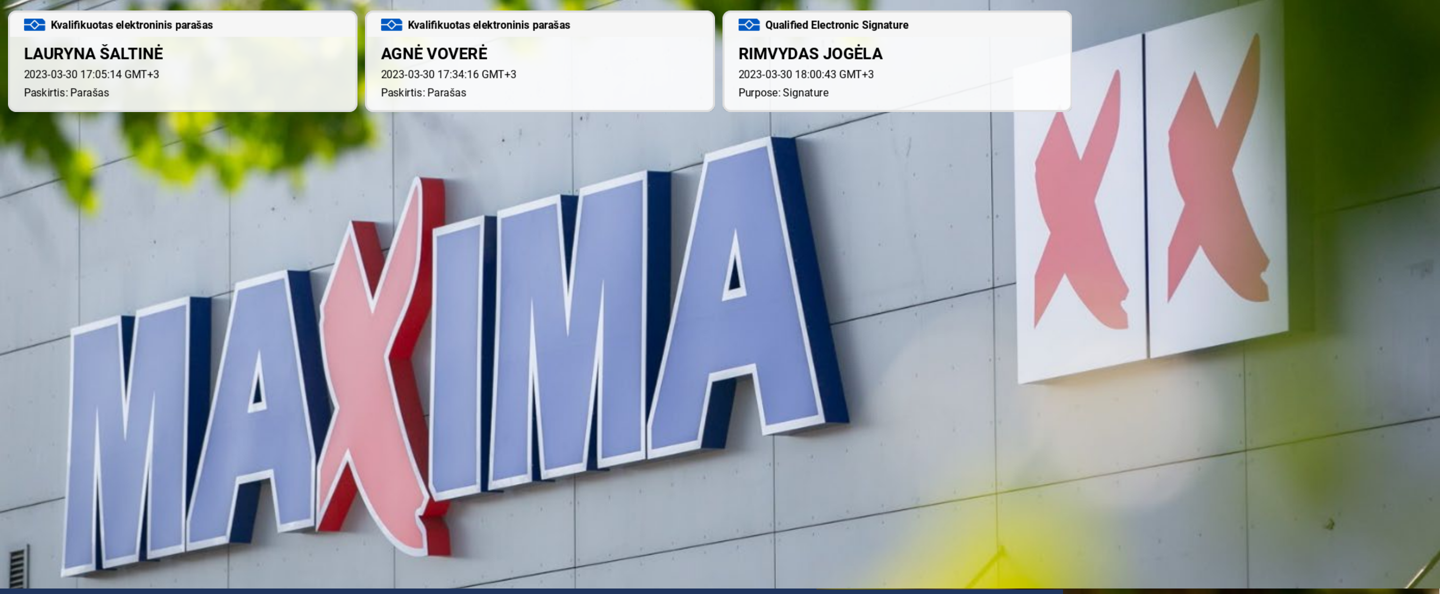


CONSOLIDATED ANNUAL REPORT

2022

MAXIMA GRUPĖ

CONTENT

ABOUT MAXIMA GROUP

LETTER FROM THE CEO

The year 2022 was supposed to be a year of stability as the world recovered from the Covid-19 pandemic. Instead, it turned out to be one of the most turbulent times in memory, both globally and locally. Russia's military invasion of Ukraine shook our Group to the core. As the year went by, the unfolding war, surge in energy prices, further disruptions in supply chains, accelerating inflation and market uncertainty all put huge pressure on everyone – on people and on businesses. In all the countries where we operate, we witnessed human suffering, yes, but also resilience, unity and the will to prevail. As a Group, we too proved our strength and ability to adapt to complex challenges in an ever-changing environment. I am convinced that we were able to successfully navigate these challenges only by acting together and taking the steps that were needed quickly and confidently.

In 2022, more than ever before, we had to act fast. In the very first days after 24 February, we removed goods of Russian or Belarussian origin from our shelves and e-commerce channels. At the same time, our purchasing teams found new ways to replenish our assortment, working closely with suppliers to ensure our customers would find everything they need in our stores. We also immediately began providing humanitarian aid and assistance to Ukraine and its people, supporting refugees in the countries where we operate with food products, necessity goods and shopping coupons. Since the start of the war, the Group's companies have employed over 1,600 Ukrainian war refugees on the same conditions as local employees and continue to do so. We have focused on ensuring a smooth on-boarding process for them and meeting their special needs in our organization.

For millions of people, our stores provide access to daily food and necessities – and in 2022, our customers faced the same challenges as we did: unprecedented increases in the prices of goods, services, and especially energy resources. The Maxima Group made a conscious decision to maintain attractive prices for our customers, thus reducing our gross profit margin. We also took other customer-friendly anti-inflation measures, like lowering the regular prices in stores for a selected assortment of key value items. To offset the effects of inflation within the Group, we closely monitored our operating costs and constantly sought ways to be more efficient: by cutting non-essential expenses and investments, improving processes in stores, reducing electricity consumption, and so on. Increased efficiency allowed us to raise employee benefits by 12% to EUR 80.6 million in 2022.

Our fundamental attitudes of efficiency and customer-centricity show in ongoing work to standardise store formats and unify internal processes. Standardisation saves employee time and efforts, reduces inventory losses and enables our customers to find the specific goods they need more easily. Thus, we are optimising the value chain where it all begins – at the store itself. And we are almost half-way done with this process: nearly 170 stores in the Baltics were revamped in 2022, bring the total upgraded to date to 278 stores.

Even in volatile times, we have continued growing our business. Poland and Bulgaria remain our main markets for expansion. During 2022, through organic growth and new acquisitions, we increased the number of our stores in Poland by 110 and in Bulgaria by 14. At the same time, we continued developing e-commerce in Poland – compared to 2021, our e-grocer Barbora tripled its revenue and number of orders fulfilled in the country. We see how every day more and more people in Warsaw, the Tri-city, Katowice, Lodz, Wroclaw, and Krakow are choosing Barbora for their regular shopping, and we are proud of this result.

For several years now, we have been linking our business decisions to strategic sustainability areas. We continuously invest in our employees' working conditions, while also actively supporting local communities and people in need. Constant collaboration with food banks enables the group's companies to prevent food waste and help the most vulnerable members of society. We also invest in the modernisation and energy efficiency of our stores.

The Maxima Group is part of the community of businesses that strive for a long-term positive impact. In the spotlight at the end of 2022 was the acceleration of our decarbonization project. For the first time, the Group calculated its greenhouse gas (GHG) Scope 3 emissions, and this led to an extensive discussion at the senior- and top-management levels on setting goals for GHG reduction. I am very happy to share that we have agreed on the target of reducing the level of our Scope 1 and 2 GHG emissions by 42% by 2030. Furthermore, we will encourage our partners to do so as well, with a supplier engagement target that 67% of our suppliers (in GHG emission terms) also set goals to reduce CO_2 emissions by 2030. These ambitious targets will bolster our focus on modernisation and innovation. We also value this opportunity to increase the level of cooperation with our partners and so have a significant impact on all levels of our supply chain.

We enter 2023 more united, focused and efficient than ever before. We are ready to continue learning how best to adapt to complex market conditions and to make the decisions needed to drive business forward on a daily basis. Thus, we are confident that we can and will further offer the best choices and the best service for our millions of customers every day.

Agnė Voverė,

CEO, Chairman of the Management Board of MAXIMA GRUPĖ, UAB

WHO WE ARE TODAY

In the 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 core business activity of the Group is grocery retail trade.

MAXIMA Group operates 1,534 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 Baltics and Poland. Across the countries in which the Group operates, stores are classified into formats based on trade area and assortment. Every day, almost 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 UAB "Vilniaus Prekyba", UAB (hereinafter "Vilniaus prekyba"). In the Baltic States, Sweden, Poland and Bulgaria, Vilniaus prekyba controls and manages a group of subsidiary companies that operate chains of retail stores (MAXIMA Group), DIY stores (ERMI Group), pharmacies (EUROAPOTHECA Group), and real estate development and management companies (AKROPOLIS Group).

Total number of stores

1,534*

*including 86 franchise stores

Number of employees

38,256

Daily customers

~1.6 million

E-commerce orders

3.8 million

Total revenue

€5,154 million

EBITDA

€369 million

Investments into fixed assets

€116 million

MAIN EVENTS

1st quarter 2022

- On 3 March 2022, the amended Articles of Association of MAXIMA GRUPĖ were registered and the terms of office of the Company's Supervisory Board and Audit Committee were extended for a new four-year term. The following individuals were appointed to the Supervisory Board: Evelina Černienė (Chairwoman), Laimonas Devyžis and Manfredas Dargužis. Irena Petruškevičienė (Chairwoman and Independent Member), Rasa Milašiūnienė (Independent Member) and Evelina Černienė make up the Audit Committee.

- Jolanta Bivainytė was recalled from MAXIMA GRUPĖ's Management board and Karolina Zygmantaitė was appointed to the Management board. Karolina Zygmantaitė was also appointed as the CEO and a Board Member of MAXIMA Latvija, SIA (hereinafter "MAXIMA Latvia").

- Povilas Šulys was appointed CFO of MAXIMA GRUPĖ.

- Tomas Rupšys was appointed CEO of MAXIMA LT, UAB (hereinafter "MAXIMA Lithuania") and Mykolas Navickas was appointed CEO of MAXIMA International Sourcing.

- On 23 March 2022, MAXIMA GRUPĖ successfully completed its second commercial paper offering with 12 months maturity. The nominal value of the transaction was EUR 35 million.

2nd quarter 2022

- In May 2022, Morningstar Sustainalytics, a leading global provider of ESG research, ratings, and data, assigned MAXIMA GRUPĖ an overall ESG Risk Rating score of 21.7. MAXIMA GRUPĖ was categorized as having "medium risk" based on its ESG score and is in the 20th percentile of its subindustry peer group in terms of ESG performance.

- On 9 June 2022, PricewaterhouseCoopers, UAB (code of legal entity 111473315) was appointed as the audit firm of MAXIMA GRUPĖ to conduct the audit of the annual financial statements of the Company and the audit of the annual consolidated financial statements of the Company for the years 2022, 2023 and 2024.

- On 23 June 2022, the Group's Polish retail grocery chain Stokrotka Sp. z.o.o. (hereinafter "STOKROTKA") signed an agreement to take over 14 grocery stores operating in Poland, in the Masovian Voivodeship.

- On 29 June 2022, the international credit rating agency Standard & Poor's reviewed MAXIMA GRUPĖ's operations and financial performance and confirmed MAXIMA GRUPĖ's BB+ credit rating with stable outlook.

3rd quarter 2022

- On 1 July 2022, MAXIMA GRUPĖ successfully completed a EUR 240 million, 5-year Eurobond issue, becoming the second company in CEE and Baltic region to do so in 2022 following the outbreak of war in Ukraine. Notes were placed at an interest rate of 6.25% (6.5% yield).

- On 7 July 2022, MAXIMA GRUPĖ completed the cash tender offer for the purchase of its bonds maturing on 13 September 2023 (ISIN: XS1878323499). The total amount of valid bids received was EUR 193,039,000. After the partial purchase of bonds, the outstanding principle amount of bonds is EUR 106,961,000.

- On 30 August 2022, Laimonas Devyžis resigned from the Supervisory Board of MAXIMA GRUPĖ. His position was taken by Nerijus Maknevičius.

- On 20 September 2022, MAXIMA GRUPĖ became a participant in the support fund Vilniaus Prekybos Paramos Fondas "DABAR". The fund supports initiatives that help ensure inclusive, equitable and high-quality education.

4th quarter 2022

- On 29 November 2022, Agnė Voverė was appointed CEO and Chairwoman of MAXIMA GRUPĖ's Management Board, succeeding Mantas Kuncaitis who resigned from these positions.

- On 30 November 2022, STOKROTKA completed the acquisition of a Polish chain of thirteen grocery stores operating in the Masovian Voivodship.

EVENTS AFTER THE REPORTING PERIOD

1st quarter 2023

- On 2 January 2023, Lauryna Šaltinė was appointed CFO of MAXIMA GRUPĖ, succeeding Povilas Šulys, who was appointed CFO of MAXIMA Lithuania.

- 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. Agnė Voverė was appointed to the Management Board of RADAS, UAB.

- On 1 February 2023, Kristina Mustonen was appointed as the 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 organizations 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. The Group's greenhouse gas emission reduction targets are to be approved under SBTi.

WHERE WE OPERATE

1,534

stores

BARBORA
MAXIMA **83 stores**

BARBORA
MAXIMA **172 stores**

BARBORA
MAXIMA **251 stores**

BARBORA
stokrotka **916* stores**

(*including 86 franchise stores)

T MARKET **112 stores**

BUSINESS OVERVIEW

Consolidated REVENUE

2022	2021
€5,153.7 million	€4,484.8 million

+14.9%

Retail operators revenue growth by countries

€ million	2022	2021	Change
Lithuania	1,984.9	1,759.5	+12.8%
Latvia	974.6	915.2	+6.5%
Estonia	546.4	519.8	+5.1%
Poland	1,394.8	1,087.0	+28.3%
Bulgaria	239.2	197.5	+21.1%

Consolidated LFL REVENUE

(constant exchange rates)

2022 growth of LFL revenue of retailer operators by country compared to 2021:

+12.1*%

2022

	2022
Lithuania	+12.2%
Latvia	+7.4%
Estonia	+3.9%
Poland	+20.6%
Bulgaria	+10.8%

MARKET SHARE

Retail operators by country

	2022
Lithuania	30.7%
Latvia	23.5%
Estonia	15.3%
Poland	2.3%
Bulgaria	2.6%

* Like-for-like (LFL) in actual exchange rates for 2022 : 11.7%

BUSINESS OVERVIEW

Consolidated EBITDA

€368.9 million	€366.3 million
2022	2021

EBITDA
By retail operations

€ million	2022	2021
Lithuania	174.6	172.8
Latvia	72.7	72.4
Estonia	26.8	31.9
Poland	88.9	80.2
Bulgaria	16.0	13.3

Consolidated NET DEBT TO EBITDA
(inc. lease liability)

2.6 x	2.6x
2022	2021

Consolidated INVESTMENT into fixed assets

€116.0 million	€108.2 million
2022	2021

MAXIMA GROUP

While the Group has demonstrated the resilience throughout the pandemic, the year 2022 has brought new challenges to overcome. Inflation* levels in MAXIMA Group's operating markets varied from 12.5% to 21.7% and electricity prices reached record highs. Consequently, the Group experienced, along with the market, an increase of purchase prices of goods, as well as a two-fold increase in electricity costs compared to prior year.

Faced with these challenges, MAXIMA Group achieved consolidated revenue growth of 14.9% compared to 2021, reaching a total of EUR 5,153.7 million. Positive Like-for-like (LFL) in all operating countries, new brick-and-mortar stores in Poland and Bulgaria, and continued revenue growth of e-commerce drove the Group's revenue increase. The Group's LFL revenue increased by 12.1% (at constant exchange rates.) All of the Group's markets demonstrated positive growth, which has been primarily driven by inflation. Estonia had the lowest market growth, at 12.4%, while Poland had the highest, at 20.6%.

In 2022, the Group's consolidated EBITDA was EUR 368.9 million. The consolidated EBITDA margin fell by 1 p.p. to 7.2% as compared to prior year. In light of rising prices in operating markets and changes in customer behavior, the Group made a decision to maintain affordable prices to customers, resulting in a decline in gross margin. On the other side, the Group monitored expenditure levels and focused on enhancing efficiencies. By converting its stores to a unified standard, the Group ensured more efficient store network, which helped to maintain solid financial results despite a rise in utility prices, wage growth and other inflationary pressures.

MAXIMA GRUPĖ

MAXIMA

stokrotka

T MARKET

BARBORA

MAXIMA INTERNATIONAL SOURCING

FRANMAX

**Inflation of food incl. alcohol and tobacco*

In 2022, the companies of MAXIMA Group invested EUR 116 million in fixed assets, or 2.3% of total Group's revenue, an increase of 7% from EUR 108 million in 2021. The largest investments were made towards expansion in Polish and Bulgarian markets, where the Group expanded its store network by adding 110 STOKROTKA and 14 T-MARKET stores. At the reporting date, the Group operated 1,534 stores in five countries (including 86 franchise stores).

The Group's e-grocery's revenue grew by 4.8% compared to prior year. BARBORA, which operates in the Baltics and Poland, generated the most revenue, while STOKROTKA and T-MARKET also contributed through their e-commerce channels. In 2022, MAXIMA Group focused on expanding its e-commerce presence in Poland, resulting in a three-fold increase in revenue and orders on the Polish market.

At the reporting date, the Group's net debt was EUR 963 million (incl. lease liabilities of EUR 683 million) and decreased by EUR 4.7 million compared to the end of 2021. The Group's financial leverage remained stable for the past couple of years with the net debt/EBITDA ratio at 2.6.

At the end 2022, MAXIMA Group had 38,256 employees, a 0.6% decrease from the prior year, driven mainly by process optimization. In 2022, the Group provided assistance to Ukrainian refugees and at the end of the year, 933 Ukrainians were employed by MAXIMA Group in five countries.

LITHUANIA

Revenue
+12.8%

LFL
+12.2%

Market share
30.7%

Market
+14.3%

EBITDA
€174.6 million

EBITDA margin
8.8%

In 2022, MAXIMA Lithuania maintained its position as market leader with a 30.7% market share. MAXIMA Lithuania revenue grew by 12.8% and reached EUR 1,984.9 million. The increase was achieved by robust 12.2% revenue growth of LFL stores, which was driven by both a higher average shopping basket and a higher number of receipts. MAXIMA Lithuania efforts to implement anti-inflation measures, including reduction of regular prices for key value products, also contributed to positive revenue growth.

In 2022, MAXIMA Lithuania's EBITDA reached EUR 174.6 million, an increase of EUR 1.9 million from the previous year. The EBITDA margin was 8.8%, a decrease of 1 p.p. year-over-year. Despite substantial revenue growth, EBITDA margin was negatively impacted by significant increase in electricity costs, which MAXIMA Lithuania managed to partially offset by reducing other operational costs through enhanced stores' operations.

The year 2022 was significant for MAXIMA Lithuania as the company celebrated its 30th anniversary and marked this occasion with special promotional activities and gifts to clients all through the year. In addition, MAXIMA Lithuania continued store format standardization by rearranging 92 stores in 2022, which made shopping in stores even more convenient.

LATVIA

Revenue
+6.5%

LFL
+7.4%

Market share
23.5%

Market
+17.5%

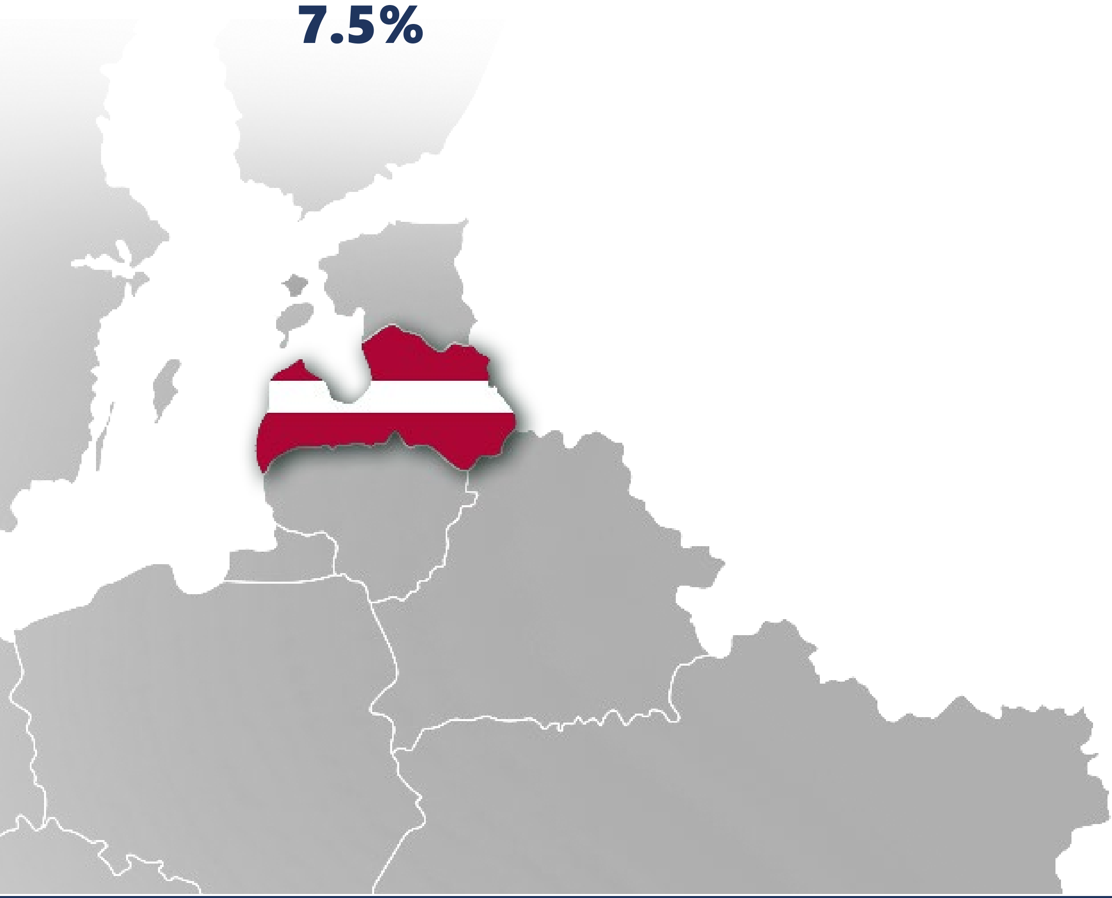
EBITDA
€72.7 million

EBITDA margin
7.5%

In 2022, MAXIMA Latvia's revenue grew by 6.5% reaching EUR 974.6 million. Despite economic challenges and competitive pressure, LFL revenue achieved 7.4% growth. MAXIMA Latvia retained its position as the market leader with a 23.5% market share.

In 2022, MAXIMA Latvia's EBITDA reached EUR 72.7 million with EBITDA margin of 7.5%, or 0.4 p.p. lower than the previous year. EBITDA margin declined due to high inflationary impact on cost of goods and operating expenses, particularly utility and transportation costs. This was partially offset by cost savings from increased operational efficiency in stores.

In 2022, MAXIMA Latvia continued store format standardization, focusing on aligning store layouts and assortment - 62 stores were successfully rearranged.



ESTONIA

Revenue
+5.1%

LFL
+3.9%

Market share
15.3%

Market
+12.4%

EBITDA
€26.8 million

EBITDA margin
4.9%

In 2022, MAXIMA Estonia's revenue grew by 5.1% reaching EUR 546.4 million. Despite the entry of new player into the Estonian retail market, MAXIMA Estonia recorded positive 3.9% increase in like-for-like revenue and remained among the top three market leaders in the country with a 15.3% market share.

In 2022, MAXIMA Estonia's EBITDA reached EUR 26.8 million, a decrease of EUR 5.1 million from the previous year, with an EBITDA margin of 4.9%. Significant inflation-related increases in energy and transportation costs, as well as competitive pricing, contributed to most of the decline.

Despite the challenging year, MAXIMA Estonia remained focused on its store format standardization process. This resulted in the standardization of over 90% of small-format MAXIMA stores in Estonia, significantly enhancing the customer experience and increasing operational efficiency.

POLAND

Revenue[1]
+31.7%

LFL[1]
+20.6%

Market share
2.3%

Market
+20.6%

EBITDA
€88.9
million

EBITDA margin
6.4%

In 2022, STOKROTKA continued to grow significantly in the Polish market and achieved revenue of EUR 1,394.8 million, a substantial increase of 28.3% (31.7% at constant exchange rates) compared to the previous year.

STOKROTKA's focus on proximity and fast shopping experience enabled it to achieve a positive quantity LFL and LFL revenue growth of 20.6%, in line with the market. The expansion of store network contributed 11.1 p.p. to the total revenue growth.

In 2022, STOKROTKA's EBITDA reached EUR 88.9 million with a margin of 6.4%, showing an EUR 8.6 million increase over the previous year, despite a 1 p.p. decrease in EBITDA margin due to inflationary pressure and high electricity costs.

During the reporting period, STOKROTKA expanded its retail presence by 110 stores, including franchises. Consequently, STOKROTKA was among the fastest growing retailers on the market and consolidated its position among the top 10 players in a highly fragmented Polish market.

[1]*At constant exchange rates.*

BULGARIA

Revenue
+21.1%

LFL
+10.8%

Market share
2.6%

Market
+16.6%

EBITDA
€16.0 million

EBITDA margin
6.7%

In 2022, T-MARKET continued to grow on the Bulgarian market, demonstrating solid financial performance and capturing a 2.6% market share.

In comparison to the prior year, MAXIMA Bulgaria’s revenue increased significantly by 21.1% to reach EUR 239.2 million. This growth was reinforced by the opening of 14 new stores and T-MARKET ’s wide ranging promotional activities.

Despite facing challenges such as inflation, high energy and transportation costs, T-MARKET managed to optimize its supply chain, control costs and reduce losses of goods by unifying its store formats. This resulted in an EBITDA increase of EUR 2.7 million compared to the previous year, with EBITDA reaching EUR 16 million and EBITDA margin remaining unchanged at 6.7%.

E-COMMERCE

Gross revenue

+4.8%

Orders

3.8 million

MAXIMA Group operates multiple e-commerce channels, with BARBORA accounting for the majority of the Group's revenue and the online channels of STOKROTKA and T-MARKET retail chains also contributing. BARBORA is the largest online grocery store in the Baltics, satisfying the growing demand for convenient and safe options for grocery shopping. BARBORA is one of the top players in the e-commerce market in Poland, having successfully established itself in just two years.

As the leading e-grocery store in the Baltic region, BARBORA continues to expand its presence in Poland and drive the Group's e-commerce revenue growth. In 2022, revenue of goods sold in all Groups e-commerce channels amounted to EUR 162.4 million, from which BARBORA contributed EUR 155.4 million, reaching a 3.8% increase from the previous year. From total 3.8 million Group's e-commerce orders delivered, BARBORA delivered more than 2.9 million in the Baltics and 0.6 million in Poland in a year.

BARBORA manages its operations using two distinct models, omni-channel in the Baltics and pure player through three dark stores in Poland, and offers customers with the option to order groceries online for home delivery, drive-in pickup or drive-through pickup. BARBORA continues to prioritize achieving efficiency in its order picking and delivery processes, as well as exploring options to automate parts of its distribution. The EBITDA for the year 2022 was negative by EUR 23.7 million, due to further expansion into the Polish market and the decision to invest in the BARBORA's app and website to enhance the quality of customer service.

PLANS AND FORECASTS

The Group's focus is on maintaining its current leading position in the Baltic markets and exploring further opportunities to expand its presence in Bulgarian and Polish markets. From operational side, MAXIMA Group continues its store unification program, creating standardised formats and a more efficient store network. Additionally, the Group develops its sourcing processes for further efficiencies, as well as implements unified IT systems and solutions for energy consumption decrease. No less important for the Group is continually strengthening the proportion of private labels in its product assortment.

Given the uncertainties surrounding macroeconomic trends such as slowing economic growth, increasing interest rates and inflation levels, the Group's management is actively monitoring the situation and is prepared to adjust business operations locally as needed. In addition, the Group will continue to focus on attractive pricing and promotions to support its customers in a high inflation environment.

MAXIMA Group takes responsibility to position itself for sustainable growth over the long-term. As the year 2022 was highlighted with decarbonization project where the Group set the target to reduce its GHG Scope 1 and Scope 2 emissions level by 42% by 2023, and to achieve, that 67% of Group's suppliers' (GHG emission wise) would set their GHG emissions reduction targets by the same 2030, in the upcoming years the Group companies will focus on implementing these goals.

The Group seeks to maintain sustainable leverage and sufficient liquidity levels. Also continuously reviews its maturity profile and funding options including the debt capital markets, local or international banks to ensure that it is well positioned for any refinancing opportunities.

CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report

To the shareholder of MAXIMA GRUPĖ, UAB

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MAXIMA GRUPĖ, UAB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2022, and of the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 30 March 2023.

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

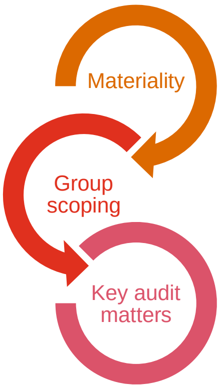
Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial Statements that are relevant to our audit of the consolidated financial statements in the Republic of Lithuania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Law of the Republic of Lithuania on the Audit of Financial Statements.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements. The non-audit services that we have provided to the Group, in the period from 1 January 2022 to 31 December 2022 are disclosed in Consolidated Annual Report section *Information on non-audit services*.

Our audit approach

Overview



- Overall Group materiality: EUR 14,000 thousand

- We conducted audit work at 15 reporting units, located in Bulgaria, Estonia, Latvia, Lithuania and Poland.
- Our audit addressed 99% of the Group's total assets and 99% of the Group's total revenues.

- Goodwill impairment assessment
- Property, plant and equipment and right-of-use assets impairment assessment
- Lease term determination and application of discount rate

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall materiality	EUR 14,000 thousand (2021: EUR 12,700 thousand)
How we determined it	0,3 % of Group's total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark because total revenues are one of the Group's key performance indicators analysed by the management and communicated to the shareholder and, in our view, it is an appropriate measure of the size of the Group. Total revenues are also a more stable measure compared to profitability ratio.

	We chose the threshold of 0,3 %, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We informed the Audit Committee that we would report to them misstatements identified during our audit above EUR 980 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
Refer to accounting policy on impairment testing in note 2.5 ,,Goodwill" , accounting estimates and assessments in note 3.2 ,,Key sources of estimation uncertainty" and note 9 ,,Goodwill". The Group's goodwill balance amounted to EUR 205,819 thousand as at 31 December 2022. Goodwill has to be tested for impairment at least annually. When determining the recoverable amount (higher of value in use and fair value less costs to sell) the management is required to use judgment in identifying the relevant cash-generating units and determining their recoverable amounts. The recoverable amounts are based on the cash flow forecasts covering the management's estimate of key value driver inputs and external market indicators: inflation rate, revenue growth rate, competition, capital expenditures, and discount rates applied. No impairment was recognised in the current reporting period as the recoverable amount of the relevant cash-generating units was higher than their carrying amount. We focused on this area because the balance of goodwill was material, and the impairment assessment involved the management's significant judgements about the future results and the discount rates used in the cash flow forecast.	We obtained an understanding of the management's process over the impairment testing. We evaluated the way in which the management identified the Group's cash-generating units to which goodwill was allocated. Our audit procedures also included challenging the management on the appropriateness of the impairment models and reasonableness of the assumptions used, by performing the following: - Assessing reliability of the cash flow forecast, by checking the actual past performance and comparing it against the previous forecasts, and by inspecting the internal documents, such as budgets for 2023–2027; - Benchmarking the market-related assumptions, such as discount rates and long-term growth rates against the external data. Where it was considered necessary, we involved our valuation experts; - Testing the mathematical accuracy of the model and sensitivity of the impairment test to the key inputs. Finally, we have reviewed the adequacy of the disclosures in the Group's consolidated financial statements.

Property, plant and equipment and right-of-use assets impairment assessment

Refer to accounting policy on impairment testing in note 2.9 ,,Impairment of non-financial assets (except for goodwill), accounting estimates and assessments in note 3.2 ,, Key sources of estimation uncertainty", note 5 ,,Property, plant and equipment" and note 6 ,,Leases"

The Group's property, plant and equipment and right-of-use assets amounted to EUR 790,280 thousand and EUR 649,393 thousand, respectively, thereby representing around 57% of total assets reported in the Group's consolidated statement of financial position as at 31 December 2022. The Group assessed existence of impairment indicators for property, plant and equipment and right-of-use assets as at 31 December 2022.

The Group performed the annual impairment test for those items assets, for which impairment indicators were identified as at 31 December 2022. The test was based on the estimated recoverable amounts of the Group's cash-generating units (individual stores). The annual impairment test involves the management's judgments regarding the assumptions used in the underlying cash flow forecasts covering the management's estimate of key value driver inputs and external market indicators: inflation rate, revenue growth rate, competition, capital expenditures, and discount rates applied.

For property, plant and equipment and right-of-use assets, the Group recognised additional impairment charges of EUR 1,678 thousand and EUR 2,308 thousand, respectively, and a reversal of impairment charges of EUR 977 thousand and EUR 1,950 thousand, respectively, in 2022.

Based on the above, we considered it to be a key audit matter.

We obtained an understanding of the management's procedures in relation to the impairment assessment of the property, plant and equipment and right-of-use assets.
Among other procedures, we involved a valuation expert to assist us with the review of the management´s impairment model structure and composition, as well as the discount rates used by the management in the impairment test.

-We also considered the key assumptions used by the management when estimating the cash flow forecasts, including the projected trends in the level of revenue, costs, and capital expenditures by comparing them against the historical performance levels and the management's projected changes in the future.

-We tested sensitivity of the available headroom by considering whether a reasonably possible shift in assumptions might cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

-We have also assessed the historical accuracy of the management's forecast.

Finally, we have reviewed the adequacy of the disclosures in the Group's consolidated financial statements about the assumptions used in and the outcome of the impairment test.

Lease term and the discount rate determination

Refer to accounting policy on lease liabilities and subleases in note 2.19 ,,Leases", accounting estimates and assessments in note 3.1 "Critical judgments in applying the accounting policy" and note 3.2 ,, Key sources of estimation uncertainty" and note 6 ,,Leases".

During our audit procedures, we analysed completeness and accuracy of new, modified or remeasured lease contracts that were identified and recorded in the lease accounting system during 2022; assessed whether it was reasonably certain that the lease extension options would be

As at 31 December 2022, the Group's right-of-use assets amounted to EUR 649,393 thousand, net investment in lease amounted to EUR 14,434 thousand, and lease liabilities amounted to EUR 683,286 thousand.

We focused on this area because the reported balances were material, the process for identifying and reporting all relevant lease-related data (including IT software and controls) was complex, and the measurement of the right-of-use assets and lease liabilities involved the use of assumptions, such as discount rates and the lease terms, including the termination and renewal options.

exercised; assessed the discount rates used; and on a sample basis recalculated the right-of-use assets and lease liability:

- We obtained an understanding of the internal processes around the identification of leases, and obtained the related lease contract data;

- We read the policy listing the factors, such as economic incentives, geographical location of a store, leasehold improvements and other, to be considered in determining the lease term, including the extension options. We tested the management's assessment of those factors and whether it was reasonably certain that the lease extension options would be exercised, by reviewing the contractual terms, business plans, and other relevant information;

- For the lease contracts where the management used the incremental borrowing rate as a discount rate, we reviewed the methodology and assumptions used by the management, and compared them against the borrowing rates confirmed by the SEB bank AB;

- For the lease contracts where the management used the interest rate implicit in the lease as a discount rate, we tested the key assumptions, including the fair value determined for the leased asset at the commencement and termination dates of the lease;

- We involved a valuation expert to assist us with the review of the management´s assumptions to determine the interest rate implicit in the lease;

- We assessed completeness and accuracy of the input data used in the calculation, by reconciling the inputs to the lease contracts and discount rates determined by the management, and tested them on a sample basis;

- For a sample of lease contracts, we checked whether the contracts were appropriately identified as a lease, whether appropriate lease terms and discount rates were determined, and whether that the lease liability and the right-of-use asset were recognised and measured in accordance with IFRS 16, Leases;

- We recalculated on a sample basis the right-of-use asset and the lease liability for the selected lease contracts, and verified the mathematical accuracy of the calculation;

- For the same sample of lease contracts, we recalculated the lease payments, interest and

	amortisation charges recognised during the period; We also read the disclosures in the consolidated financial statements regarding the right-of-use assets and the lease liabilities.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group comprises of a number of subsidiaries operating in Bulgaria, Estonia, Latvia, Lithuania and Poland (refer to Note 1 of the consolidated financial statements). A full-scope audit was performed by us or based on our instructions by PwC entities represented in the following countries: Bulgaria, Estonia, Latvia and Poland on the financial information of the following Group entities:

- Barbora Polska Sp.z.o.o. ;
- Barbora UAB;
- Elpro Development S.A.;
- Emperia Holding S.A.;
- Franmax UAB;
- Maxima Bulgaria EOOD;
- Maxima Eesti OU;
- Maxima Latvia SIA;
- Maxima Grupe UAB;
- Maxima LT UAB;
- Maxima International Sourcing UAB;
- Patrika SIA;
- Radas UAB;
- Stokrotka Sp.z.o.o.;
- Supersa OU.

For real estate entities of the Group, the Group engagement team carried out audit work on the selected balances and transactions, which were assessed by us as material from the Group audit perspective. For the remaining components we performed analytical review at the Group level. This together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group's consolidated financial statements as a whole.

Reporting on other information including the consolidated annual report

Management is responsible for the other information. The other information comprises the consolidated annual report, including the corporate governance report and the social responsibility report (but does not include the consolidated financial statements and our auditor's report thereon).

Our opinion on the consolidated financial statements does not cover the other information, including the consolidated annual report.

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

With respect to the consolidated annual report, including the corporate governance report, we considered whether the consolidated annual report, including the corporate governance report, includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Reporting by Groups of Undertakings and Law of the Republic of Lithuania on Reporting of Undertakings.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the consolidated annual report, including the corporate governance report, for the financial year for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the consolidated annual report, including the corporate governance report, has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Reporting by Groups of Undertakings and Law of the Republic of Lithuania on Reporting of Undertakings.

The Group presented the social responsibility report as a part of the consolidated annual report.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated annual report which we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group on 2 May 2019 and reappointed on 9 June 2022 and had an uninterrupted engagement appointment of 4 years.

The key audit partner on the audit resulting in this independent auditor's report is Rimvydas Jogėla.

On behalf of PricewaterhouseCoopers UAB

Rimvydas Jogėla
Partner
Auditor's Certificate No. 000457

Vilnius, Republic of Lithuania
30 March 2023

The auditor's electronic signature is used herein to sign only the Independent Auditor's Report

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

Consolidated statement of financial position

	Notes	At 31 December 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	5	790 280	749 310
Right-of-use assets	6	649 393	660 626
Investment properties	7	14 212	18 412
Intangible assets (except for goodwill)	8	38 939	42 737
Goodwill	9	205 819	207 073
Non-current receivables and prepayments	10	17 012	16 908
Deferred tax assets	11	7 588	7 255
		1 723 243	**1 702 321**
Current assets			
Inventories	12	413 988	345 322
Trade and other receivables, prepayments and other short-term financial assets	13	93 459	75 618
Cash and cash equivalents	14	286 712	219 045
		794 159	**639 985**
TOTAL ASSETS		**2 517 402**	**2 342 306**
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 019 263	1 019 263
Share premium	15	41 352	41 352
Legal reserve	16	65 051	53 359
Reverse acquisition reserve	16	(1 430 271)	(1 430 271)
Other reserves		(364)	342
Foreign currency translation reserve		(39 392)	(32 933)
Retained earnings		761 515	763 810
Total equity		**417 154**	**414 922**
Non-current liabilities			
Borrowings (except for lease liabilities)	17	348 094	403 553
Lease liabilities	6	578 023	585 170
Deferred tax liabilities	11	17 148	15 734
Other non-current liabilities		7 641	5 934
		950 906	**1 010 391**
Current liabilities			
Borrowings (except for lease liabilities)	17	218 785	100 645
Lease liabilities	6	105 263	97 840
Current income tax liabilities		8 115	2 588
Trade and other payables	18	817 179	715 920
		1 149 342	**916 993**
Total liabilities		**2 100 248**	**1 927 384**
TOTAL EQUITY AND LIABILITIES		**2 517 402**	**2 342 306**

Agnė Voverė
Chief Executive Officer

Lauryna Šaltinė
Chief Financial Officer

The consolidated financial statements have been approved and signed electronically on 30 March 2023.

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 2022	2021
Revenue	4, 19	5 153 712	4 484 771
Cost of sales		(4 774 101)	(4 116 152)
Operating expenses	20	(197 238)	(179 544)
Other gains (losses)	22	114	2 505
Profit from operations		**182 487**	**191 580**
Finance income	21	1 119	503
Finance costs	21	(53 930)	(38 079)
Finance costs, net		(52 811)	(37 576)
Profit before tax		**129 676**	**154 004**
Income tax expense	23	(25 279)	(18 623)
Net profit	4	**104 397**	**135 381**
Net profit attributable to:			
Equity holders of the parent		104 397	135 381
		104 397	**135 381**
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		(6 459)	(2 876)
Net gain (loss) on cash flow hedges	26.2	(706)	964
Other comprehensive income		**(7 165)**	**(1 912)**
Total comprehensive income		**97 232**	**133 469**
Total comprehensive income attributable to:			
Equity holders of the parent		97 232	133 469
		97 232	**133 469**

(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 transla-tion reserve	Retained earnings	Total equity
At 1 January 2021		**1 019 263**	**41 352**	**43 767**	**(1 430 271)**	**(622)**	**(30 057)**	**744 021**	**387 453**
Profit for the year		-	-	-	-	-	-	135 381	135 381
Other comprehensive income		-	-	-	-	964	(2 876)	-	(1 912)
Total comprehensive income for the year		-	-	-	-	*964*	*(2 876)*	*135 381*	*133 469*
Transfer to legal reserve	16	-	-	9 592	-	-	-	(9 592)	-
Dividends	25	-	-	-	-	-	-	(106 000)	(106 000)
Total transactions with shareholders recognised directly in equity		-	-	*9 592*	-	-	-	*(115 592)*	*(106 000)*
At 31 December 2021		**1 019 263**	**41 352**	**53 359**	**(1 430 271)**	**342**	**(32 933)**	**763 810**	**414 922**
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	25	-	-	-	-	-	-	(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**

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

Consolidated statement of cash flows

	Notes	Year ended 31 December 2022	2021
OPERATING ACTIVITIES			
Net profit		104 397	135 381
Adjustments for:			
Depreciation	5, 6, 7	171 479	160 678
Amortisation	8	11 372	9 030
Property, plant & equipment, intangible assets, right-of-use assets impairment charge (reversal)	20	1 682	2 843
(Profit) / loss on disposal and write-offs of property, plant and equipment and intangible assets	5, 8, 22	1 889	55
Gain on bargain purchase of shares in subsidiary		(48)	-
(Profit) / loss on disposal of subsidiaries	22	-	(194)
Income tax expense	23	25 279	18 623
Interest expenses	21	52 600	38 810
Interest and other finance income	21	(1 119)	(503)
Changes in working capital			
- trade and other receivables		(15 305)	(5 762)
- inventories		(69 593)	(7 153)
- reverse factoring arrangements	18	2 119	3 880
- trade and other payables		101 593	28 679
Cash generated from operations		**386 345**	**384 367**
Income tax paid	23	(23 016)	(22 439)
Net cash generated from operating activities		**363 329**	**361 928**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and investment properties	5, 7, 8	(127 833)	(105 715)
Proceeds from disposal of property, plant and equipment		4 189	4 905
Acquisition of subsidiaries, net of cash acquired		(24)	-
Proceeds (outflow) from disposal of subsidiaries, net of cash disposed		-	(51)
Loans granted		-	(320)
Proceeds from repayment of loans granted		198	151
Interest received		340	11
Acquisition of lease contracts		-	(4 375)
Finance sublease receivable collected		3 848	3 100
Net cash (used in) investing activities		**(119 282)**	**(102 294)**
FINANCING ACTIVITIES	28		
Proceeds from borrowings		327 531	57 915
Repayment of borrowings		(292 528)	(50 525)
Payment of principal portion on lease liabilities		(95 073)	(88 420)
Dividends paid	25	(95 000)	(106 000)
Interest paid, including interest on leases		(44 322)	(37 271)
Net cash (used in) financing activities		**(199 392)**	**(224 301)**
Net increase (decrease) in cash and cash equivalents		**44 655**	**35 333**
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE BEGINNING OF THE YEAR	14	**218 856**	**183 523**
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE END OF THE YEAR	14	**263 511**	**218 856**

(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 Savanoriu av. 5, 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 2022 and 2021, 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. There were no significant business combinations in 2022 and 2021.

Significant subsidiary	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2022	2021	
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 2022, the Group employed 38.3 thousand employees (total remuneration related costs amounted to EUR 535 million in 2022 (31 December 2021: 38.5 thousand employees, remuneration related costs EUR 495 million, net of government grant of EUR 2 million (Note 24).

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 30 March 2023. 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 2022.

(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

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. The cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
  These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment under preparation for its intended use on or after the beginning of the earliest period presented.

- The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
  These amendments had no impact on the consolidated financial statements of the Group as the Group had no onerous contracts for which it had not yet fulfilled all its obligations as of 1 January 2022.

- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. The amendment also clarifies that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

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

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
  These amendments had no impact on the consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
  These amendment had no impact on the consolidated financial statements of the Group.

- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
  These amendments had no impact on the consolidated financial statements of the Group as it is not a first-time adopter.

Several other amendments apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group for the year ended 31 December 2022.

IFRSs issued but not yet effective

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2023, yet not applied in preparing these consolidated financial statements are presented below. The new accounting pronouncements have been endorsed by the European Union unless otherwise stated. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024)
These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

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

These Amendments have not yet been endorsed by the EU. The Group has not yet assessed the impact of the amendments.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (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 provides the definition of material accounting policy information. The amendment also clarifies 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 provides 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 clarifies 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 Group has not yet assessed the impact of the amendments.

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).
The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates.
The Group has not yet assessed the impact of the amendments

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (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.
The amendments will not have impact on the consolidated financial statements of the Group as the Group currently recognises deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

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. Consolidation

All entities controlled by the Company (its subsidiaries) are consolidated. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the accounting policies of subsidiaries to bring them into line with those used by the Group.

All material intra-group transactions, balances, income and expenses and unrealised profit (loss) between Group companies are eliminated on consolidation.

For disclosure on reverse acquisition reserve, please refer to Note 16.

2.4. Business combinations

The acquisition of subsidiaries, including entities under common control in cases when the transaction has a substance from the perspective of the Group, is accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRSs are recognised at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

2.5. 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

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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2.6. 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 – 43 years
Equipment and other assets	2 – 12 years
Vehicles	2 – 4 years

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

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.

Land is not depreciated.

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.

2.7. 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 the recipient 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.

2.8. 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	3 - 5 years

2.9. 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. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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

2.11. 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.

2.11.1. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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 2.15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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

For purposes of subsequent measurement, financial assets are classified in the below categories:

- Financial assets at amortised cost,
- Financial assets at fair value through OCI,
- Financial assets at fair value through profit or loss.

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.

b) Financial assets at fair value through OCI

in 2022 and 2021 the Group did not have financial assets at fair value through OCI.

c) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised in profit or loss as other income when the right of payment has been established.

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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, adjusted for forward-looking factors specific to the debtors and the economic environment. 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.

2.11.2. 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 tabular amounts are in EUR thousands unless otherwise stated)

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.

Subsequent measurement

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.

Derecognition

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.

2.11.3. Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

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

2.11.4 Reverse factoring arrangements (supply chain financing arrangements)

Supply chain financing arrangement is a reverse factoring arrangement, where a financial institution agrees to pay amounts the Group owes to the suppliers and the Group agrees to pay the financial institution a date later than suppliers are paid. The Group presents liabilities that are part of a reverse factoring arrangement as part of trade and other payables only when those liabilities have a similar nature and function to trade and other payables. In assessing whether it is required to present such liabilities separately, the Group considers the amounts, nature and timing of those liabilities. The Group's reverse factoring arrangements are presented within trade and other payables in the consolidated statement of financial position. As the reverse factoring arrangements are closely related to operating 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.

2.12. 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.

2.13. 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 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:

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

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).

2.14. 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.

2.15. 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.

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

Retail revenue is recognised at a point in time.

b) Commission income

For certain products and services, e.g. lottery tickets, prepaid telephone cards, 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 receivable from the principle is recognised when cash 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 2.11.1.

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.

2.16. 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.

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

The Group's cost of sales can be sub-divided into: the cost of goods sold (accounting for approximately 80 per cent of the total cost of sales for the year ended 31 December 2022 (2021: approximately 80 per cent), employee remuneration costs (accounting for approximately 10 per cent of the total cost of sales for the year ended 31 December 2022 (2021: 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 2022 (2021: approximately 10 per cent).

2.17. 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. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax rate is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. 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:

	2022	2021
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.

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.

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

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 makes provision for the taxes payable on the estimated dividend to be distributed in the foreseeable future from the retained earnings of Latvian and Estonian subsidiaries.

2.18. 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) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan and agreements signed with employees without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

c) 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.

2.19. 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.

2.19.1. 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 2.9.

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.

2.19.2. 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.

2.19.3. 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 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)

2.20. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised in profit or loss on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Such grants are deducted from related expenses.

2.21. 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.

2.22. 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.

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

2.23. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.24. Related parties

Related parties include the following persons and entities:
a) A person (or a close member of that person's family) is related to the Group if the person:
(i) has control or joint control over the Group
(ii) has significant influence over the Group, or
(iii) is a member of the key management personnel of the Group, or of a parent of the Group.
(b) The Group (A) is related to another entity (B) if:
(i) A and B are members of the same group (that is, all entities within a group are related to each other)
(ii) B is controlled or jointly controlled by a person identified in (a) above
(iii) a person who has control or joint control over A has significant influence over B or is a member of the key management personnel of B.

2.25. 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:

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 (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.

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

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 investment property only if that property could be sold separately. If the property requires the separation before the portions can be sold 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 original suppliers.

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 2022 and 2021 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.

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 discount rates ranged from 6.5 to 8.7 percent (2021: 5.1 – 7.7 percent) and terminal growth rate was from 1.0 to 1.5 percent (2021: 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. Further information 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 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 6.5 to 8.7 percent (2021: 5.1 to 7.7 percent) and terminal growth rates range from 1.0 to 1.5 percent (2021: 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 7.6 to 10.7 percent (2021: 6.0 to 9.6 percent).

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

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

Allocation of transaction price to the loyalty programme points

The Group operates a loyalty programme, which allows customers to accumulate points when they purchase products in the Group's retail stores and online. The points can be redeemed for payment of part of next purchase. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, in the management's view, the promise to provide loyalty points to the customer is a separate performance obligation. The transaction price is allocated to the product and the loyalty points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. See Note 18 for contract liabilities as at the year end.

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 29) and accordingly recognises necessary provisions and / or discloses in the consolidated financial statements.

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 2022, 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.

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 and write-off 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)

	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**

	2021						
	Retail						
	Lithuania	**Latvia**	**Estonia**	**Poland**	**Bulgaria**	**E-commerce**	**Total retail**
Revenue	1 759 492	915 221	519 770	1 087 036	197 457	44 447	4 523 423
incl. external customers	*1 750 300*	*914 925*	*519 629*	*1 081 205*	*197 457*	*11 911*	*4 475 427*
incl. inter-segment	*9 192*	*296*	*141*	*5 831*	-	*32 536*	*47 996*
EBITDA	**172 772**	**72 367**	**31 921**	**80 215**	**13 257**	**(14 789)**	**355 743**
Interest expenses	13 560	5 093	3 373	13 394	3 103	200	38 723
Depreciation and amortisation	75 800	35 019	23 527	56 873	9 876	2 733	203 828
Net profit (loss)	**84 700**	**31 887**	**6 509**	**8 593**	**395**	**(17 591)**	**114 493**

	2021						
	Total retail	**Real estate**	**Other segments**	**Total reported segments**	**Other**	**Consolidation adjustments**	**Total**
Revenue	4 523 423	62 413	188 439	4 774 275	3 710	(293 214)	4 484 771
incl. external customers	*4 475 427*	*5 018*	*1 378*	*4 481 823*	*574*	*2 374*	*4 484 771*
incl. inter-segment	*47 996*	*57 395*	*187 061*	*292 452*	*3 136*	*(295 588)*	-
EBITDA	**355 743**	**59 628**	**11 534**	**426 905**	**(4 227)**	**(56 376)**	**366 302**
Interest expenses	38 723	2 188	263	41 174	12 522	(14 886)	38 810
Depreciation and amortisation	203 828	26 986	3 194	234 008	664	(64 965)	169 707
Net profit (loss)	**114 493**	**26 552**	**6 892**	**147 937**	**236 678**	**(249 234)**	**135 381**

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

Segments' net profit (loss) includes dividends received from directly controlled subsidiaries. During the year ended 31 December 2022 dividends included in the Lithuania segment's net profit (loss) amounted to EUR 16,537 thousand (2021: EUR 13,346 thousand), in Latvia segment's net profit (loss) amounted to EUR 704 thousand (2021: EUR 917 thousand) and in Estonia segment's net profit (loss) amounted to EUR 3,045 thousand (2021: EUR 2,020 thousand).

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

	2022	**2021**
Lithuania	1 985 849	1 758 667
Latvia	975 062	915 393
Estonia	547 429	520 357
Poland	1 406 163	1 092 897
Bulgaria	239 209	197 457
	5 153 712	**4 484 771**

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

	2022	**2021**
Lithuania	432 526	447 091
Latvia	428 603	436 589
Estonia	174 044	178 046
Poland	579 168	535 379
Bulgaria	84 302	81 053
	1 698 643	**1 678 158**

(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 2021	953 293	467 577	1 181	28 595	1 450 645
Additions	18 953	43 042	374	43 057	105 426
Disposals and write-offs	(8 347)	(22 590)	(1 075)	(515)	(32 527)
Exchange differences	(1 789)	(207)	(24)	313	(1 707)
Reclassifications (to) from other assets	1 371	(1 422)	2 231	(1 882)	298
Disposal of subsidiaries (Note 22)	-	(3)	-	-	(3)
Reclassifications	22 313	15 563	23	(37 898)	-
At 31 December 2021	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
Accumulated depreciation and impairment					
At 1 January 2021	474 094	257 990	228	4 711	737 024
Depreciation	21 515	38 321	475	-	60 310
Impairment charge (reversal)	(79)	1 429	-	15	1 365
Disposals and write-offs	(6 371)	(20 552)	(963)	-	(27 887)
Exchange differences	(347)	(727)	12	502	(560)
Reclassifications (to) from other assets	35	320	2 216	-	2 571
At 31 December 2021	488 847	276 781	1 968	5 228	772 823
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
Carrying amount					
At 31 December 2022	**477 576**	**285 500**	**675**	**26 529**	**790 280**
At 31 December 2021	**496 947**	**225 179**	**742**	**26 442**	**749 310**

In 2022, major part of depreciation of property, plant and equipment was accounted for as cost of sales – EUR 62,791 thousand (2021: EUR 55,480 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 216,192 thousand (2021: EUR 237,638 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 1 and 6 years. Land is leased for a period between 2 and 89 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 2022	14 777	623 062	11 554	**649 393**
At 31 December 2021	14 066	635 915	10 645	**660 626**

Additions to the right-of-use assets during 2022 were EUR 89,850 thousand (2021: EUR 84,218 thousand). In 2022, the Group recognised impairment of right-of-use assets amounting to EUR 358 thousand (2021: EUR 1,047 thousand).

The Group has pledged lease contracts, representing right-of-use assets with the total carrying value of EUR 2,497 thousand (2021: EUR 1,426 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
2022	530	96 514	6 768	**103 812**
2021	495	93 398	6 019	**99 912**

Interest expenses on lease liabilities are disclosed in Note 21. In 2022 expenses relating to short-term leases amounted to EUR 3,152 thousand (2021: EUR 2,597 thousand) and expenses of leases of low-value assets amounted to EUR 3,873 thousand (2021: EUR 3,515 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 2022, potential future cash outflows of EUR 209,292 thousand (2021: EUR 218,373 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.

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.

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

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

	2022	2021
In the first year	3 636	2 934
In the second year	3 006	2 648
In the third year	2 683	2 183
In the fourth year	2 157	1 948
In the fifth year	1 790	1 580
After 5 years	3 923	4 455
	17 195	**15 748**
Unearned finance income	(2 761)	(2 590)
Net investment in the lease	**14 434**	**13 158**

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:

	2022	2021
Not later than 1 year	20 150	20 816
Later than 1 year and no later than 5 years	38 611	34 808
Later than 5 years	14 748	17 002
	73 509	**72 626**

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

7. Investment properties

	Land and buildings
Cost	
At 1 January 2021	18 022
Additions	2 760
Disposals	(292)
Exchange differences	(182)
Reclassifications (to) from other assets	(32)
At 31 December 2021	20 276
Additions	-
Disposals	(3 050)
Exchange differences	(383)
Reclassifications (to) from other assets	(1 853)
At 31 December 2022	14 990
Accumulated depreciation	
At 1 January 2021	1 440
Depreciation	456
Disposals	(61)
Exchange differences	29
At 31 December 2021	1 864
Depreciation	474
Disposals	(1 092)
Exchange differences	(92)
Reclassifications (to) from other assets	(376)
At 31 December 2022	778
Carrying amount	
At 31 December 2022	**14 212**
At 31 December 2021	**18 412**

As of 31 December 2022, the fair value of investment properties amounted to EUR 15,342 thousand (2021: EUR 18,400 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 (2021: 7 – 14.9 percent).

The Group has pledged investment property with the total carrying value of EUR 4,300 thousand (2021: EUR 6,383 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 2021	15 027	60 516	1 500	5 563	82 605
Additions	4 687	-	-	498	5 185
Disposals and write-offs	(721)	-	-	(9)	(730)
Exchange differences	(166)	(314)	(13)	28	(465)
Reclassifications	(46)	-	-	46	-
Reclassifications from (to) other assets	200	-	-	254	454
At 31 December 2021	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
Accumulated amortisation					
At 1 January 2021	10 349	21 465	204	4 220	36 238
Amortisation	2 456	5 886	41	647	9 030
Impairment charge (reversal)	-	-	-	431	431
Disposals and write-offs	(712)	-	-	(9)	(721)
Exchange differences	(42)	(81)	(2)	39	(86)
Reclassifications	511	1 332	-	(1 843)	-
Reclassifications from (to) other assets	-	-	-	(580)	(580)
At 31 December 2021	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
Carrying amount					
At 31 December 2022	**12 572**	**23 972**	**1 190**	**1 207**	**38 939**
At 31 December 2021	**6 419**	**31 600**	**1 244**	**3 475**	**42 737**

Part of amortisation of intangible assets is accounted for as costs of sales – EUR 264 thousand in 2022 (2021: EUR 385 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 23,093 thousand as of 31 December 2022 (2021: EUR 25,795 thousand) and it is amortised over the remaining useful life of 10 years (2021: 11 years).

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

9. Goodwill

At 1 January 2021	207 670
Exchange differences	(597)
At 31 December 2021	207 073
Exchange differences	(1 254)
At 31 December 2022	**205 819**

For the purpose of impairment testing, the goodwill as of 31 December 2022 and 2021 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.

	2022	2021
Retail - Lithuania	19 998	20 283
Retail - Latvia	134 300	134 440
Retail - Estonia	12 185	12 291
Retail - Poland	39 183	39 906
Retail - Bulgaria	153	153
	205 819	**207 073**

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 2022 and 2021 impairment tests did not result in additional goodwill impairment.

10. Non-current receivables and prepayments

	2022	2021
Net investment in the lease	11 404	10 738
Prepayments	5 608	6 170
	17 012	**16 908**

(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 2021	**2 328**	**559**	**1 056**	**1 986**	**8 132**	**4 379**	**18 441**
(Charged) / credited to statement of comprehensive income	609	(23)	(1 048)	136	(638)	1 180	215
Disposal of subsidiaries (Note 22)	(56)	-	-	-	-	-	(56)
Exchange differences	(9)	-	(2)	(16)	(1)	(36)	(64)
Other	1	-	-	-	(2 020)	2 018	-
At 31 December 2021	**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**

Deferred tax liabilities	Different depreciation and amortisation rates	Fair value adjustments	Investments in subsidiaries	Total
At 1 January 2021	**10 854**	**13 779**	**2 117**	**26 750**
Charged / (credited) to statement of comprehensive income	2 976	(2 162)	(494)	320
Exchange differences	(60)	4	-	(56)
At 31 December 2021	**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**

As of 31 December 2022 deferred tax assets to be realised within one year amounted to EUR 12,027 thousand and deferred tax liabilities to be settled within one year amounted to EUR 7,887 thousand (2021: EUR 9,560 thousand and EUR 6,890 thousand, respectively).

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

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 2022 the Group recognised deferred tax liability of EUR 3,945 thousand (2021: EUR 1,623 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 which deferred tax liabilities have not been recognised amounted to EUR 137,688 thousand as of 31 December 2022 (2021: EUR 117,537 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 2022 the Group did not recognise deferred income tax assets of EUR 5,786 thousand (2021: EUR 2,929 thousand) in respect of tax losses amounting to EUR 32,250 thousand (2021: EUR 17,088 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:

	2022	**2021**
Within 1 year	17	4
Within 2 years	3	226
Within 3 years	65	3
Within 4 years	8 759	385
Within 5 years	14 877	8 520
Indefinitely	8 529	7 950
Total	**32 250**	**17 088**

12. Inventories

	2022	**2021**
Goods for resale	403 022	332 013
Goods in transit	5 716	7 524
Materials	5 250	5 785
	413 988	**345 322**

The allowances for net realisable value of inventories comprise EUR 20,936 thousand (2021: EUR 16,687 thousand). The change in allowance for inventory is accounted for in cost of sales. In 2022, increase in allowance amounting to EUR 4,249 thousand was included in cost of sales (2021: decrease of EUR 3,452 thousand).

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

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

	2022	**2021**
Trade receivables	11 735	8 800
Other receivables	55 373	43 044
Less: allowances for trade receivables	(918)	(978)
Less: allowances for other receivables	(2 457)	(2 466)
Trade and other receivables, net	63 733	48 400
Contract assets	2 897	3 368
Derivative financial instruments	267	342
Short term loans granted	20	238
	66 917	52 348
Deferred charges	6 019	5 865
Current year portion of net investment in the lease	3 030	2 420
Prepayments	2 465	2 912
Prepaid income tax	1 823	968
VAT receivable	12 366	10 586
Other prepaid taxes	839	519
	93 459	**75 618**

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 2.15. 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 21 to 41 days (2021: 21 to 41 days).

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

	2022	**2021**
At 1 January	3 444	3 519
Impairment losses	360	133
Write-off of impairment loss due to receivables write-off	(412)	(184)
Other	(17)	(24)
At 31 December	**3 375**	**3 444**

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

	2022	2021
Cash at bank	218 459	171 720
Cash on hand and in transit	68 253	47 325
	286 712	**219 045**

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, 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.

Cash in certain bank accounts and future cash inflows into these accounts amounting to EUR 57,256 thousand (2021: EUR 17,137 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:

	2022	2021
Cash and cash equivalents	286 712	219 045
Bank overdrafts (Note 17)	(23 201)	(189)
	263 511	**218 856**

15. Share capital and share premium

	2022	2021
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**

In 2022 and 2021 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 2022, legal reserve amounted to EUR 65,051 thousand (2021: EUR 53,359 thousand).

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

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)

	2022	**2021**
Non-current		
Bank loans	112 041	105 487
Bonds	236 053	298 066
	348 094	403 553
Current		
Bank loans	45 938	57 574
Bank overdrafts	23 201	189
Bonds	114 737	2 909
Short-term notes	34 909	39 973
	218 785	100 645
	566 879	**504 198**

On 13 September 2018 the Group issued EUR 300 million nominal value fixed 3.25% interest rate coupon bonds. Bonds will mature on 13 September 2023.

In July 2022, the Group issued EUR 240 million nominal value fixed 6.25% interest rate 5-year unsecured bonds. Part of the proceeds from the newly issued bonds was used for the purchase of EUR 193 million nominal value aforementioned bonds issued in 2018.

Both emission of the Group's bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges. The fair value of bonds amounted to EUR 344,793 thousand as of 31 December 2022 (2021: EUR 310,707 thousand).

In March 2021, the Group completed commercial paper (short-term notes) offering with 12 months maturity. The nominal value of the transaction amounted to EUR 40,000 thousand. The notes were placed at 0.618% yield. In March 2022, the Group redeemed issued notes and completed the second commercial paper (short-term notes) offering with 12 months maturity. The nominal value of the transaction amounted to EUR 35,000 thousand. The notes were placed at 1.064% yield. They are not listed and were subscribed by various institutional investors. The issued notes are unsecured and are being used for general short-term financing purposes of the Group. In March 2023, the Group redeemed the aforementioned short-term notes (Note 31).

The bank loans as of 31 December 2022 and 2021 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).

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

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

	2022	2021
EUR	534 177	490 321
PLN	32 702	13 877
	566 879	**504 198**

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

	2022	2021
Bank loans	3.01%	1.17%
Bonds	5.33%	3.65%
Short-term notes	1.06%	0.72%
Total	4.35%	2.44%

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

	2022	2021
In the second year	41 310	337 348
In the third to fifth years (inclusive)	296 879	51 347
After five years	9 905	14 858
	348 094	**403 553**

For undiscounted contractual future cash outflows see Note 26.1.

The undrawn borrowing facilities were as follows:

	2022	2021
Expiring within one year	33 498	66 885
Expiring beyond one year	29 000	-
	62 498	**66 885**

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 2022 and 2021 the Group complied with all of them.

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

18. Trade and other payables

	2022	2021
Trade payables	657 408	571 095
Liabilities under reverse factoring arrangements	9 961	7 843
Derivative financial instruments	364	-
Other amounts payable	10 991	14 517
Accrued expenses	7 516	4 698
	686 240	598 152
Remuneration, social security and other related taxes	73 809	69 122
Payable taxes, other than corporate income tax	36 438	31 003
Contract liabilities	18 070	15 249
Advances received	2 622	2 109
Other	-	285
	817 179	**715 920**

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 9,961 thousand as of 31 December 2022 (2021: EUR 7,843 thousand). Liabilities under reverse factoring arrangement have a similar nature and function to trade payables 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 2022, the Group recognised EUR 15,249 thousand revenue that was included in the contract liability balance as of 31 December 2021 (2021: EUR 14,919 thousand).

19. Revenue

	2022	2021
Revenue from contracts with customers		
Retail revenue	5 020 162	4 369 780
Commission income	9 585	9 006
Wholesale revenue	66 418	57 768
Other	26 243	19 076
	5 122 408	4 455 630
Other income		
Rental income	31 304	29 141
	31 304	29 141
	5 153 712	**4 484 771**

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

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

20. Operating expenses

	2022	**2021**
Employee remuneration and related taxes	77 639	75 695
Long-term employee benefits	2 030	3 095
Transportation services	3 844	4 409
Property, plant and equipment, intangible assets, right-of-use assets impairment charge	1 682	2 843
Depreciation and amortisation	26 139	22 670
Advertising	32 119	30 583
Rental expenses	726	575
Utilities	12 968	7 699
Taxes (except for income tax)	7 834	5 279
Repair and maintenance	10 468	7 893
Consulting and other professional services	5 828	5 203
Other	15 961	13 600
	197 238	**179 544**

21. Finance costs, net

	2022	**2021**
Finance costs		
Interest expenses		
– Bank borrowings	(3 862)	(2 819)
– Bonds	(15 325)	(11 051)
– Lease	(29 990)	(24 935)
– Interest on resolved uncertain tax position	(3 423)	-
– Other	-	(5)
	(52 600)	(38 810)
Other	(38)	398
Net foreign exchange gain/(loss)	(1 292)	333
	(53 930)	**(38 079)**
Finance income		
Interest income on net investment in the lease	674	492
Bank interest income	340	11
Other income	105	-
	1 119	**503**
Finance costs, net	**(52 811)**	**(37 576)**

The tax dispute with Polish tax authorities disclosed in Note 29 was finalised in 2022 and the Group recognised interest expenses incurred on the resolved uncertain tax position amounting to EUR 3,423 thousand.

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

22. Other gains (losses)

	2022	2021
Profit (loss) from disposal of subsidiaries	-	194
Gain on bargain purchase of shares in subsidiary	48	-
Profit (loss) on disposal of property, plant and equipment	66	2 311
	114	**2 505**

In 2021, the Group disposed of its wholly owned subsidiaries Loganas, UAB, Eigeris, UAB and Akonkagva, UAB (Lithuania). All of the disposed subsidiaries provided security services to the Group's entities in Lithuania.

23. Income tax expense

	2022	2021
Current tax	20 749	18 696
Adjustments for current tax of prior periods	3 199	(177)
Deferred tax (Note 11)	1 331	104
Income tax expense	**25 279**	**18 623**

The tax dispute with the Polish tax authorities on corporate income tax for 2011 was finalised in December 2022 and the Group adjusted its prior period corporate income tax return by EUR 3,368 thousand (Note 29).

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

	2022	2021
Profit before income tax	129 676	154 004
Tax at domestic tax rate of 15% (2021: 15%)	19 451	23 101
Income not subject to tax	(883)	(1 521)
Expenses not deductible for tax purposes	2 668	3 028
Tax losses for which no deferred income tax was recognised	2 092	1 287
Utilisation of previously unrecognised tax losses	(169)	(941)
Tax incentives (charity, etc)	(446)	(1 140)
Adjustments in respect of prior year	2 426	(93)
Effect of different tax rates of foreign subsidiaries	132	(5 036)
Other	8	(62)
Income tax expense	**25 279**	**18 623**
Effective income tax rate	19%	12%

24. Government grants

In 2022 the Group did not receive any government grants. In 2021, government grants received in Poland for the protection of jobs threatened by COVID-19 pandemic amounted to EUR 1,814 thousand. The grant was received for co-financing of payroll costs of certain employees to certain extent. The grant was accounted for by reducing cost of sales. As of the end of the year, there were no unfulfilled conditions relating to the grant.

25. Dividends per share

Dividends declared in 2022 and 2021 amounted to EUR 95,000 thousand (EUR 0.027 per share) and EUR 106,000 thousand (EUR 0.030 per share), respectively.

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

26. Financial risk management

26.1. 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 2022 and 2021, 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 91,958 thousand as of 31 December 2022 (2021: EUR 44,597 thousand) with repricing periods between 1 - 6 months (2021: 1 - 6 months). The remaining borrowings are with fixed interest rates. Fair value of bonds is disclosed in Note 17, 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 2022 and with all other variables held constant, would result in an increase in interest expense of EUR 920 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 3,275 thousand as of 31 December 2022 (2021: EUR 2,789 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 2022 (2021: 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, contract assets, short term loans granted and cash and cash equivalents using provision matrix:

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
Short term loans granted	20	-	-	-	20
Cash and cash equivalents	286 712	-	-	-	286 712
Expected credit loss	(121)	(86)	(56)	(3 112)	(3 375)
	344 730	**7 196**	**801**	**635**	**353 362**

31 December 2021

	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	43 351	3 401	752	3 731	51 235
Gross carrying amount - trade and other receivables from related parties	517	65	26	-	608
Contract assets	3 368	-	-	-	3 368
Short term loans granted	238	-	-	-	238
Cash and cash equivalents	219 045	-	-	-	219 045
Expected credit loss	(57)	(91)	(54)	(3 242)	(3 444)
	266 462	**3 375**	**724**	**489**	**271 050**

(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 is assessed by reference to external credit ratings and is as follows:

	2022	**2021**
A1 (Moody's)	30 066	-
A2 (Moody's)	6 760	6 519
A3 (Moody's)	59	43 141
A- (S&P)	53 217	-
Aa3 (Moody's)	121 563	88 729
Baa1 (Moody's)	260	1 349
Baa2 (Moody's)	1 366	18 939
BBB+ (S&P)	-	12 789
BBB (BCRA)	5 165	250
Other	3	4
	218 459	**171 720**

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 2022 had weighted average payment term of 40 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.

	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)

	2021			
	Borrowings from banks and bonds	**Lease liabilities**	**Other financial liabilities**	**Total**
In the first year	110 110	116 003	598 152	824 265
In the second year	352 898	108 823	77	461 798
In the third year	28 867	97 853	-	126 720
In the fourth year	15 659	88 663	134	104 456
In the fifth year	7 192	78 504	-	85 696
After five years	16 526	467 727	-	484 253
	531 252	**957 573**	**598 363**	**2 087 188**

26.2. Derivatives

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

	2022	**2021**
Current assets – Trade and other receivables, prepayments and other short-term financial assets		
Foreign currency forwards – cash flow hedges	-	342
Interest rate swaps – held for trading	267	-
Total current derivative financial instrument assets	**267**	**342**
Non-current liabilities – Other non-current liabilities		
Interest rate swaps – held for trading	-	211
Current liabilities – Trade and other payables		
Foreign currency forwards – cash flow hedges	364	-
Total derivative financial instrument liabilities	**364**	**211**

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.

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

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 2022, 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.

26.3. 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. As of 31 December 2022, the Group's managed capital was EUR 1,380,607 thousand (2021: EUR 1,383,085 thousand).

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.

The Group monitors capital on the basis of Net debt/EBITDA (Note 4) ratio. As of 31 December 2022, net debt was EUR 963,453 thousand (2021: EUR 968,163 thousand) and EBITDA was EUR 368,927 thousand (2021: EUR 366,302 thousand) resulting in net debt/EBITDA ratio of 2.6. Net debt/EBITDA remained unchanged compared to the end of 2021.

26.4. 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.

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

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, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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:

- 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 26.2).
- For the valuation of interest rate swaps the Group uses present value of the estimated future cash flows based on observable yield curves (Note 26.2).
- The fair value of non-current debt, except for bonds, is based on the quoted market price for the same or similar issues 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 2022.

27. 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.

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

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	2022	-	905	-	-
	2021	-	917	-	-
Other related parties	2022	10 280	28 115	495	75
	2021	9 818	23 284	2 101	893
Total	2022	**10 280**	**29 020**	**495**	**75**
	2021	**9 818**	**24 201**	**2 101**	**893**

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	2022	-	-	-	124
	2021	-	-	-	135
Other related parties	2022	7 000	1 673	1 413	7 101
	2021	5 699	1 252	608	5 548
Total	2022	**7 000**	**1 673**	**1 413**	**7 225**
	2021	**5 699**	**1 252**	**608**	**5 683**

In 2022, interest income earned on net investment in the lease to other related parties amounted to EUR 400 thousand (2021: EUR 345 thousand).

c) Borrowings

		Lease liabilities– long-term	Lease liabilities– short-term	Interest expenses on lease liabilities
Parent company	2022	-	-	-
	2021	-	-	-
Other related parties	2022	88 430	9 867	4 920
	2021	91 387	8 771	1 969
Total	2022	**88 430**	**9 867**	**4 920**
	2021	**91 387**	**8 771**	**1 969**

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

d) Key management compensation

	2022	2021
Salaries including related taxes	1 023	1 139
Termination benefits	257	99

28. Cash flow information

28.1. Non-cash investing and financing activities

Non-cash investing and financing activities in 2022 and 2021 are provided below:

- Additions to right-of-use assets and lease liabilities amounted to EUR 89,850 thousand (Note 6) (2021: EUR 84,218 thousand).
- Lease liability remeasurements and decrease in lease liability due to lease contract terminations, including effect of foreign exchange rate changes, amounted to EUR 5,489 thousand (2021: EUR 1,621 thousand).

28.2. 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 2022 and 2021:

	2022									
	Balance at 31 December 2021	Dividends declared	Cash received	Cash paid	Increase in lease liabilities	Interest expenses	Interest paid	Acquisi-tion 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**

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

	2021								
	Balance at 31 December 2020	Dividends declared	Cash received	Cash paid	Increase in lease liabilities	Interest expenses	Interest paid	Other	Balance at 31 December 2021
Borrowings, excl. bank overdrafts	495 415	-	57 915	(50 525)	-	13 875	(12 336)	(335)	504 009
Lease liabilities	688 844	-	-	(88 420)	82 597	24 935	(24 935)	(11)	683 010
Dividend payable	-	106 000	-	(106 000)	-	-	-	-	-
Total liabilities arising from financing activities	**1 184 259**	**106 000**	**57 915**	**(244 945)**	**82 597**	**38 810**	**(37 271)**	**(346)**	**1 187 019**

29. 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. Cassation complaint can be submitted. At the date of the issuing of these consolidated financial statements the cassation complaint has not been submitted yet.

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 2022.

Corporate income tax case in Poland

Until 24 November 2021, the Group was involved in an ongoing tax dispute with the Polish tax authorities relating to Emperia Holding Sp.z.o.o. (previously Emperia Holding S.A.) (“Emperia Holding”) corporate income tax liability for the fiscal year ended 31 December 2011 in Polish administrative courts.

In 2010, Emperia Holding established P1 sp. z o.o. ("P1"), a 100 per cent owned subsidiary and, in 2011, it made an in-kind contribution to P1 of the shares of certain of its distribution company subsidiaries (the "Distribution Subsidiaries") (which was treated as tax neutral step by Emperia Holding). At the end of 2011, P1 disposed of its shares in the Distribution Subsidiaries to an entity outside the Emperia Holding group. In 2011, P1's share capital was reduced through the compulsory redemption of 13,200,000 shares with an aggregate nominal value of EUR 287,206,266 (PLN 1,320,000,000) (the "P1 Redemption"). Emperia Holding received remuneration for the redemption of its P1 shares which was treated as tax exempt dividend-type income since Emperia Holding had held 100 percent of P1's shares for a period exceeding two years.

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

On 25 January 2017, the Head of the Tax Audit Office in Lublin (the "authority of first instance") determined that Emperia Holding's corporate income tax liability for the 2011 fiscal year was EUR 30,997,347 (PLN 142,463,805) greater (excluding default interest) than the amount disclosed in its CIT–8 return for the year (the "Shortfall"). The authority of first instance concluded that the P1 Redemption was voluntary rather than compulsory in nature and, therefore, the tax payable in connection with the P1 Redemption should be assessed accordingly. Emperia Holding disagreed with the findings and legal assessment by the authority of first instance and appealed to the authority of second instance (Dyrektor Izby Administracji Skarbowej w Warszawie) with a request to repeal the decision and discontinue proceedings, although the authority rejected such request and upheld the first instance findings on 8 August 2017 (the "Appealed decision").

Emperia Holding has subsequently filed a complaint to the Administrative Court in Warsaw (Wojewódzki Sąd Administracyjny w Warszawie), requesting the annulment of both first and second instance decisions. Emperia Holding had extensive court processes in various instances of Polish administrative courts (the case was three times dealt by Administrative Court in Warsaw (Wojewódzki Sąd Administracyjny w Warszawie) and three times by the Supreme Administrative Court), and received several contradictory decisions as a result of its complaints.

Whilst final resolution of the matter was pending, Emperia Holding had provided the tax authorities with collateral securing the Shortfall, together with default interest, in the form of a bank guarantee up to a maximum of EUR 43.5 million (PLN 200 million).

On 24 November 2021, the Supreme Administrative Court, apart from other issues, revoked the appealed decision in its entirety and ordered the Director of the Tax Administration Chamber in Warsaw to reimburse Emperia Holding the costs of court proceedings. As a result, the corporate income tax liability for the 2011 fiscal year, equal to Shortfall, ceased to be payable, and the collateral securing the payment of Shortfall, was returned to Emperia Holding by the Tax Administration Chamber in Warsaw. Additionally, proceedings on determining the corporate income tax of Emperia Holding for the 2011 fiscal year was again transferred to Tax Chamber of Warsaw.

On 20 April 2022, the Tax Chamber of Warsaw cancelled the Appealed decision and returned the matter to the Tax Chamber of Lublin to re-examine the facts of the case.

On 30 December 2022, the Head of Lublin Customs and Tax Office issued a protocol on tax audit proceedings carried out against Emperia Holding, in which it stated that the compulsory redemption of shares in P1 belonging to Emperia Holding did not have fictitious character. After analysing the method of distributing the funds obtained from the compulsory redemption of shares in P1, the Head of Lublin Customs and Tax Office concluded that the profit from the sale of Distribution Subsidiaries was mostly paid to investors (shareholders of Emperia Holding), while the funds left at Emperia Holding's disposal were only funds accumulated on a bank account and funds that were allocated by Emperia Holding for the acquisition of fixed assets. For this reason, in the opinion of the Head of Lublin Customs and Tax Office, the above funds should be allocated to Emperia Holding (in total in the amount of EUR 17,740 thousand (PLN 83,040 thousand) and taxed as income.

In order to end tax dispute with the tax authorities and avoid further expenses, on 17 January 2023 Emperia Holding submitted adjusted corporate income tax return based on the additionally imposed taxes in the above mentioned protocol. On 19 January 2023, Emperia Holding paid corporate income tax together with interest of EUR 6,791 thousand (PLN 31,812 thousand) in total.

On 31 January 2023, the Head of Lublin Customs and Tax Office issued the result of the tax audit. The above tax case was concluded.

In the consolidated financial statements for the year ended 31 December 2022 the Group recognised adjustment to corporate income tax of prior periods of EUR 3,368 thousand (Note 23) and related interest of EUR 3,423 thousand (Note 21).

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

30. 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.

Although direct impact of the war was not material to the Group's financial results for the year ended 31 December 2022, the indirect consequences of the war such as increasing inflation and energy prices negatively affected the Group's results. The Group's management took actions, such as unifying store formats, standardising business processes, strengthening IT, etc. to mitigate those negative effects.

COVID-19

Although in the first quarter of 2022 the COVID-19 restrictions were lifted in the countries were the Group operates, the COVID-19 pandemic continued to affect the Group's results in the year ended 31 December 2022. The Group continued to incur additional costs amounting to EUR 1.5 million (2021: EUR 6.5 million) relating to protection of health of the Group's employees and customers. No government's assistance was received in 2022, while in 2021 the government's assistance for the protection of jobs threatened by COVID-19 pandemic received in Poland amounted to EUR 1.8 million.

31. Events after the reporting period

In March 2023, the Group redeemed EUR 35,000 thousand nominal value commercial paper (short-term notes) (Note 17).

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

GOVERNANCE

CORPORATE GOVERNANCE

MAXIMA GRUPĖ seeks for 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.

THREE-TIER MANAGEMENT SYSTEM:

SUPERVISORY BOARD

Oversees the activities of the Management Board and the CEO.

MANAGEMENT BOARD

Responsible for the strategic management and adopts decisions on approval of the core transactions to be concluded by the company.

CEO (General Manager)

One - person executive management body that manages the company's day-to-day operations and represents the company in its dealings with third parties.

MANAGEMENT BOARD

The Management Board is a collegial management body which, according to the Articles of Association, consists of 8 members (of which 6 members were elected as of the end of reporting period), elected for a term of 4 years. Members of the Management Board are elected and removed by the Company's Supervisory Board. The Management Board elects the chairman from among its members.

The main functions of the Management Board are the following: adoption of the strategic decisions of the Company, appointment and removal of the CEO, calling general meetings of the shareholders, approval of certain transactions and decisions of the CEO, and adoption of other corporate decisions within its competence. 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.

At the end of the reporting period, the Management Board of MAXIMA GRUPĖ included CEOs of all retail companies of the Group. This has been the usual practice in the Group as it allows to consolidate experiences, share best practices and know-how and implement strategic decisions efficiently. Currently, the Chairwoman of the Management Board is the CEO of MAXIMA GRUPĖ. Combining CEO and chairman position 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 questions being discussed. In case performance of the CEO or any other question that may cause potential conflicts of interest are discussed, the CEO as chairman abstains from voting.

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

The Group takes additional measures to ensure that conflict of interests of the Management Board are prevented and mitigated – the data about other positions, taken by the board members are regularly collected and renewed. Each of the members has loyalty and non-compete obligations, which helps to ensure their independency and prevents conflicts of interest. Rules of the Management Board also require each board member to clearly declare his/her conflict of interest and abstain from voting if such situation occurs. Such potential conflicts of interest as cross-board memberships, cross-shareholding with suppliers and other stakeholders, existence of controlling shareholders (if any) is disclosed in this annual report.

MANAGEMENT BOARD

AT THE END OF REPORTING PERIOD, THE MANAGEMENT BOARD COMPRISED OF THE FOLLOWING MEMBERS:

AGNĖ VOVERĖ
CHAIRWOMAN

SINCE 25 NOV 2022

CEO AND CHAIRMAN OF THE MANAGEMENT BOARD OF MAXIMA GRUPĖ, UAB

KAROLINA ZYGMANTAITĖ
BOARD MEMBER

SINCE 2 MAR 2022

CEO AT MAXIMA LATVIJA SIA

ARŪNAS ZIMNICKAS
BOARD MEMBER

SINCE 13 SEPT 2017

PRESIDENT OF THE MANAGEMENT BOARD OF STOKROTKA SP.Z.O.O.

TOMAS RUPŠYS
BOARD MEMBER

SINCE 7 DEC 2020

CEO AT MAXIMA LT, UAB
(Until 3 MAR 2022)
CEO AT MAXIMA LATVIJA SIA

EDVINAS VOLKAS
BOARD MEMBER

SINCE 8 MAY 2019 UNTIL 31 JAN 2023

CEO AT MAXIMA EESTI, OU
(UNTIL 31 JAN 2023)

PETAR PETROV PAVLOV
BOARD MEMBER

SINCE 6 APR 2020

CEO AT MAXIMA BULGARIA EOOD

**Full list of positions is provided in 'Other information'*

During the reporting period, the following persons were members of the Management Board:
Jolanta Bivainytė until 3 Mar 2022;
Mantas Kuncaitis until 24 Nov 2022.

SUPERVISORY BOARD

The Supervisory Board is a collegial supervisory body, which is responsible for supervising the activities of the Company and its management bodies, including the appointment and removal of the members of the Management Board. It also submits its comments and proposals to the General Meeting of Shareholders on the Company’s business strategy, financial statements, and other reports on the activities of the Management Board and the CEO.

All members of the Supervisory Board are elected by the General Meeting of the shareholders for a term of 4 years based on their competence and experience. The Chairman of the Supervisory Board is elected from the members of the Supervisory Board. There is no limitation on the number of terms of office a member of the Supervisory Board may serve. Similarly, to the Management Board, to ensure that conflicts of interest are prevented and mitigated, data about other positions, taken by Supervisory Board members is regularly collected and renewed. Rules of the Supervisory Board also require each board member to clearly declare his/her conflict of interest and abstain from voting if such situation occurs.

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

On 3 March 2022, a new composition of the Supervisory Board was elected for a new term of 4 (four) years.

In 2022, Supervisory Board held 5 meetings and all elected members of the Supervisory Board participated in each of the meeting. The main matters discussed during the meetings included:

- Recall, appointment of the Management Board members;
- Evaluation of the selection of the auditor of the Company and proposals to the sole shareholder of the Company regarding the candidacy of the auditor;
- Assessment of the Company's annual financial statements, the consolidated annual financial statements of the Company and its subsidiaries, and submission of proposals to the sole shareholder of the Company;
- Review of the reports on the activities of the Company’s Audit Committee.

SUPERVISORY BOARD

AT THE END OF REPORTING PERIOD, THE SUPERVISORY BOARD COMPRISED OF THE FOLLOWING MEMBERS:

EVELINA ČERNIENĖ
CHAIRWOMAN

SINCE 22 MAY 19

BOARD MEMBER AND CFO AT UAB "VILNIAUS PREKYBA"

MANFREDAS DARGUŽIS
MEMBER

SINCE 3 MAR 2022

CEO AND CHAIRMAN OF THE BOARD AT AKROPOLIS GROUP, UAB

NERIJUS MAKNEVIČIUS
MEMBER

SINCE 30 AUG 2022

CEO AT GALIO GROUP, UAB, CEO AND CHAIRMAN OF THE BOARD AT GALIO ASSET MANAGEMENT, UAB, CEO AT GALIO DEVELOPMENT, UAB

During the reporting period the following persons were also members of the Supervisory Board:
Povilas Šulys - until 3 March 2022;
Laimonas Devyžis - until 30 August 2022.

REMUNERATION POLICIES FOR MEMBERS OF THE HIGHEST GOVERNANCE BODIES AND SENIOR EXECUTIVES

The remuneration of governance body members is set and approved by the organ that appoints the respective governance body member. Remuneration that an individual receives is determined by such factors as the job market trends, an individual's level of experience and, the level of responsibility associated with a particular role. Shareholder approves remuneration of Audit Committee and the Supervisory Board. The Supervisory Board approves remuneration of the Management Board while it approves remuneration of the CEO. The CEO sets remuneration for senior executives.

Members of the highest governance bodies and senior executives receive fixed pay. Additionally, based on their overall performance as well as results of the Group, bonuses might be paid. Annual compensation ratio is not disclosed in this report due to confidentiality arrangements.

AUDIT COMMITTEE

MAXIMA GRUPĖ's Audit Committee helps the Supervisory Board and the shareholder to ensure that the process for auditing the Company's financial statements is effective and reliable. Its main functions are oversight of the processes for preparing and auditing annual financial statements, review and monitoring of the independence of the external auditor and monitoring of internal audit at the Company.

On 3 March 2022, a new composition of the Audit Committee has been elected for a new term of 4 (four) years.

At the end of reporting period, the Audit Committee was comprised of the following members: IRENA PETRUŠKEVIČIENĖ (Chairwoman of the committee and an independent member), RASA MILAŠIŪNIENĖ (an independent member) and EVELINA ČERNIENĖ (shareholder's representative).

In 2022, the Audit Committee held 11 meetings, all Audit Committee members participated in each of the meetings. The main matters discussed during the meetings included:

- Review of the activities of the Company and its subsidiaries;
- Review of internal audit activities as well as the internal audit programme of work and completed work;
- Monitoring of financial statement preparation processes;
- Review of the independent auditor's programme of work and monitoring of the financial statements audit process performed by the independent auditor;
- 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 COMMITTEE MEMBERS

IRENA PETRUŠKEVIČIENĖ, the Chairwoman of the Audit Committee and an independent member with almost 30 years of experience in the area of 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 has been a member of the audit committee of the European Commission and UN World Food Programme. Currently she also serves as an independent member and the chairwoman of audit committee in AB "Ignitis Grupė". Irena is a member of Association of Chartered Certified Accountants (ACCA, United Kingdom), the Lithuanian Chamber of Auditors (LCA) and Association of Internal Auditors, Lithuania.

RASA MILAŠIŪNIENĖ is an independent member of the Audit Committee with almost 20 years of leadership experience in finance and internal auditing. At the end of reporting period, she served as a Head of Internal Audit at Convera. Previously, she worked for 11 years at Western Union Processing Lithuania 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 CFO of UAB "Vilniaus prekyba" (since May 2022), and a management board member at UAB "Vilniaus prekyba" (since August 2019) with extensive experience in financial management at diverse companies as well as audit experience in an audit firm.

INTERNAL AUDIT

MAXIMA GRUPĖ has an Internal Audit Department which reports to the CEO, the Management Board, and the Audit Committee 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 Group companies and providing recommendations for possible improvements as well as tracking implementation of action plans after audits.

GOVERNANCE OF CORPORATE SOCIAL RESPONSIBILITY

In MAXIMA Group, governance of corporate social responsibility and management of Group's impacts on the environment, employees, communities and economy is assigned to the Head of Sustainability in MAXIMA GRUPĖ and each particular company in the Group. The Head of Sustainability is directly accountable to the CEO of MAXIMA GRUPĖ (who is also chairman of Management Board). The Head of Sustainability of MAXIMA GRUPĖ is responsible for coordinating sustainability initiatives and collaborating with Group companies in relation to data analysis, marketing, communications, HR and other teams, as well as external stakeholders to ensure that the Group acts in accordance with its corporate social responsibility directions, for building awareness among colleagues in 5 countries where the Group operates.

The Head of Sustainability reports to the Management Board on a need basis. For example, in 2022, the Head of Sustainability, decarbonization initiative team and senior management had regular meetings with the Management Board of MAXIMA GRUPĖ to discuss and decide on Group's decarbonization strategy. The Head of Sustainability coordinates the preparation of Group's annual corporate social responsibility report which is then approved by the Management Board and Supervisory Board of MAXIMA GRUPĖ. The latter then passes the report to shareholder for the final approval.

Development of corporate social responsibility is also managed by the senior management of the Group. Together with the Head of Sustainability, senior management is responsible for development, initial approval of strategies, policies, and goals related to sustainable development. Once strategies and policies are approved, they are presented to the Management Board for final approval. The Head of Sustainability and senior management also provide regular updates on progress and strategy implementation to the Management Board.

The level of collective knowledge on sustainability in the Group differs based on individual expertise and experience of employees and management. However, the management team is committed to improving their knowledge on sustainability. One of the most efficient ways to learn has proven to be an active involvement in sustainability projects implemented by the Group, amongst other, engaging external experts. The Group also encourages experience sharing and participation in related trainings and conferences.

Information about critical concerns in the Group's retail companies is communicated directly to the CEOs as part of regular reporting by compliance, security, and legal officers. If deemed necessary, critical concerns are communicated to the Management Board of MAXIMA GRUPĖ as well. On a yearly basis, information about reports received via grievance mechanisms is collected and systemized by MAXIMA GRUPĖ. In 2022, twenty concerns received appeared to be true. The nature of these concerns is not disclosed due to confidentiality constraints.

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 RISKS	MITIGATION
CREDIT RISKS	
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 not concentrated because the counterparties are numerous banks, or their subsidiaries, with investment grade ratings assigned by international credit-ratings agencies

PRINCIPAL RISKS	MITIGATION
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 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
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

PRINCIPAL RISKS	MITIGATION
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.	• 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 prioritise 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
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 behaviour 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

PRINCIPAL RISKS	MITIGATION
COUNTRY AND GEO-POLITICAL 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
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.	• Research and monitoring of consumer behavior • Analysis of economic development

PRINCIPAL RISKS	MITIGATION
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.	• 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.	• Continuous improvement of the internal control system. • Engaging the best internal IT experts. • Using effective outsourcing practices with SLA and monitoring compliance.

PRINCIPAL RISKS	MITIGATION
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.	• Ensuring sufficient reliability of centralised IT infrastructure • Cyber security insurance • Policies and procedures to ensure cybersecurity • Established team and information systems to detect atypical behaviour 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
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 decentralisation 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

PRINCIPAL RISKS	MITIGATION
	• Efficient management of inventory stocks • Increased direct centralised global sourcing as well as reduced shrinkage and efficiency improvements
HUMAN RESOURCES, A STRIKE OR OTHER LABOUR 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
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.	• Continuous improvement of the internal control system

PRINCIPAL RISKS	MITIGATION
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.	• Monitoring of draft laws, timely initiation of internal projects to prepare for legislative changes contract templates • 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 with regard to 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

PRINCIPAL RISKS	MITIGATION
	• 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 2022 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.

CORPORATE SOCIAL RESPONSIBILITY REPORT

OUR SUSTAINABILITY APPROACH

Over €7 million
Total value of contributions to communities

€80.6 million
of employee benefits

30%
of renewable electricity used in the Group

933 Ukrainian refugees employed in Group as of 31 December 2022*

**Without taking into account employee rotation throughout the year*

OUR APPROACH

Our approach to sustainable development is based on five areas – Our People (Employees), Our Customers, Our Supply Chain, Our Communities and Our Environment. Our approach to sustainability aligns with our business goals, which include creating value for stakeholders through a sustainable business model.

As a business, we aim to provide affordable and healthy food and other essential products in a responsible and sustainable manner. The sustainability approach is designed to benefit customers, colleagues, partners, communities, and the environment, and to ensure long-term success for all stakeholders. The Group prioritises to make a positive impact on a wide range of social, environmental, and economic issues, including employee well-being, customer satisfaction, long-term partnerships with suppliers, reducing environmental impact, and addressing socioeconomic issues in communities. We focus on actions, achieving the greatest positive impact for stakeholders and the Group.

Our focus on sustainable development is a long-term commitment. In 2019, MAXIMA GRUPĖ joined the United Nations Global Compact Initiative, committing to uphold the ten principles of the Global Compact concerning human rights, environmental protection, work environment, and anti-corruption. The Company's management has made sustainability a top priority and ensured its integration into every aspect of the business through established decision-making processes from top to bottom and even at the operational level. sustainability teams within MAXIMA Group collaborate with the board, senior leadership, and other employees to drive internal and external sustainability efforts.

Our local initiatives to care for the well-being of the society and our employees have been recognised. In 2022, the Institute for Corporate Sustainability and Responsibility awarded MAXIMA Latvia, with a Platinum Rating in the Sustainability Index for the second time. Until 2021, the company held Gold awards for the four years in a row.

In May 2022 MAXIMA GRUPĖ has received a 21.7 ESG risk rating by Sustainalytics, a Morningstar company. The rating has been established applying Comprehensive Framework, meaning that over 70 management indicators have been assessed to rate our ESG risks. As of 21st of March 2023, the rating puts us in Medium Risk range, ranking us 69 out of 192 within the food retailer industry category, ranked by Sustainalytics.

ASSOCIATIONS AND INITIATIVES

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 Lithuania is a member of the Association of Lithuanian Trade Enterprises (withdrawn from members in the beginning of 2023) and a member of several working groups working in plastic reduction and circular economy in the Ministry of Environment of the Republic of Lithuania.

LATVIA

MAXIMA Latvia is a member of the Foreign Investors Council of Latvia, the Latvian Chamber of Commerce and Industry, the Latvian Employers' Confederation, and is a partner of the Latvian Retailers' Association.

ESTONIA

MAXIMA Estonia is a member of the Estonian Trade Association, the Estonian Employers' Confederation, the Estonian Marketing Association, and the European Personnel Management Association.

BULGARIA

T-MARKET is a member of the Association for Modern Trade.

OUR PRINCIPLES OF ACTION

At the core of our business operations is our adherence to principles that promote responsible conduct. The ongoing shift in the culture of our group is centred in our behaviour and defines our daily operations, starting with how we interact with one another and those we serve, how we organize our decision-making processes and daily tasks, ending with the onboarding of new staff and partners, and the establishment of objectives.

During the three decades, our organisation has tried different systems of operational culture and is now using knowledge gained to move into the higher level. We call it "ARAS culture" using an acronym for the three core values of awareness, responsibility, and self-belief. "ARAS" culture also supports a horizontal flow of ideas and creativity, as it encourages managers to share information with all the members of their teams and involve them in decision-making.

The communication is two-way, so team members share all information with their managers just like the managers shares it with them. The "ARAS" system is flat, and the manager is an equal member of the team, just with a different job title. Another important aspect is that in such a culture encourages employees to grow and move toward their managers, thus helping them to develop as potential future leaders within the company.

Member of such team acquire not only the competencies to do their job, but also willingness to constantly develop their own emotional intelligence. In "ARAS" culture, everything depends on the people. It is a culture about each one of us, not about others, and it is a culture of free people. Thanks to this culture, employees together come to the understanding what they are doing and why they are doing it. This approach empowers specific members of the team to take responsibility for their own actions while striving for a common goal.

ETHICS AND POLICIES

All companies within the Group conduct their operations fairly, ethically, and in compliance with the laws of the countries they operate in. We have established three main policies that outline our overall approach, as well as address specific areas of sustainability. We have created our three main policies based on our working principles, established during thirty years of our Group existence, and the Code of Business ethics of our shareholder “Vilniaus prekyba”. These policies provide guidance to the governance to ensure that we are meeting our responsibilities and commitments to stakeholders in fair and responsible way.

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.

CORRUPTION PREVENTION POLICY

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

Supplier Code of Conduct sets out our key expectations from all our partners within the Group, to create the preconditions for implementing the highest standards of business ethics in the supply chain. The 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.

All the main subsidiaries of our Group have adopted the above written policies which were approved by CEO of each company. We take the initiative to continuously educate our employees, business partners, and stakeholders on our commitment to sustainability. We make these policies available to the public on our websites and intranet, as well as include in internal company materials, and make yearly training for Group's employees. This way, everyone involved with our business can understand and adhere to our policies, ensuring that our practices are consistent across all the subsidiaries and geographies.

We are monitoring how these policies are being implemented on the ground and encourage the reporting of the risk of potential misconducts. We guaranty protection and anonymity for our employees who are submitting a complaint. During the reporting period, a total of 37 potential incidents have been reported through our trust lines. Thorough investigation commenced for each reported potential incident that has resulted in a total of 23 instances being confirmed. Based on the outcomes of the investigation, appropriate actions have been taken in response: termination of employment, admonitions to employees, transfer of the case to the police for further investigation. As an aftermath, additional corrective measures have been implemented and steps have been taken to ensure that such incidents are prevented from occurring again in the future. In addition, we educate our employees and business partners about our anti-corruption policy, fraud identification and prevention practices. All members of governance bodies have received detailed communication and training with regards to these topics. On an annual basis we have repeated trainings, to ensure the awareness and further development of skills. During the reporting year almost all members of the governance bodies have gone through mentioned reoccurring training (in case of BARBORA, 80% of governance body members have participated during the reporting year).

In 2022, there were a few instances within the Group of non-compliance with laws and regulations for which the Group received some monetary and non-monetary sanctions. Due to the extent of Groups operations and turnover, we only track significant cases of non-compliance. Therefore, at the moment the data about all instances is not complete and cannot be reported.

In 2022, MAXIMA GRUPĖ has made a provision in its consolidated financial statements in relation to payment of additional Environmental Tax in MAXIMA Lithuania of EUR 1,906 thousand for the years 2013-2015. This relates to situation when environmental authorities issued a decision that Metrail UAB (former manager of packaging of the company) improperly managed the metal and plastic packaging and issued faulty certificates, on the basis of which the company calculated its payable tax. Though the issue is still questioned in courts, the Group decided to make a provision on the amount payable.

It is our responsibility to ensure that all our operations and activities are conducted in a lawful and ethical manner, and any deviation from these principles is not tolerated. The Group's commitment to compliance is not only a legal obligation but also a moral obligation to conduct business in a responsible and transparent manner. Therefore, any non-compliance is swiftly addressed and resolved.

OUR STAKEHOLDERS

We define our stakeholders as those who are affected by and can influence our activities. We identified our stakeholders by analysing best practices regarding stakeholder engagement, identifying all parties that we engage with during our business operations. We also analysed the main topics of concern of each group of stakeholders.

Having a collaborative and in-depth relationship with our stakeholders is essential for fulfilling our sustainable development objectives. We strive to ensure that the Group's sustainable development initiatives are developed with consideration of the needs and requirements of our stakeholders.

We actively communicate with our stakeholders, staying in contact through a variety of channels and responding quickly in line with their expressed interests, concerns, and issues raised. In all markets and countries where we operate, we target to develop our business in a fair and transparent manner and to maintain high standards of business ethics. Therefore, all companies in the Group must adhere to the ethical business standards described in our policies. The companies also established information channels through which employees, customers, business partners, suppliers, and other stakeholders may report misconducts that violate the principles set forth in our policies or seek advice and raise other concerns.

The following table maps out our stakeholders, their main topics of concern and communication channels.

STAKEHOLDERS TABLE

	Topics of concern	How we communicate and engage
Shareholders and investors	Financial stability and performance, sustainable performance, continuity of activities, risk management, ethics and transparency	Corporate website, individual meetings, supplier surveys and audits, email, phone communication annual supplier events
Suppliers and business partners	Delivery terms and conditions, attractive payment terms, fair treatment, trustworthiness, ethics and transparency	Corporate website, individual meetings, supplier surveys and audits, email, phone communication, annual supplier events
Employees	Working conditions, well- being, benefits, professional development, career opportunities, availability of informations, 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	Products (quality, availability, safety, assortment), affordable prices, sustainability, good, shopping experience possibility to address a claim, data protection, shopping safety during pandemic	Corporate website, social media, promotional magazines, TV, radio and outdoor advertising customer surveys, newsletters, customer loyalty programs, feedback / claims channels
Local communities	Food waste, decreasing impact of environment, social iniatives, investments into infrastructure, local suppliers, ethics and transparency, shopping safety during pandemic	Corporate website, regular face-to-face communication, various events, social media, TV, radio and outdoor advertising
Media	Open dialogue, timely presentation of relevant information and transparency	Corporate website, corporate publications, press releases, social media, annual report and CSR report, email and phone communication
Authorities / public administration	Taxes, reporting, compliance, ethic and transparency	Corporate website, individual meetings, email and phone communication, annual report and CSR report

MATERIALITY

According to the latest European regulations, in the upcoming future, companies shall be required to undergo a process of so-called double materiality assessment to determine whether a sustainability-related topic or information must be disclosed in the companies' sustainability report. Double materiality requires examining both: the impact the undertaking has on individual areas (direction inside-out), and also the financial impact on the organization (direction outside-in). The concept of double materiality fostered by the European regulations is still evolving and methodological guidance and approaches are yet to be approved. Current materiality assessment represents the first step of the whole process – impact materiality, i.e., assessing which areas the MAXIMA Group impacts the most and what are the actual or potential impacts. The process was inspired by GRI standard, European Sustainability Reporting Standards drafts, European Sustainability Reporting Guidelines working papers and best market practices.

This analysis was an important step for better understanding our impact on the economy, the environment, and society – in particular, human rights.

The analysis objectives are to:

- Identify topics relevant to the organization to address in the sustainability report and define strategic actions.
- Identify and prioritize the sustainability impacts of the organization, including its value chain.

The first step was to prepare the long list of potentially material impacts. To do that, we used the information gathered during our first materiality assessment that was conducted in 2019. Assessment was based on internal and external consultation, an overview of trends and issues important for the retail industry and results of stakeholder survey (in total, 4,251 responses were collected from stakeholders in Estonia, Latvia and Lithuania). As a result, a list of material topics has been established:

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
C. Better shopping experience
D. Engaging customers

ENVIRONMENT:

A. Climate action
B. Materials and waste management
C. Water

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

Information that was gathered during the materiality assessment was used to prepare the long list of potentially material impacts. The impacts were then grouped into four categories:

- negative actual
- negative potential
- positive actual
- positive potential

Depending on the category, scale (how grave the impact is), scope (how widespread it is), irremediable character (how hard it is to counteract or make good the resulting harm) and probability (how likely the impact is to occur) was evaluated on a Likert scale (0-5). Then, the scores that were exceeding the median in their category were shortlisted. The methods used to manage impacts as well the outcomes are described in sections that match specific material topic.

Our significant impacts are listed below, grouped by the sustainability pillars:

Material topic	Material impact	Type	Description
Overall approach of business and sustainability management	Engagement and dialogue with stakeholders	Positive actual impact	We actively communicate with our stakeholders, staying in contact through a variety of methods and responding quickly to their interests, concerns, and issues.
Overall approach of business and sustainability management	Compliance	Positive actual impact	We ensure that all of our operations and activities are conducted in a lawful and ethical manner and have processes and policies in place to facilitate that.
Overall approach of business and sustainability management	Business development and impact on economy	Positive actual impact	The Group has an important presence in the Baltic States and Central European markets and creates positive indirect impact through creation of jobs (being the largest employer in some countries), purchasing locally, etc.
Environmental protection and climate change	Non-renewable Energy consumption (in the Group and in the whole value chain)	Negative actual impact	Due to non-renewable energy that comprises approximately 90% of all energy consumed by the Group, greenhouse gas emissions which contribute to climate change and air pollution are produced. Actions to reduce negative impact include but are not limited to initiatives to reduce energy consumption, purchase and production of renewable energy.

Material topic	Material impact	Type	Description
Environmental protection and climate change	Greenhouse gas emissions (entire value chain's emissions)	Negative actual impact	Emissions resulting from the value chain make the biggest portion in Group's emissions. In 2022, the Group analysed its sources and possibilities for reduction.
Environmental protection and climate change	Consumption of fossil fuel during the whole logistics process	Negative actual impact	Transportation of goods is big part of our operations. Even though we gradually switch to more efficient modes of transport, we still consume large amounts of fossil fuels.
Environmental protection and climate change	Air pollution (related to transportation)	Negative actual impact	Transportation is a significant contributor to air pollution and climate change affecting both the environment and human health.
Waste management	Waste generation	Negative actual impact	Due to its operations, the Group produces different type of waste. The Group encourages recycling and proper waste sorting.
Packaging of products	Use of plastic and other packaging materials	Negative actual impact	Since plastic does not biodegrade, it contaminates soil and waterways. We gradually change the materials we and our customers use to mitigate this negative impact.
Preventing food waste	Food waste close	Negative actual impact	Food waste leads to the emission of greenhouse gases during decomposition in landfills. Thus, we apply different ways to reduce the amount of food waste as well as reuse it.
Products quality and safety	Product quality and safety (making sure that MAXIMA Group's products are safe for the consumers)	Negative potential impact	The Group has in-hours laboratory and thorough screening procedures to ensure that products are high quality and safe to use.
Responsible workplace, health and safety of employees	Human rights violations	Negative potential impact	MAXIMA Group employs over 38,000 people and any violations of human rights would have a very strong negative impact. Thus, Group has policies in place to ensure that human rights are respected in the Group and its value chain (ongoing).

Material topic	Material impact	Type	Description
Responsible workplace, health and safety of employees	Ensuring proper working conditions	Negative Potential impact	Working in grocery retail can have adverse effects on one's health, such as physical strain from repetitive tasks, exposure to allergens, and mental stress due to customer demands and long working hours. We adhere to local labour laws and implement programmes to ensure proper working conditions and mitigate potential negative impacts.
Responsible workplace	Inclusion, Diversity and Equality	Positive actual impact	The Group is an equal opportunity employer and encourages diversity by providing equal opportunities to everyone regardless of their age, gender, nationality and other personal characteristics.
Training and development of employees	Education of employees	Positive actual impact	Educated employees contribute to business success. Thus, the Group not only organizes trainings for new employees but also invests in upskilling of existing employees.
Responsible sourcing, relationship with suppliers	Locality (supporting local businesses by buying from them, together implementing projects, encouraging customers to choose local products)	Positive actual impact	When buying locally, the Group support local businesses, contribute less to climate change (due to shorter logistics) and supports the economy. Thus, the Group prioritizes local suppliers and advertise its products to customers.
Responsible sourcing, relationship with suppliers	Business ethics (promotion of ethical principles throughout the MAXIMA Group's value chain)	Positive actual impact	Positive impact related to conducting business activities based on established principles of cooperation and standards of operation.
Healthy products, shopping experience	Opportunities in healthy eating, high nutrition value products.	Positive potential impact	We expand our product portfolio of healthy and sustainably sources products, raise consumer awareness to promote healthier choices.

OUR PEOPLE

NUMBER OF EMPLOYEES IN EACH COUNTRY

13,215
Lithuania

6,605
Latvia

3,405
Estonia

12,722
Poland

2,309
Bulgaria

EMPLOYEE SALARIES INCREASE CAMPARING to 2021

8%

IN HIGH MANAGEMENT POSITIONS THROUGHOUT GROUP

47%
women

53%
men

OUR TEAM

At MAXIMA Group we value our employees as they are the key to our success. We put efforts to create a positive cultural and working environment that motivates and fosters engagement, teamwork, and continuous learning. The core values of our team's culture are Awareness, Responsibility, and Self-belief, collectively known as "ARAS". Based on these three core values we have developed a culture that evolves around more than hundred distinct supporting principles guide us in our activities. The ARAS based culture places great emphasis on diverse individuals and their contributions and is focused on promoting personal freedom and individuality. In addition to having the necessary skills to perform their roles, team members must also have a strong drive to continuously enhance their emotional intelligence.

The Group also emphasizes mutual respect, diversity, and equal treatment, with 47% women in high management positions in 2022, and people of various nationalities and backgrounds employed in each country. We focus on creating a healthy, safe, and attractive workplace, providing employees with benefits packages worth 80.6 million euros in 2022.

MAXIMA Group has over 38,000 employees. We promote human rights and invest in safe working conditions for all. Due to all our efforts, we have been recognized in multiple areas. MAXIMA Lithuania has been recognized as one of the most attractive places to work in retail and attributes its success to its employees, partners, and customers. MAXIMA Latvia has been awarded as 2nd “Top-of-mind” employer in Latvia and as a “Family-friendly workplace” while diversity and inclusions initiatives were recognized by Estonian Center for Human Rights by awarding MAXIMA Estonia with a Diverse Workspace label “Respecting Differences”.

NUMBER OF EMPLOYEES BY GENDER AND EMPLOYMENT TYPE

[2-7]

	Bulgaria		Estonia		Latvia		Lithuania		Poland	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Permanent	1,778	530	2,612	769	5,087	1,452	9,859	2,310	5,756	1,219
Temporary	1	0	18	6	59	7	743	303	4,846	901
Country totals	**1,779**	**530**	**2,630**	**775**	**5,146**	**1,459**	**10,602**	**2,613**	**10,602**	**2,120**
TOTAL 38,256										

NUMBER OF EMPLOYEES BY GENDER AND EMPLOYMENT TYPE

[2-7]

	Bulgaria		Estonia		Latvia		Lithuania		Poland	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Full-time	1,641	475	2,299	703	1,679	357	10,070	2,416	10,065	2,064
Part-time	138	55	331	72	3,467	1,102	378	149	537	56
More than full time	0	0	0	0	0	0	154	48	0	0
Non-guaranteed hours	0	0	0	0	0	0	0	0	0	0
Country totals	**1,779**	**530**	**2,630**	**775**	**5,146**	**1,459**	**10,602**	**2,613**	**10,602**	**2,120**
TOTAL 38,256										

In 2022, the Group increased salaries by almost 8%. For instance, in 2022, MAXIMA Lithuania dedicated almost 13 million euros to salary increases – remuneration for some employee categories has increased by up to 18%. At the end of 2022, company confirmed the new remuneration policy that shall enter into force in 2023 and, on average, will increase salaries of employees by 10%, adding up to 14.5 million euros. Similar increase in remuneration was approved in MAXIMA Estonia and it resulted in a significant increase in salaries in 2022.

Collective bargaining agreements are in force in MAXIMA Lithuania and MAXIMA Latvia covering 100% of employees in each company. In total, 48% are covered by bargaining agreements. In some of countries of operation, Group's companies also have workers who are not employees (usually performing auxiliary services). However, the Group currently does not have established processes to collect data about such workers and is not able to include relevant disclosures it in the current report.

DIVERSITY AND EQUAL OPPORTUNITY

At MAXIMA Group we place emphasis on the importance of mutual respect, embracing diversity, and ensuring equal treatment for all. We recognize that diversity in the workplace brings unique perspectives, ideas, and solutions to the table. We believe that embracing diversity and fostering an inclusive work culture can result in a positive impact on the company's productivity, innovation, and success. We strive to ensure that everyone feels valued, respected, and appreciated at the workplace.

All companies within the Group are committed to ensuring equal opportunities and diversity and are following the principles of our Equal Opportunities and Diversity Policy that protects our employees and candidates alike against any form of discrimination based on their personal beliefs, age, gender, relationship status, maternity/paternity, race, religion, or sexual orientation. This policy ensures that all individuals are given fair and equal consideration, regardless of their personal characteristics. The policy also describes how it is implemented, supervised and controlled. Our remuneration structures are transparent and based on objective criteria, such as skills and experience, without bias towards any other factors.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES BY GENDER AND AGE GROUP

(% FROM EMPLOYEE CATEGORY)

[405-01]		< 30 years		30-50 years		> 50 years	
Managers at the company (C level)	Men	1	0.93%	50	46.73%	6	5.61%
	Women	4	3.74%	38	35.51%	8	7.48%
Middle management	Men	25	6.67%	146	38.93%	18	4.80%
	Women	26	6.93%	148	39.47%	12	3.20%
Regional and shop managers	Men	43	2.64%	138	8.49%	17	1.05%
	Women	119	7.32%	1,013	62.30%	296	18.20%
Others (office employees, shop employees, warehouse employees etc.)	Men	2,321	6.42%	3,053	8.45%	1,680	4.65%
	Women	5,141	14.22%	13,991	38.70%	9,963	27.56%

Percentage calculated: share of employees by employee category in set age range from total number of employee in that employee category.

Our employment policies are flexible and adaptable to changes in the society. During the summer period, we actively seek for young people (high school and university students) for seasonal work, which often leads to long-term career opportunities within our company. We provide comprehensive training and support to help them develop essential skills, including budgeting, communication, and adaptability. In 2022, around 100 young people aged 15-18 worked in the administration and stores of MAXIMA Estonia. Since the start of MAXIMA's operation in Estonia, more than 3,500 young people participated in the summer employment campaign. MAXIMA Estonia also makes extra step to welcome people of all backgrounds. While Estonian is the official language in the country, and efforts have been made to promote its use, there are still some people who do not speak it due to their personal histories or social situations. Therefore, all documentation and trainings in MAXIMA Estonia are bilingual. Additionally, Estonian language trainings are organized for those who would like to learn it. We are proud to share that in 2022, MAXIMA Estonia was awarded by Estonian Centre for Human Rights with Diverse Workspace label "Respecting Differences". The label is awarded to organizations that respect equal treatment and inclusive organizational culture and whose substantive work in managing diversity sets an example to others.

We prioritize maintaining a safe and respectful workplace by promoting vigilance in preventing any inappropriate behaviour or workplace misconduct. Employees are encouraged to report any inappropriate behaviour or working conditions through various channels, including their manager, HR representative, or helplines (in accordance with local laws). We are proud to report that there were no incidents of discrimination during the reporting period, and we are committed to fostering a non-discriminatory workplace.

Our companies are also constantly prioritising on ensuring friendly and collaborative work environment for our employees. At the end of 2022, MAXIMA Lithuania introduced policy for the prevention of violence and harassment in the work environment. Some other group companies are working on this as well. STOKROTKA has a valid anti-mobbing policy for more than 5 years already.

As the beginning of the year 2022 was marked with Russia's invasion into territory of Ukraine, Europe faced unprecedented flow of people, fleeing from dangerous and harsh living conditions in their country. We were proud to be amongst ones of the first employers to provide workplaces and other necessary assistance to Ukrainian refugees, coming to countries we operate in. Since the beginning of war, MAXIMA Group have employed more than 1,600 Ukrainian refugees.

As of 31 December 2022, a total number of 933 war refugees have been employed by the different companies within the Group:

321	**77**	**318**	**10**	**207**

Our Group companies provided not only the employment opportunities, but also welcomed these people into our country and tried to facilitate integration into our teams – preparing introductory materials for newcomers to understand what legal, social and other actions they need to fulfil, useful links and instructions for internal and external assistance, depending on personal circumstances provided other help, e.g. helped with housing or ensured available free psychological support National language courses organised and company-paid were offered to those willing to learn, and professional training materials were prepared in languages, understandable to the newcomers.

Individual countries adopted some additional measures to further foster the integration process for the new employees. For instance, customers of our stores are informed through the in-store radio, employee tags or other informative marks that Ukrainians are working in the store and not all of them speak native languages. In August, most of our companies celebrated Ukraine's Independence Day. Most of our retail companies cooperated with Ukrainian embassies, promoted and made visible in stores goods, produced in Ukraine. MAXIMA Lithuania had given Ukrainian employees a day off paid by a double tariff, applying the same payment system used during National Holidays in Lithuanian. The Ukrainian colleagues and the teams having Ukrainian members were also congratulated by their managers with sweet gifts with national Ukrainian symbolics. MAXIMA Estonia have also organised special events for their Ukrainian colleagues in the same tradition as Estonia's Independence Day is celebrated, congratulating colleagues with sweet gifts.

We also launched and implemented a number of activities to support the recruitment of Ukrainians. These activities include information hours on recruiting Ukrainian refugees for executives, finding the right channels to advertise vacancies, and advising job seekers on other aspects of life, whether it be applying for temporary residence permit, housing, or childcare. MAXIMA Estonia went even further – they employed a Ukrainian refugee as a HR specialist, and this decision made employment and onboarding process less complicated and more understandable, resulting in MAXIMA Estonia having proportionally the biggest percentage of Ukrainian employees compared to the total number of employees, making MAXIMA Estonia one of the leaders in the overall employment of Ukrainians within the Group.

At the end of 2022, we have also engaged an independent third-party experts' team to evaluate the employment conditions of our Ukrainian colleagues, in adherence with our Equal Opportunity and Diversity Policy in employment process, aiming to consolidate the know-how on refugee employment among different countries and identify any problems or special needs in the process of the onboarding. We are glad that no major issues or significant discrepancies were identified. Furthermore, the suggestions raised by the experts and different best practices identified in countries, will help us to strengthen our organisation, and to improve employment and onboarding process for Ukrainian refugees even more.

LEARNING AND DEVELOPMENT

Our success is based on developing the skills, abilities, and passion of our employees through trainings and continuous professional development. We believe that loyalty, dedication and teamwork are crucial to our success. We promote individual and organizational growth to strengthen our culture and to ensure ethical principles are followed at any given time or place within our organisation.

While learning and development practices differ among the companies within our Group, they are following the same fundamental principles. These principles are designed to ensure that new employees are well trained and existing employees continue to improve their skills. Companies apply different methods to provide training and facilitate development opportunities, such as online learning platforms, classroom-based sessions, on-the-job training, mentoring programmes and other. No matter the approach, the ultimate goal is the same: to provide employees with the resources and support them in their roles, and to foster a culture of continuous learning and development. These are the main categories of training provided to employees:

New employee training

All new employees are provided with the necessary theoretical and practical knowledge. Usually, the initial training occurs either online or in-person before the employee starts the job. For employees who require specialized skills and knowledge, such as store staff, cashiers, food preparers, warehouse staff, employees working with special machinery/equipment and BARBORA pickers/couriers, tailored training courses are provided. All new employees must also attend and pass work safety and company policy awareness trainings.

Language training

MAXIMA Group appreciates diversity and hires people of different backgrounds and nationalities. Therefore, in some countries, national language trainings are organized for employees who lack skills. This practice was especially appreciated by Ukrainian refuges who joined our companies in 2022.

Trainings for retail employees

Workers of grocery retail stores face unique challenges such as a large volume of products, usage of different equipment and machinery, diverse customer needs, and constantly changing inventory. These challenges require employees to have specialized knowledge and skills to ensure they can perform their duties effectively. Therefore, we provide technical trainings for cashiers (that also include self-scan/scan&go learning), customer service training, specialized learning for new store managers. By providing specialized training to our employees, we ensure that our people are equipped with the knowledge and skills needed to provide exceptional customer service and maintain a safe and efficient work environment.

Trainings for employees of administration

Trainings that are provided to employees of our administration can be categorized in these main groups: a) technical trainings such as Excel, Autocad, BI, Focus, etc.; b) soft and managerial skills trainings, e.g., providing effective feedback, coaching, mentoring, personnel management, stress management, etc., c) trainings in compliance area (different policies, GDPR, IT security, legal trainings, etc.).

Individual companies also have developed special training programmes, that are tailored to the specifics of the given company. For instance, MAXIMA Lithuania is running a "School of Masters" programme, allowing people with no prior experience acquire new vocational skills related to food production, that can be immediately applied. This programme usually lasts around two months and involves hands-on training with experienced co-workers and completion of practical assignments.

Every year, STOKROTKA runs the “Stokrotka Manager Express“ development programme that helps employees to develop competences that are required to take the position of a regional manager. Learning modules include such topics as trade, recruitment, finance and business intelligence, Excel and managerial skills. In 2022, the programme was updated and had 18 participants, which is the highest number from the start of the programme and twice the number in 2021 when 9 persons participated.

For the third year Maxima Lithuania has continued with the “Speed Board” talent programme aimed at the development and growth of company’s employees. A total of 17 persons have participated and have grown their competences through the programme during the year 2022. The programme shall continue in 2023 with a reviewed approach and updated contents to further foster the internal growth and promotion within the company.

The industry that we operate in is evolving fast, thus we encourage our employees to attend external events and conferences to keep up to date with latest industry developments and bring new inspiring ideas to improve and innovate our everyday work.

Performance reviews

The Group has established internal procedures for performance reviews. The company culture, known as "ARAS," encourages employees to share their opinions, provide feedback, engage in candidate discussions, take responsibility, and develop their skills regularly. Some companies within the Group conduct regular performance and career development reviews for all administrative staff, while others do so only for management-level employees. In stores, employee evaluation and feedback come in two forms, with some employees getting feedback and evaluation monthly based on quality related KPIs and turnover, while others receive less frequent formal feedback and evaluations with criteria based on team and company goals. Evaluation criteria are often reviewed based on the best practices and feedback received from employees. For instance, in 2022 MAXIMA Estonia updated evaluation and motivation criteria for employees that are responsible for collecting goods. This allowed us to foster equity approach and develop individual targets for each employee.

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 organization, the Group maintains a flat structure and emphasizes informal continuous feedback and self-assessment between managers and employees, which is only partially reflected in the performance indicator.

Employees receiving regular performance and career development reviews

[404-3]

	Total		Employees receiving regular performance review		Percentage	
	2022	2021	2022	2021	2022	2021
Total employees:	38,256	38,482	18,040	19,335	47.16%	50.24%
Administration employees	3,036	2,946	1,858	1,588	61.20%	53.90%
Men	909	910	592	473	65.13%	51.98%
Women	2,127	2,036	1,266	1,115	59.52%	54.76%
Others (shops, warehouses, etc.)	35,220	35,536	16,560	17,747	47.02%	53.19%
Men	6,588	6,888	2,701	3,083	41.00%	52.82%
Women	28,632	28,648	13,859	14,664	48.40%	53.27%

EMPLOYEE WELLBEING AND BENEFITS

In recent years, employees have increasingly considered factors beyond just the job and salary when deciding on a career path. The general well-being and additional benefits offered by employers have become important considerations as well. Therefore, we aim to create a good work environment for all our employees. To do so we offer a comprehensive benefits package and adhere to the global principles of decent working conditions set out by the United Nations Global Compact and general principles set in the Convention of Human Rights.

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.

We also organize annual employee events to celebrate their achievements and strengthen team spirit.

Here are some examples of additional employee benefits offered by our companies (practices vary by the country):

- Private health insurance (MAXIMA Lithuania is the leader in terms of private health insurance as it is provided to more than 50% of employees);
- Accommodation allowances;
- Mental health assistance;
- Co-financed fitness club memberships;
- Financial gifts on the event of a childbirth or weddings ;
- Various financial bonuses such as reference bonus, best employee programme, long-term employee awards, etc.

The Group also aims to be a family-friendly employee and provides various additional benefits. In most of the countries employees of our administration have hybrid working conditions – they can work both from the office and at home. Employees of stores, warehouses and logistics centres have flexible work schedules and arrangements such as part-time work.

The everyday effort we put did not go unnoticed. In 2022, MAXIMA Latvia was officially recognized as a “Family-friendly workplace” by “Society Integration Foundation”. This initiative was established in 2020 and aims to encourage employers to pay more attention to the work-life balance and help their employees to improve it. Companies, that send their application, are evaluated by “Society Integration Foundation” and can receive support for the further implementation of various family-friendly practices in the organization.

Our companies have various initiatives and activities supporting employees and their families, for example: various discounts and gifts for holidays, special events for families that focus on sports and healthy lifestyle, summer camps, gifts for large families and at a special occasion, and a special scholarship programme for children of employees.

All our employees in all countries we operate in are entitled to a parental leave. At the end of the reporting period a total of 1,397 employees throughout the Group were on a parental leave, namely 18 men and 1,379 women. The length of parental leave differs by the countries' law and varies from 1 to 3 years.

Parental leave

	Bulgaria		Estonia		Latvia		Lithuania		Poland	
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Percentage of employees that are entitled to parental leave	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Employees that are on parental leave	118	0	127	3	355	5	545	9	234	1
Employees that returned to work in the reporting period after parental leave ended	17	0	0	0	134	2	321	5	46	14

OCCUPATIONAL HEALTH AND SAFETY

The COVID-19 pandemic has changed the previously prevailing understanding of safety at work. People started feeling less secure in their daily lives including workplaces. This had an effect on the perception of the workplace, putting safety at a work as a top motivational measure along with tangible financial or other benefits. . Ensuring that a workplace a place where our employees can feel secure in terms of the pandemic has remained among our focus actions in 2022.

To ensure occupational health and safety of our workforce, MAXIMA Group is committed to follow all the relevant regulations, industry best practices, and regularly conducting internal risk assessments. We prioritize the safety and well-being of our employees and take proactive measures to identify and mitigate potential hazards in the workplace through routine assessments and employee trainings. Our health and safety protocols are regularly reviewed and updated to ensure continuous improvement and compliance with the safety requirements.

Our occupational health and safety system covers:

Risk evaluation, covering:

- planning;
- visiting the site of operations;
- assessing risk for each structural unit;
- defining preventive measures;
- preparing and issuing documentation.

Work environment monitoring/supervision;

Preventive and corrective action planning;

Training and communication to employee;

Medical examinations;

Personal protective and safety equipment;

Accident investigation.

Our health and safety management system covers all employees, and every company within our Group. It has identified specialists or divisions responsible for maintaining and implementing occupational health and safety standards. MAXIMA Lithuania, Latvia, and BARBORA outsource third parties for safety management assistance.

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, analyse working conditions, propose solutions, and monitor the implementation of decisions. This way we enable and encourage our employees to get actively involved in the processes and provide feedback. Our companies have implemented different solutions for employees to report on work-related hazards, such as anonymous trust lines, by phone, by email, directly reporting to manager, or directly contacting a person in the health & safety department.

Each company within the Group implements diverse approaches to evaluate risks in compliance with applicable legal requirements, but fundamental procedures are commonly employed across all businesses to recognize job-associated dangers and assess the potential risks:

- Visits to divisions and interviewing the employees;
- Documentation of risk assessment and preventative actions taken;
- Explanation of risks to employees;
- Communication by those responsible about corrective and preventative actions;
- Implementation of corrective and preventative actions;
- Monitoring.

Our companies are also implementing steps to guarantee the excellence of these methods and the competence of those accountable through bidding procedures, evaluations, and certification validation.

Our staff is trained on our protocols and is advised to halt work in the event of a hazardous circumstance. Typically, the regulations are outlined in an Internal Rules of Working Procedures handbook within our organizations. 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.

Employees are informed about health and safety through various channels such as corporate websites, newsletters, emails, trainings, and meetings. A special campaign takes place in MAXIMA Latvia – "Hunting Murphy". It aims to increase employee awareness on work safety and reduce workplace risks that can be solved by employees themselves. For the second year during the campaign, our employees were "hunting Murphy", or in other words – identifying the safety risks in their workplace, reducing them, and submitting the photo of the results achieved to an internal contest. The best "Murphy hunters" were awarded with prizes. The campaign already proved to be successful as the number of "Murphies" reduces every year, indicating higher employee awareness and self-initiative outside the campaign period. At the end of 2022, MAXIMA Latvia joined "Mission Zero" Commitment Charter and made a commitment to move closer to "0" work related accidents.

Due to consistent efforts, the number of work-related injuries was significantly decreased in 2022 to 400 in total in comparison to 526 in 2021.

Work-related injuries

[403-9]	2022	2021
Total number of work-related injuries	**400**	**526**
The number of fatalities as a result of work-related injury	**0**	**0**
The number of serious work-related injuries (excluding fatalities)	**13**	**9**
Rate of recordable work-related injuries *	**6.25**	**9.3**
Rate of serious work-related injuries (excluding fatalities)*	**0.20**	**0.1**

Note:
Rates are calculated by dividing the number of injuries by total number of hours worked during reporting period multiplied by 1,000,000

The well-being of our employees is of utmost importance to us. Therefore, all our companies conduct health screenings before hiring new employee 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 with psychologists, gym membership and similar, are aimed at increasing the overall health of our employees.

OUR CUSTOMERS

1.6 MILLION

Customers daily

4.6 MILLION

Loyalty programme members

3.8 MILLION

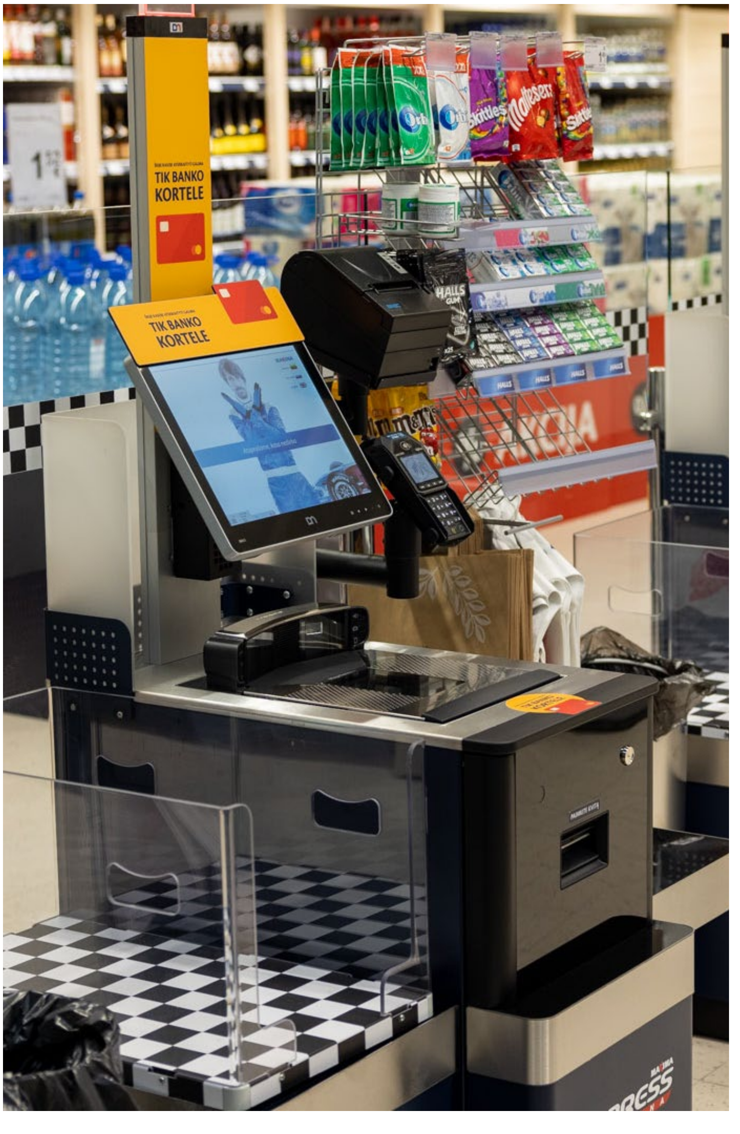
Number e-commerce orders

2,944

Self-service check outs per Group

OUR CUSTOMERS

At MAXIMA Group we understand that satisfied customers are the key to our business success as their satisfaction generates of additional value to our internal and external stakeholders. This is why we prioritize providing customers with high-quality products that meet their needs and expectations at an affordable price. We encourage customers to make healthier and more sustainable choices by offering a wide range of products that are not only good for them but also for the environment. Whether customers are looking for fresh produce, organic foods, or eco-friendly household items, we make it easy for them to make informed choices that align with their values and help promote a better future for all. To ensure great shopping experience we also invest into both technology and infrastructure.



This can be seen through the implementation of cutting-edge technology, such as self-checkout systems (including Scan&Go technology), mobile app for loyalty programme, etc. MAXIMA Group also actively invests in the physical infrastructure of their stores, ensuring that the layout is intuitive, the shelves are well-stocked, and the environment is clean and inviting.

We are proud that our efforts to ensure great customer service are recognized not only by our local customers but also by dedicated awards. In 2022, STOKROTKA was awarded as the Retail Champion in the category of Biggest Progress.

PRODUCT SAFETY AND QUALITY

At our stores, product safety is given the highest priority in all categories we sell, be it a food or a non-food product. We understand that our customers rely on us to provide products that are safe to use and consume, and we take this responsibility very seriously. We have implemented various measures to ensure that our products meet the highest safety standards. MAXIMA Latvia operates according to a quality management system that is certified in accordance with ISO 9001, STOKROTKA follows GHP (Good Hygiene Practice) and the entire Group operates in compliance with food safety management system HACCP.

We have strict policies and procedures in place that require our suppliers to provide all necessary documentation to prove their products' compliance. This includes safety data sheets, organic or eco-certification, and any other relevant certifications. We conduct both planned and ad hoc laboratory testing to verify the safety and quality of our products, and we perform supplier audits to ensure that their production environment and safety assurance procedures meet our standards. Additionally, we have dedicated teams that are responsible for monitoring and addressing any product-related issues promptly. By prioritizing product safety and quality, we aim to build trust with our customers and maintain a positive 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 production 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 fruits, 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.

In 2016, MAXIMA International Sourcing established an in-house laboratory to perform product testing faster and more efficiently while also saving costs. The laboratory tests all products in different categories, including fresh food, food, and non-food items, using various equipment suitable for different tests such as weight analysis, pH, and temperature. The commercial department requests testing when products are in question, or suppliers' tenders come in, and the laboratory performs multiple tests on products to ensure their quality. After all necessary checks, the laboratory assistant fills in the product specification card with conclusions, and the commerce department decides how to proceed with the product. On average, the laboratory tests over 100 products per month. The company prioritizes the quality of its products and strives to ensure the best quality for the best price to its customers.

PRODUCT ANALYSES IN 2022

	FRESH FOOD	OTHER FOOD PRODUCTS	NON-FOOD
SAMPLES ANALYSED	2,158	457	232
SAMPLES OF PRIVATE LABEL	1,461	235	139
OWN CONTROL SAMPLES ANALYSED*	1,450	304	178
REJECTED PRIVATE LABEL*	25	10	40
REJECTED OF PRIVATE LABEL RECALLS*	20	0	0

Note: * the number of product analysis excludes tests conducted on private label in STOKROTKA since it is not tracked.

PRIVATE LABEL

Every year, we are improving our private label offerings by continuously adapting to our customers' needs and preferences.

We work hard to provide our customers with detailed information to assist them in making informed purchasing decisions. We continually review these products for possible improvements, including health and safety considerations. We regularly enhance our product recipes and production technologies by analysing the results of laboratory testing, prototype evaluation, and taste tests. In addition to delivering top-quality private label products, it is equally important to provide accurate product information and labelling. The private label departments are responsible for drafting and approving the necessary specifications. When selecting a label design, we always consider how to ensure that all essential information is conveyed to customers effectively. We ensure that all our private labels provide all important information such as:

- sourcing of components of the products;
- content of the products, particularly with regard to substances that might produce an environmental impact;
- safe use of products;
- instruction of the disposal of the product and environmental or social impacts.

Some of our private labels:

Meistro kokybė" (Eng. "Master's quality"): various ready-to-eat meals, e.g. salads, pasta, snacks, etc.

Extra line – canned fruits and vegetables, nuts and spices, flour and grains, oils and sauces and other.

Peppin's – a brand created for baby category and products like diapers, changing mats and wet wipes.

Helper – household chemical and laundry detergent products with certified and tested in laboratories quality.

"Linkėjimai iš kaimo" (Eng. "Greetings from the countryside"): freshly produced bread, meat, and milk products that are made according to traditional recipes.

Mio&Rio – TREAT YOURSELF categories such as cookies, sweets and chocolates, snacks, juices and syrups, ice cream and other.

Ardour – premium category complete dry food for dogs and cats.

Wide OCEAN – fish and fish products: salmon, herring, surimi, frozen fish fingers etc.

A THOROUGH PROCESS ENSURES HIGH QUALITY PL PRODUCTS

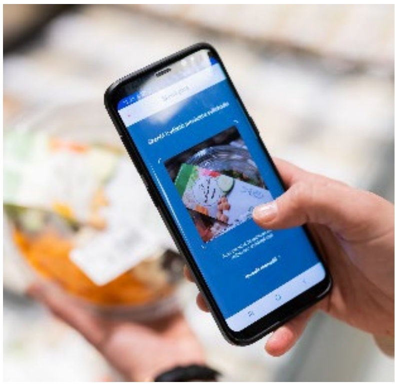
MAXIMA's steps in adding a new product to its private label offering:

1. Research of currently applicable EU laws and regulations
2. Drafting and approval of the written specifications required for a new PL product
3. Evaluation of tender offers in keeping with MAXIMA's purchasing guidelines
4. Selection of a suitable manufacturer
5. Audit of the selected manufacturer
6. Submission and analysis of product samples
7. Once agreement is in place, continuous on-site monitoring of production
8. Products are delivered to MAXIMA's distribution centres for further distribution to stores

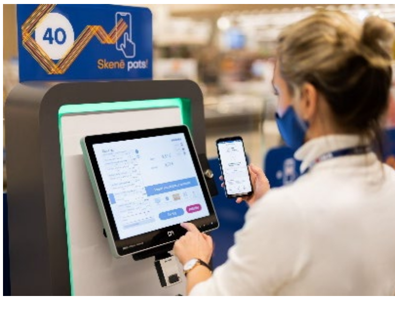
BETTER SHOPPING EXPERIENCE

MAXIMA Group is committed to utilizing the latest technology to provide our customers with the safest, most efficient, and convenient shopping experience possible. We recognize that technology plays a critical role in modern retail and can help us better serve our customers' needs. To achieve this, we have invested in state-of-the-art technologies that enable us to streamline our operations and provide a seamless shopping experience for our customers.

Mobile apps to join loyalty programmes – in the recent years our customers can join and enjoy benefits of our loyalty programmes through mobile app instead of using a plastic loyalty card. Depending on the country, apps offer additional benefits to its users. For instance, in MAXIMA Lithuania and MAXIMA Latvia, people can join clubs and get special offers tailored to their needs. For example, if you have a pet, you can join "Pet club" and get special offers for pet products. Customers can also choose to go paper-less and receive digital receipts instead of the paper ones which is also a more environmentally friendly option. Users of the app also benefit from personalized offerings and dedicated discounts.



Self-checkout systems – every year we are increasing number of self-checkout systems. As of 31st December 2022, we had 2,944 such systems installed in stores, operated by our Group companies. Our customers are also getting accustomed to using self-checkout as it offers a faster checkout experience, give customers more control over the checkout process. Based on the data form all our stores, with exception for stores in Poland, where the data points were not available, the usage of self-checkout systems, compared to 2021, has increased by 3.8 percentage points in 2022 and by the end of 2022, 38.5% of all buyers used self-checkout.



Scan & Go – similarly to self-checkout, Scan & Go system allows shoppers to manage their whole shopping process. Shoppers scan items using a portable scanner device that they login to using their loyalty card or app, place them in the bag, and pay for them at a dedicated payment area without having to remove items from their shopping bags, making the whole shopping experience seamless. MAXIMA Estonia have gone even further – their mobile app allows shopping directly with customer's phone, without using any additional shopping device.

BARBORA "Drive-in" - Back in 2019, BARBORA in Lithuania implemented "Drive in" stations to assist customers in saving time. When an order is placed and paid for, customers can pick it up at the "Drive in" station where BARBORA employees prepare it within 30 minutes and deliver it directly to the customer's vehicle.

New stores and renovation – not only we are opening new modern stores in all the countries of operation, we are also putting a lot of effort into renovation and modernization the older stores. This way we prolong the lifetime of the buildings and avoid constructing new. Renovated stores become brighter, more convenient, and more focused on food products. All stores across the Group are being renovated based on the same concept so customers find a familiar environment which is easy and comfortable to navigate while looking for a favourite products at the best prices or exploring promotions and special offers. While welcoming and pleasant environment is created in all new and renovated stores, some countries go extra mile to ensure convenient shopping experience for families. MAXIMA Estonia, Latvia, Lithuania have separate cash registers and parking lots specially designated for families with children. In addition, MAXIMA Latvia also offers a special loyalty programme for new parents "Mazuļu klubs", where they receive special offers and valuable information, healthy food and recipe ideas, as well as participate in various events, such as "Expectation Thursdays". Similar clubs are also valid for customers of MAXIMA Lithuania and MAXIMA Estonia.

ENGAGING CUSTOMERS

COMMUNICATION WITH CUSTOMERS

At MAXIMA Group, we place great emphasis on ensuring that all our communication with our customers is honest, transparent, and up to date. We provide information to our customers through various channels, such as newspapers, weekly leaflets, customer magazines, TV commercials, and official websites. In addition to the traditional channels, we also use social media platforms such as Facebook, LinkedIn, and Instagram to communicate with our customers and reach those customers who prefer using social media.

Although exact tools of communication differ by country, customers in all countries can get in touch with us, ask questions and leave feedback. Most countries provide possibility for clients to contact them by phone, email, in-person at the stores, through our loyalty app or on social networks.

For several years already, MAXIMA Lithuania has the initiative “Heroes of MAXIMA” that is designed to give customers an opportunity to thank our staff members who served them well. Customers are invited to express their feedback about employees by phone, website, mobile app and in written. Based on the feedback received for our clients, Heroes are chosen and awarded every month.

Our employees are our ambassadors whenever they interact with our customers, thus they play an important role in the overall communication. As our primary brand ambassadors, employees in the stores receive tailored customer service training. Some of our employees in the stores, as well as in the administration, handle personal data of our customers (some personal information is gathered when customer joins our loyalty programme) under a strict data privacy policy. As a Group, we are strongly committed to following the best EU data protection practices while handling personal data. To further enhance our data privacy practices, in 2022, MAXIMA Latvia designed a training programme on data protection, the so-called “Data Protection Week”. The training took place at the beginning of 2023. During the training, employees had the opportunity to improve their knowledge on data protection and test the acquired knowledge in practical exercises resembling everyday work situations. We believe that above mentioned trainings have a positive impact not only on how we handle the private data within our organisation, but also raise the awareness of our employees how they handle their private data outside of work.

At the end of 2022-beginning of 2023, MAXIMA Lithuania has renewed its loyalty programme cards. By doing so, the rules of the loyalty programme, amongst others in the part of the data protection, were thoroughly reviewed and changed. The old loyalty cards, whose owners did not perform the necessary actions in relation to new rules changes, stopped working.

HEALTHIER CHOICE

MAXIMA Group is committed to supporting customers in their efforts to have a more balanced diet. To achieve this goal, we regularly review our assortment of food products and strive to offer options that meet a variety of nutritional needs and lifestyles. In all the countries where we operate, we have a wide range of gluten-free, lactose-free, vegetarian, and vegan products for people with specific diets. In addition to that, we offer a selection of specialised food for athletes. Our purchasing department considers the recommendations of respected organizations such as the World Health Organization to ensure that our product offerings align with current nutritional guidelines.

We also pay close attention to the ingredients used in our private label brands, especially those intended for children. We strictly monitor the amounts of food additives and nutrients like salt, sugar, and fat that are included in these products to ensure that they are within accepted and approved levels. Additionally, we make sure that our private product labels provide clear and straightforward information about health, nutrition, and serving sizes to promote healthy eating habits, while complying with all relevant European Union regulations.

Additionally, we educate our customers on how to make healthier choices and encourage them plan their purchases so that food waste could be avoided or minimized. For example, MAXIMA Lithuania actively communicates on the topic of food waste by issuing communication on such subjects as vegan diet, healthy food recipes, advice on how to use food scraps, etc. MAXIMA Latvia, BARBORA and T-Market in Bulgaria also actively share healthy recipes on their websites.

OUR ENVIRONMENT

55.8%

of our total waste is recycled

30%

of electricity in the Group is green

OUR ENVIRONMENT

As a grocery retailer, we recognize the importance of taking responsibility for the impact that our business operations have on the environment. We firmly believe that it is our duty to minimize our negative impacts to the environment and work towards a more sustainable future. That's why over the years we have implemented various initiatives to reduce our carbon footprint, manage waste flow, conserve natural resources, increase energy efficiency and educate our customers and employees about the importance of environmental sustainability. From using energy-efficient lighting and cooling systems in our stores, warehouses, and distribution centres, reducing packaging waste, optimizing delivery routes, to sourcing products from local suppliers, we are constantly striving to improve our environmental performance.

As environmental awareness grows, our customers are becoming increasingly conscious of the environmental impact of their daily purchases. In response, we adapt our product portfolio by offering more local and sustainably sourced products. At the same time, we educate customers about sustainable practices and encourage them to make more environmentally conscious purchasing decisions.

Companies within the Group implement sustainability-related initiatives independently, but they all follow the same principles, goals, and commitments and share their experiences and results with each other. This helps our target to make sustainability practices consistent across the Group, and enables everyone to learn from each other's successes and challenges. The sharing of best practices and results also helps us to foster a culture of continuous improvement, as companies are encouraged to implement new and innovative solutions to reduce their environmental impact.

CLIMATE ACTION

ENERGY

In our Group, we prioritize energy conservation at every step of our operations, and we recognize that our stakeholders have great environmental expectations for us. We understand that our customers have concerns about responsible business practices and ask us about how we source our materials, deal with waste flow and consume energy. To address these concerns, we are enhancing environmental management practices in all the countries we operate in.

Since 2019 MAXIMA Lithuania has ISO 14001 accreditation, which enables us to enhance our environmental performance by using resources more efficiently and reducing waste. This standard ensures that we have a framework for continuous improvement, and we monitor and manage our environmental impact.

Meanwhile, MAXIMA Latvia, had adopted the ISO 50001 standard, which helps us to reduce our energy usage and greenhouse gas emissions. This standard provides a systematic approach to energy management, enabling us to continually improve our energy performance and reduce our environmental footprint.

Overall, we are committed to conducting our business in a responsible and sustainable manner with a focus on reducing the amount of energy generated from fossil fuels and switching to renewable sources. Further we describe actions we have taken, and technologies implemented in order to optimize energy consumption.

STORES:

Our stores are the point where we meet our customers daily. It is a place where they can see our everyday energy management solutions. Energy control and management systems, energy efficient lighting and natural refrigeration systems are present to a different degree in all our countries of operation.

	2022	2021	2020
Total renewable electricity produced by our solar power stations (MWh):	**791.7**	**136.2**	**101.8**
Number of stores with LED lighting	**1,224**	**819**	**280**
Number of stores with natural refrigerants (CO_2, WL)	**72**	**63**	**37**

We have continued the roll out of LED lighting technology in our stores throughout 2022. The use of modern lighting technology not only reduces our environmental footprint through the reduction of energy consumption, but also contributes to reduction of amounts of materials used to produce the light bulbs

The prolonged lifespan of LED lighting enables us to reduce the amounts of electronic waste that has to be properly utilised.

Throughout the Group, LED lighting technology adaption level in stores is:

- **Over 85% in Poland, Latvia, Bulgaria and Lithuania;**
- **Over 50% in Estonia.**

In total, 1,224 stores had LED lighting in 2022 (in comparison to 819 in 2021).

Tackling the reduction of non-renewable energy usage, we have continued with the expansion of capacities of electricity generation from solar energy. Electricity production during the year 2022 has totalled 791.7 MWh which is a substantial increase compared to the previous year (136.2 MWh in 2021). The use of own renewable energy generation capacities is not only reducing the use of fossil-generated energy, but also contributes to energy independence, which is especially important in the times of unprecedented energy price spikes.

Use of refrigerants is another area where we are taking steps towards reduction of the negative impact on the environment and climate.

During 2022 we have continued with introduction of refrigeration systems that use natural refrigerants and by the end of the year we had implemented it
72 stores:

11 stores **28 stores** **15 stores** **18 stores**

As refrigerants have high global warming potential, we utilize leak control technologies in order to ensure fast response in the events of refrigerant leakage, thus enabling us to reduce potential impacts on the environment.

When building new or renovating existing stores, we pay increased attention to the energy efficiency upgrade solution and implementation of the newest industry solutions for the building under consideration.

WAREHOUSES AND DISTRIBUTION CENTRES:

We have implemented LED lighting technology in all our distribution centres located in Estonia, Latvia, Lithuania and Poland. As LED technology is more energy efficient compared to fluorescent or incandescent, it ensures we can operate while using as little energy for lighting as it is possible. In addition, we have introduced motion sensors, that dim the lights to further conserve energy use for lighting.

We have energy control and management systems that enable us to make informed and timely decisions installed in the warehouses in Estonia, Latvia and Poland. Additionally, majority of the warehouses are equipped with refrigeration systems that use natural refrigerants and LED lighting.

OFFICES:

Our idea for creating sustainable workplaces involves implementing energy-saving initiatives that help to reduce the overall energy consumption of the building. We achieve this by avoiding the unnecessary heating and cooling of areas that are not being used, thus saving energy and reducing our overall carbon emissions. Additionally, when choosing building design and location, we prioritize sustainable solutions such as utilizing natural light and ventilation, making use of renewable energy sources, and choosing a location that is easily accessible by public transport or alternative modes of transportation.

LOGISTICS:

We have implemented a transport planning system in all our Baltic companies and T-MARKET, which allows us to identify, create and improve the most efficient routes for transporting our goods. By optimizing the transportation routes, we can minimize the distance travelled and reduce fuel consumption, thus decrease carbon emissions and ultimately contributing to more sustainable business operations. In addition to route optimization, in 2022 MAXIMA Estonia revised the supply schedules so trucks would carry more goods and less kilometres would be travelled.

At the end of 2022, STOKROTKA signed a contract for acquisition of 101 vehicles of EURO6 standard – the project will be finalized by the end of 2023. In Lithuania, Latvia, Bulgaria and Estonia, logistics services are outsourced so the Group has less possibilities to impact the route planning or types of transport being used, however, MAXIMA Latvia has arrangement with transport services provider, that 95% of the fleet should consists of cars not older than 10 years and should have EURO 5-6 Emissions standards. All vehicles of BARBORA are of EURO 6 standard. Company also uses vehicle tracking system and has motivational payment system for couriers, that is tied to eco driving.

ENERGY BALANCE

We have applied a strict conservative approach when disclosing the share of renewables in our energy use balance for year 2021 and 2022. We have included only the renewable part that we have the Guarantees of Origin for. Thus, in case of electricity purchase, residual mixes of the countries were not considered to account for any unclaimed renewables electricity in the grids. We did not include any renewable share from road transportation fuels, although in countries of our operations there is a legal binding to blend renewable fuel into diesel and petrol. Similar approach has been taken for the district heating – we did not evaluate the share of renewables, although based on the reports from International Energy Agency (District Heating – Analysis - IEA), particularly high rates are observed in Estonia, Lithuania and Latvia, where more than 50% of district heat is fuelled by renewables.

The numbers on energy consumption include only purchased energy consumption. Renewable electricity generated from solar PV systems and consumed on site is not included.

ENERGY CONSUMPTION CHANGE IN GROUP IN 2022

-4.3 % ▼

[302-1]	RENEWABLE		NONRENEWABLE		TOTAL	
(values in MWh*)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Natural Gas	0	0	4,972	5,036	4,972	5,036
Heating Oil	0	0	0	14	0	14
Diesel	0	0	47,645	51,650	47,645	51,650
Petrol	0	0	4,876	3,285	4,876	3,284
LPG	0	0	42	97	43	97
Electricity	11,199	10,698	26,036	27,124	37,235	37,823
District Heating	0	0	7,274	8,685	7,274	8,685
SUM	**11,199**	**10,698**	**90,847**	**95,892**	**102,046**	**106,590**

** Table in GJ could be found in Annexes*

EMISSIONS

One of the biggest achievements of MAXIMA Group in the environmental impact management pillar in 2022 was the calculation of our Scope 3 emissions for the first time. Scope 3 emissions refer to indirect emissions that result from the company's value chain, including its suppliers, customers, and end-users. The calculation of these emissions is a significant step towards assessing and managing the company's overall carbon footprint and provides valuable insights into areas where the company can reduce it. It is important to calculate scope 3 emissions because they typically represent the largest portion of a company's carbon footprint. By understanding our Scope 3 emissions, we can identify opportunities to work with our suppliers and customers to reduce emissions throughout the value chain, and to develop strategies to reduce our overall environmental impact.

The calculation of GHG emissions has been completed following the guidelines of Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. The results showed that the highest impact in the value chain is from purchased goods) which comprise 89% of our Scope 3 emissions. As this is the most material GHG source in the value chain, the calculation of emissions have been caried out using the actual data on the mass and/or volume of sold goods and appropriate emissions factors from recognised sources (DEFRA, Institut für Energie und Umweltforschung Heidelber and other) for the categories of goods.

GHG emissions

[305-1] [305-2] [305-3]	2022 emissions (ktCO2e)	2022 emissions (ktCO2e)
TOTAL Scope 1	101.40	96.72
TOTAL Scope 2 - LOCATION BASED	218.85	213.26
TOTAL Scope 2 - MARKET BASED	187.24	183.34
TOTAL Scope 3	4,451.5	4,454.62
TOTAL EMISSIONS - LOCATION BASED	4,771.8	4,764.61
TOTAL EMISSIONS - MARKET BASED	4,740.2	4,734.69

GHG emissions intensity

[305-1] [305-2] [305-3] [305-4]	2022			2021		
	All Scopes	Scope 1&2	Scope 3	All Scopes	Scope 1&2	Scope 3
tCO_2e / million EUR	925.89	62.14	863.75	1,012.08	69.12	942.96
tCO_2e / employee	124.73	8.37	116.36	117,9	8.05	109.84
$tCOg_2e$ / t of sold product	2.12	0.14	1.97	2.23	0.15	2.08

RAISING CO2 EMISSIONS REDUCTION GOALS

As climate change is affecting more and more people and ecosystems globally, businesses are showing their leadership by committing to reduce their impact and mitigate the climate change. We acknowledge that only science-based targets set by the companies can have a substantial impact, and can support the transition to low carbon economy, and help in securing that the global warming does not pass the 1.5°C line.

As a Group we are committing to absolute GHG reduction targets for our Scope 1&2 emissions till 2030, in-line with 1.5°C global pathway. This means, that we commit to cut our absolute GHG emissions in these scopes by at least 42% compared to baseline year 2021 by 2030. The target shall be submitted for validation under Science-Based Targets initiative (SBTi).

Additionally, we are committing to Scope 3 engagement targets within the same timeframe. This means, that we shall engage our value chain and encourage our suppliers to raise science-based targets as well. Through the engagement process we target to cover no less than 67% of our Scope 3 emissions within the same timeframe. The target shall be submitted for validation under SBTi alongside with other targets.

The achievement of the raised targets shall be addressed through detailed country-level planning of measures and investments to enable efficient use of energy, transition to renewable energy sources, phasing out of high climate impact refrigerants and other activities.

To achieve the engagement targets under Scope 3 we plan to enhance our cooperation practices with suppliers, communicating to them the approaches they can take to set science-based emissions reduction targets.

Alongside implementing energy efficiency initiatives, we are striving to reduce carbon footprint of our operations, by implementing more environmentally friendly solutions in our stores, logistics and transportation, warehouses, and offices. Further we summarize the steps taken by each country, in order to decrease our carbon footprint.

LITHUANIA

In Lithuania, MAXIMA is optimizing logistics processes and transport routes by using dedicated planning system. Apart from that, environmentally friendly refrigerants (CO_2, water loop) are replacing conventional HFCs across stores and warehouses. Finally, LED lighting is installed in stores, offices, and warehouses, where enough operational control is in place. Motion sensors are added to the lighting systems in warehouses. As of end of 2022, 100% of controlled electricity purchases (not including electricity chosen by landlords of rented premises) in MAXIMA Lithuania is green energy.

LATVIA

MAXIMA Latvia is outsourcing transportation services. However, 95% of fleet used for transportation of MAXIMA Latvia’s goods is not older than 10 years and is compliant with EURO 5-6 standard. Apart from that, in reconstructed or newly built stores only environmentally friendly refrigerants are used (such as carbon dioxide and propane). Finally, in warehouses and production operations, newly implemented equipment and newly acquired premises are required to consider possible energy-saving solutions, such as LED lighting and heat-recovery systems.

ESTONIA

In Estonia, MAXIMA is optimizing logistics processes and transport routes, even though third-party fleet is used. Apart from that, in reconstructed or newly built stores only environmentally friendly refrigerants are used (such as carbon dioxide and propane). Finally in warehouses and production operations, newly implemented machines and newly acquired premises are required to consider possible energy-saving solutions, such as LED lighting and heat-recovery systems.

BULGARIA

In Bulgaria, T-Market is optimizing transport routes with ORTEC system. Apart from that, the refrigeration systems are being modernised and environmentally friendly refrigerants are used. Finally, conventional fluorescent lighting is being gradually replaced by LED lighting.

POLAND

In Poland, STOKROTKA is upgrading their transportation fleet by partly replacing older vehicles with Euro 6 standard ones – 101 vehicles are to be delivered by the end of 2023. With this change, all cars operated by STOKROTKA, shall be EURO 6 standard. Apart from that, the refrigeration systems are being retrofitted with environmentally friendly refrigerants. Finally in warehouses and stores LED lighting is gradually implemented.

MATERIALS AND WASTE MANAGEMENT

Proper waste management and recycling is one of our Group's priorities in the field of environmental sustainability. Effective waste management helps to minimize the environmental impact of our business operations and conserve resources. By implementing best recycling practices, we divert waste from landfills and reduce the amounts of resources needed in the manufacturing of new products.

We also pay attention to the composition of materials we use and that are in the goods sold to our customers, with an increased emphasis on the plastics. Plastic waste is a major contributor to environmental pollution that has adverse impacts on the ecosystems, thus reducing its use can have a significant positive impact on the environment. We have implemented various strategies to reduce plastic use including but not limited to offering reusable bags and containers for our customers or using alternatives and more environmentally friendly materials.

We are gradually implementing principles of circular economy to create a more sustainable future and address the challenges of waste, climate change and resource depletion.

REDUCING PLASTIC USE

Some countries also have set their own target to reduce plastics – MAXIMA Lithuania aims to have its private label "MEISTRO KOKYBĖ" packaging 100% recyclable and reduce plastic usage by 30% until 2025 in comparison to 2019. The company is moving towards implementation of this goal by gradually replacing the packaging of goods by more sustainable and recyclable packaging (e.g. just recently, the packaging of confectionary was changed from plastic to paper boxes with less plastic, the bread bag was replaced by paper one). However, due to recent legal changes, the company is anticipating reviewing the target. Similarly, other companies (e.g. MAXIMA Latvia, MAXIMA International Sourcing) are moving towards more sustainable packaging of their private label goods.

BARBORA, e-commerce grocery leader in the Baltics, aims to reduce plastic use in its operations to zero. It already delivers shopping to end customers in paper bags only. Plastic bags are currently used only for weighted products and frozen items. For 2023, BARBORA has plans to implement individual charge for the end customers for every single plastic bag used in the order.

To reduce the use of plastic, MAXIMA Estonia introduced refill system for weighted goods since June 2022. All food and groceries sold on open shelves, such as salads, fresh meat and fish and ready-made hot dishes can be purchased in the multiple use packaging brought in by the customers. Though it’s not very popular among our customers yet, the company promote this option by special posters in shops. The same opportunity is available for customers of MAXIMA Latvia since 2021 with on option of additional payment for packaging provided by store. This initiative has contributed MAXIMA Latvia reaching significant decrease in use of plastic packaging used for culinary goods.

The Group is also upgrading packaging used for food containers (to pack salads, desserts, ready meals, etc.) to recyclable or made from recycled materials to make it more environmentally friendly. As of 2020, all companies within the Group have discontinued the sale of single-use plastic items and replaced it with alternatives that have a lower environmental impact. In 2022, MAXIMA Latvia started testing small paper bag alternatives for weighted fruits and vegetables. To share its knowledge and make stronger impact on plastic reduction, MAXIMA Lithuania communicates and cooperates with the Ministry of Environment of the Republic of Lithuania and is a member of several working groups working on plastic reduction and circular economy. MAXIMA Lithuania is also considering several alternative options to reduce the amount of plastic bags used by customers in shops for weighted products, and is planning to implement it in 2023.

At all our stores, throughout all regions, we provide customers with options that have less impact on the environment for taking their purchases home. Our stores offer recycled paper bags, reusable bags, and cardboard boxes that have been left over from unpacking products.

RECYCLING

We ensure that recycling takes place in all aspects of our business operations including our warehouses, logistics centres, and grocery stores. To ensure that, countries have implemented different practices that reflect local context, yet most of them ensure segregation of recyclable materials such as paper, plastic, and glass. We also regularly educate our employees on the importance of recycling, provide educational materials and make it easy for them to recycle.

The Group also provides various recycling and waste reduction options for its customers. Following the local regulations, MAXIMA Latvia joined a beverage packaging deposit system in February 2022 and started collecting plastic, glass and tin containers for recycling. Such system is implemented in Lithuania since 2016. Recycling bins are also available for customers in the larger stores, including special bins for small electronics, used batteries that are provided in all our stores in the Baltics. In 2022, in Bulgaria T-MARKET joined initiative organized by Humita and Red Cross “For a cleaner tomorrow” where special textile containers to collect textile waste are placed. Similar containers are also available in or near the premises of MAXIMA Lithuania.

Gradually, the Group is introducing options for customers to decline paper receipts. Similar initiative is implemented for corporate clients through electronic invoicing system in STOKROTKA, MAXIMA Lithuania, FRANMAX, MAXIMA GRUPĖ and some other companies.

[306-3] [306-4] [306-5]

Waste generated (tonnes)	2022	2021
Total waste generation	117,916.1	106,238.21
Diverted from disposal - Recycled*	65,759.8	75,862.17
Directed to disposal - Non-recycled	52,214.2**	30,025.82
Directed to disposal - Hazardous	168.0	350.22

*Number includes recycled food waste;

**Number includes the municipal waste, that contains some food waste. Depending on the country of operation, different municipal waste handling techniques are deployed (including but not limited to mechanical biological treatment, reclamation of recyclables, etc.) locally. We do not have any data on exact treatment of the municipal waste offsite available and cannot disclose which amount from this waste stream has been diverted from the landfill. Additionally, we do not have any data on the disposal operations for the waste streams (neither for non-recycled, nor for hazardous) that have been directed to disposal. Data point does not include Bulgarian operations due to local circumstances: the in-country municipal waste collection is organised in such a matter, that the amounts of refuse collected are not documented at the collection points and the accounting is proceeded by the number of containers rather than actual volume or mass of waste.

FOOD WASTE

Food waste is a critical issue as it not only contributes to the growing problem of waste and landfills, but also has significant economic, social, and environmental impacts. Food waste leads to a waste of resources, which are used to produce, transport, and store food that is ultimately disposed of. It also contributes to climate change as it releases greenhouse gas emissions when it is decomposing. Throwing food away also causes a financial burden as it represents a loss of potential profits. Due to all these reasons, some of group companies had has set goal on reduce food waste reduction in its own operations.

The Group implements a series of measures focused on reducing waste.

Product placement and pricing

In each store, our employees continuously monitor products, their quantities and expiration dates. If a product has a limited shelf life, we may lower the price by as much as 70% and we arrange the display of these discounted items to attract customer attention.

Responsible planning

Our approach is to regularly monitor sales data to gain a better understanding of customer demand and adjust the supply accordingly. This helps us to ensure that products are being replenished as needed and reduces the risk of overstocking.

Transportation

At our organization, we use intelligent route planning systems which not only make out delivery more environmentally friendly due to reduced fuel consumption, but also helps us to reduce food waste. Having a more efficient delivery process reduces the chances of products being damaged or lost in transit, which ultimately leads to less waste.

Storing

In our stores and distribution centres, we are implementing innovative, environmentally friendly food storage solutions. These solutions, such as energy-efficient heating, ventilation and refrigeration systems, not only reduce energy consumption but also help maintain the freshness of our products for longer periods. In 2022, MAXIMA Lithuania started the construction of new centre for logistics that will have a warehouse with possibility to tailor operational temperatures according to the needs.

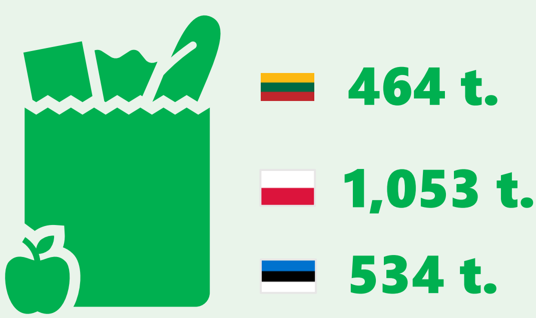
Educating customers

Additionally, countries implement different initiatives to educate consumers on the topic of food waste. For the second year in a row, MAXIMA Lithuania and BARBORA's Lithuanian branch encouraged its customers to buy vegetables of non-standard shapes during a playful campaign "Beauty and the Beast" that offered such vegetables at a lower price. MAXIMA Lithuania also launched an educational campaign "I don't waste and pay less" that aims to draw attention of the customers to products with shorter shelf life. Company also publishes articles on its webpage with advice on how customers can avoid food waste and plan their meals.

Food donations

Part of the unsold but perfectly usable products goes to charity organizations. Companies of the Group have partners in their respective countries for food donations. For example, MAXIMA Estonia started cooperation with Food Bank in November 2021. In the first 8 months MAXIMA Estonia donated around 355,000 kg of food and in 11 months the value of donated food reached 1.5 million euros. All stores, logistics and production centre are included in the partnership scheme.

During the reporting period all companies of the Group have contributed with donations to food banks by donating a total amount of more than 2,051 tonnes* of food with monetary value of 5.0 million euros.



**Latvian data on weight not available*

MAXIMA Lithuania is also increasing collaboration with food bank and anticipates it to continue in 2023, thus reducing the amount of food given to utilisation.

Re-purposing food waste

Products that have reached the end of their shelf life are utilized for purposes such as feeding animals, making compost, producing biomass, generating electricity, and producing heat. The used cooking oil that we collect at our stores is being processed into bio-fuels for road transportation by specialised companies.

Food waste (t)	2022
Handed to farmers	
On animal origin	105.4
On non-animal origin	129.9
Fats	3.3
Food waste for recycle (biogass, energy, biofuels etc.)	
On animal origin	7,041.0
On non-animal origin	8,348.6
Fats	296.1
Cooking oil	150.6
Mixed origin	658.0
Non-recycled waste (sent to landfills)	
Waste	Included elsewhere*
Total food waste	16,733

*Due to differences in waste management regulations in the countries of operation, we do not have the total numbers of the food waste that has been sent to landfills together with municipal waste. The total number of municipal waste, that includes any food waste, is disclosed in the Recycling sub-chapter

WATER

As a retail company, the Group relies on water to sustain our daily operations. Although we do not engage in any manufacturing activities and consider ourselves to have a relatively low water consumption, limited to the basic needs of our stores, distribution centres, and offices, we still strive to minimize our water usage. We understand the significance of conserving water and are always looking for ways to reduce our water consumption.

Most of the water usage in our operations occurs at our food production and preparation sites. Other smaller uses of water include cleaning of the facilities, as well as for the personal needs of employees and customers, such as using restrooms. While the primary consumption of water takes place in the food production and preparation process, we still make efforts to conserve water in all other aspects of our operations.

We have implemented measures to conserve water usage in all our Baltic region retail stores, production plants, storage facilities, and administrative offices. This includes the utilization of water-saving technology, such as flow aerators to minimize consumption and taps equipped with timers or sensors to avoid any unintended wastage. These systems allow us to effectively manage and reduce our water usage.

To ensure that all impurities and contaminants are removed from the water after using it, making it safe for reuse or discharge, we implemented water treatment and recycling systems in all countries. Additionally, grease traps were installed in all our facilities to ensure that grease does not contaminate water that can still be reused. Grease traps and other sustainable measures are installed in all new buildings we construct in order to ensure water-saving technologies. By taking these proactive measures, we are demonstrating our commitment to environmental sustainability and responsible water usage.

Water in almost all premises managed by the MAXIMA Group comes from municipal water supplies in all countries of operation. Practice differs by country but, in general, local authorities are also responsible for monitoring the quality of discharged water to ensure that it meets regulatory standards and does not pose a risk to the environment or public health. They conduct testing of water for contaminants and pollutants and inform companies of the Group if any irregularities are noticed. If needed, companies then organize additional testing of the discharged water and implement remedial measures. There are 5 deep water wells in Poland – 1 of which belongs and is used by STOKROTKA and others are used by tenants in the buildings we rent to them.

WATER CONSUMPTION (m^3):		
	2022	850,172.18
	2021	860,130.30

[303-5]

Note: During the reporting year we had data gaps on water consumption for STOKROTKA. The gaps have been closed by estimating the missing data based on the company specific benchmarks.

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 2022, 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 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 Group discloses information for two environmental objectives: climate change mitigation and climate change adaptation. The list of the Group's identified EU Taxonomy-eligible activities is provided below:

No.	EU Taxonomy-eligible activities
5.2	Renewal of water collection, treatment and supply systems
6.6	Freight transport services by road
6.13	Infrastructure for personal mobility, cycle logistics
7.2	Renovation of existing buildings
7.3	Installation, maintenance and repair of energy efficiency equipment
7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
7.6	Installation, maintenance and repair of renewable energy technologies
7.7	Acquisition and ownership of buildings

EU TAXONOMY

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 and infrastructure for personal mobility. 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.

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.

EU TAXONOMY

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.

TURNOVER

Proportion of turnover from products or services associated with EU Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria		DNSH criteria (Does not significant harm)											
Economic activities	Code(s)	Absolute turnover, kEur	Proportion of turnover, %	Climate change mitigation, %	Climate change adaptation, %	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Taxonomy-aligned proportion of turnover, 2022, %	Taxonomy-aligned proportion of turnover, 2021, %	Category (enabling activity), E	Category (transitional activity), T
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmentally sustainable activities (Taxonomy-aligned)																
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.00%										0.00%	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
6.6 Freight transport services by road	6.6	2,616	0.05%													
7.7 Acquisition and ownership of buildings	7.7	3,848	0.07%													
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		6,464	0.13%													
Total (A.1+A.2)		6,464	0.13%										0.00%	-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																
Turnover of Taxonomy-non-eligible activities (B)		5,147,248	99.87%													
Total (A+B)		5,153,712	100%													

EU TAXONOMY

CAPITAL EXPENDITURE

Proportion of CapEx from products or services associated with EU Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria		DNSH criteria (Does not significant harm)										
Economic activities	Code(s)	Absolute Capex, kEur	Proportion of Capex, %	Climate change mitigation, %	Climate change adaptation, %	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Taxonomy-aligned proportion of Capex, 2022, %	Taxonomy-aligned proportion of Capex, 2021, %	Category (enabling activity), E	Category (transitional activity), T
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmentally sustainable activities (Taxonomy-aligned)																
Installation, maintenance and repair of energy efficiency equipment	7.3	6,873	3.22%	90.97%	-		Y			Y		Y	2.93%	-	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	149	0.07%	100%	-		Y					Y	0.07%	-	E	
Installation, maintenance and repair of renewable energy technologies	7.6	1,270	0.59%	100%	-		Y					Y	0.59%	-	E	
Capex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		8,292	3.88%										3.59%	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Freight transport services by road	6.6	2,867	1.34%													
Infrastructure for personal mobility, cycle logistics	6.13	3	0.00%													
Renovation of existing buildings	7.2	243	0.11%													
Acquisition and ownership of buildings	7.7	12,051	5.64%													
Capex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		15,164	7.10%													
Total (A.1+A.2)		23,456	10.98%										3.59%	-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																
Capex of Taxonomy-non-eligible activities (B)		190,171	89.02%													
Total (A+B)		213,627	100%													

EU TAXONOMY

OPERATING EXPENDITURE

Proportion of OpEx from products or services associated with EU Taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria		DNSH criteria (Does not significant harm)										
Economic activities	Code(s)	Absolute Opex, Eur	Proportion of Opex, %	Climate change mitigation, %	Climate change adaptation, %	Climate change mitigation, Y/N	Climate change adaptation, Y/N	Water and marine resources, Y/N	Circular economy, Y/N	Pollution, Y/N	Biodiversity and ecosystems, Y/N	Minimum safeguards, Y/N	Taxonomy-aligned proportion of Opex, 2022, %	Taxonomy-aligned proportion of Opex, 2021, %	Category (enabling activity), E	Category (transitional activity), T
A. TAXONOMY-ELIGIBLE ACTIVITIES																
A.1 Environmentally sustainable activities (Taxonomy-aligned)																
Installation, maintenance and repair of energy efficiency equipment	7.3	118	0.05%	100%	-		Y			Y		Y	0.05%	-	E	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	66	0.03%	100%	-		Y					Y	0.03%	-	E	
Opex of environmentally sustainable activities (Taxonomy-aligned) (A.1)		185	0.08%										0.08%	-		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																
Renewal of water collection, treatment and supply systems	5.2	656	0.30%													
Freight transport services by road	6.6	12,755	5.82%													
Opex of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		13,411	6.12%													
Total (A.1+A.2)		13,595	6.20%										0.08%	-		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																
Opex of Taxonomy-non-eligible activities (B)		205,688	93.80%													
Total (A+B)		219,283	100%													

OUR
SUPPLY CHAIN

88%

suppliers by monetary value of purchased goods are local*

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

OUR SUPPLY CHAIN

For MAXIMA Group, the relationships we establish with our suppliers can significantly impact our business success. Strong relationships with suppliers improve our access to quality products, increase efficiency, reduce costs, and enhance the overall experience of our customers. Therefore, we value long-term partnerships and base our cooperation on three core principles: respect, trust, and transparent communication.

We expect that our suppliers operate in an ethical and transparent manner, ensuring that their products are produced under fair labour conditions and with minimizing its impact on the environment. Therefore, in 2020, we introduced a Supplier Code of Conduct, which represents the actions of our Group's businesses to enhance sustainable collaboration with suppliers by encouraging ethical, professional, and fair practices, which includes observing human rights, business ethics, and environmental protection. Our suppliers are expected to follow all applicable laws and regulations within their operating countries, treat their employees with fairness, respect, and offer a safe and healthy working environment. Additionally, we expect suppliers to operate in compliance with environmental laws, regulations, and criteria and take accountability for the environmental impact of their operations. Starting from 2021 the Code has been made available to the third parties on our corporate website and webpages' supplier section of each of the company. In 2022 we continued integration of the Code provisions in our template contracts with the suppliers.

In 2022 one of the biggest changes in the supply chain was terminating cooperation with the suppliers from Russia and Belarus as well as removing products produced in these countries from shelves even if they were supplied through local suppliers. Such decision was made on the 24 February 2022 and implemented within shortest terms possible, as an immediate response to Russia's aggression in Ukraine, and prior to the official sanctions in the European Union were approved. Moreover, we follow the list of legal entities included in the EU sanctions package and do not cooperate with the suppliers under the sanctions.

Most of our supply chain is managed by local Group companies, where more than 80% of 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 services' quality.

PARTNERSHIP 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. 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.

To make partnerships with suppliers mutually beneficial and fair, we frequently assess the terms of our collaboration with them. We maintain ongoing communication with our suppliers, seeking to find mutually beneficial solutions that enhance our partnership based on trust. By doing so, we aim to build a strong and lasting relationship with our suppliers that is founded on mutual trust and respect.

Our partnership level is even going to increase in the future, considering, that the Group had set GHG emission reduction goals. As more than 90% of our GHG emissions comes from Scope 3, with a largest portion coming from purchased goods and services, we are committing to a supplier engagement target. We shall engage our suppliers and shall encourage them to raise GHG emissions reduction goals. Our target is to achieve, that 67% of our suppliers (GHG emission wise) had risen science based GHG reduction targets by 2030. The strategical action plan on implementing this target shall be prepared by the Group in 2023, but it is already expected that it shall cover supplier's informing on GHG reduction targets setting process, communicating our expectations to them, providing the necessary assistance in setting the targets, regular communication and updates on the progress and similar cooperation forms.

Some of our suppliers are from Ukraine. Therefore, to support Ukrainian manufacturers who manage to continue production even in such difficult conditions, we are flexible and try to adapt to their capabilities. For example, MAXIMAs in the Baltic countries accept production with shorter expiration periods than usual. Companies also continue to import flowers from Ukraine. For special occasions, e.g. on Ukraine's independence day, we made special marking and lay-outs for goods from Ukraine in our stores. We hope that such support allows our partners in Ukraine to continue their work, maintain business and employees.

RESPONSIBLE SOURCING

MAXIMA Group aims to guarantee that the products we sell are ethically and sustainably sourced. This includes ensuring that suppliers adhere to labour laws, environmental regulations, and ethical standards, and that the production of products has minimal negative impact on people and the environment.

Additionally, we aim to gradually increase proportion of certified products in our portfolio and therefore, started tracking the number of such products among our private label. For example, in 2022, MAXIMA Lithuania had around 1,700 organic products in its private label. Unfortunately, not all countries currently have in place necessary systems to track information about certificates. Other certificates that are considered when choosing a new product (both for private label and vendor branded products):

- Fairtrade – produced in accordance with Fairtrade International's rigorous environmental, economic and social standards;
- FSC – ensures that paper products come from responsibly managed forests;
- EU Ecolabel – products with a reduced environmental impact during their entire life cycle;
- Any of the official certificates ensuring that product is organic.

We have been cooperating with many local suppliers and manufacturers for more than a decade, so we are familiar with business specifics and challenges very well. We often look for solutions and answers together, both in case of unexpected events and in order to achieve a bigger breakthrough in the market.

LOCALITY

Buying locally is another of the Group's strengths and priority areas. When buying locally, the Group supports the local economy by creating job opportunities, keeping the value added in the local economies. It also leads to lower carbon emissions by reducing the distance products have to be transported to reach the consumers, thus reducing their environmental impact.

Moreover, buying from local suppliers allows us to perform better quality control and develop stronger relationships with the suppliers. By working closely with local producers, we can thoroughly monitor the production process and ensure that products are of the highest quality. Additionally, the proximity of local suppliers enables us to quickly resolve any issues that may arise, such as challenges with delivery or the quality of the products. This results in a more efficient and effective supply chain and ensures that high-quality products are offered to our customers. Based on monetary value of the purchases, 88% of our suppliers of goods are local, meaning that they run their businesses in the countries where we are operating and making our purchases in.

Customers in all our countries of operation prefer buying local food as it gives them a better understanding of where their food comes from and how it was grown or produced. We have a close business relationship with almost 3,000 local suppliers from Lithuania, Latvia, Estonia, Poland, and Bulgaria, which range from small family-owned farms to large-scale local food producers. At our stores, we offer a diverse selection of products from local producers. In certain product categories, their sales can account for as much as 90%. Product categories that have most of locally sourced products include but are not limited to dairy, bread and meat products.

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;
- Communication campaigns where local suppliers share their success stories and discuss overall partnership with MAXIMA Group companies, various promotional campaigns promoting to buy national production;
- Gradually increasing share of local products in the shelves (implemented through various measures in different countries).

OUR COMMUNITIES

Over

€7 million

Total value of contributions to communities

2,051 t*

Donations to food banks

**Latvian data on product weight not available*

414

Talented children in Lithuania, Latvia, Estonia received "MAXIMALIST" scholarships

OUR COMMUNITIES

MAXIMA Group is committed to being a s responsible company and part of the society in the countries where we operate. This means making a positive impact on the local community through charitable donations and community support initiatives, in addition to its core business operations. The group prioritizes environmental and social issues and is actively involved in supporting non-profit organizations and local community initiatives. The total value of donations in 2022 was more than 7 million Euro, and funding priorities are tailored to meet the specific needs of each region. In 2022, after Russia's military invasion of Ukraine, Group has contributed to many initiatives that support Ukrainians. The group support activities could be grouped into helping people in need, support to local communities, education of young people, and promotion of a healthy lifestyle.

LOCAL COMMUNITIES

We aim to actively participate in the communities where we operate by creating employment opportunities, providing essential products, and supporting community initiatives. We maintain a close relationship with the people we serve to understand their needs. When expanding our business, we prioritize local impact. Before constructing or renovating, we collaborate with responsible authorities and conduct an impact assessment when necessary. We make the impact assessment results available to the public through various channels to provide the information to our stakeholders and build inclusive relationships. We always consider and respond to public opinions to find mutually beneficial solutions for everyone involved.

Over 30 years of our operations, MAXIMA Group has established long-standing partnerships with organizations that are supporting local communities, and with the communities themselves. In addition to that, the Group has established its' own initiatives that are directed towards the local communities.

In 2022, MAXIMA Lithuania continued the programme "WE ARE COMMUNITY". It aims to support Lithuanian communities to develop infrastructure for education, culture, and sports and create alternative local spaces for education, leisure, and entertainment, providing more opportunities for informal education and employment. In total 19 local initiatives were funded and invigorated during the 2022 in the different regions of Lithuania. Additionally, MAXIMA Lithuania provides financial support for local events organized by the municipalities.

MAXIMA Latvia has dedicated a budget and has been investing in the development and wellbeing of the communities through different social groups and organisations. Even though there is no special programme, each year support to vulnerable communities such as the elderly, people with illnesses, families is provided.

T-Market in Bulgaria provides food donations to the Centre of Temporary accommodation called "Second Home" in the Municipality of Plovdiv which accommodates 30 people.

SUPPORT FOR UKRAINIAN COMMUNITY

In 2022, one of the biggest communities supported by MAXIMA Group was Ukrainians. Since the start of the war in Ukraine, the Group has supported Ukraine and Ukrainians through various initiatives.

CREATING A PLATFORM TO COLLECT DONATIONS

In MAXIMA Lithuania we have deployed 200 contactless self-service donation terminals, that allowed customers to donate of an amount of EUR 5. The innovative donation solution was initiated by "SOS Children's Villages in Lithuania", and the funds collected were allocated to children who have had traumatic experiences. After the war in Ukraine broke out and war refugees started arriving to Lithuania, the organization directed its support towards Ukrainian families.

Some Group companies also allowed charitable organisations or institutions to use the premises and surrounding territories to collect donations from our customers as well (e.g. food banks, municipal institutions, NGOs).

DONATIONS FOR UKRAINE AND UKRAINIAN COMMUNITIES

In 2022 each individual country has taken a series of various actions to support Ukraine and Ukrainian communities. MAXIMA Latvia via refugee centres has provided food and MAXIMA gift cards with 5% discount, in addition, 2 cargo shipments with humanitarian aid were send from Latvia Maxima to Ukraine. Responding to the needs communicated by our partner organizations providing support, Maxima Estonia has donated 60 pallets (almost two delivery trucks) of humanitarian aid to Ukraine: baby food, personal hygiene products, clothes and diapers, and other supplies. In Poland, STOKROTKA in partnership with "Red Cross" organization provided various food and hygiene products to Ukrainian refugees. "Food bank" in Lithuania purchased MAXIMA gift cards for Ukrainians living in Lithuania while MAXIMA Lithuania covered 15% of cards' value as a donation (by the end of 2022 the total value of donation reached 700 thousand euros and still counting). Furthermore, more than 400 thousand EUR, mainly in a form of products, were donated to Red Cross, whose one of fields of activities is assistance to refugees, asylum seekers and migrants.

FOOD DONATIONS

In order to avoid food waste and support organizations providing those in need, we donate unsold but still good for consumption food products to local food banks or charities. In some countries we have implemented programmes that make it easier for our stores to donate food, such as special procedures for food handling and transportation. By doing so, we not only help reduce the amount of food that goes to waste but also provide much-needed assistance to individuals and families struggling with daily nutrition. In addition to that, we have launched special long-term campaigns.

BARBORA

As per its business model, BARBORA acquires food when the order is placed by customers. Thus, it rarely has leftover or unsold products that it could donate. However, in 2022 BARBORA launched a communication campaign that invited its customers do buy and donate certain products for Ukrainians in Lithuania.

ESTONIA

Even though MAXIMA Estonia was cooperating with Estonian Food Bank in the past, the partnership became much more effective when all the stores, logistics and production centres were included in the food collection scheme. In total 534 tonnes, with a value of more than 2.2 mln. EUR of food were donated to the food bank in 2022.

LATVIA

MAXIMA Latvia has been actively encouraging and advocating for the legal regulations allowing donation of food to organizations that support the most vulnerable for several years. In 2022, MAXIMA Latvia supported 7 organizations and donated food valued at approx. 450 thousand EUR. A special campaign that invited our customers to donate to pets of people who are struggling financially took place in 2022. At the end of the campaign "Days of Love" organized by MAXIMA Latvia, local "Red Cross" and pet food wholesaler "Mars Latvia", a record amount of 11.7 tons of pet food was donated. MAXIMA Latvia also donates fruits and vegetables to the local zoo.

LITHUANIA

The long-term partnership between MAXIMA Lithuania and local “Food Bank” continued in 2022. Two campaigns took place in our stores that invited customers to donate food. Additionally, MAXIMA Lithuania donates unsold but still high-quality safe to consume food to the “Food bank” on the daily basis. Value of these donations reached 883 thousand euros in 2022. Moreover, almost 120 kg of cakes were prepared by the pastry chefs of MAXIMA Lithuania and donated to the event “Maltesers Soup" organized by the Order of Malta Relief Organisation in Lithuania.

POLAND

STOKROTKA has a few partner organizations that it is cooperating with on a regular basis and donates food. These include Polish Red Cross, Food Bank, CARITAS, Humanitarian Action and others, in total more than 1,000 tons, with a value higher than 2.1 million. Additionally, to enrich the support to local communities, each store that is bigger than 250 sq. m. individually donates food to local partner organizations.

BULGARIA

Traditionally, T-MARKET donated food products during the Christmas charity campaign to support children deprived of parental care, as well as young people and adults with disabilities who are placed in social institutions for care. T-MARKET also donated food products to the Municipality of Karlovo and to Temporary accommodation centre in Plovdiv to support people in need.

ENCOURAGING EDUCATION

At MAXIMA Group we believe that encouraging education is one of the ways to contribute to a more sustainable future. Through implementation of various educational programmes and campaigns not only we support the people but also assist in building a skilled workforce and contribute to the overall economic growth of the community. We encourage education through donations to schools and other organizations that support education, and through our own internship and scholarship programmes.

One of the main social initiatives of MAXIMA in Lithuania is children and youth education. Thus, the countrywide scholarship programme "LITHUANIAN MAXIMALIST" (Lietuvos Maximalistai) continued in 2022. Students in grades 1-12 submitted almost 600 applications for a scholarship in one of the 8 categories of the project; 114 of the applicants have been granted scholarships. Gifted children can benefit from this scholarship by having the opportunity to train for and take part in national and global competitions in various fields such as science, art, innovation, sports, and ecology, or use the scholarship to enhance their skills and abilities for future development. MAXIMA Estonia and MAXIMA Latvia has a similar programme with scholarships dedicated only to the children of MAXIMA's employees

T-MARKET has continued internship programme "Business Management" that enables young individuals to gain an in-depth understanding of the retail industry. The programme exposes participants to various departments within the company, and with the guidance of mentors, they perform tasks that provide them with valuable practical experience and an immersive understanding of the company's day-to-day operations.

SUPPORTING THOSE IN NEED

It is greatly important for the Group to support those in need. We measure our success not only by our financial performance but also by the positive impact we create, enable or contribute to in the society. By supporting charitable causes and helping people in need, we can make a significant difference in their lives. Moreover, we believe that giving back to the community not only benefits the recipients, but also fosters goodwill among our employees, customers, and stakeholders and allows us to promote a culture of empathy and social responsibility within our organization.

ESTONIA

For 13th year in a row, MAXIMA Estonia maintained their wonderful Christmas tradition of making the festive season brighter for the children from families with low income by fulfilling their gift wishes. In 45 Estonian stores and the management office, customers and employees could select an angel from the Angel Tree and purchase the item mentioned on the card. This initiative has been positively received by shoppers over the years, with many quickly choosing all the gift wishes from the Angel Trees and requesting additional ones. Every year, MAXIMA's Angel Tree charity campaign collects around 2,000 gifts. These are delivered to the children with the help of local child protection services and social workers.

LATVIA

During Christmas period of 2022, a large bear toy installed by MAXIMA Latvia was welcoming families and children in "Akropole Rīga" shopping centre. The bear invited to donate for the water pearl bath procedures of the "Poga" rehabilitation centre for children with mobility impairments. A few more initiatives were organized to support Children hospital – Garden festival, Easter and Christmas campaigns. MAXIMA Latvia also has set internal rules for granting support to various organizations, which enables consistency of the support initiatives.

LITHUANIA

Financial support is provided to more than 10 organizations in Lithuania - many of them MAXIMA Lithuania has been partnering with for many years. Customers are also invited to donate to various organizations and causes while shopping at the stores in Lithuania. A special campaign took place in the summer of 2022 – when customers were buying certain type of ice-cream, they contributed to a fundraising campaign for a dolphin therapy for children with special needs.

POLAND

Together with the Regional Centre of Blood Donation and Chemotherapy in Lublin, STOKROTKA organized a blood donation campaign. STROKROTKA has a "Quiet Hours" programme in their stores to support people with autism. This involves turning off the music during specific times and giving priority service to individuals on the autism spectrum at the checkout.

BULGARIA

In August 2022, T-MARKET and "SOS Children's Villages" launched a joint initiative "SOS Friend" aimed at collecting donations. T-MARKET provided premises for the organization to collect donations and advertised it through their channels.

Other companies within the Group also support various charity organizations. For instance, MAXIMA International sourcing supported 11 organizations and donated over 65 thousand EUR.

PROMOTING HEALTHIER LIFESTYLE

MAXIMA Group is dedicated to enhancing the health and well-being not only of our employees, but also all stakeholders, particularly young people. We believe that good health and wellness are essential for individuals to lead happy, productive lives and make a positive contribution to society. Thus, we believe it is our responsibility to promote physical, emotional, and mental health for our employees, customers, and the community.

MAXIMA Latvia is one of the leaders in the Group when promoting heathier lifestyle and supporting sports organizations. It is a long-term sponsor of an organization called "Ghetto games". Each year “Ghetto games” organises championships in different sports promoting active lifestyle and sports culture. MAXIMA Latvia also provides financial support to association "Street basket" (promoting youth street sports), Latvian Orienteering Federation, Latvian Ice hockey federation and Latvian Basketball association.

While T-MARKET provided healthy food products to a basketball club in the Bulgarian Basketball League for the 2021-2022 season, BARBORA, in its own turn, has been providing healthy snacks and fruit to the participants of “Vilnius Marathon”.

ABOUT CSR REPORT

ABOUT CSR REPORT

This is the Group's third annual Corporate Social Responsibility Report. The information provided in the Report covers the period from 1 January, 2022 until 31 December, 2022.

The scope of reporting includes MAXIMA GRUPĖ, UAB and all its direct and indirect subsidiaries. In 2022 the Group's material subsidiaries are provided in the Note 1 of the consolidated financial statements of the Group as part of this Consolidated Annual Report of MAXIMA GRUPĖ. Other subsidiaries not listed are mainly involved in real estate management. The Group owns 100% of shares in all subsidiaries.

All presented data have been consulted internally and verified by employees responsible for individual areas of our business so that they are true and up to date. Moreover, this report has been read by our auditors (see the statement in the financial report) We are committed to reporting annually on our sustainability performance. In case of any question, feel free to contact us at CSR@maximagrupe.eu.

During reporting period, we have commenced a review of the data of energy and greenhouse gas emissions reported in for the year 2021. During the data review, we have identified methodology gaps and misstatements that we have addressed in the current report through restatement of information on energy and greenhouse gas emissions.

The energy balance for the year 2021 has been expanded to include all energy types that are used throughout the Group's companies. We have applied a conservative approach to estimation of share of renewable energy in the energy mix (more details have been provided on chapter 6.2.1 Energy). With regards to purchase of renewable electricity we have considered only the electricity that has the attributed Guarantees of Origin that have been cancelled for our consumed energy. As the electricity consumption by T-MARKET in Bulgaria and some other our companies were not backed by attributed Guarantees of Origin, we have restated this energy as non-renewable for year 2021.

The methodology for estimation of greenhouse gas emissions has been aligned with the Greenhouse Gas Protocol: Corporate Standard for the first time in our reporting, thus we have restated the greenhouse gas emissions for year 2021 to properly disclose the values in-line with the methodology chosen for reporting. The selection of appropriate emissions factors (with unified approach for emission factor sources), proper attribution to Scopes and Categories (under Scope 3), enhancement of completeness of data, and proper reporting boundaries have been addressed to make a restatement for year 2021 and disclose the results that are methodologically in-line and comparable with those disclosed for year 2022.

OTHER INFORMATION

INFORMATION ON SECURITIES

As of 31 December 2022, MAXIMA GRUPĖ had two EUR 107 million and EUR 240 million bond issues 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 107 million**	**XS1878323499**	**13 Sept 2023**
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 Company does not have branches or representative offices. Information on material subsidiaries is disclosed in Note 1 of the consolidated financial statements of the Group.

INFORMATION ABOUT NON-AUDIT SERVICES

In 2022, remuneration of the Group's auditors for non-audit services amounted to EUR 116 thousand.

POSITIONS OF THE MEMBERS OF THE MANAGEMENT BOARD OF MAXIMA GRUPĖ, UAB

(as of 31 December 2022)

MANAGEMENT BOARD MEMBER	POSITION	LEGAL ENTITY CODE	ADDRESS
AGNĖ VOVERĖ	CEO and Chairwoman of the Management Board at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 5, Vilnius, Lithuania
	Experience 2004-2022 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		
TOMAS RUPŠYS	CEO and Chairman of the Management Board of MAXIMA LT, UAB	123033512	Naugarduko str. 84, Vilnius, Lithuania
	Management Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 5, Vilnius, Lithuania
	Experience 2017-2022 // Managerial positions in retail companies, related to MAXIMA GRUPĖ		
	Education Business Administration, Management and Operations, Dublin Business School Accounting Technology/Technician and Bookkeeping/Payroll, IBAT College Dublin		
ARŪNAS ZIMNICKAS	President of the Management Board of EMPERIA HOLDING Sp. z o.o.	0000849797	02-566 Warszawa, ul. Puławska 2B, Poland
	President of the Management Board of Stokrotka Sp. z o.o.	0000016977	20-209 Lublin, ul. Projektowa 1, Poland
	Management Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 5, Vilnius, Lithuania
	Experience 2008-2022 // CEO of various MAXIMA GRUPĖ related companies		
	Education Economics and International Business, Vilnius University		

MANAGEMENT BOARD MEMBER	POSITION	LEGAL ENTITY CODE	ADDRESS
EDVINAS VOLKAS	CEO (Sole Member of the Management Board) at MAXIMA Eesti, OU	10765896	Aiandi tn 13/2, Mustamäe linnaosa, Tallinn, Estonia
	Management Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 5, Vilnius, Lithuania
	Experience 2001-2022 // Diverse management positions at the companies of MAXIMA GRUPĖ		
	Education Business administration, International Business School of Vilnius University		
KAROLINA ZYGMANTAITĖ	CEO (Sole Member of the Management Board) at MAXIMA Latvija SIA	40003520643	Maskavas str. 257, Riga, Latvia
	Management Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 5, Vilnius, Lithuania
	Experience Finance, 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
	Management Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 5, Vilnius, Lithuania
	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 2005-2022 // Diverse management positions at MAXIMA Bulgaria EOOD		
	Education Law, Sofia University St. Kliment Ohridski		

POSITIONS OF THE MEMBERS OF THE SUPERVISORY BOARD

(as of 31 December 2022)

MANAGEMENT BOARD MEMBER	POSITION	LEGAL ENTITY CODE	ADDRESS
EVELINA ČERNIENĖ	CFO and Member of the Management Board at UAB "Vilniaus Prekyba"	302608755	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
	Chairwoman of the Supervisory Board at Bauhof Group AS	10636638	J. Smuuli str. 41, Tallinn, Estonia
	Experience Experience in financial management at diverse companies, including audit firm		
	Education Commercial Quality Management, Vilnius University		
MANFREDAS DARGUŽIS	CEO and Chairman of the Management Board at AKROPOLIS GROUP, UAB	302533135	Ozo str. 25, Vilnius, Lithuania
	Member of the Management Board at Akropole Riga SIA	40003768247	Maskavas str. 257, Riga, Latvia
	Member of the Management Board at Delta Property SIA	50003390091	Brivibas str. 372, Riga, Latvia
	Member of the Management Board at M257 SIA	40003698645	Maskavas str. 257, Riga, Latvia
	Member of the Management Board at AKROPOLIS REAL ESTATE B.V.	34297777	Claude Debussylaan 7, 10B2MC Amsterdam, Netherlands
	Member of the Management Board at Klarus Finance OÜ	11695554	Lootsa str. 8a, Tallinn, Estonia
	Experience Experience in the asset management industry in various management positions		
	Education Banking and International finance, CAAS Business School in London		
NERIJUS MAKNEVIČIUS	CEO at GALIO GROUP, UAB	302414120	Ozo str. 25, Vilnius, Lithuania
	CEO and Chairman of the Management Board at GALIO ASSET MANAGEMENT, UAB	302633242	Ozo str. 25, Vilnius, Lithuania
	CEO at GALIO DEVELOPMENT, UAB	304459107	Ozo str. 25, Vilnius, Lithuania
	Member of the Management Board at GALIO DEVELOPMENT SIA	50203183461	Durbes str. 8, Riga, Lithuania
	Member of the Management Board at DG31 SIA	40003521352	Durbes str. 8, Riga, Lithuania
	Experience - Legal work, administrative and management experience at diverse companies, law firm		
	Education - Law, Vilnius University		

NASDAQ STRUCTURED TABLE FOR DISCLOSURE

MAXIMA GRUPĖ, UAB (the Company), acting in compliance with paragraph 24.5 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.

SUMMARY OF THE CORPORATE GOVERNANCE REPORT

The Company's bodies, as per its articles of association, are the general meeting of shareholders, the Supervisory Board, the Management Board, and the Chief Executive Officer as a one-person management body. The general meeting of shareholders elects the Supervisory Board, which is composed of five members elected for a term of four years. As of the end of reporting period and also at the date of signing this report, the Supervisory Board was comprised of 3 members. The Management Board is a collegial management body with eight members whom the Supervisory Board elects for a four-year period. As of the end of reporting period and the date of signing this report, the Management Board was comprised of 6 members.

A standing audit committee reporting to the shareholder and the Supervisory Board is also formed in the Company. It is composed of three members who are elected by the shareholder for a term of four years. There are two independent members on the audit committee (one of them is the chairwoman). The audit committee's functions are established by legal acts of the Republic of Lithuania and the Bank of Lithuania as well as the audit committee regulations approved by the Company's shareholder.

Additional information about the Company's governance, shareholders' rights, the Management Board and audit committee activities, 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 2022.

STRUCTURED TABLE FOR DISCLOSURE:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE (N/A)	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.	N/A	The Company has 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 provide the same voting, ownership, dividend, and other 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.	N/A	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 the shareholders has the competence envisaged in the Law on Companies of the Republic of Lithuania. The Company's articles of association do not require shareholders' approval for transactions that are conducted. Thus, exclusive transactions that are particularly important to the Company are not subject to approval of the general meeting of shareholders of the Company. The decision to deviate from this recommendation was adopted by the shareholder of the Company when the Articles of Association were approved.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.	N/A	The Company has 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.	N/A	The Company has a sole shareholder and there are no shareholders living abroad.
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 Company has a sole shareholder who is able to exercise the right to vote at the general meeting of shareholders both in person, and by completing the general voting ballot.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.	N/A	The Company has a 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.	Yes	Every candidate to a collegial body 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 proposed audit company is also provided to the shareholder prior to adoption of the decision of the sole shareholder.
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 the shareholders.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS

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 and with care and responsibility on behalf of the Company and its shareholders, and represent their interests, having regard also for employees' interests and the public welfare.
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	The Company's sole shareholder is properly informed about such matters.
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	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 regulations for the Supervisory Board's work establish the procedure for adopting decisions and the obligations of members of the Supervisory Board.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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	The regulations for the Supervisory Board's work establish the duty of the members of Supervisory Board to act for the benefit of the Company and their right to vote against proposed decisions. There is no requirement for the Company to have independent Supervisory Board members, therefore the Company does not have independent members.
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 the 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 an appropriate diversity of qualifications, professional experience and competences (in areas of law, finance and asset management), with multifaceted expertise, and include persons of both sexes. More detailed information about 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 four 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 a chairperson from among its members. The current chairwoman of the Supervisory Board is a member of the board and CFO at 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 of the Supervisory Board's 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.	N/A	There is no requirement for the Company to have independent Supervisory Board members.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.
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.2	No	It is not the practice of the Company for the Supervisory Board to assess its own activities.

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 Supervisory Board of the Company approved the Company's strategy on 29 January 2019. 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.	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 shareholders, employees and other interest groups, striving to achieve sustainable business development.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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, and also establishes risk management and control measures to ensure the regular and direct accountability of managers.
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	Among other policies, the Company has adopted and abides by a 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	In appointing the head of the Company, the balance of the person's qualifications, experience and competence is taken into account.
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 sexes 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	Yes	Information about candidates to 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.		
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	Members of the Management Board are elected for a four-year term and can be re-elected. New members of the Management Board appointed during term of the Management Board are appointed for the remaining term of the Management Board.
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 chairwoman of the Management Board are no obstacle to her acting impartially. Information about other positions held by the chairwoman 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	Yes	Every member of the Management Board devotes sufficient time to the performance of their duties. There were no such Management Board members who missed more than half of the meetings.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.		
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.	N/A	The Supervisory Board is formed at 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 has the competence to determine the amount of remuneration of the Management Board for their work. The Supervisory Board is composed of representatives appointed by the sole shareholder.
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 shareholders, 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.	No	It is not the practice of the Company 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.		

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 Supervisory Board work in close cooperation and are in regular contact (including related to the matters indicated in the recommendation).
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 its Supervisory Board are held regularly and at intervals which ensure the uninterrupted resolution of essential matters.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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 be acquainted 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 close 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 together closely.

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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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	An audit committee was active in the Company in 2022. Nomination and remuneration committees are not formed as the Supervisory Board or the shareholder itself performs those functions when necessary and decided not to form such committees.
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 under their competences, 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 comprises three members, of whom two are independent. These members were selected based on their competences. Chair of the Management Board is neither chair, nor member of the audit committee.
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	Yes	The audit committee's regulations are approved by the shareholder. The audit committee submits activity reports to the Supervisory Board and the shareholder. Information about the composition, activities and functions of the audit committee is published in the Company's consolidated annual report.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.		
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.
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;	N/A	This committee is not formed in the Company. These functions are performed by the Supervisory Board where applicable.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.		
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.	N/A	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;	N/A	This committee is not formed in the Company. These functions are performed by the Supervisory Board or the shareholder (in relation to Supervisory Board).

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
3) review, on a regular basis, the remuneration policy and its implementation.		
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 envisage 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.	Yes	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 the work program. The 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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 allegations of irregularity 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 shareholder at least once a year, at the time of annual financial statements approval and other times under the request of Supervisory Board or the shareholder, or whenever the 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.

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 the duty to avoid conflict of interest situations. If such 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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 legislation does not impose any obligation on the Company to approve and disclose the remuneration policy.
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 legislation does not impose any obligation on the Company to approve and disclose the remuneration policy.
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.	Yes	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	As legislation does not impose any obligation on the Company to approve and disclose the remuneration policy, the Company does not currently have approved remuneration policy. Termination payments are made on the basis and according to the provisions of the labour code and 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.	N/A	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 legislation does not impose any obligation on the Company to approve and disclose the remuneration policy.
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 legislation does not impose any obligation on the Company to approve and disclose the remuneration policy.

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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company respects the rights of stakeholders.
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 the 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 the 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 Company has set up an internal channel for submitting information about violations, and the Prevention Manager has been appointed at the Company for this purpose. The Company has an approved Corruption Prevention policy. The Company's Prevention Manager regularly informs the Company's Audit Committee of his performance.

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:		

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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 controlled group, which is a part of consolidated annual report of the Company.
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 Principle 7.	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, 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.

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS
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 from tender applications. The Audit Committee supervises this tender process. Following the opinion of the Audit Committee, the Supervisory Board proposes the 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.

APPENDIX

New employee hires and employee turnover

Number of employees new hires by gender and age group during reporting period (group level)						
	< 30 yrs		**31 – 50 yrs**		**> 51 yrs**	
	Actual	%	Actual	%	Actual	%
Women	5,167	27.2	5,656	29.8	2,508	13.2
Men	3,070	16.2	1,652	8.7	926	4.9
Total	**8,237**	**43.4**	**7,308**	**38.5**	**3,434**	**18.1**

Number of employee turnover by gender and age group during reporting period -departed employees (group level)						
	< 30 yrs		**31 – 50 yrs**		**> 51 yrs**	
	Actual	%	Actual	%	Actual	%
Women	3,942	20.8	4,210	22.2	2,076	10.9
Men	3,562	18.8	2,657	14.0	1,601	8.4
Total	**7,504**	**39.5**	**6,867**	**36.2**	**3,677**	**19.4**

Turnover rate			
	Total number of employees	**Total departed employees**	**Employee turnover rate,%**
Women	30,759	10,228	33.3
Men	7,497	7,820	104.3
Total	**38,256**	**18,048**	**47.2**

Energy balance in GJ

	Renewable		**Nonrenewable**		**Total**	
(values in GJ)	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Natural Gas	0	0	17,899	18,131	17,899	18,130
Heating Oil	0	0	0	51	0	51
Diesel	0	0	171,523	185,941	171,523	185,941
Petrol	0	0	17,555	11,825	17,555	11,825
LPG	0	0	154	349	154	349
Electricity	40,316	38,514	93,731	97,648	134,048	136,162
District Heating	0	0	26,186	31,266	26,186	31,266
SUM	**40,316**	**38,514**	**327,048**	**345,211**	**367,365**	**383,725**

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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30 March 2023

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 2022 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 2022 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.

Agnė Voverė

Chief Executive Officer

Lauryna Šaltinė

Chief Financial Officer

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