Lease term and the discount rate determination

Refer to accounting policy on lease liabilities and subleases in note 2.17 ,,Leases", accounting estimates and assessments in note 3.1 "Critical judgments in applying the accounting policy" and note 6 ,,Leases".

As at 31 December 2023, the Group's right-of-use assets amounted to EUR 721,387 thousand, net investment in lease amounted to EUR 15,757 thousand, and lease liabilities amounted to EUR 768,470 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 to determine the discount rates and the lease terms, including the termination and renewal options.

For some of the lease contracts the Group uses interest rate implicit in the lease as a discount rate. The Group's management needs to obtain reliable and supportable information regarding the fair value of the assets being leased, their residual values at the end of the lease, and the lessor's initial direct costs to determine such discount rates. We focused on this area due to the significant level of management judgement involved and the complexity of the underlying assumptions used to derive the estimate.

We analysed completeness and accuracy of new, modified or remeasured lease contracts that were identified and recorded in the lease accounting system during 2023; assessed whether it was reasonably certain that the lease extension options would be exercised; assessed the discount rates used; and on a sample basis recalculated the right-of-use assets and lease liabilities as listed below:

- We obtained an understanding of the internal processes around the identification of leases, and obtained the related lease data from the lease contracts on a sample basis;

- 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 of interest rate implicit in the lease by reconciling the inputs to the lease contracts and third party valuation reports for the leased assets , and tested these calculations on a sample basis;

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

- For the same sample of lease contracts, we tested the lease payments with bank statements, recalculated interest and amortisation charges recognised during the period;

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 5 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
3 April 2024

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

Manfredas Dargužis
Chief Executive Officer

Lauryna Šaltinė
Chief Financial Officer

The consolidated financial statements have been approved and signed electronically on 3 April 2024.
The accompanying notes are an integral part of these consolidated financial statements.

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

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2023	2022
Revenue	4, 19	5 844 538	5 153 712
Cost of sales		(5 330 617)	(4 774 101)
General and administrative expenses	21	(240 534)	(197 238)
Other gains (losses)		(399)	114
Profit from operations		**272 988**	**182 487**
Finance income	22	5 077	1 119
Finance costs	22	(59 903)	(53 930)
Finance costs, net		(54 826)	(52 811)
Profit before tax		**218 162**	**129 676**
Income tax expense	23	(33 490)	(25 279)
Net profit	4	**184 672**	**104 397**
Net profit attributable to:			
Equity holders of the parent		184 672	104 397
		184 672	**104 397**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss		-	-
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		22 852	(6 459)
Net change gain (loss) on cash flow hedges	25.2	41	(706)
Other comprehensive income (loss)		**22 893**	**(7 165)**
Total comprehensive income		**207 565**	**97 232**
Total comprehensive income attributable to:			
Equity holders of the parent		207 565	97 232
		207 565	**97 232**

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

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Legal reserve	Reverse acquisition reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Total equity
At 1 January 2022		**1 019 263**	**41 352**	**53 359**	**(1 430 271)**	**342**	**(32 933)**	**763 810**	**414 922**
Profit for the year		-	-	-	-	-	-	104 397	104 397
Other comprehensive income		-	-	-	-	(706)	(6 459)	-	(7 165)
Total comprehensive income for the year		-	-	-	-	*(706)*	*(6 459)*	*104 397*	*97 232*
Transfer to legal reserve	16	-	-	11 692	-	-	-	(11 692)	-
Dividends	24	-	-	-	-	-	-	(95 000)	(95 000)
Total transactions with shareholders recognised directly in equity		-	-	*11 692*	-	-	-	*(106 692)*	*(95 000)*
At 31 December 2022		**1 019 263**	**41 352**	**65 051**	**(1 430 271)**	**(364)**	**(39 392)**	**761 515**	**417 154**
At 1 January 2023		**1 019 263**	**41 352**	**65 051**	**(1 430 271)**	**(364)**	**(39 392)**	**761 515**	**417 154**
Profit for the year		-	-	-	-	-	-	184 672	184 672
Other comprehensive income		-	-	-	-	41	22 852	-	22 893
Total comprehensive income for the year		-	-	-	-	*41*	*22 852*	*184 672*	*207 565*
Transfer to legal reserve	16	-	-	3 143	-	-	-	(3 143)	-
Dividends	24	-	-	-	-	-	-	(70 000)	(70 000)
Total transactions with shareholders recognised directly in equity		-	-	*3 143*	-	-	-	*(73 143)*	*(70 000)*
At 31 December 2023		**1 019 263**	**41 352**	**68 194**	**(1 430 271)**	**(323)**	**(16 540)**	**873 044**	**554 719**

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

Consolidated statement of cash flows

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

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

Notes to the consolidated financial statements

1. General information

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

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

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

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

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

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

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

The Company's management authorized these consolidated financial statements on 3 April 2024. The Company's shareholders have a statutory right to approve or not to approve these consolidated financial statements and to require the preparation of a new set of consolidated financial statements.

2. Material accounting policies

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

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

2.1. Basis of preparation

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

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

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

New standards, amendments and interpretations adopted by the Group

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

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

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

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

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

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

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

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

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

The Group accounting policy for deferred taxes aligns with the requirements of the amendments. Currently, the Group recognises deferred tax for transactions that, on initial recognition, create equal amounts of taxable and deductible temporary differences.

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

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

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

The Group is expected to be in the scope of the legislation and is in the process of assessing its exposure to the Pillar Two legislation for the periods when it comes into effect. Due to the complexities in applying the legislation and calculating the Global Anti-Base Erosion Rules (GloBE) income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there might still be Pillar Two tax implications. The Group is currently engaged with tax specialists to assist it with applying the legislation as of 1 January 2024. For jurisdictions and tax rates applied where Group has significant operations refer to Note 2.15.

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

IFRSs issued but not yet effective

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

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

These 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. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of

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

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. The Group is currently assessing the impact of the amendments on its financial statements.

Other standards

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

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

2.3. Goodwill

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

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 i.e. retail stores) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

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

2.4. Property, plant and equipment

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

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

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

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

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

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

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

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

2.5. Investment properties

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

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

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

2.6. Intangible assets with finite useful lives

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

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

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

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

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

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

2.8. Inventories

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

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

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

2.9. Financial instruments

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

2.9.1. Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

a) Financial assets at amortised cost

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

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

and

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

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

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

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

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

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

The Group considers a financial asset in default when contractual payments are past due. The default rates are calculated for the following aging intervals: 1) 1 – 30 days, 2) 31 – 90 days, 3) more than 90 days.

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

2.9.2. Financial liabilities

<u>*Initial recognition and measurement*</u>

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

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

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

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

<u>*Subsequent measurement*</u>

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

b) Financial liabilities at amortised cost

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

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

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.

2.10. Borrowing costs

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

2.11. Derivative financial instruments and hedging activities

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

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

2.12. Provisions

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

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

2.13. Revenue from contracts with customers

a) Retail revenue

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

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

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

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

Retail revenue is recognised at a point in time.

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

b) Commission income

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

c) Wholesale revenue

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

Contract assets

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

Trade receivables

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

Contract liabilities

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

2.14. Cost of sales

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

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

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

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

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

2.15. Income tax

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

a) Current income tax

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

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

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

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

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

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

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

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

2.16. Employee benefits

a) Social security contributions

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

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

b) Bonus plans

The Group recognises a liability and an expense for employee bonuses which are based on performance of an employee. The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration various financial and individual performance targets. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation. Remeasurements of liabilities are recognised immediately in profit or loss.

2.17. Leases

The determination of whether a contract is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.17.1. The Group as a lessee

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

Right-of-use assets

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

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option. When lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero..

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.

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

2.17.2. The Group as a lessor

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

2.17.3. Sublease

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

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

2.18. Foreign currencies

a) Functional and presentation currency

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

b) Transactions and balances

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

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

c) Group companies

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

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

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

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

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

2.19. 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 option (e.g., lease term, geographical location of the store, leasehold improvements, etc). The Group included the renewal period as part of the lease term for leases of buildings leased for retail operations where after considering a number of relevant factors the Group concluded that it is reasonably certain that the Group will exercise an extension option.

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

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

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

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

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

Classification of reverse factoring arrangements (supply chain financing arrangements)

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

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

Determination of discount rate for discounting of lease payments

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

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

Electronic payments

Cash and cash equivalents includes credit card and debit card payments made by customers in stores. Customers have no ability to withdraw, stop or cancel payment once the payment is made. Electronic payments are normally received during 1-2 days. Electronic payments are classified as cash equivalent because they are received during short period, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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:

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units (retail stores) are based on value in use, which is calculated from cash flow projections for five years using data from the Group's internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates used to extrapolate cash flow projections beyond the period of five years, revenue and EBITDA (for the definition of EBITDA see Note 4) growth. Management estimates discount rates using rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. The post-tax discount rates ranged from 7.5 to 10.5 percent (2022: 6.5 – 8.7 percent) and terminal growth rate was from 1.0 to 1.5 percent (2022: 1.0 – 1.5 percent). These discount rates are derived from the Group's post-tax weighted average cost of capital as adjusted for the specific risks relating to each geographical region. Changes in revenue and costs, and, consequently, EBITDA, are based on historical trends and expectations of future developments in the markets the Group operates. The increase in discount rates by 0.5 percentage points and decrease in terminal growth rates by 0.5 percentage points would not result in goodwill impairment. More information about goodwill is disclosed in Note 9. Pre-tax discount rates were in the range from 7.7 to 10.6 percent (2022: 7.6 to 10.7 percent).

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. Post-tax rates do not include adjustments related to Pillar II. Management estimates that Pillar II implementation will not have material effect on post-tax cash flows as Group's effective tax rate in 2023 is 15%.

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

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

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.

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

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

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

In column "Other" in the segment information below are included results of wholesale, IT services, corporate head-quarters and other intermediary holdings in the Group.

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

	2023					
	Total retail	Real estate	Total reported segments	Other	Consolidation adjustments	Total
Revenue	5 883 940	72 122	5 956 062	197 530	(309 054)	5 844 538
incl. external customers	*5 833 830*	*5 441*	*5 839 271*	*1 460*	*3 807*	*5 844 538*
incl. inter-segment	*50 110*	*66 681*	*116 791*	*196 070*	*(312 861)*	-
EBITDA	**465 830**	**65 759**	**531 589**	**11 232**	**(63 873)**	**478 948**
Interest expenses	60 812	7 227	68 039	21 158	(24 310)	64 888
Depreciation and amortisation	240 144	28 474	268 618	3 904	(74 740)	197 782
Net profit (loss)	**138 662**	**30 092**	**168 754**	**78 770**	**(62 852)**	**184 672**

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

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

	2022					
	Total retail	**Real estate**	**Total reported segments**	**Other**	**Consolidation adjustments**	**Total**
Revenue	5 196 034	65 850	5 261 884	193 575	(301 747)	5 153 712
incl. external customers	*5 143 776*	*4 774*	5 148 550	1 846	*3 316*	*5 153 712*
incl. inter-segment	*52 258*	*61 076*	113 334	191729	*(305 063)*	-
EBITDA	**355 237**	**60 684**	**415 921**	**12 507**	**(59 501)**	**368 927**
Interest expenses	44 574	3 159	47 733	19 436	(14 569)	*52 600*
Depreciation and amortisa-tion	218 100	28 347	246 447	4 005	(67 601)	182 851
Net profit (loss)	**97 928**	**25 577**	**123 505**	**65 268**	**(84 376)**	**104 397**

Segments' net profit (loss) includes dividends received from directly controlled subsidiaries. During the year ended 31 December 2023 dividends included in the Lithuania segment's net profit (loss) amounted to EUR 20,313 thousand (2022: EUR 16,537 thousand), in Latvia segment's net profit (loss) amounted to EUR 300 thousand (2022: EUR 704 thousand) and in Estonia segment's net profit (loss) amounted to EUR 2,300 thousand (2022: EUR 3,045 thousand).

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

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

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

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

A reconciliation of EBITDA to net profit is as follows:

	2023	**2022**
Net profit	184 672	104 397
Profit tax	33 490	25 279
Finance cost net	54 827	52 811
Depreciation	190 616	171 479
Amortisation	7 167	11 372
Property, plant & equipment and intangible assets write-offs (gain)/losses	1 814	1 907
Property, plant & equipment, intangible assets, right-of-use assets impairment (reversal)	6 361	1 682
EBITDA	**478 947**	**368 927**

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

5. Property, plant and equipment

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

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

Pledged property, plant and equipment

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

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

6. Leases

6.1. The Group as a lessee

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

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

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

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

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

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

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

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

Interest expenses on lease liabilities are disclosed in Note 22. In 2023 expenses relating to short-term leases amounted to EUR 1,504 thousand (2022: EUR 3,152 thousand) and expenses of leases of low-value assets amounted to EUR 3,988 thousand (2022: EUR 3,873 thousand).

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

6.2. The Group as a lessor

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

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

Finance leases

The Group recognises net investment in the lease for leases classified as finance leases. Interest income on the net investment in a lease is disclosed in Note 22.

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

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

Operating leases

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

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

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

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

7. Investment properties

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

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

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

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

8. Intangible assets (except for goodwill)

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

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

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

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

9. Goodwill

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

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

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

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

10. Non-current receivables and prepayments

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

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

11. Deferred income tax

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

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

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

Fair value adjustments in deferred tax liabilities are related to acquired business in Poland.

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

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

Taxable temporary differences on investments in subsidiaries

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

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

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

Tax losses

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

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

12. Inventories

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

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

Inventories write-offs recognised as an expense during the year ended 31 December 2023 amounted to EUR 111,264 thousand (2022: EUR 103,315 thousand). These expenses were included in cost of sales.

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

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

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

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

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

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

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

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

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

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

14. Cash and cash equivalents

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

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

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

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

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

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

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

15. Share capital and share premium

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

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

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

Share premium

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

16. Reserves

Legal reserve

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

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

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

LT, UAB have been recognised at their pre-combination carrying amounts. No goodwill was recognised. The reverse acquisition reserve comprises principally of the pre-acquisition reserves of MAXIMA LT, UAB and its subsidiaries, elimination of the investment in MAXIMA LT, UAB and elimination of net assets of MAXIMA MGN, UAB.

17. Borrowings (except for lease liabilities)

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

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

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

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

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

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

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

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

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

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

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

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

For undiscounted contractual future cash outflows see Note 25.1.

The undrawn borrowing facilities were as follows:

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

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

18. Trade and other payables

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

The Group is involved in reverse factoring arrangements with banks under which the banks agree to pay amounts the Group owes to the Group's suppliers and the Group agrees to pay the banks at a date later than suppliers are paid. Payables to the banks under reverse factoring arrangement amounted to EUR 18,673 thousand as of 31 December 2023 (2022: EUR 9,961 thousand). Payment terms with suppliers participating in the Supply chain financing program remain largely unchanged. In instances where amendments are agreed, the new terms will not deviate significantly from industry standards for the specific product category. Additionally, any revised payment period complies with, or fall within, the legal maximums terms. 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.

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

In 2023, the Group recognised EUR 18,070 thousand (of which EUR 6,639 thousand loyalty points) revenue that was included in the contract liability balance as of 31 December 2022 (2022: EUR 15,249 thousand (of which EUR 6,615 thousand loyalty points)).

19. Revenue

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

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

20. Expenses by nature

Specified expenses by nature included in the comprehensive income statement:

	2023	2022
Employee remuneration and related taxes	**598 709**	**534 927**
Included in cost of sales	*498 186*	*455 258*
Included in General and administrative expenses	*100 523*	*79 669*
Depreciation and amortization	**197 783**	**182 851**
Included in cost of sales	*161 641*	*156 712*
Included in General and administrative expenses	*36 142*	*26 139*
Property, plant and equipment, intangible assets, right-of-use assets impairment charge	**6 361**	**1 682**
Included in General and administrative expenses	*6 361*	*1 682*

21. General and administrative expenses

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

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

22. Finance costs, net

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

The tax dispute with the Polish tax authorities disclosed in Note 29 was concluded at the beginning of 2023 and the Group in 2022 recognised interest expenses incurred on the resolved uncertain tax position amounting to EUR 3,423 thousand. In 2023 the amount of interest, which was overpaid due to chosen conservative principle of interest calculation, equal to EUR 185 thousand was returned.

23. Income tax expense

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

The tax dispute with the Polish tax authorities on corporate income tax for 2011 was concluded at the beginning of 2023 and the Group adjusted its 2022 corporate income tax return by EUR 3,368 thousand (Note 29).

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

	2023	2022
Profit before income tax	218 162	129 676
Tax at domestic tax rate of 15% (2022: 15%)	32 724	19 451
Income not subject to tax	(1 661)	(883)
Expenses not deductible for tax purposes	3 091	2 668
Tax losses for which no deferred income tax was recognised	2 018	2 092
Utilisation of previously unrecognised tax losses	(205)	(169)
Tax incentives (charity, etc)	(573)	(446)
Adjustments in respect of prior year	(19)	2 426
Effect of different tax rates of foreign subsidiaries	(2 027)	132
Other	142	8
Income tax expense	**33 490**	**25 279**
Effective income tax rate	15%	19%