112)	(3 375)
	57 998	**7 196**	**801**	**635**	**66 630**

(All tabular amounts are in EUR thousands unless otherwise stated)

The partners of the Group in cash transactions are banks with an adequate credit history and high ratings. The credit quality of cash at banks (including short-term bank deposits in 2023) is assessed by reference to external credit ratings and is as follows:

	2023	**2022**
A1 (Moody's)	967	30 066
A2 (Moody's)	9 806	6 760
A3 (Moody's)	-	59
A- (S&P)	65 432	53 217
As2 (Moody's)	9 204	-
Aa3 (Moody's)	153 434	121 563
Baa1 (Moody's)	572	260
Baa2 (Moody's)	607	1 366
BBB (Fitch)	11 305	-
BBB (BCRA)	-	5 165
Other	10	3
	251 337	**218 459**

c) Liquidity risk

The Group is exposed to liquidity risk due to different maturity profiles of receivables and payables. Major amount of operating cash is collected from retail customers, therefore the Group does not have significant amount of trade receivables while payables to suppliers outstanding as of 31 December 2023 had weighted average payment term of 41 days.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. Management believes that the Group will have sufficient cash resources through earning cash from operating activities and utilising undrawn credit facilities from various banks (Note 17). In order to manage short term liquidity risks the Group targets to increase average credit portfolio maturity with longer term credit agreements.

The following is the contractual maturity analysis of the Group's non-derivative financial liabilities. The analysis is based on undiscounted cash flows, accounting the earliest date on which the Group can be required to pay. Floating interest rates are estimated using the prevailing interest rates at the reporting date.

	2023			
	Borrowings from banks and bonds	**Lease liabilities**	**Other financial liabilities**	**Total**
In the first year	99 464	147 355	745 625	992 444
In the second year	76 714	132 752	-	209 466
In the third year	71 951	120 410	-	192 361
In the fourth year	306 538	110 979	-	417 517
In the fifth year	26 107	98 436	-	124 543
After five years	7 361	370 525	-	377 886
	588 135	**980 457**	**745 625**	**2 314 217**

	2022			
	Borrowings from banks and bonds	**Lease liabilities**	**Other financial liabilities**	**Total**
In the first year	232 922	123 664	686 240	1 042 826
In the second year	56 775	113 107	-	169 882
In the third year	39 523	102 687	-	142 210
In the fourth year	36 093	90 793	-	126 886
In the fifth year	272 458	84 200	-	356 658
After five years	9 975	403 296	-	413 271
	647 746	**917 747**	**686 240**	**2 251 733**

(All tabular amounts are in EUR thousands unless otherwise stated)

24.2. Derivatives

The Group has the following derivative financial instruments in the following line items in the statement of financial position:

	2023	2022
Current assets – Trade and other receivables, prepayments and other short-term financial assets		
Foreign currency forwards – cash flow hedges	-	-
Interest rate swaps – held for trading	86	267
Total current derivative financial instrument assets	**86**	**267**
Non-current liabilities – Other non-current liabilities		
Interest rate swaps – held for trading	-	-
Current liabilities – Trade and other payables		
Foreign currency forwards – cash flow hedges	323	364
Total derivative financial instrument liabilities	**323**	**364**

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purposes and are accounted for at fair value through profit or loss.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Foreign currency forwards

Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast purchases in USD. These forecast transactions are highly probable. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates.

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item (i.e. notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

In hedges of foreign currency purchases, ineffectiveness may arise from the differences in the timing or forecasted amount of the cash flows of the hedged items and the hedging instruments, or if there are changes in the credit risk of the derivative counterparty.

The impact of the hedge accounting on the consolidated statement of changes in equity is disclosed under "other reserves" line item.

Interest rate swaps

As of 31 December 2023, the Group had an interest rate swap agreement in place, in which it agreed to exchange the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Interest rate swaps are not designated as hedging instruments in hedge relationships by the Group.

(All tabular amounts are in EUR thousands unless otherwise stated)

24.3. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group considers total capital under management to be equity plus net debt. Net debt comprises of borrowings and lease liabilities, less cash and cash equivalents:

	2023	2022
Cash and cash equivalents	(331 014)	(286 712)
Borrowings	519 672	566 879
Lease liabilities	768 470	683 286
Equity	554 719	417 154
	1 511 847	**1 380 607**

The capital management strategy aims to continually optimise its financial structure by maintaining an optimum balance between net debt and EBITDA, equity and total assets. It aims at minimising the cost of capital and maintaining the Group's credit rating at a level that allows it to access a wide range of financing sources and instruments. Management's focus is to ensure the Group companies have sufficient equity capital to comply with capital adequacy ratios, the minimum capital rules set by local legislation and meet covenants set in bank credit agreements and Euro Medium Term Note Programme Prospectus. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders.

As of 31 December 2023, net debt was EUR 957,128 thousand (2022: EUR 963,453 thousand) and EBITDA was EUR 478,948 thousand (2022: EUR 368,927 thousand) resulting in net debt/EBITDA ratio of 2.0 (2022: 2.6).

24.4. Fair value of financial instruments

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 to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Valuations are performed by the Group's management at each reporting date. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of asset or liability and the level of the fair value hierarchy as explained above.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(All tabular amounts are in EUR thousands unless otherwise stated)

- The carrying amount of current trade and other receivables, contract assets, current trade and other payables, short-term loans granted and current borrowings approximates their fair value (level 3).
- For the valuation of foreign currency forwards the Group uses the present value of future cash flows based on the forward exchange rates at reporting date (level 2) (Note 24.2).
- For the valuation of interest rate swaps the Group uses present value of the estimated future cash flows based on observable yield curves (Note 24.2).
- The fair value of non-current debt, except for bonds, is based on the quoted market price for the same or similar instruments or on the current rates available for debt with the same maturity profile. The carrying amount of non-current borrowings with variable interest rates approximates their fair value (level 3).
- The fair value of bonds is based on quoted market price (level 1) (Note 17).

There were no transfers between level 1 and level 2 during 2023.

25. Related party transactions

Related parties below include the Group's parent Uždaroji Akcinė Bendrovė Vilniaus Prekyba and other related parties that are entities controlled by the Group's ultimate controlling party. The ultimate controlling party of the Group is Mr. N. Numa.

a) Sales and purchases of goods and services and property, plant and equipment

		Sales of goods and services	Purchases of goods and services	Sales of property, plant and equipment	Purchases of property, plant and equipment
Parent company	2023	-	789	-	-
	2022	-	905	-	-
Other related parties	2023	10 609	20 537	37	78
	2022	10 280	28 115	495	75
Total	2023	**10 609**	**21 326**	**37**	**78**
	2022	**10 280**	**29 020**	**495**	**75**

Sales of services to related parties include mostly sales of goods, rent services and commission income. Purchases of goods and services from related parties include mostly purchased goods for resale and consulting services.

b) Year-end balances arising from sales/purchases of goods/services and rent of real estate

		Net investment in the lease – long-term	Net investment in the lease – short-term	Trade and other receivables	Trade and other payables
Parent company	2023	-	-	-	121
	2022	-	-	-	124
Other related parties	2023	7 364	1 415	653	6 130
	2022	7 000	1 673	1 413	7 101
Total	2023	**7 364**	**1 415**	**653**	**6 251**
	2022	**7 000**	**1 673**	**1 413**	**7 225**

In 2023, interest income earned on net investment in the lease to other related parties amounted to EUR 461 thousand (2022: EUR 400 thousand).

(All tabular amounts are in EUR thousands unless otherwise stated)

c) Borrowings

		Lease liabilities–long-term	Lease liabilities–short-term	Interest expenses on lease liabilities
Parent company	2023	-	-	-
	2022	-	-	-
Other related parties	2023	115 350	11 675	8 238
	2022	88 430	9 867	4 920
Total	2023	**115 350**	**11 675**	**8 238**
	2022	**88 430**	**9 867**	**4 920**

d) Key management compensation

	2023	2022
Salaries including related taxes	850	1 023
Termination benefits	64	257

26. Cash flow information

26.1. Non-cash investing and financing activities

Non-cash investing and financing activities in 2023 and 2022 are provided below:

- Additions to right-of-use assets and lease liabilities amounted to EUR 161,507 thousand (Note 6) (2022: EUR 89,850 thousand).
- Lease liability remeasurements and decrease in lease liability due to lease contract terminations, including effect of foreign exchange rate changes, amounted to EUR 6,972 thousand (2022: EUR 5,489 thousand).

26.2. Changes in liabilities arising from financing activities

The below table summarises changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes during the year ended 31 December 2023 and 2022:

	2023								
	Balance at 1 January 2023	Dividends declared	Cash received	Cash paid	Increase in lease liabilities	Interest expenses	Interest paid	Other	Balance at 31 December 2023
Borrowings, excl. bank overdrafts	543 678	-	172 940	(211 189)	-	27 174	(26 658)	1 539	507 484
Lease liabilities	683 286	-	-	(103 190)	181 492	37 714	(37 714)	6 882	768 470
Dividend payable	-	70 000	-	(70 000)	-	-	-	-	-
Total liabilities arising from financing activities	**1 226 964**	**70 000**	**172 940**	**(384 379)**	**181 492**	**64 888**	**(64 372)**	**8 421**	**1 275 954**

(All tabular amounts are in EUR thousands unless otherwise stated)

	2022									
	Balance at 1 January 2022	Dividends declared	Cash received	Cash paid	Increase in lease liabilities	Interest expenses	Interest paid	Acquisition of subsidiary	Other	Balance at 31 December 2022
Borrowings, excl. bank overdrafts	504 009	-	327 531	(292 528)	-	19 187	(14 332)	173	(362)	543 678
Lease liabilities	683 010	-	-	(95 073)	100 155	29 990	(29 990)	-	(4 806)	683 286
Dividend payable	-	95 000	-	(95 000)	-	-	-	-	-	-
Total liabilities arising from financing activities	**1 187 019**	**95 000**	**327 531**	**(482 601)**	**100 155**	**49 177**	**(44 322)**	**173**	**(5 168)**	**1 226 964**

27. Contingent liabilities

Court proceedings relating to collapse of store roof in Riga, Latvia

Maxima Latvija SIA and its employee, who was responsible for labour safety in the store (located in Priedaines iela 20, Riga, Latvia) whose roof partly collapsed on 21 November 2013, participate as defendants in a criminal case initiated based on breach of labour safety rules. Maxima Latvija SIA could theoretically be held liable in criminal proceedings if the court found that the employee (i) was guilty of alleged irregularities and (ii) the employee was acting in accordance with Maxima Latvija SIA instructions. According to official expert findings, the collapse was due to inadequate design and not due to employee violations, and therefore, in the view of Maxima Latvija SIA management, there were no causal relationship between the collapse of the roof and the alleged violations of the Maxima Latvija SIA employee.

Decision of the court of the first instance was delivered on 18 February 2020. The court acquitted the employee of Maxima Latvija SIA. Decision of the court was appealed. Appeal court brought its decision on 24 January 2023, completely acquitting the employee of Maxima Latvija SIA and terminating the legal proceedings against the company.

On December 27, 2023, the Supreme Court, considering the prosecutor's and other parties' submitted cassation appeal, decided to initiate the cassation process.

The Group believes that liabilities relating to the above ongoing proceedings would not, individually or in the aggregate, require additional accruals or provisions to be recorded as of 31 December 2023.

Resolved corporate income tax case in Poland

As disclosed in the Group's consolidated financial statements for the year ended 31 December 2022, Emperia Holding Sp.z.o.o ("Emperia Holding") submitted adjusted corporate income tax return based on the additionally imposed taxes in the protocol issued by the Head of Lublin Customs and Tax Office. The Group recognised adjustment to corporate income tax of prior periods in the consolidated financial statements for the year ended 31 December 2022. On 19 January 2023, Emperia Holding paid corporate income tax together with interest of EUR 6,791 thousand (PLN 31,812 thousand) in total (Note 21 and Note 22).

On 31 January 2023, the Head of Lublin Customs and Tax Office issued the result of the tax audit. The tax case was concluded and there are no outstanding contingent liabilities for the Group.

On 21 July, 2023, under Emperia Holding's request, the amount of interest, which was overpaid due to chosen conservative principle of interest calculation after income tax correction, equal to EUR 185 thousand (PLN 856 thousand), was returned to Emperia Holding's bank account.

(All tabular amounts are in EUR thousands unless otherwise stated)

28. Significant events during the year

Russia's military invasion of Ukraine

On 24 February 2022, Russia began military invasion of Ukraine which was condemned by many countries, including members of European Union, and resulted in imposed economic sanctions against Russia and Belarus. After the invasion the Group removed goods of Russian and Belarussian origin from its retail stores and e-trade channel and discontinued further orders of such goods. The Group monitors the list of sanctions against Russia and Belarus and ceases business relationships with identified sanctioned entities. The Group's entities demonstrate continuous support to Ukraine by providing humanitarian aid to its people.

Direct impact of the war was not material to the Group's financial results for the year ended 31 December 2023.

29. Events after the reporting period

In March 2024, Barbora Polska, Zp. z o. o. ceased its operations in Poland. Taking into consideration that upon ceased operations the assets will not generate income, an asset impairment was recognised. In the consolidated financial statements for the year ended 31 December 2023 the Group accounted EUR 1,646 thousand right-of-use assets impairment and reclassified EUR 4,648 thousand long term lease liabilities to short term lease liabilities. Impairment for other assets was not recognised, as part of it will be realised within other Group companies, and the remaining asset is considered immaterial.

There have been no other significant events after the reporting period.

3

Governance

Corporate Governance

The Company seeks transparent and effective corporate governance that is in line with international best practices and serves as a basis for the success and sustainability of the Group's activities.

The corporate governance structure is established in the Company's Articles of Association, which were approved on 22 February 2022 by the sole shareholder of the Company. The Articles of Association of the Company are available at the website.

Corporate Governance System

General Meeting of Shareholders	The highest decision-making body, where the shareholders participate in the supervision and governance of the Company.
Supervisory Board	Approves the Company's business strategy and oversees the activities of the Management Board and the CEO.
Audit Committee	Monitors the process of the preparation and audit of the financial statements.
Management Board	Responsible for taking material management decisions, for assessing the implementation of the business strategy.
CEO (General Manager)	Sole executive management body that manages the Company's day-to-day operations and represents the Company in its relations with third parties.

The General meeting of the Shareholders

The Company has the sole shareholder, i. e. Vilniaus prekyba.

The competence of the General Meeting of Shareholders is the same as prescribed in the Law on Companies of the Republic of Lithuania, except additional competence to appoint and revoke the members of the Audit Committee, to approve the Regulations of the Audit Committee.

During the reporting period the Company's sole shareholder approved the set of consolidated and Company's financial statements for 2022, decided on profit distribution, decided to change the member of the Supervisory Board, decided to change the registered address of the Company.

[2-9][2-12] [2-22]

Supervisory Board

The Supervisory Board is a collegial supervisory body that consists of 5 members elected for a 4-year term of office by the General Meeting of Shareholders. The Supervisory Board elects the Chair of the Supervisory Board from among its members.

On 3 March 2022, the Supervisory Board was elected for a term of 4 years. In the reporting period the Supervisory Board was composed of 3 members. The members of the Supervisory Board collectively ensure the diversity of qualifications, professional experience and competences.

To ensure that conflicts of interest are prevented and mitigated, data about other positions held by Supervisory Board members is regularly collected and renewed. Each member of the Supervisory Board has to clearly declare his/her conflict of interest and abstain from voting if such situation occurs.

At the end of the reporting period, the Supervisory Board was composed of the following members:

Evelina Černienė
Chairwoman

SINCE 3 MAR 2022

Board Member
at Vilniaus prekyba

Nerijus Maknevičius
Member

SINCE 30 AUG 2022

Board Member
at Vilniaus prekyba

Jurgita Šlekytė
Member

SINCE 2 JUN 2023

Chairwoman of the Board
at Vilniaus prekyba

*Full list of positions held by the members of the Supervisory Board is provided in "Other information".

At the end of the reporting period the Supervisory Board was composed of persons of both genders (66.66% women and 33.33% men).

Until 2 June 2023, Manfredas Dargužis also was a member of the Supervisory Board who later was replaced by Jurgita Šlekytė.

[2-10] [2-11] [2-15] [2-17]

The competence of the Supervisory Board is the same as prescribed by the Law on Companies of the Republic of Lithuania, i.e. the Supervisory Board approves the Company's business strategy and is responsible for supervising the activities of the Company and its management bodies, including the appointment and removal of members of the Management Board. It also submits its comments and proposals to the General Meeting of Shareholders on the implementation of the Company's business strategy, financial statements and on the activities of the Management Board and the CEO.

In 2023, the Supervisory Board held 3 meetings and all elected members of the Supervisory Board participated in each of the meetings. The main matters discussed during the meetings included:

- recall and appointment of the Management Board members;
- assessment of the Company's annual financial statements, the consolidated annual financial statements of the Company and its subsidiaries, and submission of the proposals to the General Meeting of Shareholders of the Company;
- review of the reports on the activities of the Audit Committee of the Company.

There is no formal procedure established to evaluate the performance of the Supervisory Board in the Company.

Audit Committee

The Audit Committee consists of 3 members that are elected for a 4-year term of office by the General Meeting of Shareholders. The Chairman of the Audit Committee is also elected by the General Meeting of Shareholders – only an independent member might be elected Chairman of the Audit Committee. The continuous term of office of a member of the Audit Committee does not exceed 2 full consecutive terms, i.e. in any event it can be no more than 8 consecutive years.

On 3 March 2022, the Audit Committee was elected for a term of 4 years.

At the end of reporting period, the Audit Committee consisted of the following 3 members: Irena Petruškevičienė (Chairwoman of the Audit Committee and an independent member), Rasa Milašiūnienė (an independent member) and Evelina Černienė (nominated by the sole shareholder of the Company).

The main function of the Audit Committee is to monitor the process of the preparation and audit of the consolidated financial statements of the Group companies, to monitor the independence of the external auditors, as well as to monitor the effectiveness of the internal controls that may have effect on reliability of the financial statements.

In 2023, the Audit Committee held 9 meetings. All Audit Committee members participated in 8 meetings, Evelina Černienė was not present in 1 meeting.

The main matters discussed during the meetings included:

- review of the activities and results of the Company and its subsidiaries;
- monitoring of the financial statement preparation processes;
- review of the independent auditor's work program and monitoring of the financial statements audit process performed by the independent auditor;

[2-10] [2-11] [2-12]

- approval of the Internal Audit Plan for the year 2023, review of internal audit reports;
- monitoring of the ESG reporting compliance and how the Company is getting ready for the implementation of the new ESG reporting requirements;
- monitoring of the nature and scale of non-audit services and approval of the acquisition of specific non-audit services from the Company's auditor.

About the Audit Comittee Members

IRENA PETRUŠKEVIČIENĖ is the Chairwoman of the Audit Committee and an independent member with almost 30 years of experience in auditing. She worked at the audit and consulting company UAB "PricewaterhouseCoopers" for over 10 years and served as a member of the European Court of Auditors for 6 years. She was a member of the audit committee of the European Commission and the UN World Food Programme. Currently, she also serves as an independent member and the chairwoman of the audit committee in AB "Ignitis grupė", as well as a member of the audit committee in UAB "Vilniaus viešasis transportas" and VĮ Registrų centras. She is a Fellow of the Association of Chartered Certified Accountants (ACCA) in the United Kingdom and a Member of the Lithuanian Association of Certified Auditors.

RASA MILAŠIŪNIENĖ is an independent member of the Audit Committee with almost 20 years of leadership experience in finance and internal auditing. She serves as the Head of Internal Audit at Convera Europe S.A. Previously, she worked at Western Union Processing Lithuania, UAB for 11 years and held leadership roles in Financial Planning and Analysis as well as Global Payments Operations. She is a Certified Internal Auditor (CIA) in the USA and Certified Auditor (CA) in Lithuania.

EVELINA ČERNIENĖ is a member of the Management Board at Vilniaus prekyba, as well as the Chairwoman of the Management Board at SOLLO, UAB, CEO at NVP PROJEKTAI, UAB, CFO at VISAS, UAB and Director at RLV FINANCE LIMITED and RELVIT LTD, with extensive experience in financial management at diverse companies, as well as audit experience in an audit firm.

Management Board

The Management Board is a collegial management body that consists of 8 members elected for a 4-year term of office by the Supervisory Board. The Management Board elects the Chairman of the Management Board from among its members.

On 14 October 2020, the Management Board was elected for a term of 4 years. At the end of the reporting period, the Management Board was composed of 7 members. The Management Board of the Company is mostly composed of CEOs of retail companies of the Group. This has been the usual practice in the Group as it allows to consolidate experience, share best practices and know-how and implement strategic decisions efficiently.

The Chairman of the Management Board is the CEO of the Company. Combining the CEO and the Chairman positions ensures strong leadership and supports effective decision-making in the Management Board, as well as enables quick and efficient implementation of the adopted decisions. This also ensures that the Management Board is provided with complete and correct information on all the matters being discussed.

The Company takes additional measures to ensure that conflicts of interest in the Management Board are prevented and mitigated: (i) the data about other positions held by the members of the Management Board is regularly collected and renewed; (ii) each member of the Management Board has loyalty obligations, as well as he/she is required to clearly declare his/her conflicts of interest and abstain from voting if such situation occurs (including the case where performance of the CEO or any other matter that may cause potential conflicts of interest are discussed, the CEO abstains from voting as the Chairman of the Management Board). Potential conflicts of interest of the Management Board members (such as cross-board memberships, cross-shareholding with suppliers and other stakeholders, existence of controlling shareholders (if any)) are disclosed in this annual report.

[2-10] [2-11] [2-15] [2-17]

At the end of the reporting period, the Management Board was composed of the following members:

Manfredas Dargužis
Chairman

SINCE 2 JUN 2023

CEO
at MAXIMA GRUPĖ, UAB

Jolanta Bivainytė
Board Member

SINCE 2 JUN 2023

CEO and Chairwoman of the Management Board
at MAXIMA LT, UAB

Lauryna Šaltinė
Board Member

SINCE 1 FEB 2023

CFO
at MAXIMA GRUPĖ, UAB

Agnė Voverė
Board Member

SINCE 24 NOV 2022

CEO
at MAXIMA INTERNATIONAL SOURCING, UAB

Karolina Zygmantaitė
Board Member

SINCE 3 MAR 2022

CEO
at MAXIMA LATVIJA SIA

Arūnas Zimnickas
Board Member

SINCE 14 OCT 2020

President of the Management Board
at STOKROTKA SP. Z O.O.

Petar Petrov Pavlov
Board Member

SINCE 14 OCT 2020

CEO
at MAXIMA BULGARIA EOOD

*Full list of positions held by the members of the Supervisory Board is provided in "Other information".

At the end of the reporting period, the Management Board was composed of persons of both genders (57.14% women and 42.86% men).

During the reporting period, the following persons also were members of the Management Board:

Tomas Rupšys – until 2 June 2023;

Edvinas Volkas – until 31 January 2023.

The competence of the Management Board is the same as prescribed by the Law on Companies of the Republic of Lithuania, except that the Management Board adopts decisions to issue bonds, i.e. the Management Board has the competence to adopt the material management decisions, to approve certain transactions, to assess financial statements, the draft of the business strategy, oversees the implementation of the business strategy, also executes other functions prescribed by legal acts.

The Management Board meetings take place on a weekly basis. Additionally, ad hoc meetings are held if necessary. During the reporting period, the Management Board covered the following key areas in its meetings:

- approval of the Company's Annual Report for 2022 and its submission to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the consolidated annual financial statements for 2022 and a draft of the allocation of profit (loss) and providing comments to the Supervisory Board and the General Meeting of Shareholders;
- evaluation of the execution of the business strategy and its submission to the Supervisory Board;
- change of the Chief Executive Officer of the Company;
- evaluation of financial results, development of activities.

There is no formal procedure in place to evaluate the performance of the Management Board in the Company.

Chief Executive Officer

The Chief Executive Officer of the Company is appointed by the Management Board.

The current CEO Manfredas Dargužis was elected as of 5 June 2023. He replaced Agnė Voverė who served in this position from 29 November 2022.

The competence of the CEO does not differ from the competence of the head of the company established by the Law on Companies, i.e. the CEO organizes implementation of the business strategy, other decisions of the Company's corporate bodies, represents the Company in the relations with third parties, etc.

Remuneration policies

The Company does not have an approved remuneration policy determining the remuneration of the members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly. However, the Company is going to approve the remuneration policy applicable to all its employees.

The competence to decide on remuneration for the members of the governance bodies lies with a body which is authorized to appoint certain members.

As the majority of the Audit Committee is composed of independent members, the General Meeting of Shareholders has approved the remuneration for the independent members of the Audit Committee.

Annual remunerations of the governance bodies are not disclosed in this report due to confidentiality.

Internal Audit

The Company has an internal audit department which reports to the Audit Committee, the Management Board, and to the CEO on a periodical basis. The internal audit team provides assurance on the effectiveness of internal controls system, governance, compliance with corporate policies, efficiency of processes and other risk management activities. It is responsible for auditing the Group companies and providing recommendations for possible improvements, as well as tracking implementation of action plans after audits.

[2-10] [2-12] [2-16] [2-19] [2-20] [2-21]

Risk Management

Control Framework

Like any business, MAXIMA Group encounters various types of risks that could lead to unforeseen circumstances in the Group's companies. To ensure smooth operations, the Group's management makes an effort to anticipate and respond to these risks promptly to prevent them from impeding the Group's primary objectives. The management's aim is to cultivate a work culture that prioritizes a proactive stance towards risk management, enabling them to fulfil the expectations of the Group's stakeholders.

Management of Significant Risks

In the subsequent pages, a summary of the Group's risk management structure outlines the key risks as of the year-end and continuous measures to alleviate them. For each risk, MAXIMA Group takes specific measures to manage the underlying causes and minimize potential consequences.

PRINCIPAL RISK	MITIGATION
Credit risk	
The Group's credit risk comes from trade and other receivables, contract assets, cash and cash equivalents and loans granted. The management considers that the Group's maximum exposure to credit risk is reflected by the carrying amount of financial assets.	• Retail sales are settled in cash or credit cards. • Monitoring the creditworthiness of debtors by using controls that include credit approvals, limits, prepayment requirements and other monitoring procedures • Exposure spread over a number of counterparties and customers • Funds in banks are diversified between numerous banks, or their subsidiaries, with investment grade ratings assigned by international credit-ratings agencies
Restrictive covenants in long-term debt arrangements	
The agreements that govern the Group's long-term debt contain certain restrictive covenants. Failure to comply with any of these covenants could constitute an event of default, which could result in the immediate or accelerated repayment of its debt, lead to cross-default under its other debt arrangements or limit or reduce its ability to implement and execute its key strategies, which could in turn have a material adverse effect on its business, results of operations and financial condition.	• Constant monitoring of leverage ratios and other covenants • Risk management related ratios and limits are set out in the Treasury and financial risk management policy, which is communicated across the Group and is regularly reviewed by the Management Board and competent employees.

PRINCIPAL RISK	MITIGATION
Funding and liquidity risk	
The Group is exposed to liquidity risk due to different maturity profiles of receivables and payables. The major amount of the Group's operating cash is collected from retail customers, therefore the Group does not have significant amount of trade receivables.	• Sufficient level of available cash and cash equivalents • Liquidity levels and sources of cash are regularly reviewed, and the Group maintains access to committed credit facilities and debt capital markets • Arranging funding ahead of demand • Our Treasury and financial risk management policy is communicated across the Group and is regularly reviewed by the Management Board and competent employees.
Foreign currency exchange rate	
The Group acquires some of its goods and services in foreign currencies, principally in the United States dollars, while its income is denominated mostly in Euro. The impact of such currency risk cannot be predicted reliably.	• The Group uses derivative financial instruments (forward contracts) to hedge its risks arising from foreign currency fluctuations
Interest rate	
The Group's interest rate risk arises from long-term borrowings. The Group is exposed to cash flow interest rate risk as some of the Group's borrowings are subject to floating interest rates related to EURIBOR.	• Entering to borrowing contracts with fixed interest rate • Application of derivative financial instruments to hedge the risk arising from interest rate fluctuation
Strategy risk	
There is a risk that the Group may be unable to execute its strategy, or that such plans do not deliver the expected benefits or prove to be ineffective. There are a number of factors which could impede the delivery of the Group's key strategic priorities set. Key risks include the incapacity to prioritize resources to deliver competing change activities and/or not having the right skills, capabilities and culture in place to implement and integrate the necessary changes within the specified timeframes.	• Focus of management of the Group on strategy implementation • Business continuity strategic guidelines and tactical policy • Business continuity management plans

PRINCIPAL RISK	MITIGATION
Reputation and brand image risk	
The Group believes that its strong brand is among its most valuable assets, and that its brand image and reputation have contributed significantly to the success of its business. The Group's continued success depends on its ability to maintain, promote and grow its brand image and reputation.	• Permanent improvement of internal control system • Training employees and developing the corporate culture to make sure unethical behavior is seen as unacceptable • Using expertise of specialist external agencies and our in-house marketing to maximize the value and image of our brand • The Group implements initiatives in areas that are known to be material to its business brand reputation
Country and geopolitical risks	
Political, economic, social, and legal factors could impact the Group’s operations, profitability, and reputation in countries of operation. Country risk management involves implementing measures to mitigate identified risks, such as diversifying operations, establishing local partnerships, or securing appropriate insurance coverage. Geopolitical tensions have intensified in recent years, and in particular following military invasion of Ukraine by the Russian Federation in February 2022. Although difficult to predict, but the mounting geopolitical tensions and the likelihood of any further escalation of the conflict could have an amplified influence on trade policies, production, duties, and taxation on a global scale.	• The Group is present in different countries with different specific risks • Knowledge and awareness of the business, economic and legal environment in countries where the Group is present • Monitoring, reviewing and reporting on changes of the political, financial, social or economic situation in countries where the Group is present • Incorporation of the impacts of political and regulatory changes in our strategic planning and policies • Engagement of leadership, structured action and communication plans to manage this risk area
Regulatory risk	
A pattern of growing regulation, coupled with enforcement measures, is evident across all sectors of the Group’s business. This raises the likelihood of non-compliance, introduces additional expenses to comply with these regulations, and adds complexity to business processes.	• The Group is present in different countries with different regulatory framework, which enables risks’ diversification • Knowledge and awareness of regulations in countries where the Group is present • Monitoring, reviewing, and reporting on changes of regulations in countries where the Group is present

PRINCIPAL RISK	MITIGATION
Competitive environment, economic conditions and risks of unforeseen increases in cost structure	
The Group faces stiff competition from numerous regional and global brick-and-mortar and online retailers, in a variety of critical aspects such as customers, employees, digital prominence, products and services. The Group competes through multiple means, including pricing, selection and availability of products, customer services, location, store hours, in-store amenities, shopping convenience and experience. Failure to react adequately to competitive forces or market shifts could have a significant adverse impact on its financial performance.	• Research and monitoring of consumer behavior • Analysis of economic development • Price benchmarking of the competition • Strengthening of own brands • Developing a more personalized customer relationship • Continuous improvement of the internal control system • Managing the product mix and pricing policy • Multi-format model to meet changing customer needs • Effective and unified processes
Risks related to real estate development	
Group may encounter difficulties in renewing the relevant lease on existing terms or at all or may be adversely affected by the lessor's exercise of contractual termination rights. Additionally, where the Group seeks to identify premises for purchase, it may be difficult to obtain suitable sites at commercially reasonable prices due to competition within the sector impacting the costs of acquiring land. Any such difficulty may impact the Group's profitability and results of operations. Furthermore, difficulty acquiring suitable premises either for purchase or lease may adversely affect the Group's ability to expand its operations.	• Research and monitoring of possibilities to develop real estate in separate regions • Maintaining M&A and property management competencies • Due diligence reviews • Balanced structure of own and leased real estate properties
Risk related to information technologies performance, Data Security and Data Privacy	
Maintaining the security of confidential data related to customers, employees, and the Group is crucial. Any major breach in information security could have severe negative consequences on the business's finances and reputation. The risk landscape has become more challenging as cybercrime continues to rise, with deliberate attacks targeting all markets. This trend heightens the risk exposure for broader business disruption and data breaches.	• Continuous improvement of the internal control system • Engaging the best internal IT experts • Using effective outsourcing practices with SLA and monitoring compliance • Ensuring sufficient reliability of centralized IT infrastructure • Cyber security insurance • Policies and procedures to ensure cybersecurity • Established team and information systems to detect atypical behavior in the corporate network and report and respond to security incidents • Special hardware and software for protection against malicious software, spam, external and internal cyberattacks, data leaks • Training and communication to help prevent data security and privacy-related incidents, regular induction and refresher courses for Group’s employees

PRINCIPAL RISK	MITIGATION
Crime and Security Risks	
The Group promotes the security and safety of customers and employees in its stores, warehouses and other facilities. However, due to high visibility and the presence of large numbers of people, particularly in the Group's large-format stores, the Group's properties may be targets for crime, including thefts, break-ins and robberies, and other forms of violence. Any threats, whether genuine or not, can cause declining visitor numbers to the affected properties.	• Continuous improvement of the internal control system • Policies and procedures to ensure safety • Outsourced security service providers
Retail operations, supply, and inventory management risks	
Efficiently managing inventory and ensuring availability are crucial for the Group's success. Inadequate inventory management or stock shortages leading to lost sales can harm the Group's competitive position and financial condition.	• Optimal level of decentralization for operational business processes and supply chain • Logistics strategy for managing and diversifying supply chains within the existing network to avoid concentration of supply from certain regions or countries • Efficient management of inventory stocks • Increased direct centralized global sourcing as well as reduced shrinkage and efficiency improvements
Human resources, a strike or other labor disruption	
The Group faces the risk of employee fraud and misconduct, including failure to comply with regulations, inaccurate reporting, theft, and improper use of information or inventory. The Group has policies to deter such conduct, but detecting and preventing it may not always be possible. Such activities could result in fines or sanctions and harm the Group's reputation. Part of the Group's employees are unionized, and any future strikes or work stoppages could hinder cost reduction and efficiency efforts, potentially harming the Group's business, and financial condition.	• Monitoring the labour market and providing employee benefits in line with the market • Processes ready for employee onboarding, training and development • Developing the corporate culture based on open communication and employees' involvement in decision making • Trust line for employees, • Corruption prevention policies adopted and regular trainings on its content
Unforeseen taxes, tax penalties and sanctions	
The imposition of any tax amendments in the markets in which the Group operates or changing interpretations or application of tax regulations by the tax authorities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by the Group, which could have an adverse effect on its business, results of operations and financial condition.	• Monitoring of draft laws, timely initiation of internal projects to prepare for legislative changes • Open collaboration and long-term cooperation with tax authorities in all countries where the Group operates • Approach to tax risk is conservative • Intra-group transactions in the Group are performed following arm's length principle

PRINCIPAL RISK	MITIGATION

Compliance with current legislation

The Group is subject to the laws of Lithuania and other countries and jurisdictions including Latvia, Estonia, Poland, Bulgaria and the EU in general, as well as the regulations of the regulatory agencies of countries in which it operates. These laws and regulations affect many aspects of the Group's business and, in many respects, determine the manner in which the Group conducts its business and the standards applicable to its products and services.

- Continuous improvement of the internal control system
- Monitoring of draft laws, timely initiation of internal projects to prepare for legislative changes
- Legal support, audit of contracts, development and use of contract templates

Product safety and liability risks

Failure to manage safety risks for both food and non-food products could lead to injury or loss of life, breach of regulation and/or reputational damage. If any products sold by the Group are defective, contaminated or adulterated, this may lead to a risk of exposure to product liability claims and adverse publicity. Concerns regarding the safety of food and non-food products could cause customers to avoid purchasing certain products from the Group, or to seek alternative sources of supply even if the basis for the concern is outside the control of the business.

- Product safety policies
- Control standards for food and non-food products
- Standard operating procedures
- Tracing of product origins and conditions of production
- Third-party certification
- Carrying out laboratory tests of product samples
- Complying with approved rules for product transportation, storage and sale
- Complying with sanitation rules
- Providing training for employees, including quality assurance

Environment and sustainability risk

The Group faces risks relating to reducing the environmental impact of its business, in particular regarding reducing packaging and implementing new methods of reducing waste and energy usage across stores, warehouses and offices. As a large retailer of food and perishable products, the Group may be required to comply with stricter environmental, health and safety laws or enforcement policies or become involved in claims and lawsuits relating to health and safety matters.

- Reducing packaging
- Implementing new methods to increase energy efficiency across stores and warehouses
- Implementing methods to reduce waste throughout the whole value chain
- Setting targets for energy efficiency, water, plastic or waste management
- Established metrics with appropriate management oversight and governance mechanisms to enable the Group's management to monitor progress

Occupational health and safety risk

Risks related to occupational health and safety may result in workplace accidents impacting the Group's business operations. The Group employs personnel in certain locations which are inherently dangerous working environments (including warehouses and distribution facilities) where the use of machinery and the presence of heavy loads presents the risk of accident or injury. In addition, safety hazards may arise for employees, contractors and the public on the Group's premises.

- Safe and comfortable working environment
- Compliance with employees' working hours and holiday schedule
- Regular medical examinations and health screening for employees
- Regular training of employees

Control Framework for the Preparation of Consolidated Financial Statements

MAXIMA Group is managed on an integrated basis, with centralised financial reporting and internal controls related to the preparation of consolidated financial statements. MAXIMA GRUPĖ sets accounting policies and reporting procedures that must be followed by the Group entities. All subsidiaries report their financial results to MAXIMA GRUPĖ on a monthly basis. Reported numbers are analysed by MAXIMA GRUPĖ employees in order to detect any accounting or reporting errors.

All MAXIMA Group entities, except for Polish subsidiaries and BARBORA, use SAP ERP software for financial accounting and reporting. The common system ensures consistent accounting and reporting and data comparability. A specialised SAP consolidation module is used as a tool for preparation of consolidated financial statements.

All changes in International Financial Reporting Standards as adopted by EU (hereinafter "IFRS") are followed by MAXIMA GRUPĖ. The Company evaluates potential impact on consolidated and stand-alone financial statements, prepares plans for implementation of new standards, and controls the implementation, ensuring that new standards are appropriately implemented across the Group.

Approach to Taxes

MAXIMA Group recognises the importance of how its paid taxes contribute to local societies and the progress of countries in which the Group does business. The Group pays taxes in countries where the value is created in the course of the Group's commercial activities. The Group's entities, retail operators in the Baltics - MAXIMA Lithuania, MAXIMA Latvia and MAXIMA Estonia - are among the largest taxpayers in the respective countries. For the Group, as retail leader and one of the biggest taxpayers in the Baltics with gradually expanding the operations in Poland and Bulgaria, it is important to act in a responsible way and respond to the global challenges and needs that society faces.

Full compliance with applicable tax laws and regulations and transparency are key principles of the Group's approach to tax. The Group acts in accordance with relevant legislation on tax calculation and ensures that taxes are paid accurately and timely. The Group recognises the interest of its stakeholders in the tax matters, including awareness on the tax management and fulfilment of disclosure requirements. Information on tax expenses and taxes paid disclosed in accordance with IFRS can be found in MAXIMA GRUPĖ consolidated financial statements.

The Group aims for the open collaboration and long-term cooperation with tax authorities in all countries where the Group operates. The Group creates appropriate conditions for government representatives to check activities of any entity in the Group and cooperates during inspections. The Group openly provides information when requested by the tax authorities. The staff must ensure that information and statements provided to public authorities are correct and complete. If discrepancies in the Group's entity's activities are found, the respective Group's entity immediately corrects them and takes measures to prevent such discrepancies from happening again in the future. For significant transactions the Group seeks advance clearance from the tax authorities in the form of tax rulings, where applicable by the local tax legislation.

The Group's approach to tax risk is conservative. The Group is not involved in aggressive tax planning. The Group does not have subsidiaries or associates operating in low-tax jurisdictions or "tax heavens". Intra-group transactions in the Group are performed following arm's length principle and comply with OECD Guidelines for transfer pricing and local tax regulations. The Group does not use transfer pricing for tax planning purposes.

The Group's tax position is regularly reviewed to identify items that could be subject to different interpretations. For uncertain tax positions that probably will not be accepted by the tax authorities, provision is formed in the financial statements. In the consolidated financial statements for the year ended 31 December 2023 no provision for uncertain tax positions was recognised.

The Group's financial statements of all significant subsidiaries are audited by external independent auditors. Taxes included in the financial statements are subject to audit procedures.

Responsible employees of finance departments in each country where the Group operates constantly monitor changes in tax laws and regulations, participate in various external trainings on the changes in legislation. This helps to ensure good understanding of tax laws and mitigate risk of non-compliance.

Trust lines are maintained at the Group where everyone can anonymously report concerns about any conduct, including tax-related, in any entity of the Group. The stakeholders have not expressed any negative views or concerns on the Group's approach to tax during the reporting period.

4

Corporate Social Responsibility Report

Our Approach

SBTi
GHG reduction targets approved by SBTi

+136%
Absolute renewable energy production YoY

-20%
Total amount of waste generated YoY

13%
Growth of average annual remuneration

264
Talented children have received "Maximalists" scholarships

Our approach to sustainable business model is implemented in five major areas – Our People, Our Customers, Our Supply Chain, Our Communities and Our Environment. We believe that creating shared value in these areas has the greatest potential to substantially contribute to sustainable development.

As a business, we aim to provide affordable and healthy food and other essential products catering to the needs and preferences of our customers. The sustainability approach that we have embedded into our business model is designed to benefit our customers, colleagues, partners, communities and ensure responsible and respectful use of natural resources.

Our focus on sustainable development is a consistent long-term commitment, which we implement through a wide variety of actions that we implement in our daily activities. From joining the United Nations Global Compact back in 2019 to setting and validating science-based greenhouse gas reduction targets with SBTi we have shown our commitment to responsible business conduct and mitigation of impacts on people and the planet. Sustainability-related topics are brought to the management board room on a regular basis, enhancing the collaborative culture between the management board, senior leadership, and other employees to drive positive changes.

Although the year was full of challenges for the retail industry, we have effectively overcome them, and our efforts and performance have been recognised by our external stakeholders. MAXIMA has been voted as the most beloved brand in Lithuania. At the Baltic Brand Awards forum MAXIMA has been awarded the title of leading brand in the retail sector in Latvia. STOKROTKA has won the "BLIX AWARDS – Consumers' Choice 2023" in the Promotion of the Year category in the Supermarkets group.

STOKROTKA has been included among the best employers in Poland according to a ranking prepared by Wprost magazine. The list presents 50 companies in which people find the best workplace, and STOKROTKA took the 32nd place.

MAXIMA Latvia has been honoured with a Platinum rating in the Sustainability Index by the Institute for Corporate Sustainability for the third consecutive year. This achievement celebrates a seven-year journey of commitment to sustainability, during which the company maintained a Gold rating for four straight years until 2021.

Contribution to Sustainable Development Goals

We have analysed our efforts in different sustainability fields that are material to our operation and have checked whether our actions and/or goals are in-line with the Sustainable Development Goals. We have established that our actions align with 13 targets under the Sustainable Development Goals. These targets are contributing to achievement of 8 Sustainable Development Goals.

Goal 5
Gender equality

Target	Indicator	More information
5.1	5.1.1	94, 131 p.
5.5	5.5.2	81, 104 p.

Goal 7
Affordable and clean energy

Target	Indicator	More information
7.2	7.2.1	114, 115 p.

Goal 8
Decent work and economic growth

Target	Indicator	More information
8.3	8.3.1	130 p.
8.5	8.5.1	103 p.
8.8	8.8.1	106 p.

Goal 10
Reduce inequalities

Target	Indicator	More information
10.3	10.3.1	131 p.

Goal 12
Responsible consumption and production

Target	Indicator	More information
12.3	12.3.1	119-121 p.
12.5	12.5.1	155 p.

Goal 13
Climate action

Target	Indicator	More information
13.2	13.2.2	116 p.

Goal 16
Peace, justice, and strong institutions

Target	Indicator	More information
16.5	16.5.1	94-95 p.
	16.5.2	94-95 p.
16.b	16.b.1	131 p.

Goal 17
Partnerships for the goals

Target	Indicator	More information
17.17	17.17.1	129 p.

Business Conduct Practices

In the dynamic landscape of everyday operations, each entity within our Group adheres to a framework of conduct characterised by fairness, ethical practices, and strict compliance with the legal statutes of their respective operational jurisdictions. This commitment forms the bedrock of our organisational ethics.

Central to our business conduct approach are three core policies. These policies are not merely procedural documents; they are the crystallised result of three decades of corporate evolution within our Group and are aligned with the foundational principles of our shareholder's Vilniaus Prekyba Code of Business Ethics. The policies define our general operational philosophy, ensuring alignment with our core values and business objectives, and serve as a framework for our governance of sustainability field, ensuring accountability and adherence to our commitments towards stakeholders. This code of conduct also lays down the approach of zero political contributions throughout the operations of the companies.

Together, these policies disclose guiding principles, ensuring that our governance framework operates not only within the realm of regulatory compliance but also upholds the highest standards of ethical and responsible business practices.

[2-23] [2-24] [205-2]

The Equal Opportunities and Diversity Policy

The Policy sets out the core principles of the Group companies for gender equality and non-discrimination on other grounds, along with guidelines for their implementation, adherence to which provides the conditions for practicing the highest standards of business ethics at the Group company level.

Anti-Corruption Policy

The Policy sets out the Group's main anti–corruption principles and requirements along with the guidelines for their implementation, thereby creating the context and conditions for compliance with the highest standards of business transparency throughout the Group.

Supplier Code of Conduct

The Supplier Code of Conduct sets out our key expectations for all our partners within the Group, to create the preconditions for implementing the highest standards of business ethics in the supply chain. The Supplier Code of Conduct reflects the effort of the Group companies to strengthen sustainable collaboration with suppliers, promoting practices that are lawful, professional and fair, including respect for human rights, business ethics and environmental protection.

Each main operating company within our Group has adopted and implemented the aforementioned policies, following a formal approval by the CEOs of each respective company. This collective adoption underscores our unwavering commitment to ethical and responsible business practices.

Our dedication extends beyond mere policy approval. We actively engage in educating our employees, and business partners about our commitments. This educational initiative is a cornerstone of our corporate responsibility, ensuring that all parties involved are not only aware of our policies but are also aligned with their principles and objectives.

To facilitate understanding and adherence, we've ensured that these policies are readily accessible. They are available both on our public websites and our intranet portals. Moreover, we conduct annual training sessions for our employees across the Group. These sessions are designed to reinforce our policies and ensure their consistent application across all our subsidiaries, regardless of geographic location.

The most critical function that are at-risk of corruption and bribery are in purchasing departments, supply chain management departments and real estate management departments. These functions are monitored and overseen by the robust controls within our companies through established lines of defence, including but not limited to internal controls, financial control, compliance control, and internal audit. Senior management is informed about all the instances of fraud or corruption, alongside with the Audit Committee.

All our new employees are introduced to the abovementioned policies during the onboarding process. The training topics cover the introduction to policy, definition of corruption, competition law, abuse of a dominant position, conflicts of interest, gifts and other favours, nepotism and backroom politics, etc.

Prevention and detection of corruption and bribery

We actively engage in monitoring the implementation of our anti-corruption policy at all levels. We strongly encourage and support the reporting of any activities that may pose a risk of misconduct. To ensure the safety and confidence of our employees, we guarantee protection and anonymity for those who come forward. During the reporting period, we received a total of 16 reports of potential incidents through our reporting channels. Each of these reports was subject to a comprehensive investigation, leading to the confirmation of 9 instances of misconduct.

[2-23] [2-24] [205-2] [205-3]

As a result of these investigations, we have taken appropriate and decisive actions. These actions have ranged from termination of employment and formal reprimands to employees to the escalation of cases to law enforcement for further investigation. In the wake of these findings, we have also implemented additional corrective measures. These measures are designed not only to address the current issues but also to prevent similar incidents in the future.

The outcomes of the investigations are communicated to the management board on the Group level and to the audit committee. During the reporting year there were no conviction of violation of anti-corruption and anti-bribery laws that resulted in fines.

Whistle-blowing

Companies within the Group have established distinguished whistle-blowing mechanisms that are the most appropriate considering the national circumstances, with a strong commitment to investigate business conduct incidents promptly, independently, and objectively.

General features of the whistle-blowing mechanism in the Group:

- Registering a submission by a person
- Pseudonymizing the personal data of the whistleblower
- Assessing the prima facie conformity of the report and providing an assessment to the responsible person, who evaluates the subbmision and makes a decision.
- Informing the person of the decision to either recognize or not recognize the submission as a whistleblower's report within 3 days
- Informing the whistleblower about the progress of the report's examination within 2 months
- Informing the whistleblower about the final decision

- If the submission is confirmed to be a prima face valid, the committee processes the submission within 2-3 days.
- The committee must make a decision no later than 3 months from the date of receipt of the submission.
- If the information provided by the whistleblower is recognized as true, the committee decides on further actions, such as applying disciplinary punishments, making amendments to inter at procedures, etc.

Compliance with laws and regulations

As a core principle, it is imperative that we conduct all our operations and activities within the bounds of legality and ethical standards. Adherence to these guiding principles is non-negotiable and any breach of them is met with zero tolerance. In line with this commitment, we ensure that any instance of non-compliance is promptly identified, thoroughly investigated, and effectively resolved, reinforcing our unwavering dedication to maintaining the highest levels of ethical conduct in all aspects of our operations.

In 2023, the Group encountered several instances where subsidiaries did not comply with laws and regulations, resulting in both monetary and non-monetary sanctions. Given the scope of the Group's operations and its substantial turnover, our monitoring focuses primarily on significant cases of non-compliance. Consequently, we do not have comprehensive data on all instances of non-compliance, and therefore, we are currently unable to provide a complete report.

[2-25] [2-26] [2-27] [2-16]

Membership associations

Our companies are value adding actors in the markets we operate. We are also contributing to the public discourse by being active members of industry associations and national organisations:

LITHUANIA

MAXIMA GRUPĖ is a United Nations Global Compact participant. None of the remaining Lithuania-based Group companies are members of any associations where they would participate in a significant role.

LATVIA

MAXIMA Latvia is a member of the Association of Latvian Retailers, Foreign Investors Council in Latvia, Latvian Chamber of Commerce and Industry, Latvian Employers Confederation, Latvian Association for People Management.

ESTONIA

MAXIMA Estonia is a member of PARE (Estonian Personnel Management Association), Eesti HR Selts (Estonian HR Association), Eesti Sisekoolituse Arendamise Liit (Estonian Association for the Development of In-House Training), Eesti Kaupmeeste Liit (Estonian Merchants Union), Mitmekesisuse Kokkulepe (Diversity Agreement), Eesti Tööandjate Keskliit (Estonian Employers' Confederation), GS1 organisation.

POLAND

None of Poland-based companies are members of any associations, where they would participate in a significant role.

BULGARIA

In 2023 Maxima Bulgaria terminated membership of the Modern Trade Association. As of that moment, the company is not involved in any organisations.

[2-22] [2-28]

Value Chain

The main operations within our value chain can be broken down into several key activities, each contributing to the overall process of transforming raw materials into final products ready for our customers.

Here is a more detailed breakdown:

1. **Inbound logistics** – This is the initial stage, involving the sourcing and receiving of goods from our various suppliers. This part of our value chain includes not only the finished products but also raw materials, which fall within the third tier of our supply chain. The raw materials are the building blocks for the products we sell, so this is a crucial step in our process.

2. **Operations** – This part of our value chain involves storing, managing inventory, and ensuring product quality. This involves maintaining appropriate temperature conditions for perishable items to prevent spoilage, managing our warehouse inventory to ensure a steady supply of goods, and rigorous quality checks which guarantee that all products meet our high standards.

3. **Outbound logistics** – In this stage we are getting our products from our storage facilities to our retail outlets. It involves the transportation of goods, warehousing at each retail outlet, and the process of stocking shelves. Ultimately, it is about making sure that our products are readily available for our customers in each of our stores.

4. **Marketing and sales** – We devise and execute pricing strategies, advertising campaigns, promotional offers and attractive in-store displays that assist our customers and communicate the value delivered with each product.

5. **Services** – Our responsibility to our customers doesn’t end at the point of sale. Our services extend to offering customer support, handling returns and refunds, and nurturing customer relationships. We manage customer loyalty programs to reward frequent shoppers and make efforts to address customer feedback or complaints promptly and effectively. Moreover, we offer online food ordering and delivery services, catering to the demand for online shopping.

All these core activities are underpinned by numerous supporting processes, each playing a vital role in managing different kinds of resources, or so-called capitals. These include financial (monetary), manufactured (physical assets), intellectual (knowledge), human (our people), social and relationship resources (relationships with stakeholders), and natural (environmental assets) capitals. By effectively managing these capitals, we can ensure smooth operation across our value chain.

[2-6]

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS

WHAT WE RELY ON		HOW WE DISCLOSE IT	WE CREATE VALUE FOR STAKEHOLDERS THROUGH	
Human capital	Our employees, their skills, engagement, safety and wellbeing	Diversity and equal opportunity Employee wellbeing and benefits Occupational health and safety	Shareholders and investors	Financial growth and orientation to sustainable operations
Intellectual capital	Accumulated know-how and knowledge Talents and innovators, who are fully committed to driving our progress	Learning and development	Suppliers and business partners	Long term partnerships, sharing insights and feedback through engagement practices
Social relationships	Our clients, who visit our stores and enjoy the convenience that we create Our long-term partners, committed to respect, trust and transparency Our communities that are our neighbours, who shop in our stores and provide localised employees	Local communities Engaging customers Product safety and quality Responsible sourcing Locality	Employees	Diversity and equal opportunities, learning and development, reward and remuneration
Natural capital	Renewable and non-renewable resources that we use in daily operation and that are a part of products we sell Ecosystem services that enable food production	Climate action Materials and waste management Water	Customers	Proximity and convenience, shopping experience, quality assurance and affordability, access to services
Manufactured capital	Our points of sale: brick and mortar stores and e-commerce Technology and logistics that enables movement of goods	Better shopping experience Climate action	Local communities	Employment opportunities, collaboration on enhancing the proximities
Financial capital	Financial resources and access to capital Our capital structure and economic performance	Our financial statements	Environment	Science-based targets to reduce climate impact, embedding circularity approaches, assuring deforestation prevention for critical commodities

The Group companies are not active in the fossil fuel (coal, oil and gas) sector, chemical production, controversial weapons, nor cultivation and production of tobacco, and had no revenue from the above-mentioned activities during the reporting period.

[2-6]

Our Stakeholders

In our organisations, we define stakeholders as a diverse array of individuals, groups or organizations that either have the capacity to influence or are themselves influenced, whether directly or indirectly, by our business operations, strategic decisions, and overall actions. This comprehensive definition underscores the multifaceted nature of our stakeholder relationships, encompassing a broad spectrum of interests and interactions.

To systematically identify and categorise these stakeholders, we employ Mendelow's Matrix, a robust stakeholder identification framework. This matrix serves as a tool, segmenting stakeholders based on two key dimensions: their level of power and their level of interest. The list of key stakeholders identified through this process is provided further in this chapter.

Further refining our stakeholder analysis, we categorise them into two types: affected stakeholders and users of sustainability statements.

Affected stakeholders. This group encompasses those who are, or have the potential to be, impacted by our business activities. This impact can be either positive or negative and spans a wide range of dimensions, including economic, social, and environmental aspects.

Users of sustainability statements. This category includes stakeholders who primarily engage with our organisation through the analysis and utilization of our sustainability reports and financial statements. These documents are instrumental for them to understand and evaluate our commitment to sustainable practices, financial health, and strategic direction.

It's important to note that some stakeholder groups may be assigned to both categories. This overlap reflects the intricate and sometimes interconnected nature of stakeholder interests. By recognizing and addressing the unique needs and concerns of each stakeholder group, we aim to foster robust, transparent, and mutually beneficial relationships that support our commitment to sustainable and responsible business practices.

Effective two-way communication, facilitated through a diverse array of communication channels, is instrumental in grasping the varied perspectives, concerns, and aspirations of different stakeholder groups.

This understanding is pivotal for several reasons. Firstly, it allows for more informed prioritisation of tasks across various sustainability domains, ensuring that resources are allocated efficiently and impactfully. Additionally, this process is vital for swiftly responding to emerging issues or needs that stakeholders bring to light. Moreover, such engaged communication is a fertile ground for innovation. It opens avenues for piloting new products or services by tapping into the insights and feedback from a wide stakeholder base.

In essence, robust two-way communication across a spectrum of channels is more than just a means of information exchange – it's a strategic tool that empowers us to navigate the complex landscape of sustainability with greater clarity, agility, and innovation. The information received through this communication is used by relevant departments to upgrade the processes, develop new offerings, prevent misconduct.

[2-26] [2-29]

The following table maps out our stakeholders, their main topics of concern and the communication channels that we use to ensure the flow of information.

STAKEHOLDER GROUP	STAKEHOLDER TYPE	TOPICS OF CONCERN	HOW WE COMMUNICATE AND ENGAGE
Stakeholder group	Users of sustainability statements	Financial stability and performance, sustainable performance, continuity of activities, risk management, ethics and transparency	Corporate website, individual meetings, email, phone communication, annual reports, interim financial statements, market news announcements
Suppliers and business partners	Affected stakeholders Users of sustainability statements	Delivery terms and conditions, fair payment terms, fair treatment, trustworthiness, ethics and transparency	Corporate website, individual meetings, supplier surveys and audits, email, phone communication, annual supplier events
Employees	Affected stakeholders	Working conditions, well-being, benefits, professional development, career opportunities, availability of information, equal opportunities, safety measures during pandemic	Intranet, employee surveys, feedback channels, internal magazines and other documents, trainings, company events, continuous communication through internal meetings
Customers	Affected stakeholders	Products (quality, availability, safety, assortment), affordable prices, sustainability, good shopping experience, possibility to submit a claim, data protection	Corporate website, social media, promotional magazines, TV, radio and outdoor advertising customer surveys, newsletters, customer loyalty programs, feedback / claims channels
Local communities	Affected stakeholders	Food waste, impact on environment, social initiatives, investments into infrastructure, local suppliers, ethics and transparency	Corporate website, regular face-to-face communication, various events, social media, TV, radio, and outdoor advertising
Media	Users of sustainability statements Affected stakeholders	Open dialogue, timely presentation of relevant information, ethics and transparency	Corporate website, corporate publications, press releases, social media, annual report and CSR report, email and phone communication
Authorities and public administration	Affected stakeholders	Taxes, reporting, compliance, ethics, and transparency	Corporate website, individual meetings, email and phone communication, annual report and CSR report
Non-governmental organisations (NGOs)	Users of sustainability statements Affected stakeholders	Environmental and health impacts, social inclusion and accessibility, animal welfare, ethics, and anti-corruption	Corporate website, corporate publications, social media, annual report and CSR report, email, and phone communication

To better understand the changes in stakeholder views since the last engagement process, we intend to conduct a new survey in 2024. The results of the survey will be utilised to inform our priorities for action on material topics.

[2-26] [2-29]

Materiality

This report has been developed based on the results of the materiality assessment process that was described in more detail in CSR Report 2022. The materiality has been established based on the severity of the actual and potential impacts.

Following the requirements laid down in Commission Delegated Regulation (EU) 2023/2772 (European Sustainability Reporting Standards – ESRS), a process of double materiality assessment was commenced in the reporting year 2023. The results of the assessment will be presented in the upcoming sustainability report for the reporting year 2024. During the assessment process we have identified the data points that are to be disclosed in accordance with the ESRS and have started internal processes for data collection.

List of material topics

People	A. Diversity and equal opportunity
	B. Learning and development
	C. Employee wellbeing and benefits
	D. Occupational health and safety
Customers	A. Product safety and quality
	B. Private label
	D. Engaging customers
Environment	A. Climate action
	B. Materials and waste management
	D. Engaging customers
Supply chain	A. Partnership with suppliers
	B. Responsible sourcing
	C. Locality
Communities	A. Local communities
	B. Food donations
	C. Encouraging education
	D. Supporting those in need
	E. Promoting healthier lifestyle

Our People

Growth of average annual remuneration — +13%

Top management breakdown 49.6% 50.4%

[3-1] [3-2]

Our Group deeply values its employees, recognising them as the cornerstone of our success. We are committed to nurturing a positive and dynamic workplace culture that inspires motivation, encourages engagement and fosters teamwork. At the heart of our organisational culture lie three fundamental values: Awareness, Responsibility, and Self-belief. It is designed to celebrate the diverse backgrounds and unique contributions of each individual. We place a high priority on nurturing personal freedom and individuality within our team. This approach not only creates a more inclusive work environment but also drives innovation and creativity.

Furthermore, we believe that the skills required for a role extend beyond just technical or professional competencies. Emotional intelligence is equally crucial. Therefore, we encourage and support our team members in their journey to develop and enhance their emotional intelligence. Our aim is to not just succeed in our business endeavours but to do so in a manner that is enriching and fulfilling for every member of our team.

NUMBER OF EMPLOYEES (HEAD-COUNT) ON 31ST DECEMBER 2023[1]

GENDER	LT	LV	EE	PL	BG
Male	2,668	1,476	838	2,097	559
Female	10,036	4,821	2,552	10,838	1,943
Other	-	-	-	-	-
Not reported	-	-	-	-	-
Total Employees	12,704	6,297	3,390	12,935	2,502

Throughout the Group companies, there are no non-guaranteed hours employment contracts. During the reporting period, the changes in the share of permanent and temporary employees and the changes in the share of full-time and part-time employees was not material and the majority of employees within the Group companies were permanent full-time employees. The employee turnover rate was 48.1%, which is an increase of 0.9 p.p. compared to the previous reporting period.

EMPLOYMENT TYPE DISTRIBUTION ON 31 DECEMBER 2023	2022	2023	CHANGE
Share of permanent employees	82.0%	81.1%	-0.9 p.p.
Share of temporary employees	18.0%	18.9%	+0.9 p.p.
Share of non-guaranteed hours employees	0%	0%	-
Share of full-time employees	83.6%	82.5%	-1.1 p.p.
Share of part-time employees	16.4%	17.5%	-1.1 p.p.

At the end of the reporting period, 46.4% of the total employees in the Group were covered by collective bargaining agreements. There were no agreements for employee representation by the European Works Council (EWC), Societas Europaea (SE) Works Council, or Societas Cooperativa Europaea (SCE) Works Council during the reporting period. At the end of January 2024, a trade union was established in UAB "Barbora", an e-commerce subsidiary that operates in Lithuania.

[1] We apply the same methodology for calculating the employee head count for financial and non-financial disclosures, and the total number of employees matches that provide in financial statements.

[2-7]

COLLECTIVE BARGAINING AND SOCIAL DIALOGUE

GENDER	COLLECTIVE BARGAINING COVERAGE		SOCIAL DIALOGUE
Coverage Rate	Employees – EEA (for countries with >50 empl. representing >10% total empl.)	Employees – Non-EEA (estimate for regions with >50 empl. representing >10% total empl.)	Workplace representation (EEA only) (for countries with >50 empl. representing >10% total empl.)
0-19%	Estonia, Poland, Bulgaria		Estonia, Bulgaria
20-39%			
40-59%			
60-79%			
80-100%	Lithuania, Latvia		Lithuania, Latvia, Poland

All our companies operate in countries with legally set minimum wages that meet the concept of adequate wage, and we ensure that all of our employees are compensated in line with the regulations. The EU Commission is updating the methodologies and approaches to establish minimum salaries, ensuring that actualisation of suitable pay is imbedded in the national laws.

All our employees are covered by social protection through public programs against loss of income due to major life events: sickness, unemployment, employment injury and acquired disability, parental leave, and retirement.

We focus on creating a healthy, safe, and attractive workplace, providing employees with benefits packages. The average salaries increased by 13% in 2023 compared to 2022.

During the reporting year we had an average of 1,819.1 FTE[2] of non-employee workers. These non-employee workers primary performed functions of warehouse workers, shop assistants, order pickers and couriers. Majority of such non-employee workers were provided by the undertakings primarily engaged in employment activities (NACE Code N78).

Diversity and equal opportunities

Ensuring diversity and equal opportunities is an important part of our business conduct. Throughout our companies, we have diverse workforce, which includes people of various ages, gender identities, backgrounds and other characteristics that we embrace and give our best to support.

EMPLOYEE BREAKDOWN BY GENDER AND AGE

OWN EMPLOYEE HEAD COUNT	<30 YEARS	30–50 YEARS	>50 YEARS	TOTAL
Male	2,256	3,519	1,863	7,638
Female	4,505	14,979	10,706	30,190
Other	-	-	-	-
Not reported	-	-	-	-
Total Employees	6,761	18,498	12,569	37,828
Distribution	17.9%	48.9%	33.2%	100%

[2] Detailed methods for calculation of FTE are presented in the annexes

[2-8] [2-30]

At the end of the reporting period the gender distribution within our top management stands at 50.4% female and 49.6% male. This composition aligns well with what is generally considered to be good practice in terms of gender representation, adhering to the widely accepted 60/40 gender ratio benchmark. Such a balance is indicative of meaningful representation of both genders in leadership positions, fostering an inclusive and diverse organisational culture.

In the context of this report the definition of top management has been adjusted to the definition set in the ESRS standards. Top management has been defined to include individuals who are one and two levels below administrative and supervisory bodies of each company. It is important to note that this definition marks a departure from the criteria used in our previous reports. This shift in the framework impedes a direct comparison with data from previous years.

TOP MANAGEMENT BREAKDOWN BY GENDER

GENDER	HEAD COUNT	PERCENTAGE
Male	67	49.6%
Female	68	50.4%
Other	-	0%
Not reported	-	0%
Total Employees	135	100%

Learning and development

Continuous learning and professional development are key for successful development and competitive resilience of the company. While learning and continuous professional development practices vary among Group companies, they all have the same underlying principles to promote the professional growth of our employees. Our companies facilitate different approaches to delivering trainings: e-learning, supervision, mentoring, classroom trainings, external trainings and similar. The goal is to provide our employees with the resources required to unlock their potential.

New employees receive the essential training they need, both in theory and in practice. Before they begin working, they typically receive training either online or in person. Employees who need specific skills, like those working in stores, at cash desks, preparing food, in warehouses, with special machinery, or as e-commerce pickers and couriers, get custom training courses. Additionally, all new employees are required to complete and pass work safety and company policy trainings.

Grocery store workers face unique challenges like handling a wide range of products, using various equipment and machinery, meeting diverse customer needs, and dealing with ever-changing inventory. To address these challenges effectively, employees need special knowledge and skills. That is why we provide targeted training for cashiers, including training about self-scanning systems, customer service training, and specialised courses for new store managers. By offering these specialised training programs, we ensure our staff is well-equipped to deliver excellent customer service and maintain a safe and efficient workplace.

In 2023, we launched the 12th edition of the STOKROTKA Manager Express (SME) development program. This program is designed to enhance the skills of our employees, paving the way for their advancement to the role of Regional Operations Managers. It targets individuals keen on bolstering their competencies. Within this initiative, chosen Store Managers participate in a comprehensive series of training sessions, equipping them for their future responsibilities as Regional Operations Managers. Participants collaborate with their supervisors to devise a training agenda and undertake a developmental project that involves analysing the performance of a specific store and formulating a plan for its improvement. The duration of the program is five months; and, notably, 50% of the participants from the last program edition have successfully promoted.

[405-1] [404-2]

MAXIMA Lithuania's employee development and growth programme "Speed Board" has been reinvented after running for over three years. In 2023 the programme was reworked and "Career Centre" was established. "Career centre" is a real operating store, where through a fast-paced programme ambitious persons have an opportunity to understand the peculiarity of the retail business and develop skills needed for swift career growth. The programme is open for internal and external participants.

Throughout 2023, we continued our initiative to provide language trainings for our colleagues from different backgrounds and nationalities, who are eager to improve their national language skills.

Employees within the Group receive regular performance and career development reviews in different way and approaches, but the most crucial aspect is continuous dialogue to keep the feedback timely, discuss challenges and celebrate milestones. Despite being a large organisation, the Group maintains a flat structure and emphasizes informal continuous feedback and self-assessment between managers and employees.

Employee wellbeing and benefits

We focus on creating healthier and more effective workspaces by improving facilities used by our personnel, providing advanced equipment, and offering benefits such as free of charge meals to the employees of stores, logistics centres, warehouses in addition to larger discounts for goods purchased in stores. The Group's efforts are aimed at creating an ergonomic work environment that makes it easier for employees to perform their tasks quickly and efficiently, saving their time and energy.

The well-being of our employees is of utmost importance to us. Therefore, all our companies conduct health screenings before hiring new employees and provide the necessary personal protective gear in areas where it is needed. We continue to conduct employee health check-ups throughout entire tenure, offering guidance on occupational health, safety, and hygiene, as well as access to first aid and emergency care. Some businesses employ third-party providers to offer these services, while others have their own medical professionals. Additional benefits such as private health insurance, possibility to consult psychologists, and similar, are aimed at increasing the overall health of our employees.

Additional social benefits for our employees (may vary between the Group companies):

- Additional health and critical illness insurance
- Additional allowance in case of major life events (loss of a close family member, birth or adoption of a child, death of the employee)
- Additional allowance in case of home fire
- Accommodation allowance
- Various financial bonuses, such as reference bonus, best employee programme, long-term employee awards, etc.
- National language courses

The Group is committed to fostering a family-friendly work environment, offering a suite of additional benefits designed to support the well-being and work-life balance of our employees. Recognizing the diverse needs and preferences of our workforce, we have hybrid working conditions for our administrative staff across most countries. This flexible approach allows employees to seamlessly integrate their professional and personal lives by giving them the freedom to work both from the office and remotely from home.

Furthermore, we extend the commitment to flexibility to our employees in stores, warehouses, and logistics centres by providing adaptable work schedules and options for part-time employment. These measures are part of our ongoing efforts to accommodate the varying needs of our team members, ensuring they have the support they need to thrive both in their careers and in their personal lives.

[3-3] [404-2]

100% of our employees, irrespective of age or gender, are entitled to family-related leave (maternity leave, paternity leave, parental leave, and carers' leave) through national laws.

FAMILY-RELATED LEAVES	FEMALE	MALE	TOTAL
Number of employees that took family-related leave	1,682	183	1,865
Number of employees that were due to return from family-related leave during the reporting period	654	94	748
Number of employees that returned to work after family-related leave ended during rthe eporting year	310	92	402
Return-to-work rate	47.4%	97.9%	53.7%
Percentage of employees that took family-related leave	5.6%	2.4%	4.9%

The consistent efforts that we make have been officially recognised by the Society Integration Foundation, that has awarded MAXIMA Latvia with the "Family-Friendly Workplace" title in 2023. This initiative, launched in 2020, is designed to encourage employers to focus more on the work-life balance and to assist their employees in enhancing it. Companies that submit their applications are evaluated by the Society Integration Foundation and may receive support for the further implementation of various family-friendly practices within their organisation.

Occupational health and safety

Our health and safety management systems are based on legal requirements in the countries of operation and cover 100% of our employees in every company within our Group. Each company has appointed specialists or divisions responsible for maintaining and implementing occupational health and safety standards. Our staff is instructed on our protocols and is advised to halt work in the event of a hazardous situation. Typically, the regulations are outlined in an Internal Rules of Working Procedures handbook within our organisations. If a risk is detected or a situation endangers an employee's safety or health, the three essential actions are to STOP work without delay, REMOVE oneself from the dangerous area, and REPORT the incident to a supervisor as soon as feasible. A generalised description of health and safety management systems is provided in the annexes.

WORK-RELATED SAFETY METRICS, OWN WORKFORCE	COMPARABLE, 2022	REPORTING YEAR, 2023	CHANGE
Number of fatalities as a result of work-related injuries and work-related ill health (own employees)	0	0	+0%
Number of high-consequence work-related injuries	13	4	-69%
Number of recordable work-related accidents	400	433	+8%
Rate of recordable work-related accidents (TRIR)	6.25	6.98	+12%
Number of cases of recordable work-related ill health	No data	27	-
Rate of high-consequence work-related injuries (excluding fatalities)	0.20	0.06	-68%

[3-3] [401-3] [403-9]

Regarding the training of employees on health and safety, all newly hired employees undergo initial training before they commence work. Other employees are trained at intervals determined by the management systems, which are based on the findings of ongoing risk assessments and improvement processes. Typically, internal health and safety training for department heads is conducted at least once every three years. Training in hygiene skills for all company employees is provided at least once every five years. Employees engaged in hazardous jobs, such as manual handling and working with hazardous chemicals, receive internal health and safety training at least once every five years. Workers performing hazardous tasks, like operating electric forklift trucks, undergo internal health and safety training at least once every three years. Similarly, employees working with potentially dangerous equipment, including lifts/elevators, are trained at least once every three years. External first aid training is provided at least once every five years. 26,811 employees received training on health and safety during 2023.

Our Customers

1.6m

Customers daily

5.5m

Loyalty programme members

714

Stores with Scan&Go technology throughout the Group

3,304

Self-service check out units throughout the Group

MAXIMA –
awarded "Most Beloved Brand in Lithuania"

MAXIMA –
awarded "Leading Brand in Retail Sector in Latvia" at the Baltic Brand Awards

STOKROTKA –
awarded "Consumers' Choice 2023" by BLIX AWARDS

We recognise that customer satisfaction is crucial to our business success and creates additional value to our internal and external stakeholders. That is why we are committed to offering high-quality products that not only meet but exceed our customers' needs and expectations, all at a price they can afford. We are dedicated to enabling our customers to make choices that are healthier and more sustainable, by providing a broad selection of products that are beneficial for them and the environment. Whether our customers are in search of fresh food products, organic items, or eco-friendly household goods, we strive to make it straightforward for them to make choices. To enhance the shopping experience, we are actively investing in technology and infrastructure improvements. This includes the adoption of advanced technologies like self-checkout systems, including Scan&Go, and a mobile app for our loyalty program, among others.

Product safety and quality

At our stores, product safety is our top priority across all assortment categories we offer, whether it involves food or non-food products. We are acutely aware that our customers depend on us to supply products that are safe for use and consumption, and we have implemented a range of measures to ensure our products adhere to the highest safety standards. Our entire Group adheres to the food safety management system HACCP, ensuring compliance in every aspect.

[403-5] [416-1]

We maintain stringent policies and procedures that mandate our suppliers to submit all necessary documentation demonstrating their products' compliance. This includes safety data sheets, organic or eco-certifications, and any other pertinent certifications. To verify the safety and quality of our products, we carry out both scheduled and ad hoc laboratory tests. Furthermore, we conduct supplier audits to confirm that their manufacturing environments and safety assurance processes align with our high standards. We also have specialized teams dedicated to monitoring and swiftly addressing any issues related to our products. By placing a strong emphasis on product safety and quality, we strive to foster trust with our customers and uphold a favourable reputation in the market.

To ensure product quality and safety, MAXIMA performs in-house and outsourced fit-for-use tests in addition to supplier tests. Samples are taken from products and examined by independent testing labs or MAXIMA's in-house labs for specific technical and chemical parameters. We also rely on our Quality and Food Safety team and external auditors to implement related procedures and assess relevant indicators. At our own or partner warehouses, we apply comprehensive quality control procedures for the acceptance of fresh foods such as fruit, vegetables, and fresh meat. This involves assessing various parameters to determine quality issues, such as cold chain temperature violations and inconsistencies in product appearance and smell. Only goods that pass all assessments are made available for sale. These measures ensure quality across the entire supply chain.

PRODUCT SAFETY ASSESSMENTS THROUGH SAMPLING	FOOD	NON-FOOD	TOTAL
Total number of samples analysed	2,505	676	3,181
Of which samples of private label products	1,839	676	2,515
Own control samples analysed	2,401	517	2,918

Following our stringent product safety and quality assurance procedures, a total of 82 food safety recalls were made.

We place extra emphasis on fulfilling our customers' needs for access to information about the quality and composition of our products. To cater to these needs in our non-prepacked goods sections, we have introduced QR codes that offer comprehensive details about the products, including information about allergens. Additionally, customers can obtain necessary information directly from our staff or by calling the contact numbers provided on the product labels. In the event of a public recall, in line with our internal procedures, we display recall notices in our stores, where customers can return the product for a refund.

Regarding substances of concern and substances of very high concern as outlined in Regulation (EC) 1907/2006 (commonly referred to as the REACH regulation), our customers have the option to inquire about the composition of products and the presence of these substances by reaching out to our customer support and quality hotlines. This ensures that our customers are well-informed about the products they purchase, reflecting our commitment to transparency and safety.

During 2024, MAXIMA International Sourcing is planning to expand the private label testing capabilities and will increase the quantity of testing for fresh meat products: poultry, beef products, basic dairy products. In addition, MAXIMA International Sourcing is exploring the options to offer more sustainable marine products in the private label offering.

[416-1]

Private label

We strive to provide our customers with detailed information to help them make well-informed choices when purchasing. Our team is dedicated to constantly checking our products for any potential enhancements, focusing on health and safety. By analysing laboratory tests, evaluating prototypes, and conducting taste tests, we continually refine our product formulas and manufacturing processes. Ensuring that our private label products are of the highest quality is as crucial as providing precise and clear product information and labels. The private label teams handle the creation and approval of product specifications. In designing labels, our priority is to clearly present all vital information to our customers. We make sure our private labels include all necessary details, such as:

- Where the product components come from;
- What is in the composition of the products, especially any substances of concern;
- How to use the products safely;
- Guidelines for product disposal and its environmental or social effects.

In 2023 Maxima International Sourcing, in addition to RSPO and Ecolabel licences, has obtained the Rainforest Alliance licence and our private label products that comply with the Rainforest Alliance requirements are now marked with the seal signifying this. Now it is easier to identify such products in our private label offering.

In the Baltic region our companies have continued the process of enhancing our private label ready-to-eat and ready-to-heat products by eliminating additives in the components that we use in the production process. For example, last year in Estonia, E621 was eliminated from 80% of “Master’s Quality” products in which it had been present.

CERTIFIED SUSTAINABLE PALM OIL RSPO™ RAINFOREST ALLIANCE PEOPLE & NATURE EU Ecolabel

Better shopping experience

To provide better shopping experience, we have been working on unifying our shop formats in the Baltic region making it easier for our customers to find goods by following the same layout and assortment in similar-size stores. In the second half of 2023, we started introduction of new self-checkout terminals that will reduce the number of interactions our employees take with the terminals and thus making the whole process faster for our customers. Last year as many as 40.8% of our customers used the self-checkout option.

Our efforts on enhancing the customer experience have not gone unnoticed. STOKROTKA won the "BLIX AWARDS – Consumers' Choice 2023" in the Promotion of the Year category in the Supermarkets group. More than 130,000 consumers from all over the country took part in this year's edition of the programme which evaluated the activity of retail chains.

[3-3] [417-1]

Loyalty programmes

We provide our customers with different participation options in our loyalty programmes: physical loyalty cards and mobile applications. Through different approaches we strive to cater to the needs of our diverse customers and deliver the tailored discount offerings.

In the beginning of 2023, MAXIMA Lithuania updated its physical loyalty cards “AČIŪ” with a new design, which accommodates the contactless feature and makes the use of cards seamless. Later the same year new loyalty and promotion programmes were introduced, which allows our customers to utilise their loyalty membership even better – from additional discounts by a travel agency and insurance company, to discounts for cinema tickets.

Last year over 2 million individuals actively used the Nasza STOKROTKA mobile application, which provides access to a wide range of enticing offers, promotions, and exclusive events. The application's perceived benefits have garnered significant interest from customers, reflected in its high ratings. In December, the app was once again recognized as the top-rated application among national grocery chains, according to user feedback on both Google Play and App Store. This achievement was based on the average ratings of loyalty apps on these platforms for December 2023.

The app serves as a vital communication channel with our customers. It hosts the latest special campaigns, including challenges and lotteries, and offers customers access to the best deals. Increasing the app's user base is crucial for us, as it was designed with the consumer in mind, aiming to facilitate more affordable shopping experiences. We are delighted with the consistent positive reception of our solution. Furthermore, the app plays a central role in our promotional efforts, enabling us to minimize the use of paper brochures and contribute to environmental sustainability.

Engaging customers

At MAXIMA Group, we prioritize ensuring that all our interactions with customers are characterised by honesty, transparency, and timeliness. To disseminate information to our customers, we utilise a variety of channels, including newspapers, weekly flyers, customer magazines, television advertisements, and our official websites. Recognising the diverse preferences of our customer base, we also engage with them through social media platforms such as Facebook, LinkedIn, and Instagram. This approach allows us to connect with those customers who prefer the immediacy and convenience of social media.

While the specific communication tools available may vary by country, we ensure that customers across all regions can contact us, pose questions, and provide feedback. In most countries, we offer several options for customers to reach out to us, including by phone, email, in person at our stores, through our loyalty app, or on various social networks. This comprehensive approach to customer communication reflects our commitment to accessibility and responsiveness, allowing us to effectively meet the needs and preferences of our diverse customer base.

Promoting Healthier Choice

In 2023, we proudly initiated the “Be FIT” promotional campaign in STOKROTKA stores, aimed at introducing our customers to a carefully curated selection of new products, ingredients, and meals that are integral to maintaining a balanced diet. Our commitment is to continually adapt our offerings to meet the dynamic expectations and lifestyles of our customers, acknowledging the growing trend towards health-conscious eating habits.

The increasing demand for products that facilitate a healthy, mindful, and balanced dietary lifestyle has driven us to expand our range during this campaign. We've gone above and beyond our usual selection to incorporate a variety of health-oriented options. This expansion includes eco-friendly products that support sustainable living, gluten-free items catering to dietary restrictions, vegetarian choices for those seeking plant-based alternatives, and products without added sugars for a healthier lifestyle. These new offerings are prominently featured on a dedicated special shelf "STOKROTKA na zdrowie" (STOKROTKA for health), making it easier for our customers to find and incorporate these healthier options into their daily lives. This initiative is part of our ongoing effort to enhance the wellness and satisfaction of our community through thoughtful and responsive adaptations to our product lineup.

[3-3]

Our Environment

SBTi	-5.2%	58.9%	0.0%	+136%	-20%
GHG reduction targets approved by SBTi	Scope 1+2 (market-based) absolute change, compared to baseline	FLAG emissions share in total market-based emissions	Scope 3 change YoY	Absolute renewable energy production YoY	Total amount of waste generated YoY

As a retailer, we recognise the importance of monitoring and acting in the field of environmental risks, opportunities and impacts. The sector that we operate in is considered as the high climate impact sector, thus a lot of regulations arising from the EU Green Deal already affect or will affect our operations and business model in the near future. In this light, environmental sustainability topics were considered at different levels throughout our organisation in the previous year and are getting even more attention recently.

Climate action is an umbrella topic that covers our energy and emissions intensive activities, which we are managing through set near-term science-based targets aligned with the Paris Agreement. Due to our sector specifics, the topics that relate to circularity are monitored in terms of food and non-food related issues. In addition, we have a reasonable contribution to use of materials through packaging solutions, especially in our own private label products, thus we are putting additional effort to reduce package-related waste.

The Group and any of its subsidiaries do not fall under the definition for exclusion for the EU Paris-aligned Benchmarks as laid down in article 12 of Commission Delegated Regulation (EU) 2020/1818.

Climate action

Science-based Targets and Our Progress

In March 2023, the Group committed to set science-based targets which would be validated by the Science Based Targets initiative (SBTi). We chose this approach because we believe it aligns with the best practices for setting climate mitigation goals. By adhering to the guidelines set by the SBTi, we aimed to ensure that our climate mitigation goals are not only ambitious but also scientifically grounded, aligning with the objectives of the Paris Agreement. We submitted these targets for validation later in the year. The official approval was issued at the end of 2023, and the SBTi classified our Scope 1 and Scope 2 target ambition as in line with the 1.5^{o}C trajectory.

Following the SBTi criteria, we willl review and if necessary, recalculate and revalidate our targets following the most recent criteria at least of every 5 years. Additionally, we have set a 5% significance threshold for emission recalculations. No reviews of the baseline were performed during the reporting year.

MAXIMA GRUPĖ, UAB commits to reduce absolute scope 1 and 2 GHG emissions 42.0% by 2030 from 2021 a base year. MAXIMA GRUPĖ, UAB also commits that 78.3% of its suppliers by emissions covering purchased goods and services, will have science-based targets by 2027.

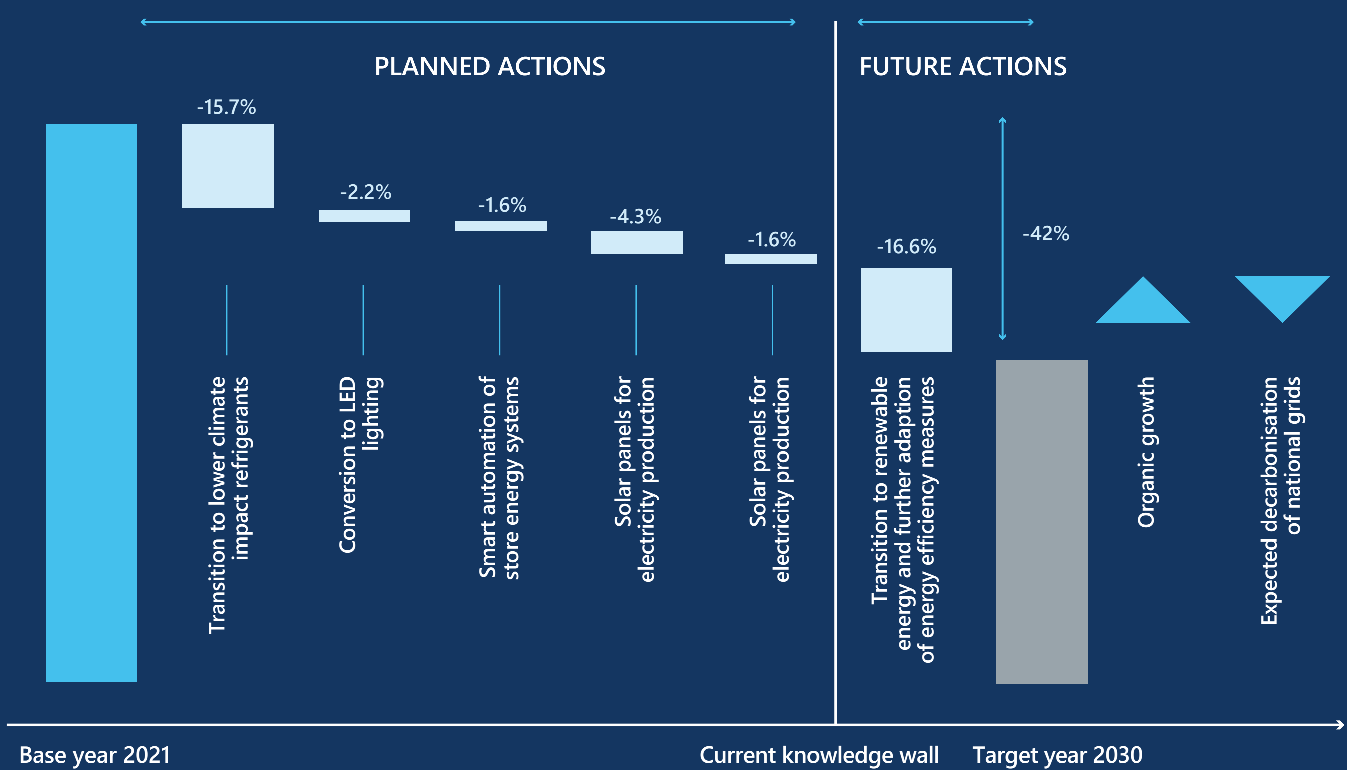
[3-3]

Our selection of the year 2021 as our baseline year was scrutinised during the target validation process by the SBTi. At the time we submitted our targets for validation, our inventory for 2022 had not been completed. Although we had reliable input data for the 2020 GHG inventory calculation, 2020 was significantly impacted by the COVID-19 pandemic and thus did not accurately represent our business operations. Furthermore, the initiation of our e-commerce operations in Poland in January 2021 also mean that the year 2020 would not serve as a representative baseline. Using earlier years as a baseline would lead to substantial discrepancies, given the significant changes and developments in our operations since then.

-5.2%	Scope 1+2 (market-based) absolute change, compared to baseline
-8,0%	Scope 1+2 (market based) absolute change, YoY

During the reporting period, we assessed the preliminary investment requirements necessary to achieve our science-based targets pertaining to Scope 1 and 2 emissions. It was established that these investments were projected to amount up to approximately EUR 100 million over the period from 2023 to 2030. Our monitoring of investments in carbon reduction measures is conducted through the EU Taxonomy regulation framework. We acknowledge that all investments aligned with the Climate Mitigation objective contribute significantly to the reduction of greenhouse gas (GHG) emissions. Additionally, mitigation measures that occur in routine business activities, other than hard investments, and contribute to GHG emission reduction are systematically disclosed through our GHG inventory, the specific monetary values of these changes are not explicitly quantified. Based on the data on eligibility under the EU Taxonomy climate change mitigation objective, in 2023 throughout the whole Group a total of EUR 58.1 million CapEx and EUR 5.5 million OpEx was directed towards the potential reduction of climate impact.

The following picture shows our decarbonisation levers and key actions to achieve Scope 1 and 2 science-based targets. We have a "Current knowledge wall" in our plan, which splits our target achievement plan into two parts: already planned action and future action that we have not explicitly planned out yet, as our current knowledge is not sufficient to foresee future technological developments and market conditions. Yet we foresee that the measures will focus on the transition to renewable energy and further adaptation of energy efficiency solutions. Also, we expect that any increase in our greenhouse gas emissions due to our company's organic growth will be balanced out by how quickly the national power grids will be becoming greener. This is based on CRREM models, which are tailored for real estate assets.



When it comes to our Scope 3 emissions, we have continued to improve our methods of calculation and for the first time we screened our Scope 3 inventory for agriculture-related (so-called FLAG) emissions (more details are available in the GHG Emissions Inventory sub-chapter). In 2024, we will continue improving our Scope 3 calculation methods focusing on the detailed assessment of the FLAG emissions.

0.0%	Scope 3 change YoY
9.4%	Share of Scope 3 covered by suppliers with science-based targets

Climate impact at the supplier level

As it is evident from our GHG inventory, the goods that we offer through our stores and e-commerce have the most significant GHG impact in our organisational footprint. Diving deeper into this category we have allocated the GHG emissions to our suppliers based on the actual amounts of their products sold.

To understand how our suppliers are addressing the impacts associated with their goods and products, we have performed a detailed analysis of publicly available information for initial classification of our biggest suppliers in terms of associated GHG emissions based on their climate impact management maturity. We have established that the suppliers that already have science-based targets (either SBTi approved, or in line with the 1.5°C ambition) cover 9.4% of our Scope 3 GHG emissions.

SUPPLIER BREAKDOWN BY MATURITY OF CLIMATE ACTION	COVERAGE, %
Have SBTi approved targets	9.1%
Have committed to set targets under SBTi	0.9%
Have targets in line with 1.5°C ambition	0.3%
Have GHG reduction targets	1.3%
Do not have GHG targets, but have energy-related targets	1.4%
Have no targets	30.5%
Not classified at current stage	56.5%

Our Daily operations

Our brick-and-mortar stores are the place where we meet our clients in person every day. It is a place where one can see and experience some of the energy efficiency measures that we implement to optimise our energy performance while delivering the outstanding shopping experience. Energy control and management systems, efficient lighting systems, natural refrigerants are present to a different degree in all our countries of operation.

Total renewable electricity generation from solar power, MWh

2023	2022	2021
2,103	792	136

Number of stores with LED

2023	2022	2021
1,401	1,224	819

Number of stores with natural refrigerants (CO_2, WL)

2023	2022	2021
108	72	63

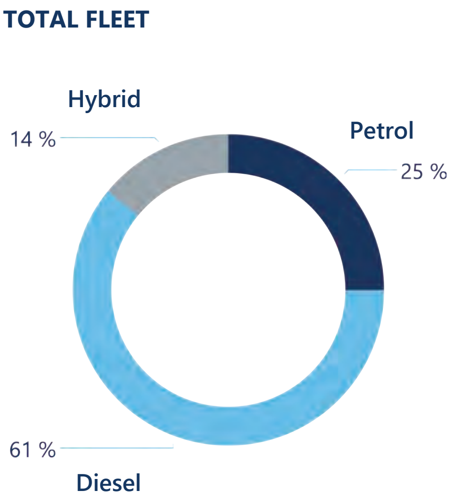
[3-3] [305-5]

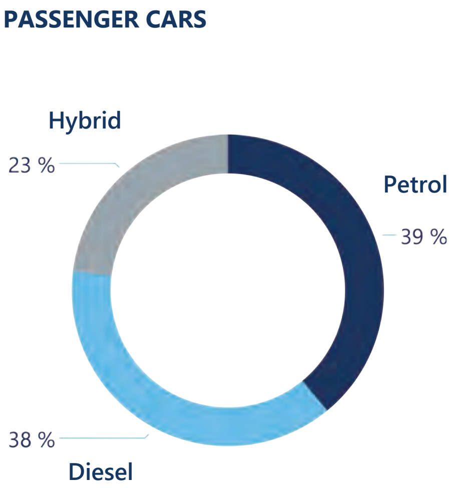
At the end of 2023, as much as 93% of our stores were equipped with LED lighting, signifying that the process of transitioning to the Led technology is almost completed. Tackling the reduction of energy consumption we have increased the amount of renewable energy that we generate to more than 2 GWh (2.6 times more than in the previous year), 89% of which we consumed directly on-site, with the rest exported to the grid.

Use of refrigerants is another area where our teams of engineers are taking steps to transform the existing systems into having less climate impact. We are steadily increasing the number of stores with natural refrigerants to reduce the impacts that arise from refrigerant leakages.

When it comes to our fleet, 99% of our owned and operated vehicles are EURO 6 standard for tailpipe emissions. In passenger car category we have been transitioning away from diesel-run vehicles and 62% of passenger cars were petrol and hybrid at the end of 2023.

SPLIT OF THE FLEET BY FUEL TYPE USED BY VEHICLES, 2023





Energy Balance

We follow the conservative approach in reporting the renewable energy share in our energy use in line with the provisions of ESRS E1-5. We account only for the renewable energy that we have Guarantees of Origin attributed to. So, when we consume purchased electricity, we don't include any extra renewable energy share that might be in the country's power grid but isn't specifically claimed through market instruments. Also, we haven't considered the renewable part of the fuel used in road transport, even though the countries we operate in have legal obligations for biofuel to be mixed with diesel and petrol. We have taken the same approach for district heating – we do not calculate how much of it comes from renewable sources where we do not have attribution certificates.

Starting from this reporting year, we are modifying the method of reporting our energy balance to align with the ESRS E1-5 requirements; and the total energy consumption includes non-fuel self-generated renewable energy. In addition, we are restating the 2022 energy balance figures for consistency, ensuring comparability between the two consecutive reporting periods.

-5.5%	Absolute energy consumption, YoY
+136%	Absolute renewable energy production, YoY
21.7% (+0.4 p.p. YoY)	Share of renewable energy
111 MWh/EURm	Energy intensity per net revenue

[3-3] [302-4]

ENERGY CONSUMPTION AND MIX FOR OWN OPERATIONS[3], MWh	COMPARATIVE, 2022	REPORTING YEAR, 2023
Fuel consumption from coal and coal products	0	0
Fuel consumption from crude oil and petroleum products	49,650	55,862
Fuel consumption from natural gas	58,163	51,089
Fuel consumption from other fossil sources	0	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources	401,419	370,765
Total fossil energy consumption	509,233	477,716
Share of fossil sources in total energy consumption (%)	74.3%	73.8%
Consumption from nuclear sources	30,284	29,454
Share of consumption from nuclear sources in total energy consumption (%) heat, steam, and cooling from fossil sources	4.4%	4.5%
Fuel consumption from renewable sources	0	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	145,139	138,412
Consumption of self-generated non-fuel renewable energy	792	1,867
Total renewable and low carbon energy consumption	145,931	140,280
Share of renewable and low carbon sources in total energy consumption (%)	21.3%	21.7%
Total energy consumption	685,447	647,450

ENERGY INTENSITY PER NET REVENUE[4]

ENERGY INTENSITY	COMPARATIVE, 2022	REPORTING YEAR, 2023	YoY
In high climate impact sectors[5] (MWh)	133	111	-16.71%

GHG Emissions Inventory

For the second consecutive year, we have continued calculating our greenhouse gas (GHG) emissions inventory in accordance with the GHG Protocol Corporate Standard. The scope of this inventory matches our financial reporting boundaries and uses the operational control consolidation approach. None of our Group companies fall under the EU Emissions Trading System, therefore, none of our GHG emissions are regulated.

No significant changes have occurred in the definition of what constitutes a reporting entity or a value chain. Our inventory includes all greenhouse gases specified in the GHG Protocol scope: CO_2, CH_4, N_2O, HFCs, PFCs, SF_6, and NF_3. We do not include biogenic CO_2 emissions from the combustion or biodegradation of biomass in either Scope 1, 2 or Scope 3 of our GHG inventory. Also, our Scope 3 inventory doesn't account for any removals, purchases, sales, or transfers of carbon credits or other GHG allowances.

[3] Energy-related information is reported as final energy consumption in net calorific value. Default conversion factors have been sourced from DEFRA. Consumption from nuclear sources has been estimated based on AIB (Association of issuing Bodies) data on residual mix of electricity in respective country of operation for year 2022.

[4] The Energy intensity per net revenue for year 2022 has been calculated using the total net revenue from the Note 19 of the Consolidated financial statements for the year ended 31 December 2022 in the denominator. The Energy intensity per net revenue for year 2023 has been calculated using the total net revenue from the Note 19 of the Consolidated financial statements for the year ended 31 December 2023 (Note 19) in the denominator. The value of Total energy consumption is used in the numerator.

[5] Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors.

In calculating our market-based Scope 2 emissions, we apply a zero GHG emissions factor to the electricity that has attributed Guarantees of Origin, which represents 15.8% of our Scope 2 emissions. This market mechanism accounts for 100% of the contractual instruments considered in our Scope 2 calculations.

We have calculated our Scope 3 emissions by adhering to the GHG Protocol Corporate Value Chain Standard, encompassing all categories present in our value chain. We haven't excluded any Scope 3 categories, and the complete list is available in the table below. Notably, 0% of our Scope 3 emissions inventory was calculated using primary data obtained directly from suppliers or other actors in our value chain.

The thoroughness of our Scope 3 calculations is guided by the materiality of each category. This materiality is assessed based on its proportionate weight relative to our total gross Scope 3 emissions. For more detailed information on the methodologies employed, please refer to the annexes. We utilise approximately 1500 emission factors, sourced from reliable and publicly accessible databases or data providers, including ADEME, Agribalyse, AIB, DEFRA, and IEA.

	RETROSPECTIVE			
GHG INVENTORY, tCO_2E (HERE, NO – NOT OCCURRING)	**BASE YEAR, 2021**	**COMPARATIVE, 2022**	**REPORTING YEAR, 2023**	**CHANGE YoY, 2023/2022**
Scope 1 GHGEmissions				
Gross Scope 1 GHG emissions	96,724	101,401	90,750	-10.5%
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	0%	0%
Scope 2 GHG Emissions				
Gross location-based Scope 2 GHG emissions	213,259	218,853	207,654	-5.1%
Gross market-based Scope 2 GHG emissions	183,339	187,242	174,759	-6.7%
Significant Scope 3 GHG emissions				
Total Gross indirect (Scope 3) GHG emissions	4,228,889	4,451,399	4,451,524	0.0%
Category 1. Purchased goods and services	3,621,985	4,024,218	3,960,801	-1.6%
Category 2. Capital goods	75,742	69,914	110,209	+57.6%
Category 3. Fuel and energy-related activities	69,717	68,693	54,030	-21.3%
Category 4. Upstream transportation and distribution	253,161	177,571	152,100	-14.3%
Category 5. Waste generated in operations	1,511	1,358	11,816	+770.0%
Category 6. Business travels	169	309	158	-48.8%
Category 7. Employee commuting	20,768	21,208	19,292	-9.0%
Category 8. Upstream leased assets	NO	NO	NO	NO
Category 9. Downstream transportation	NO	NO	NO	NO
Category 10. Processing of sold products	NO	NO	NO	NO
Category 11. Use of sold products	157,327	58,837	123,054	+109.1%
Category 12. End-of-life treatment of sold products	3,516	2,564	3,443	+34.3%
Category 13. Downstream leased assets	20,032	21,966	10,575	-51.9%
Category 14. Franchises	4,962	4,761	6,045	+27.0%
Category 15. Financial investments	NO	NO	NO	NO
Total upstream Scope 3 emissions	4,043,052	4,363,271	4,308,408	-1.3%
Total downstream Scope 3 emissions	185,837	88,128	143,117	+62.4%
Total GHG emissions				
Total GHG emissions (location-based)	4,538,872	4,771,652	4,749,927	-0.5%
Total GHG emissions (market-based)	4,508,951	4,740,041	4,717,033	-0.5%

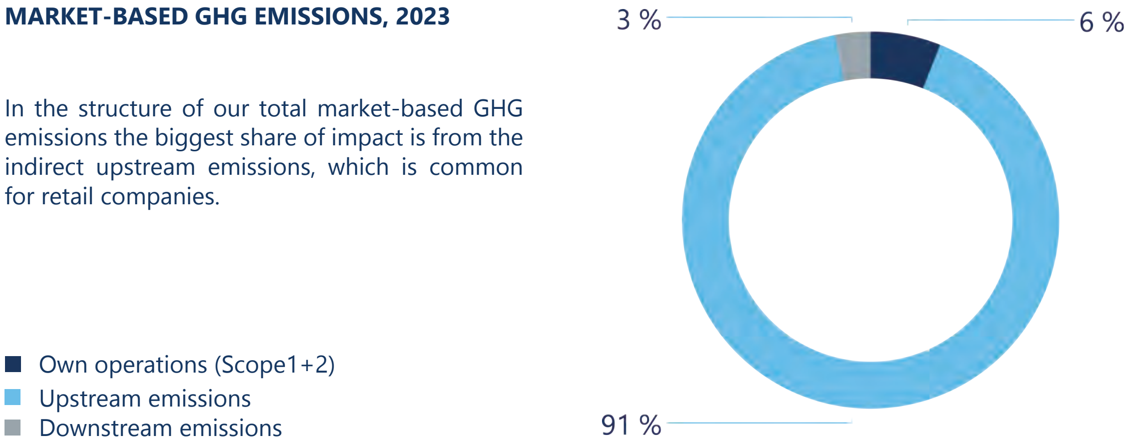
[305-1] [305-2] [305-3]

The changes in different Scope 3 emissions categories, compared to previous year, are mainly influenced by the business activities, structure of products sold. In case of "Category 5. Waste generated in operations", more data has been available compared to previous year, thus resulting in increase in precision of calculations.

GHG INTENSITY PER NET REVENUE[6]	COMPARATIVE, 2022	REPORTING YEAR, 2023	YoY
Total GHG emissions (location-based) per net revenue (tCO_2e/EURm)	925.87	812.71	-12.22%
Total GHG emissions (market-based) per net revenue (tCO_2e/EURm)	919.73	807.08	-12.25%

MARKET-BASED GHG EMISSIONS, 2023

In the structure of our total market-based GHG emissions the biggest share of impact is from the indirect upstream emissions, which is common for retail companies.



The Importance of Land-related Emissions

In 2023, the Science Based Targets initiative (SBTi) revised its methodology for setting science-based targets by introducing the Forest, Land, and Agriculture (FLAG) guidance. The FLAG Guidance provides a unified and scientifically grounded framework for determining how and to what extent land-related emissions should be reduced to align with the Paris Agreement objective of limiting global warming to 1.5°C.

Responding to these pivotal updates, we have undertaken a screening of our emissions inventory for FLAG-related emissions for the very first time. This evaluation was conducted for the reporting year, marking a significant advancement in our carbon emissions reporting. We focused on establishing the FLAG and non-FLAG portions of Category 1 emissions, particularly those emissions associated with the goods we sell. A key aspect of our analysis was the examination of food and beverage products, a major component of our inventory. These items constitute approximately 70.2% of our Category 1 emissions, underscoring their importance in our overall environmental impact.

Our screening process was comprehensive, although it did not separate the emissions into subcategories such as land-use change, non-land-use change, or removals. Instead, our methodology aggregated these components to provide an overall impact assessment. This approach has been instrumental in pinpointing the primary product categories with the most significant land-related impact in our product offering. The estimated FLAG emissions for the reporting year accounted for 58.9% of our total GHG inventory.

FLAG EMISSIONS IN THE REPORTING YEAR, tCO_2e	TOTAL CAT 1 EMISSIONS	FLAG CAT 1 EMISSIONS	NON-FLAG CAT 1 EMISSIONS
Food and Beverages	3,557,458	2,779,064	778,394
Non-Food	316,089	Not estimated	Not estimated

In 2024, we will further develop our methods for estimation of Scope 3 focusing on the FLAG emissions in Food and Beverages sub-category.

[6] The GHG intensity per net revenue for year 2022 has been calculated using the net revenue from the Revenue line of the Consolidated financial statements for the year ended 31 December 2022 (Note 19) in the denominators. The GHG intensity per net revenue for year 2023 has been calculated using the net revenue from the Revenue line of the Consolidated financial statements for the year ended 31 December 2023 (Note 19) in the denominator.

[3-3] [305-4]

Materials and Waste Management

As the Group companies are active in the retail sector, naturally waste management and efficient use of packaging materials are among the most important topics in the field of environmental impact mitigation. As food products account for a significant portion of the goods offered in our stores, we track the food and non-food waste generation and handling, and we consider this approach to be sector specific. The actions that we take in this material topic are focused on integration of circular economy principles where feasible.

-19%
Total amount of waste generated YoY

-60%
Total amount of non-recycled waste YoY

-22.6 p.p.
Share of nonrecycled waste YoY

+14%
Total amount of waste diverted from disposal YoY

-8%
Total amount of food waste YoY

+82%
Total amount of food donation YoY

Packaging

In 2023 a substantial change in lightweight plastic packaging was enforced in Lithuania through introduction of regulation prohibiting free of charge distribution of lightweight plastic bags. MAXIMA has introduced a fee of EUR 0.01 per plastic bag starting from July 2023. The introduction of the change resulted in the reduction of lightweight plastic bags usage by a half when comparing second half of 2023 to the second half of 2022. At the same time, the usage of reusable bags has increased three times. We believe that it will take certain time for behavioural changes to show even better results, which we support through additional informational campaigns in stores and in mass media.

Maxima Lithuania has set a target to reach 100% recyclability of plastic packaging of its own private label "Master's Quality" products by 2025. At the end of 2023, the recyclability level reached 99.93%.

During the recent reporting period, our companies that operate in the Baltic region initiated efforts to enhance the recyclability of packaging in our private label ready-to-heat and ready-to-eat product lines. This initiative was kicked off through a series of focused internal workshops. These workshops were dedicated to developing packaging designs that are easier to recycle, and we also engaged with industry professionals for insights and guidance. Through these collaborative efforts, we developed a set of foundational principles aimed at improving our packaging design for recycling. These principles are based on industry best practices and refer to the RecyClass guidance, a recognized standard for evaluating the recyclability of packaging solutions.

Looking forward, our plans for the upcoming years involve testing these established principles to assess their practicality and effectiveness. Our aim is to progressively refine our approach over time, thereby enhancing the recyclability of the packaging used for our private label products in the long run. We anticipate that in the medium term such changes will be fundamental given the forthcoming changes in the packaging industry due to the proposed Packaging and Packaging Waste Regulation amendments. We also foresee that the recycled content requirement in contact sensitive packaging would be one of the most challenging to implement requirements introduced by the regulation.

[3-3] [306-1] [306-2]

Recycling

The beverage packaging deposit system is already implemented in our stores in Lithuania and Latvia, and in a year such a system will be introduced in Poland. While we look forward to these changes in the beverages packaging waste management in the Polish market, our operators from the countries with already established deposit systems are sharing their knowledge and experience with Polish colleagues to make the introduction easier.

During 2023, we diverted approximately. 73.6 thousand tons of generated waste from landfilling and directed it towards recycling. Out of this number, 59.5% is the cardboard and paper waste that was directed to recycling and 19.4% is food waste that was handed to farmers or directed to recycling.

Food waste prevention

Food waste adds to the growing issue of waste and landfills and has major economic, social, and environmental effects. Food waste means wasting the resources used to produce, transport, and store food that is then discarded. Decomposing food emits greenhouse gases, which contributes to climate change, as well. Furthermore, it is a financial issue due to possible costs linked with food waste management. For these reasons, all of our companies take measures to prevent wasting food.

Main activities, that we take on in our daily operations in the field of food waste prevention concentrate around avoiding food wasting, donating and repurposing.

Responsible planning

When we manage our inventory, we pay close attention to how often and how much our customers are buying different products. This helps us figure out just the right amount of each product to order. For 2024 we plan to implement a unified demand planning tool, which is a substantial upgrade from current method, and it will assist in order planning by more accurately estimating the impact of promotions and evaluating stock levels in the stores. We will be able to predict the future demand by modelling different parameters, taking into account historical data on sales, promotions, seasonal events. Through implementation of new forecasting techniques, we aim to decrease out of stock levels, write offs, and food waste.

Food waste prevention

In our stores, we take a proactive approach to inventory management, with a particular focus on monitoring the expiration dates. This process is conducted daily to ensure the freshness and quality of our products. We have an effective discounting strategy for items that have a shorter shelf life or are nearing expiration dates. Prices for these products can be reduced by up to 70%, making them highly attractive for cost-conscious shoppers. Additionally, we employ smart placement and various promotional methods to enhance the visibility of these discounted items. This helps to capture customer attention and rotate our goods more efficiently.

Food donations

Part of the unsold but safe for consumption food products are donated to charitable organisations. Companies of the Group work with partners in their respective countries for food donations. In 2023 MAXIMA Lithuania worked closely with the Food Bank to increase the share of food donations and several changes were introduced in their internal processes to accommodate a wider scope of stores participating in this initiative.

[3-3] [306-2]

As a result, MAXIMA Lithuania has doubled the donated amounts in 2023 compared to the previous year. In a similar manner, MAXIMA Estonia further expanded its cooperation with food banks and also doubled the food donations compared to previous year. The total amount of food donations to Food Banks and other charity organisations increased by 82% and reached 3,727 tons in 2023.

COUNTRY	COMPARATIVE, 2022	REPORTING YEAR, 2023	CHANGE, YOY
Lithuania	464	1,005	+117%
Latvia	-	402	-
Estonia	534	1,091	+104%
Poland	1,053	1,229	+17%
Total	2,051	3,727	+82%

Food waste prevention

In our waste management efforts, we primarily focus on two key categories: non-food waste and food waste. This distinction is particularly significant in our field of work, which is centred on food retail.

A sizeable amount of our non-food waste comes from various packaging materials. These can range from the wrapping and containers that our products come into materials used during maintenance or small-scale repair work. Additionally, we deal with operational waste, which includes things like used cleaning supply containers, an assortment of paper waste, and other miscellaneous waste generated from our daily operations. We do not create radioactive waste during in operations.

On the other hand, our food waste predominantly consists of items that are no longer fit for sale or consumption. This includes products that have expired, fruits and vegetables that have perished or become spoiled, and the waste generated in trimming and preparing food.

Managing this waste effectively is crucial for us, not only to maintain an efficient operation but also to minimise our environmental impact in the food retail sector.

The waste data that we collect covers our own operation. The amount of waste that is generated in our value chain is not included in the figures that we disclose. It should be noted that the climate-related impacts of packaging are, to a certain extent, captured in our Scope 3 GHG inventory: Category 1 covers the upstream emissions that are associated with the production of packaging of the goods that we sell, and Category 11 includes the impacts that occur during the end-of-life treatment of the packaging.

TOTAL AMOUNT OF NON-RECYCLED AND HAZARDOUS WASTE (FOOD AND NON-FOOD)	COMPARATIVE, 2022	REPORTING YEAR, 2023	CHANGE, YoY
Total amount of non-recycled waste	52,214	20,833	-60%
Total amount of waste diverted from disposal	66,149	75,246	+14%
Total amount of waste generated	117,916	96,078	-19%
Total amount of hazardous waste	168	121	-28%
Total amount of radioactive waste	-	0	-

[3-3] [306-3] [306-4]

Food Waste Management

Food waste that is generated during our operations is managed in such a manner that it has as low environment impact as possible. Food waste that is not suitable for human consumption is either handed to farmers or is handed to recycle (production of biogas, biofuels, energy). The remaining part is directed to safe utilisation by food waste management service providers.

TOTAL MOUNT OF NON-RECYCLED AND HAZARDOUS WASTE (FOOD, AND NON-FOOD)	COMPARATIVE, 2022	REPORTING YEAR, 2023	CHANGE, YOY
Total amount of food waste	16,733	15,428	-8%
Total amount of food waste handed to farmers, including:	239	3,613	+1414%
Food waste of animal origin	105	804	+662%
Fat waste of animal origin	3	4	+21%
Food waste of non-animal origin	130	2,805	+2060%
Total amount of food waste handed to recycle (biogas, energy, biofuels), including:	16,494	10,663	-35%
Food waste of animal origin	7,041	2,507	-64%
Fat waste of animal origin	296	257	-13%
Food waste of non-animal origin	8,349	7,737	-7%
Cooking oil waste	151	162	+8%
mixed origin	658	-	-
Total amount of food waste handed to disposal (not recycled)	Not available	1,145	-

The companies within the Group collect data on food waste, including packaging. Due to this reason the actual amount of food waste is lower than reported. The 8% reduction in the total food waste compared to the previous year is partially a result of increased cooperation with charities and food banks. During the reporting period, the structure of food waste handling changed, with higher volumes being redirected from recycling towards handling to farmers (23% in 2023 compared to 1% in 2022), increasing the share of waste that is placed on the cascading loop of biological cycles of circular economy.

[306-2] [306-3] [306-4]

Non-Food Waste Management

During the past year, we changed how we keep track of our non-food waste to meet the requirements of the ESRS E1-5 standards. Because of this change, we are not able to provide comparable numbers for the previous reporting period. We gather information about both hazardous and non-hazardous non-food waste using our internal business systems. Currently, we have detailed information from the waste management companies on how 39.6% of total non-food waste is handled. The remaining part was estimated using Eurostat data for each country where we operate. We don't include the movement of beverage deposit packaging or reusable packaging, such as EURO pallets, in the numbers we report. Similarly, we don't include any data on electronic waste collected in our stores from customers.

NON-FOOD WASTE GENERATED	REPORTING YEAR, 2023
Total amount of non-food waste generated	80,658
Total amount by weight diverted from disposal:	60,970
Hazardous non-food waste:	91
preparation for reuse	-
recycling	88
other recovery operations	2
Non-hazardous non-food waste:	60,879
preparation for reuse	-
recycling	59,372
other recovery operations	1,508
Directed to disposal:	19,688
Hazardous non-food waste:	30
incineration	22
landfill	8
other disposal operations	0
Non-hazardous non-food waste:	19,658
incineration	2,415
landfill	17,181
other disposal operations	62
total amount of non-recycled non-food waste	19,688
share of non-recycled non-food waste	24.4%

The amounts of non-food waste were taken from the internal waste accounting systems of the Group companies. The share of estimated non-food waste in the reporting period amounted to 0.07% from the total. The estimations have been made for companies that have only office-related activities and the estimates are based on the average numbers of employees.

When splitting the amounts of non-food waste per disposal and treatment methods, the most recent official statistical information provided in the Eurostat per country of operation has been used. More granular operations-specific information was not available at the moment of preparation of this report.

[306-2] [306-3] [306-4]

Water

As a retail business, the Group recognises the role that water plays in supporting our daily operations. While our activities do not encompass manufacturing processes and our water consumption is primarily confined to the essential needs of our stores, distribution centres and offices, we put effort to reduce water consumption.

In our operations, the primary consumption of water occurs at our food production and preparation sites. Here, water is not just a utility but an integral component of our finished ready-to-eat and ready-to-heat products. Apart from this, water is also used for essential maintenance tasks, such as facility cleaning, and for personal needs of our employees and customers, including restroom facilities.

In our operations we do not meter water consumption directly. In most of our stores we meter only water withdrawalss, and only in some of our stores we have separate metering of water effluents. In stores where there is no metering of water effluents, their amounts are assumed to be equal to the withdrawals. The water consumption is then estimated as the difference between water withdrawals and water effluents.

Water withdrawal[7], m^3	**853,856**
Water effluents, m^3	**804,103**
Water consumption, m^3	**49,752**
Water consumption intensity[8], m^3	**8.5**

In preparation for our double materiality assessment, we utilised the Aqueduct Water Risk Atlas, developed by the World Resources Institute, as a key resource to understand and evaluate water-related risks. This tool was essential in assessing our exposure to water risk across various locations where our operations are situated. By leveraging Aqueduct, we have been able to pinpoint which of our stores are situated in areas prone to water risk, including regions experiencing high water stress. This process involved a detailed analysis of the cities where our stores are located, using the data and metrics provided by Aqueduct.

We compared the locations of our stores with the risk profiles outlined in Aqueduct. Specifically, we focused on the physical risks associated with water quantity, quality, and also considered the regulatory and reputational risks. In any instance where Aqueduct identified these risks as high or extremely high, we classified the corresponding city as an area of water risk. Similarly, cities where Aqueduct indicated water stress levels as high or extremely high were classified as high-water stress areas.

The findings Indicate that our activities in Latvia are not linked to any water-related risks or situated in regions of high-water stress. In other countries, the situation varies from site to site. Some of these locations may be in regions facing high water stress or are at risk. It should be noted that the Group relies on municipal water supplies for both sourcing and discharging water for nearly all its sites across the countries where it operates. This approach ensures that our water usage does not interfere with the needs of local communities and ecosystems in a way that would deviate from the established best practices in urban freshwater management.

When it comes to wastewater management, while practices vary by country, local authorities generally oversee the quality of discharged water. This ensures that it complies with regulatory standards and is safe for the environment and public health. Authorities test the water for contaminants and pollutants and notify Group companies of any anomalies. If required, the companies conduct further testing of the discharged water and take corrective actions as necessary.

Recognizing the importance of water conservation, we have implemented measures across all our Baltic region operations – encompassing retail stores, production plants, storage facilities, and administrative offices. Key solutions include the installation of flow aerators, which are instrumental in reducing the volume of water used without compromising the water flow necessary for our operations. Additionally, our facilities are equipped with grease taps to prevent contamination of discharge water streams.

[7] In previous CSR reports water withdrawals have been reported as "water consumption". The definition of water consumption used in the current report is per ESRS standards: The amount of water drawn into the boundaries of the undertaking (or facility) and not discharged back to the water environment or a third party over the course of the reporting period.

[8] The Water consumption intensity per net revenue for year 2023 has been calculated using the total net revenue from the Note 19 of the Consolidated financial statements for the year ended 31 December 2023 in the denominator. The value of water consumption is used in the numerator.

[303-1] [303-2] [303-5]

EU Taxonomy

Under the Regulation (EU) 2020/852 of the European Parliament and of the Council and related Delegated Acts (hereinafter – EU Taxonomy), MAXIMA Group is required to disclose information to the public to what extent its activities are associated with environmentally sustainable economic activities. The Group is engaged in thorough sustainability efforts, with sustainability as an integral part of its business activities.

The main economic activity of MAXIMA Group is retail trade in food and consumables. This activity currently is not included in the list of eligible activities of EU Taxonomy. Therefore, the main activity of MAXIMA Group is out of scope of current EU Taxonomy reporting. However, the Group is involved in secondary economic activities that support retail activities, such as transportation of goods, owning and leasing out buildings, renovating buildings, investing into the energy efficiency equipment and infrastructure for personal mobility. These economic activities are EU Taxonomy-eligible activities in accordance with the EU Taxonomy legislation.

In 2023, the Group reports share of its turnover, capital expenditure and operating expenditure in activities that are EU Taxonomy-eligible. It also reports how much of its turnover, capital expenditure and operating expenditure from EU Taxonomy-eligible activities are EU Taxonomy-aligned. EU Taxonomy-aligned economic activities are activities that contribute substantially to one or more of the environmental objectives set out in EU Taxonomy, do not significantly harm to any of the environmental objectives, are carried out in compliance with the minimum social safeguards and comply with technical screening criteria that have been established by EU Taxonomy. The list of the Group's identified EU Taxonomy-eligible activities is provided below:

CCM 4.9	**Renewal of water collection, treatment and supply systems**
CCM 5.2	**Renewal of water collection, treatment and supply systems**
CCM 6.5	**Transport by motorbikes, passenger cars and light commercial vehicles**
CCM 6.6	**Freight transport services by road**
CCM 7.1	**Construction of new buildings**
CCM 7.2	**Renovation of existing buildings**
CCM 7.3	**Installation, maintenance and repair of energy efficiency equipment**
CCM 7.5	**Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings**
CCM 7.6	**Installation, maintenance and repair of renewable energy technologies**
CCM 7.7	**Acquisition and ownership of buildings**
CCM 9.3	**Professional services related to energy performance of buildings**
WTR 2.2	**Urban Waste Water Treatment**

The Group examined all the above listed EU Taxonomy-eligible activities to identify how they align with the EU Taxonomy's technical screening criteria and if they substantially contribute to climate change mitigation and climate change adaptation. Further, the Group assessed compliance with "do no significant harm" (DNSH) criteria. The Group also verified compliance with the minimum social safeguards. Equal opportunities and diversity principles, corruption prevention policy and code of business ethics lay the foundation for ensuring that the Group complies with the minimum social safeguards defined in the EU Taxonomy.

Accounting policies

Turnover

Total Group's turnover corresponds to revenue reported in the Group's consolidated financial statements prepared in accordance with IFRS as adopted by EU.

The turnover KPI indicates what percentage of the Group's revenue is comprised of revenue from the lease of buildings, and e-commerce transportation services. Accounting policy for revenue recognition is disclosed in the consolidated financial statements of the Group.

Capital expenditure (CapEx)

During the reporting period, total CapEx represents the acquisition of property, plant and equipment, intangible assets, investment property and additions to right-of-use assets.

The EU Taxonomy applies to the Group's owned buildings, owned and leased vehicles and investments in energy efficiency equipment. MAXIMA Group installs and maintains a variety of energy efficiency related equipment such as refrigeration, lightening and heating systems, located in stores and warehouses. The Group transports goods to e-commerce customers using either owned or leased vehicles. No CapEx has been invested in coal-, oil- or gas-related activities during reporting year 2023.

CapEx KPI indicates the proportion of MAXIMA Group's investments into the aforementioned assets relative to the Group's total capital expenditure (including additions to right-of-use assets) over the reporting period.

Operating expenditure (OpEx)

Total OpEx is defined as direct, non-capitalised costs associated with the day-to-day servicing of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets. The Group incurs cost associated with the installation, repair and maintenance of assets, and cost related to transportation services. The OpEx KPI indicates the proportion of the aforementioned operating costs within the total costs of the Group.

Financial key performance indicators

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH EU TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year 2023				Substantial contribution criteria						DNSH criteria (Does not significant harm)										
Economic activities	Code(s)	Turnover, kEur	Proportion of turnover, %	**Climate change mitigation, Y, N, N/EL**	Climate change adaptation, Y, N, N/EL	Water, Y, N, N/EL	Pollution, Y, N, N/EL	Circular Economy, Y, N, N/EL	Biodiversity, Y, N, N/EL	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water, Y/N	Pollution, Y, N, N/EL	Circular Economy, Y/N	Biodiversity, Y/N	Minimum safeguards, Y/N	Proportion of Taxonomy aligned or eligible turnover, 2022, %	Category (enabling activity), E	Category (transitional activity), T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
		-	-														-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	1,440	0.02%														-		
Acquisition and ownership of buildings	CCM 7.7	35,015	0.60%														0.07%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		36,455	0,62%														0.07%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		36,455	0.62%														0.14%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																			
Turnover of Taxonomy-non-eligible activities (B)		5,808,083	99.38%																
Total (A+B)		5,844,538	100 %																

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH EU TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year 2023				Substantial contribution criteria						DNSH criteria (Does not significant harm)									
Economic activities	Code(s)	CapEx, kEur	Proportion of CapEx, %	Climate change mitigation, Y, N, N/EL	Climate change adaptation, Y, N, N/EL	Water, Y, N, N/EL	Pollution, Y, N, N/EL	Circular Economy, Y, N, N/EL	Biodiversity, Y, N, N/EL	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water, Y/N	Pollution, Y, N, N/EL	Circular Economy, Y/N	Biodiversity, Y/N	Minimum safeguards, Y/N	Proportion of Taxonomy aligned or eligible CapEx, 2022, %	Category (enabling activity), E	Category (transitional activity), T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	476	0.14%	**Y**	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.07%	E	
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	2.208	0.66%	**Y**	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.59%	E	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		2.684	0.80%	0.80%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	0.66%		
Of which Enabling		2.684	0.80%	0.80%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y		E	
Of which Transitional		-	-	**-**						Y	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Urban Waste Water Treatment	WTR 2.2	59	0.02%														-		
Transmission and distribution of electricity	CCM 4.9	2	0.00%														-		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	385	0.11%														-		
Construction of new buildings	CCM 7.1	38.184	11.34%														-		
Renovation of existing buildings	CCM 7.2	4.634	1.38%														0.11%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	2.808	0.83%																
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	273	0.08%																
Acquisition and ownership of buildings	CCM 7.7	9.396	2.79%														5.64%		
Professional services related to energy performance of buildings	CCM 9.3	11	0.00%																
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		55.753	16.56%														5.75%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		58.437	17.36%														6.41%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																			
Capex of Taxonomy-non-eligible activities (B)		278.217	82.64%																
Total (A+B)		336,654	100 %																

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH EU TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2023

Financial year 2023				Substantial contribution criteria						DNSH criteria (Does not significant harm)									
Economic activities	Code(s)	OpEx, kEur	Proportion of OpEx, %	Climate change mitigation, Y, N, N/EL	Climate change adaptation, Y, N, N/EL	Water, Y, N, N/EL	Pollution, Y, N, N/EL	Circular Economy, Y, N, N/EL	Biodiversity, Y, N, N/EL	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water, Y/N	Pollution, Y, N, N/EL	Circular Economy, Y/N	Biodiversity, Y/N	Minimum safeguards, Y/N	Proportion of Taxonomy aligned or eligible OpEx, 2022, %	Category (enabling activity), E	Category (transitional activity), T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of inst	CCM 7.5	63	0.03%	**Y**	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.03%	E	
Installation, maintenance and repair of ren	CCM 7.6	5	0.00%	**Y**	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	-	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		68	0.03%	0.03%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	0.03%		
Of which Enabling		68	0.03%	0.03%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y		E	
Of which Transitional		-	-	**-**						Y	Y	Y	Y	Y	Y	Y			T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Renewal of water collection, treatment and supply systems	CCM 5.2	477	0.24%														0.3%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	2,648	1.35%														-		
Freight transport services by road	CCM 6.6	2,289	1.16%														5.82%		
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	26	0.01%														-		
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		5,440	2.77%														6.12%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		5,508	2.80%														6.15%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																			
Opex of Taxonomy-non-eligible activities (B)		190,997	97.20%																
Total (A+B)		196,505	100 %																

Our Supply Chain

81.3% of our suppliers by monetary value of purchased goods are local*

41.6% share of cage-free eggs sold

*established in the country of origin of the purchasing Group company

We expect our suppliers to conduct their business ethically and transparently, making sure their products are made fairly and with minimal environmental impact. To support this, we introduced the Supplier Code of Conduct back in 2020. This code outlines how our Group's businesses aim to work sustainably with suppliers by promoting ethical, professional, and fair practices. This includes respecting human rights, adhering to business ethics, and protecting the environment. Our suppliers must comply with all relevant laws and regulations in their countries, treat their employees with fairness and respect, and ensure a safe and healthy workplace. Furthermore, we require our suppliers to follow environmental laws and standards and be responsible for their environmental footprint.

Most of our supply chain is managed by local Group companies, where product selection, negotiation, and procurement processes are handled at the country level, with the aim of enhancing regional and local sourcing.

The remaining products in the Group's supply chain are managed by MAXIMA International Sourcing, which is responsible for centralized sourcing. MAXIMA International Sourcing offers purchasing and negotiation services to Group companies and creates private label brands. Acting as a wholesaler, MAXIMA International Sourcing buys goods from suppliers and delivers them to operators either via a warehouse or directly. This centralized delivery model significantly improves operational efficiency and allows the Group to exercise better control over its products and service' quality.

Partnerships with Suppliers

The Group values its partnerships with suppliers and works to maintain mutual benefits through regular reviews of cooperation conditions. To ensure the reliability and transparency of suppliers, we carry out internal procedures and audits and require suppliers to submit documentation. We also take measures to mitigate risks in cooperation, such as updating contracts, providing training, and monitoring market and financial information. Suppliers are selected based on their quality standards, location, and evaluation of production, service, and product quality.

Every company in the Group has internal procedures and conducts audits to evaluate the reliability and transparency of their suppliers. Before starting a partnership, a supplier is required to provide documents, which we use to verify their financial stability, credibility, and compliance with tax obligations. We identify and analyse potential risks.

[2-6] [204-1]

To mitigate identified potential risks, our companies take measures such as updating contract templates, training managers and employees on supplier risk, and implementing special procedures. During the partnership, we keep track of market information and the supplier's public financial obligations.

A great example of partnership with suppliers was demonstrated at the beginning of last year by our Baltic region companies. Together with local suppliers, our companies ascertained the availability of dairy products at significantly lowered prices while promoting local producers.

Responsible Sourcing

Due Diligence and Management of Relationships with Suppliers

Regulation (EU) 2023/1115 on Deforestation-free Products (EUDR), which came into effect on 29 June, 2023, has initiated the incorporation of sustainability-related due diligence procedures into law in the food retail industry. Recognizing the significant impact this regulation will have on the supply chain of commodities at risk of causing deforestation and their derived products, we began working with our suppliers at the end of 2023. This engagement focuses on products covered by the regulation.

Our aim in this process is to make our suppliers aware of the new requirements and to start conversations that will help us comply with the EUDR. Some of our suppliers that we have already engaged with were not aware of the regulation, thus we believe, that our proactive and timely dialogue has enabled sufficient lead time for compliance. This engagement will not only continue throughout 2024 but will also become a standard practice in our business in the years to come.

In the meanwhile, we have started the development of the comprehensive due diligence system that would be in -line with the EUDR requirements: we have identified all the products within the EUDR scope that we have on our shelves and started mapping out the supply chains of those products, with the main focus on the country of origin of commodities in question and country of production of the final product.

Animal Welfare

In the field of animal welfare our companies in the Baltic region have set a target to withdraw cage eggs from the shelves by 2025 and in Poland – by the end of 2025. This decision was made several years ago with the aim to enhance the practices of the egg production industry. Cage-free and free-range systems are seen as more humane alternatives where hens have enough space to exhibit natural behaviour such as wing-flapping, perching, and dustbathing. Cage-free eggs constituted 41.6% by number of eggs sold in 2023 throughout the whole Group and 41.4% in the companies that have set the cage-free eggs targets.

In addition to these targets, our companies in Lithuania and Estonia have their ready-to-eat and ready-to-heat offerings under the private label "Master's Quality" produced only using barn or free-range eggs, including all of the ingredients.

Locality

The range of local products on our shelves is a strength and focus area for our Group companies. By purchasing locally, we contribute to the national economy in the countries where we operate. This support comes in the form of creating job opportunities and retaining added value within the local economy. Additionally, shorter transportation distances lessen the environmental impact of the logistics.

Customers across all the countries we operate in show a preference for local food. This preference is rooted in their desire to understand the origins and production methods of their food. We maintain strong business relationships with local suppliers from Lithuania, Latvia, Estonia, Poland, and Bulgaria.These suppliers vary in size, ranging from small family-owned farms to large-scale local food producers. Our stores feature a wide array of products from these local providers. In some product categories, sales of local items can represent as much as 90%. Predominantly, the locally sourced products are found in categories such as dairy, bread, and meat.

To encourage our customers to buy local products, our companies implement various initiatives, including but not limited to:

- Indicating on the price-tag that product is sourced locally;
- Highlighting local products in regular price publication magazines;
- Gradually increasing share of local products in the shelves (implemented through various measures in different countries).

Our Communities

264 talented children received scholarships

"WE ARE COMMUNITY" – EUR 118 thousand directed to support sustainability projects of local communities

MAXIMA Group is dedicated to being a responsible and active member of the communities in the countries where we operate. We aim to make a positive difference in these communities, not only through our main activities, but also by making charitable donations and contributing to local projects. We focus on environmental and social initiatives and are supporting non-profit organisation and local community programs.

Local Communities

In 2023, Maxima Lithuania continued the programme "WE ARE COMMUNITY" for the 9th year. Last year, our project focused on sustainability. We encouraged communities to think about using resources and nature more responsibly. More than 200 communities joined in, offering ideas on how to tackle environmental or social challenges in their areas. The projects submitted were not just about making physical changes; they also included educational efforts, activities to help people get involved, and ways to include everyone in the community. Out of these, 16 communities were chosen to receive support to bring their ideas to life. A total of EUR 118 thousand was dedicated to 15 projects finished in 2023.

The projects made a real difference in local areas. They led to the creation of places where people can swap items, garden plots, eco-friendly lighting, and even bird nesting boxes with cameras to monitor bird populations.

There are also new spots for parking bicycles and solar power installations. On the educational side, these projects taught people about biodiversity, birdwatching, and the importance of understanding nature, among other topics.

Throughout the 9 years of the "WE ARE COMMUNITY" initiative 101 projects have implemented in Lithuania with a total of EUR 730 thousand allocated.

In 2023, MAXIMA Bulgaria joined the bTV Media Group's "Let's Clean Up Bulgaria Together" campaign, the biggest volunteer effort in the country, aimed at raising awareness about environmental protection and making Bulgaria cleaner and more beautiful over time. This iconic campaign places Bulgaria at the forefront of global volunteer practices for environmental care. Together, we're joining forces for the cause of a cleaner environment. Bulgaria marked its seventh consecutive participation in the global cleanup day on September 16, 2023, showing our commitment to a cleaner planet.

[3-3]

Encouraging Education

During 2023, we continued implementing programmes and initiatives that are aimed at encouraging education. In Lithuania, we continued our scholarship programme "MAXIMALISTS" (allocated funding of EUR 110,000 for 2023), and 120 talented pupils were granted a monthly scholarship for the school year 2023/2024. Throughout 21 years of its existence, more than 1,000 pupils have been awarded scholarships by the programme, totalling over EUR 700 thousand euro over the course of the years. Our remaining companies in the Baltic countries have a similar scholarship programme that is aimed at employees' children.

MAXIMA Latvia, together with the Latvia's largest youth and children NGO – "Latvijas Mazpulki", have initiated a project, ensuring an opportunity for young future farmers to learn about retail business and sell their own grown vegetables in MAXIMA Latvia's stores. More than 6 tons of beetroot, grown and nurtured by the young farmers, reached our stores during the autumn harvesting season.

Last year, MAXIMA Latvia was one of the key partners of national "Shadow days" – an initiative where youth and kids are encouraged and enabled to go on to shadow different professions in companies across Latvia. Around 60 persons "shadowed" our employees to learn about the retail business and the professions that make the industry work, enabling them to better understand the option they have for their future carriers. In a similar fashion MAXIMA Latvia continued summer employment programmes in our stores – each year providing an opportunity of summer work for school children during the summer. Last year, we ensured this opportunity for more than 400 children across Latvia.

Last year, Franmax, an IT solutions subsidiary, that supports internal needs of the Group, initiated "SAP Academy", a three-month long qualification improvement courses tailored to persons with little or no experience in the IT sector, financed by the company itself. The Academy provided an opportunity to acquire knowledge and competences working with enterprise resource planning system SAP. The application rate was way beyond expectations and nearly 150 persons applied. A group of 20 persons with highly diverse backgrounds, ranging from IT to natural science, were admitted, becoming the first students to test out the programme. After the Academy was finished, 5 participants started working at Franmax at the beginning of 2024.

Supporting Those in Need

Supporting those in need is a priority for our Group. We believe our success isn't just defined by our financial results, but also by the positive effects we have on society. Helping charitable causes and assisting people in need can make a big difference in their lives. Additionally, we think that giving back to the community benefits not only those who receive help, but also builds a sense of goodwill among our employees, customers, and stakeholders. This approach helps us nurture a culture of social responsibility within our organisation. During 2023, we directed over 922 thousand euro in non-food donations towards different initiatives, with some described further.

MAXIMA Lithuania supported a camp for children who came from Bucha, initiated by the Palanga City Municipality. The company also contributed to "Ankstukai garden of rhododendron", which blossomed in the brightest colours next to the Children's Consultative Outpatient Department of the Children's Hospital at Vilnius University Hospital Santaros Klinikos in May.

MAXIMA Latvia continued its support to the movement "Ēstprieks", which is a social initiative of the company, Children's Clinical University Hospital and Children's Hospital Fund, with the main goal to provide healthy, local and fresh meals to little patients of the Children's Hospital, as well as educate the society on importance of healthy and balanced meals for children.

Every year approximately 15,000 patients are staying in the hospital premises, and this is often a very emotionally disturbing experience for the children and their families. That is why a tasty, healthy, local and fresh diet plays a crucial role in the recovery process. With this goal in mind the healthy movement "Ēstprieks" was created in 2020, with a goal to introduce the little patients to healthy, nutritious and tasty meals in the hospital, which will not only help to recover but also will become the most awaited part of the stay at the hospital, as well to educate the families on importance of a healthy diet.

In Poland, we cooperate with the Brotherhood of St. Brother Albert of Mercy in Lublin. We support the organisation's beneficiaries by donating product aid (products or vouchers for purchases in our stores). Among other things, we help to prepare St. Nicholas' Day gifts for children from families in poverty and with many children, and a Christmas Eve meeting for those in need.

At STOKROTKA we have the program "Quiet Hours" in our stores (with JiM Foundation). This is an action supporting people within the autism spectrum. During designated hours, music is switched off and persons with the spectrum have priority in service at checkouts.

[3-3]

Corporate Governance and Sustainability

The governance of sustainability and management of impacts on people and the planet is assigned to the Head of Sustainability in MAXIMA GRUPĖ and each particular company in the Group. During 2023 the Head of Sustainability was reporting directly to the CEO of MAXIMA GRUPĖ and is responsible for coordination of compliance with sustainability-related regulations, unifying the ESG reporting methodologies and practices within the Group companies, coordination of Group-wide sustainability initiatives and goals.

The Head of Sustainability reports to the Management Board on an ad hoc basis. During 2023 the reporting was done on a quarterly basis. The topics, among other, covered the setting of science-based targets and evaluation of investment needs to achieve the set targets, compliance with the upcoming CSRD directive, and updates on the progress of implementation of Group-wide actions. The Head of Sustainability coordinates and participates in preparation of annual corporate sustainability report that is approved by the Management Board and the Supervisory Board of MAXIMA GRUPĖ. The latter passes the report to the shareholders for final approval. During the reporting period, the Head of Sustainability reported to the Audit Committee twice and covered the topics of the preparation for compliance with upcoming sustainability-related regulations.

The level of knowledge on the sustainability topic in the Group is diverse and depends on individual expertise of employees and management, while the collective knowledge represents rather wide coverage of sustainability areas. The level of individual knowledge is expanded through participation in trainings, conferences, involving external expertise. The highest governance bodies do not have sustainability targets-based performance evaluation processes and their remuneration is not based on sustainability performance.

Monitoring Impacts on Human Rights

All the companies within our Group have adopted a policy that is dedicated to preventing any form of discrimination and harassment while promoting equal opportunities for everyone. To support this commitment, we have put in place internal mechanisms that empower our employees to report grievances or complaints concerning any potential human rights violations. These reported instances undergo thorough investigations, and we ensure that appropriate measures are implemented based on the outcomes of these investigations. Throughout the reporting period, we diligently investigated all substantiated incidents. Following these investigations, we took decisive actions aimed at mitigating any negative impacts and implementing preventative measures to avoid future occurrences. Our approach underscores our unwavering dedication to maintaining a respectful and inclusive work environment for all our employees.

SUBSTANTIATED DISCRIMINATION INCIDENTS IN OWN WORKFORCE	
Total number of incidents of discrimination, including harassment	6
Number of complaints (excluding incidents of discrimination and harassment reported above) filed through internal channels	42
Number of complaints (excluding incidents of discrimination and harassment reported above) filed through external channels	11
Number of complaints filed to National Contact Points for OECD Multinational Enterprises	0
Total amount of fines, penalties, and compensation for damages as a result of the incidents and complaints disclosed above	0

Statement on Due Diligence

At the moment of publishing this report, nothing came to our attention that would make us believe that our operations caused or contributed to adverse negative impacts on human rights during the reporting year 2023 and this was not addressed through mediation and/or remediation processes.

[2-12] [2-13] [2-14] [2-17] [2-18] [2-26] [406-1]

About CSR Report

The Group is presenting its fourth annual Corporate Social Responsibility Report (CSR Report), integrated as a part of our Consolidated Annual Report. This report, prepared on a consolidated basis, aligns with the scope used for our financial statements. The list of significant subsidiaries is provided in the financial statements. The remaining not listed subsidiaries are mainly involved in real estate management. The Group owns 100% of shares in all the subsidiaries.

This report encompasses data and activities for the period from 1st January 2023 to 31 December 2023 and has been compiled following the guidance provided in GRI Sustainability Reporting Standards (GRI Standards). In addition, Commission Delegated Regulation (EU) 2023/2772 (European Sustainability Reporting Standards – ESRS) has referenced as an additional basis for the preparation of the CSR report.

You may contact us at csr@maximagrupe.eu if should you have any questions about the CSR report or sustainability work.

The data included in the Corporate Social Responsibility Report has undergone an internal review and verification process, conducted by our employees who are experts in various areas of our business. Furthermore, this report has been read by our auditors, as described in the accompanying statement found within the financial report.

The time horizons that are used in the CSR Report are in-line with the definitions set in ESRS 1:

- Short-term horizon coincides with the reporting period of our financial statements (calendar year);
- Medium-term horizon is 5 years perspective beyond the short-term reporting period;
- Long-term horizon is beyond the 5 years perspective.

Restatements of information

During the GHG reduction targets validation process with SBTi, Category 6 emissions were reassessed and the optional items, that were previously included (namely, hotel stays during business travel), have been disaggregated from the mandatory inventory boundary. This disaggregation has resulted in reduction of emissions in Category 6 of mandatory inventory by 115.7 tCO_2e for 2021 and 119.1 tCO_2e for 2022. These amounts correspond to estimated emissions that are associated with hotel stays and, as an optional item they are omitted from the reported inventory. These corrections are not material considering the gross total emissions.

Energy mix figures for 2022 have been restated. The reason for restatement was unit conversion errors, which resulted in a misstatement of actual energy consumption.

[2-2] [2-3] [2-4] [2-5]

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Other Information

Information on Securities

As of 31 December 2023, MAXIMA GRUPĖ had EUR 240 million bond issue outstanding. The bonds are listed on the Euronext Dublin and Nasdaq Vilnius stock exchanges.

NAME OF ISSUER	NOMINAL VALUE	AMOUNT OUTSTANDING AT NOMINAL VALUE	ISIN CODE	MATURITY
MAXIMA GRUPĖ, UAB	EUR 100,000	EUR 240 million	XS2485155464	12 July 2027

The shares of MAXIMA GRUPĖ are owned by the sole shareholder UAB "Vilniaus prekyba". Competencies of the General Meeting of Shareholders do not differ from those specified in the Law on Companies of the Republic of Lithuania. There is only one shareholder that has the rights provided in the Law on Companies. There are no shareholders owning special rights. No voting rights limitations apply.

The Company does not hold its own shares (neither the Company itself nor its subsidiaries have any shares in the Company). During the period, the Company did not purchase or dispose of its own shares.

Information About Material Subsidiaries

The shares of MAXIMA GRUPĖ are owned by the sole shareholder Vilniaus prekyba. Competencies of the General Meeting of Shareholders do not differ from those specified in the Law on Companies of the Republic of Lithuania. There is only one shareholder that has the rights provided in the Law on Companies. There are no shareholders owning special rights. No voting rights limitations apply.

The Company does not hold its own shares (neither the Company itself nor its subsidiaries have any shares in the Company). During the period, the Company did not purchase or dispose of its own shares.

Positions of the Members of the Supervisory Board

SUPERVISORY BOARD MEMBER	POSITION	LEGAL ENTITY CODE	ADDRESS
Evelina Černienė (Chairwoman)	Member of the Management Board at Vilniaus prekyba	302608755	Ozo str. 25, Vilnius, Lithuania
	Member of the Audit Committee at MAXIMA GRUPĖ, UAB	301066547	Ozo str. 25, Vilnius, Lithuania
	Chairwoman of the Management Board at SOLLO, UAB	302575294	Mamoničių str. 3, Vilnius, Lithuania
	CEO at NVP PROJEKTAI, UAB	302642871	Ozo str. 25, Vilnius, Lithuania
	CFO at VISAS, UAB	302687610	Ozo str. 25, Vilnius, Lithuania
	Director at RLV FINANCE LIMITED	C84522	85, St. John Street, Valletta, Malta
	Director at RELVIT LTD	C48062	85, St. John Street, Valletta, Malta
	Experience Experience in financial management at diverse companies, including audit firm		
	Education Commercial Quality Management, Vilnius University		
Jurgita Šlekytė	Chairwoman of the Management Board at Vilniaus prekyba	302608755	Ozo str. 25, Vilnius, Lithuania
	Board Member at Metodika B.V.	58867694	Parnassusweg 819, Amsterdam, North Holland 1082 LZ, Netherlands
	Experience 2008-2023 // Diverse management positions at Vilniaus prekyba, MAXIMA GRUPĖ, UAB and FRANMAX, UAB		
	Education Law, Vilnius University Business Management, Baltic Management Institute		
Nerijus Maknevičius	Member of the Management Board at Vilniaus prekyba	302608755	Ozo str. 25, Vilnius, Lithuania
	CEO at GALIO GROUP, UAB	302414120	Kintų str. 11, Vilnius, Lithuania
	Member of the Management Board at GALIO ASSET MANAGEMENT, UAB	302633242	Kintų str. 11, Vilnius, Lithuania
	CEO and Chairman of the Management Board at AKROPOLIS GROUP, UAB	302533135	Ozo str. 25, Vilnius, Lithuania
	Director at Akropolis Real Estate B.V.	34297777	Herikerbergweg 238 Luna ArenA, Amsterdam, 1101CM, Netherlands
	Member of the Management Board at SIA "Akropole Rīga"	40003768247	Maskavas str. 257, Riga, Latvia
	Member of the Management Board at SIA "M257"	40003698645	Maskavas str. 257, Riga, Latvia
	Member of the Management Board at SIA "DELTA PROPERTY"	50003390091	Brīvības str. 372, Riga, Latvia
	Experience Legal work, administrative and management experience at diverse companies, law firm		
	Education Law, Vilnius University		

Positions of the Members of the Management Board

MANAGEMENT BOARD MEMBER	POSITION	LEGAL ENTITY CODE	ADDRESS
Manfredas Dargužis (Chairman)	CEO at MAXIMA GRUPĖ, UAB	301066547	Ozo str. 25, Vilnius, Lithuania
	Member of the Management Board at Vilniaus prekyba	302608755	Ozo str. 25, Vilnius, Lithuania
	Chairman of the Management Board at RADAS, UAB	303053737	Savanorių ave. 16-102, Vilnius, Lithuania
	Experience Experience in the asset management industry in various management positions		
	Education Banking and International Finance, CAAS Business School in London		
Agnė Voverė	CEO at MAXIMA International Sourcing, UAB	305005100	Savanorių ave. 16-1001, Vilnius, Lithuania
	Experience 2004-2023 // Managerial positions at various Vilniaus prekyba group companies		
	Education Strategic Management, Marketing Strategy and Management, Leadership: Power and Sensemaking, ISM University of Management and Economics Classics and Classical Languages, Literatures, and Linguistics, Vilniaus University		
Arūnas Zimnickas	President of the Management Board at EMPERIA HOLDING Sp. z o.o.	0000849797	02-566 Warsaw, ul. Puławska 2B, Poland
	President of the Management Board at Stokrotka Sp. z o.o.	0000016977	20-209 Lublin, ul. Projektowa 1, Poland
	Experience 2008-2023 // CEO at various MAXIMA GRUPĖ, UAB related companies		
	Education Economics and International Business, Vilnius University versity		
Jolanta Bivainytė	CEO and Chairwoman of the Management Board at MAXIMA LT, UAB	123033512	Naugarduko str. 84, Vilnius, Lithuania
	Chairwoman of the Management Board at Vilniaus prekybos paramos fondas "Dabar"	125786380	Ozo str. 25, Vilnius, Lithuania
	Chairwoman of the Management Board at Stichting Novitus	60599499	Parnassusweg 819, Amsterdam, North Holland 1082 LZ, Netherlands
	Member of the Management Board at Stichting Trivialis	58595988	Parnassusweg 819, Amsterdam, North Holland 1082 LZ, Netherlands
	Experience 1992-2023 // Diverse management positions at Vilniaus prekyba and related companies		
	Education Finance, Vilnius University		

Karolina Zygmantaitė	CEO (sole member of the Management Board) at "MAXIMA Latvija" SIA	40003520643	Maskavas str. 257, Riga, Latvia
	Experience Financial, administrative and management experience at diverse companies, including audit firm		
	Education Accounting, Audit, Business/Management, Vilnius University		
Petar Petrov Pavlov	CEO at MAXIMA Bulgaria EOOD	131324923	Botevgradsko Shose blvd. 247, Poduyane Distr., fl. 2, Sofia, Bulgaria
	CEO at DEVELOPER BULGARIA EOOD	200369978	Botevgradsko Shose blvd. 247, Poduyane Distr., fl. 2, Sofia, Bulgaria
	CEO at MMS PROJECTS EOOD	175363447	Botevgradsko Shose blvd. 247, Poduyane Distr., fl.2, Sofia, Bulgaria
	CEO at DC BG EOOD	200713219	Botevgradsko Shose blvd. 247, Poduyane Distr., fl. 2, Sofia, Bulgaria
	CEO at MA Bulgaria EOOD	204882743	Botevgradsko Shose blvd. 247, Poduyane Distr., fl. 2, Sofia, Bulgaria
	Experience 2005-2023 // Diverse management positions at MAXIMA Bulgaria EOOD		
	Education Law, Sofia University St. Kliment Ohridski		
Lauryna Šaltinė	CFO at MAXIMA GRUPĖ, UAB	301066547	Ozo str. 25, Vilnius, Lithuania
	Experience 2018-2022 // Finance positions at MAXIMA LT, UAB. Experience in corporate finance at advisory firms and public sector consultancies		
	Education Economics and Business, Stockholm School of Economics in Riga		

Nasdaq Structured Table for Disclosure

Report by MAXIMA GRUPĖ, UAB on compliance with the Code of Corporate Governance for the Companies Listed on Nasdaq Vilnius

MAXIMA GRUPĖ, UAB (the "Company"), acting in compliance with paragraph 25.4 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies Listed on Nasdaq Vilnius (the "Code"), as well as its specific provisions or recommendations. In case of non-compliance with the provisions or recommendations of this Code, the Company specifies it along with the reasons for such non-compliance. In addition, other explanatory information is provided in this form.

1. Free-form Summary of the Company's Corporate Governance

In the subsequent pages, a summary of the Group's risk management structure outlines the key risks as of the year-end and continuous measures to alleviate them. For each risk, MAXIMA Group takes specific measures to manage the underlying causes and minimize potential consequences.

The Company's governance bodies are:

- the General Meeting of Shareholders (the sole shareholder is Vilniaus prekyba),
- the Supervisory Board,
- the Audit Committee,
- the Management Board, and
- the Chief Executive Officer.

The General Meeting of Shareholders elects the Supervisory Board, which is composed of 5 members elected for a term of 4 years. At the end of the reporting period and also on the date of signing this report, the Supervisory Board was comprised of 3 members.

The Management Board is a collegial management body with 8 members whom the Supervisory Board elects for a 4-year term. At the end of the reporting period and on the date of signing this report, the Management Board was comprised of 7 members.

The Audit Committee is composed of 3 members who are elected by the General Meeting of Shareholders for a term of 4 years. There are 2 independent members on the Audit Committee (the Chairwoman is an independent member). The Audit Committee reports to the General Meeting of Shareholders and to the Supervisory Board. The Audit Committee's functions are established by legal acts of the Republic of Lithuania, the Bank of Lithuania, as well as by the Audit Committee Regulations approved by the Company's General Meeting of Shareholders.

Additional information about the Company's governance, activities of the Management Board and the Audit Committee, the composition of the Supervisory Board and the Management Board, internal control and risk management systems, and other essential matters related to the Company's governance is provided in the Company's consolidated annual report for the financial year ended 31 December 2023.

2. Structured Table for Disclosure

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Not applicable	The Company has the sole shareholder.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	All the Company's shares are ordinary registered shares, granting the same rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Not applicable	The Company publicly offers only bonds, shares are not publicly offered.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	The Company's General Meeting of Shareholders has the competence envisaged in the Law on Companies of the Republic of Lithuania. Additional competence referred to in this paragraph is not included in the Articles of Association. As the Company has the sole shareholder, granting such competence to the General Meeting of Shareholders is not relevant.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date, and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Not applicable	The Company has the sole shareholder.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Not applicable	The Company has the sole shareholder.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The sole shareholder may vote in writing.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured, and it must be possible to identify the participating and voting person.	No	The Company has the sole shareholder.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Not applicable	Every candidate must declare what positions they hold, and how their other activities are related to the Company and to other persons associated with the Company, as well as his/her educational background and work experience. Information on a proposed audit company is also provided to the shareholder prior to the adoption of the sole shareholder's decision.
1.10. Members of the company's collegial management body, heads of the administration or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	When needed, members of the Company's collegial body, heads of the administration and other competent persons related to the Company who can provide information related to the agenda of the General Meeting of Shareholders participate in the General Meeting of shareholders.

Principle 2: Supervisory Board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	To the best of the Company's knowledge, all the members of the Supervisory Board act in good faith, with care and responsibility for the benefit and in the interests of the Company and its shareholders, and represent their interests, having regard also to the interests of employees and public welfare.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	To the best of the Company's knowledge, all the members of the Supervisory Board act in good faith, with care and responsibility for the benefit and in the interests of the Company and its shareholders, and represent their interests, having regard also to the interests of employees and public welfare.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	The Company's sole shareholder is properly informed about such matters.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	To the best of the Company's knowledge, the Supervisory Board acts impartially in taking decisions that are significant for the Company's operations and strategy, and the work and decisions of its members are not influenced by the persons who elected them. The Rules of Procedure of the Supervisory Board establish the procedure for adopting decisions and the obligations of the members of the Supervisory Board.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	No	The Supervisory Board oversees the work of the Management Board and the CEO of the Company and approves the Company's strategy. The CEO of the Company is responsible for the Company's compliance with tax laws.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting, or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The Supervisory Board is provided with sufficient resources.
2.2. Formation of the supervisory board		
The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Supervisory Board collectively ensure the appropriate diversity of qualifications, professional experience and competences (in areas of law, finance and asset management), with multifaceted expertise, and include persons of both genders. More detailed information about the Supervisory Board members' experience, qualifications and positions held is provided in the Company's consolidated annual report.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	Members of the Supervisory Board are appointed for a term of 4 years and can be re-elected. New members of the Supervisory Board appointed during the term of the Supervisory Board are appointed for the remaining term of the Supervisory Board.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The Supervisory Board elects the chairperson from among its members. The current Chairwoman of the Supervisory Board is a member of the board of the Company's sole shareholder and has not been the Company's CEO or a member of its Management Board.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	To the best of the Company's knowledge, the members of the Company's Supervisory Board have devoted due attention to performing their duties. Every meeting has been attended by all the Supervisory Board members.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	There is no requirement for the Company to have independent Supervisory Board members.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	Remuneration to members of the Supervisory Board for their activities falls within the competence of the Company's General Meeting of Shareholders. However, as there are no independent members in the Supervisory Board, remuneration is not paid to the Supervisory Board members.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	No	There is no formal practice for the Supervisory Board to assess its own activities.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
Principle 3: Management Board **3.1. Functions and liability of the management board** The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The strategy of the Company is approved by the Supervisory Board. Its implementation is ensured by the Management Board and the CEO of the Company.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Management Board performs the functions assigned to it by the Law on Companies of the Republic of Lithuania and by the Company's Articles of Association. The Management Board takes into account the needs of the Company's shareholder, employees and other interest groups, striving to achieve sustainable business development.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Management Board ensures compliance with the applicable laws and the Group's internal policy, also establishes risk management and control measures to ensure the regular and direct accountability of the CEO.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company has different instruments in place to ensure the high level of internal controls, ethics and compliance management measures, such as: • internal audit is accountable to the Audit Committee; • the majority of the Audit Committee is composed of independent members; • the Company has the Code of Ethics; • the Company has the Corruption Prevention Policy.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	The Management Board adopts the decision to appoint the CEO after proper examination of the candidates' qualifications, experience, and competence.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Management Board collectively have broad experience, qualifications, knowledge, and competencies. The representation of both genders on the Management Board is ensured as much as possible. More detailed information about the experience and qualifications of the members of the Management Board is provided in the Company's consolidated annual report.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes	Information about candidates for the Management Board is provided to the Supervisory Board in advance without violating personal data protection requirements. Information about the members of the Management Board is provided in the Company's consolidated annual report.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	New members of the Management Board are acquainted with the most important information about the Company, including their duties and the structure and operations of the Company.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	To the best of the Company's knowledge, all the members of the Supervisory Board act in good faith, with care and responsibility for the benefit and in the interests of the Company and its shareholders, and represent their interests, having regard also to the interests of employees and public welfare.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The current and past positions held by the Chairman of the Management Board are not an obstacle for him to act impartially. Information about other positions held by the Chairman of the Management Board is included in the Company's consolidated annual report.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Every member of the Management Board devotes sufficient time to the performance of their duties.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent, it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	The Supervisory Board is formed in the Company. Members of the Company's Supervisory Board are not subject to the requirement of independence.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	No	The Supervisory Board is formed in the Company. Members of the Company's Supervisory Board are not subject to the requirement of independence.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	To the Company's knowledge, all the members of the Management Board act in good faith, with care and responsibly, for the benefit of the Company and its shareholder, and represent their interests with due regard to other stakeholders. The members of the Management Board are subject to confidentiality obligations.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	There is no formal practice for the Management Board to assess its own activities. The Supervisory Board, within the limits of its competence, oversees the work of the Management Board.
Principle 4: Rules of procedure of the supervisory board and the management board of the company The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The Management Board and the Supervisory Board work in close cooperation and are in regular contact (including in relation to matters indicated in the recommendation).

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of the Management Board and of the Supervisory Board are held regularly and at intervals which ensure the uninterrupted resolution of essential matters.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes	Members of the Company's collegial bodies are informed in advance about meetings that are convened and have sufficient time to get familiar with the relevant materials.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and closely cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	As needed, the Chairs of the Supervisory Board and the Management Board coordinate meeting dates and agendas and work in close cooperation.

Principle 5: Nomination, remuneration and audit committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees.	Yes/No	The Audit Committee has been formed in the Company. Nomination and remuneration committees are not formed as the Supervisory Board or the shareholder itself performs those functions when necessary and it was decided not to form such committees.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	No	Taking into account the small number of managerial positions in the Company, it was decided not to form three separate committees, and these functions are performed by the Supervisory Board or the shareholder, where necessary, in accordance with their respective competences, as prescribed by law.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	When necessary, the Company's Supervisory Board performs the functions which are assigned to nomination and remuneration committees.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	The Audit Committee is composed of 3 members, 2 of whom are independent. These members were selected based on their competences.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes/No	The Audit Committee's regulations are approved by the shareholder according to the applicable regulations of the Bank of Lithuania. The Audit Committee submits its activity reports to the Supervisory Board and the sole shareholder. Information about the composition, activities and functions of the Audit Committee is published in the Company's consolidated annual report.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	The Audit Committee may invite selected persons to its meetings. The Chair of the Audit Committee has the possibility to directly communicate with the shareholder, if necessary.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
5.2. Nomination committee		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Not applicable	This committee is not formed in the Company. These functions are performed by the Supervisory Board, where applicable.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Not applicable	This committee is not formed in the Company. These functions are performed by the Supervisory Board, when necessary.
5.3. Remuneration committee		
5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Not applicable	This committee is not formed in the Company. These functions are performed by the Supervisory Board or by the shareholder (in relation to the Supervisory Board).

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee.	Yes	The Audit Committee performs the functions in the Company that legal acts prescribe for it.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	No	The representatives of the Company's administration regularly participate in meetings of the Audit Committee and provide it with all detailed information regarding relevant issues.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The Audit Committee, as needed, can and does invite any representative of the Company and external auditors to its meetings.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The Audit Committee meets with the internal auditors and receives information about internal audit results, recommendations and their implementation, as well as approves the work plan of the internal audit. The Audit Committee also regularly holds meetings with external auditors and receives information about audit status and results, and about any relationships between the Company, the Group and the external auditor.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	Yes	The Audit Committee examines whether the Company complies with applicable regulations governing the ability of employees to lodge a complaint or report anonymously suspicions of potential violations to the Company.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Company's Audit Committee submits its activity report to the Supervisory Board and the shareholder at least once a year, at the time of approving annual financial statements, and at other times at the request of the Supervisory Board or the shareholder, or whenever the Audit Committee deems necessary.

Principle 6: Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The members of the Company's supervisory and management bodies have a duty to avoid conflict of interest situations. If such a situation occurs, such person must notify other members of the same body or the body of the Company which elected him/her or the Company's shareholder of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.
Principle 7: Remuneration policy of the company The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	No	The Company does not have an approved remuneration policy determining the remuneration of members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly. However, the Company is going to approve the remuneration policy applicable to all its employees.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	No	The Company does not have an approved remuneration policy determining the remuneration of members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly. The remuneration policy for the employees that is going to be approved will define the regulation of different forms of remuneration.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	No/Yes	The Company does not have an approved remuneration policy determining the remuneration of members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly. The members of the Supervisory Board do not receive remuneration based on the Company's performance.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	No	The Company does not have an approved remuneration policy determining the remuneration of members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly. Termination payments are made on the basis and according to the provisions of the Labour Code of the Republic of Lithuania and certain agreements.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	No	No financial incentive scheme is applied in the Company.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	No	The Company does not have an approved remuneration policy determining the remuneration of members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	No	The Company does not have an approved remuneration policy determining the remuneration of members of the governance bodies. Legal acts do not impose such an obligation, as only the Company's bonds are traded publicly.
Principle 8: Role of stakeholders in corporate governance		
The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company ensures that the rights and lawful interests of stakeholders are protected.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	Stakeholders participate in the corporate governance of the Company in the manner established by law.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	Stakeholders are provided with information in the manner established by law.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes	The contact details of the helpline are published on the Company's website in accordance with the Corruption Prevention Policy. People can report violations of the provisions of legal acts and norms of conduct committed by the executives and employees of the Company and the companies directly or indirectly controlled by the Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
Principle 9: Disclosure of information The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	This information is published in the Company's consolidated financial statements and consolidated annual report.
9.1.2. objectives and non-financial information of the company;	Yes	This information is published in the Company's consolidated annual report.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	This information is published in the Company's consolidated financial statements.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	This information is published in the Company's consolidated annual report. As the legal acts do not require to disclose the remuneration of the members of the Company's supervisory and management bodies, this information is not disclosed.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	This information is published in the Company's consolidated annual report.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	This information is published in the Company's consolidated annual report.
9.1.7. the company's transactions with related parties;	Yes	This information is published in the Company's consolidated financial statements.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	The relevant information is published in the Company's consolidated annual report.
9.1.9. structure and strategy of corporate governance;	Yes	This information is published in the Company's consolidated annual report.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	This information is published in a corporate social responsibility report of the Company and its group, which is a part of the consolidated annual report of the Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	Consolidated information is disclosed.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in tion. Information should be disclosed to all parties concerned at the same time.	Yes	The information about professional experience, qualifications and potential conflicts of interest, if any, of the members of the Company's supervisory and management bodies, the Chief Executive Officer is disclosed. As the legal acts do not require to disclose the remuneration of the members of the Company's supervisory and management bodies, the Chief Executive Officer, this information is not disclosed.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	Information is disclosed through securities exchanges in Lithuania and Ireland.
Principle 10: Selection of the company's audit firm The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The Company's and the Group's annual financial statements and the financial information provided in the consolidated annual report are audited.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The Company's auditor is selected by holding a tender procedure. The Audit Committee supervises the tender procedure. Referring to the opinion of the Audit Committee, the Supervisory Board proposes an audit firm to the sole shareholder.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	The Company discloses information about amounts it has paid the auditor for non-audit services in its consolidated annual report.

Other Supporting Information

GHG Calculation Methods

GWP values used in the calculation are based on IPCC AR4, AR5, or AR6, depending on the decision made by the emissions factor providers.

The methods used to calculate the Scope 3 GHG inventory are in line with the GHG Protocol Corporate Value Chain Standard. Higher tier methods have been used for material categories, where materiality has been evaluated based on the weight of a relevant category in the total Scope 3 inventory.

SCOPE 3 CALCULATION METHODS

SCOPE 3 CATEGORIES	MATERIALITY	METHOD
Category 1. Purchased services	Not Material	Spend-based method
Category 1. Purchased goods	Material	Average-data method
Category 2. Capital goods	Not Material	Spend-based method
Category 3. Fuel and energy-related activities	Not Material	Average-data method
Category 4. Upstream transportation and distribution	Not Material	Distance-based method
Category 5. Waste generated in operations	Not Material	Waste-type-specific method
Category 6. Business travels	Not Material	Spend-based method
Category 7. Employee commuting	Not Material	Average-data method
Category 8. Upstream leased asset	Not occurring	Not occurring
Category 9. Downstream transportation	Not occurring	Not occurring
Category 10. Processing of sold products	Not occurring	Not occurring
Category 11. Use of sold products	Not Material	Direct use-phase emissions
Category 12. End-of-life treatment of sold products	Not Material	Waste-type-specific method
Category 13. Downstream leased assets	Not Material	Asset-specific method
Category 14. Franchises	Not Material	Average-data method
Category 15. Financial investments	Not occurring	Not occurring

The inventory for the most material Scope 3 Category 1 has been compiled using the industry average emissions factors, that have been applied at product category level (one level above SKU), with categories specified per our internal business intelligence systems. The weighted average emission factor Data Quality Ratio (DQR) of Scope 3 Category 1 Food and Beverages subset of emissions is estimated at 2.7[9].

It is planned to further refine the granularity of the calculations of GHG inventory using indirect sources information, before starting to work on transition to direct sources of information.

[9] DQR – Data Quality Ratio, establishes the quality of the emission factors, and is measured in range from 1 – very good, to 5 – very poor. The European Commission recommends caution in using data with DQRs greater than 3.

Total Waste Generation and Handling

WASTE GENERATION AND HANDLING	REPORTING YEAR, 2023
Total amount of waste generated	96,078
Total amount by weight diverted from disposal:	75,246
Hazardous waste:	91
preparation for reuse	-
recycling	88
other recovery operations	2
Non-hazardous waste:	75,155
preparation for reuse	3,613
recycling	70,034
other recovery operations	1,508
Directed to disposal:	20,833
Hazardous waste:	30
incineration	22
landfill	8
other disposal operations	0
Non-hazardous waste:	20,803
incineration	2,485
landfill	18,256
other disposal operations	62
total amount of non-recycled waste	20,833
share of non-recycled waste	21.7%

Methodologies Applied for Employee-related Disclosures

Non-employee workers FTE

We report non-employee workers as full-time equivalents for each reporting period. To do this, we add up all the hours worked by contractors from employment service companies (classified under NACE code 78) and self-employed workers. Then, we divide this total by the number of working hours in a year for a standard employee, who works 5 days a week for 8 hours each day. We adjust this calculation for national holidays but don't account for annual vacation time.

[306-3] [306-4]

Supporting Employee Data

In the countries where our companies operate, national laws do not allow persons to identify as non-binary on their personal ID documents. Due to this, and because the General Data Protection Regulation limits how we can collect personal data, we don't gather information about our employees' gender identities. We only report gender based on what is stated in legal identity documents throughout this report.

Unless stated otherwise, we report all employee numbers in headcount as of 31 December of the reporting period.

EMPLOYEE HEADCOUNT BREAKDOWN BY GENDER AND BY COUNTRY, 31 DECEMBER, 2023

GENDER	NUMBER OF EMPLOYEES (HEAD COUNT)
Male	7,638
Female	30,190
Other	-
Not reported	-
Total Employees	37,828

COUNTRY	NUMBER OF EMPLOYEES (HEAD COUNT)
Lithuania	12,704
Latvia	6,297
Estonia	3,391
Poland	12,935
Bulgaria	2,502

INFORMATION ON EMPLOYEES BY CONTRACT TYPE AND GENDER, 31

FEMALE	MALE	OTHER	NOT DISCLOSED	TOTAL
Number of employees (head count)				
30,190	7,638	-	-	37,828
Number of permanent employees (head count)				
24,398	6,298	-	-	30,696
Number of temporary employees (head count)				
5,792	1,340	-	-	7,132
Number of non-guaranteed hours employees (head count)				
-	-	-	-	-
Number of full-time employees (head count)				
25,150	6,056	-	-	31,206
Number of part-time employees (head count)				
5,039	1,583	-	-	6,622

[2-7]

INFORMATION ON EMPLOYEES BY CONTRACT TYPE BROKEN DOWN BY REGION

	LITHUANIA	LATVIA	ESTONIA	POLAND	BULGARIA
Number of employees (head count)	12,704	6,297	3,390	12,935	2,502
Number of permanent employees (head count)	11,787	6,210	3,367	6,850	2,482
Number of temporary employees (head count)	917	87	23	6,085	20
Number of non-guaranteed hours employees (head count)	-	-	-	-	-
Number of full-time employees (head count)	12,162	1,397	3,036	12,359	2,252
Number of part-time employees (head count)	542	4,900	354	576	250

The employee turnover rate is calculated by summing the number of employees who leave voluntarily, are dismissed, retire, or die in service, and placing this total in the numerator. The denominator consists of the average number of employees, which is calculated as the arithmetic mean of the employee count at the end of the previous reporting year and at the end of the current reporting period.

EMPLOYEE TURNOVER

GENDER	TOTAL NUMBER OF EMPLOYEES, 2023	TOTAL NUMBER OF EMPLOYEES, 2022	TOTAL NUMBER OF DEPARTED EMPLOYEES	EMPLOYEE TURNOVER, %
Female	30,190	30,760	12,557	41.2%
Male	7,638	7,496	5,759	76.1%
Other	37,828	38,256	18,316	48.1%

[2-7] [401-1]

Occupational Health and Safety Management System

To guarantee health and safety of our employees, our companies are dedicated to adhering to all relevant laws and industry best practices. We regularly carry out internal risk assessments. The safety and well-being of our employees are our top priorities. We actively work to find and reduce potential dangers in the workplace by conducting regular assessments and providing employee training. Our health and safety procedures are frequently examined and updated to make sure they are always improving and meeting safety standards.

Every retail company in the Group has employee health and safety representatives or an occupational health and safety committee that represents employees in all related matters. This committee analyses working conditions, proposes actions and solutions, and monitors the implementation of measures. This approach allows and encourages our employees to actively participate in the processes and provide feedback. We have set up various ways for employees to report work-related hazards, including anonymous trust lines, phone and email reporting, direct reports to managers, or contacting someone in the health and safety department.

Our occupational health and safety system covers:

1. Risk evaluation, covering:
   - planning;
   - visiting a site of operations;
   - assessing risk for each structural unit;
   - defining preventive measures;
   - preparing and issuing documentation.
2. Work environment monitoring/supervision;
3. Preventive and corrective action planning;
4. Training and communication to employee;
5. Medical examinations;
6. Personal protective and safety equipment;
7. Accident investigation.

Each company within our Group uses different methods to assess risks in line with legal requirements. However, there are core procedures that all our businesses follow to identify job-related hazards and evaluate potential risks:

- Conducting site visits and interviewing employees;
- Documenting risk assessments and preventative measures;
- Informing employees about the risks;
- Communicating about corrective and preventative actions;
- Implementing these actions;
- Ongoing monitoring.

We are also taking steps to ensure the quality of these methods and the competence of those responsible, through processes like bidding, evaluations, and validating certifications.

[403-1] [403-2] [403-3] [403-4] [403-6] [403-7]

Definitions

LFL – *(like-for-like):* same store revenue growth (not taking new or renovated stores into account).

EBITDA – profitability measure, calculated by adjusting net profit by income tax expenses, depreciation and amortisation, finance income and costs, impairment and write-off of property, plant and equipment, investment properties, intangible assets and right-of-use assets, and profit from disposal of subsidiaries.

NET DEBT – borrowings and lease liabilities less cash and cash equivalents.

FIXED ASSETS – property, plant and equipment and investment property.

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GRI Content Index

GRI Content Index

STATEMENT OF USE	MAXIMA GRUPĖ, UAB reported in accordance with the GRI Standards for the period 1st January, 2023 to – 31st December, 2023
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not applicable

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2 April 2024

Responsibility statement of responsible persons

Hereby we confirm that, to the best of our knowledge and belief, the consolidated financial statements of MAXIMA GRUPĖ, UAB (hereinafter "the Company") and its subsidiaries (hereinafter together "the Group") for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, present fairly the financial position of the Group as of 31 December 2023 and its financial performance and cash flows for the year then ended.

In addition, we confirm that the consolidated annual report includes a fair view of the development and performance of the business of the Group, the Group's financial position together with a description of the principle risks and uncertainties the Group faces.

Manfredas Dargužis

Chief Executive Officer

Lauryna Šaltinė

Chief Financial Officer