(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%

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

24. Dividends per share

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

25. Financial risk management

25.1. Financial risk factors

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

a) Market risk

Foreign currency exchange risk

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

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

Interest rate risk

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

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

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

b) Credit risk

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

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

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

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

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

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

31 December 2023

	Current	1-30 days past due	31-90 days past due	>90 days past due	Total
Expected credit loss rate	0.1%-1%	0.5%-8%	7%	100%	
Gross carrying amount - trade and other receivables from non-related parties (incl. net investment in the lease)	68 110	7 727	1 202	3 396	80 435
Gross carrying amount - trade and other receivables from related parties (incl. net investment in the lease)	9 244	188	-	-	9 432
Contract assets	3 049	15	28	-	3 091
Expected credit loss	(45)	(81)	(114)	(3 074)	(3 314)
	80 358	**7 848**	**1 116**	**322**	**89 644**

31 December 2022

	Current	1-30 days past due	31-90 days past due	>90 days past due	Total
Expected credit loss rate	0.1%-1%	0.5%-8%	7%	100%	
Gross carrying amount - trade and other receivables from non-related parties (incl. net investment in the lease)	59 680	7 170	857	3 745	71 452
Gross carrying amount - trade and other receivables from related parties (incl. net investment in the lease)	9 975	112	-	2	10 089
Contract assets	2 897	-	-	-	2 897
Expected credit loss	(121)	(86)	(56)	(3 112)	(3 375)
	72 431	**7 196**	**801**	**635**	**81 063**

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

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

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

c) Liquidity risk

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

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

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

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

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

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

25.2. Derivatives

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

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

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

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

Foreign currency forwards

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

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

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

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

Interest rate swaps

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

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

25.3. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group considers total capital under management to be equity plus net debt::

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

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

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

25.4. Fair value of financial instruments

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

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

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

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

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

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

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

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

- The carrying amount of current trade and other receivables, contract assets, current trade and other payables, short-term loans granted and current borrowings approximates their fair value (level 3).

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

- For the valuation of foreign currency forwards the Group uses the present value of future cash flows based on the forward exchange rates at reporting date (level 2) (Note 25.2).
- For the valuation of interest rate swaps the Group uses present value of the estimated future cash flows based on observable yield curves (Note 25.2).
- The fair value of non-current debt, except for bonds, is based on the quoted market price for the same or similar instruments or on the current rates available for debt with the same maturity profile. The carrying amount of non-current borrowings with variable interest rates approximates their fair value (level 3).
- The fair value of bonds is based on quoted market price (level 1) (Note 17).

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

26. Related party transactions

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

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

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

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

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

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

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

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

c) *Borrowings*

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

d) *Key management compensation*

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

27. Cash flow information

27.1. Non-cash investing and financing activities

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

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

27.2. Changes in liabilities arising from financing activities

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

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

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

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

*Majority part is forex effect.

28. Audit and non-audit services

In 2023, remuneration of the Group's auditors (PricewaterhouseCoopers network member firms) for audit services and non-audit services amounted to EUR 384 thousand and EUR 8 thousand respectively (2022: EUR 258 thousand and EUR 116 thousand).

29. Contingent liabilities

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

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

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

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

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

Resolved corporate income tax case in Poland

As disclosed in the Group's consolidated financial statements for the year ended 31 December 2022, Emperia Holding Sp.z.o.o ("Emperia Holding") submitted adjusted corporate income tax return based on the additionally imposed taxes in the protocol issued by the Head of Lublin Customs and Tax Office. The Group recognised adjustment to corporate income tax of prior periods in the consolidated financial statements for the year ended 31 December 2022. On 19 January 2023, Emperia Holding paid corporate income tax together with interest of EUR 6,791 thousand (PLN 31,812 thousand) in total (Note 22 and Note 23).

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

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

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

30. Significant events during the year

Russia's military invasion of Ukraine

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

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

31. Events after the reporting period

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

During the first quarter of 2024, Maxima Lithuania and Maxima Estonia have signed overdraft agreements with limits of EUR 29 million and EUR 15 million respectively.

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

3

Governance

Corporate Governance

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

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

Corporate Governance System

General Meeting of Shareholders | The highest decision-making body, where the shareholders participate in the supervision and governance of the Company.

Supervisory Board | Approves the Company's business strategy and oversees the activities of the Management Board and the CEO.

Audit Committee | Monitors the process of the preparation and audit of the financial statements.

Management Board | Responsible for taking material management decisions, for assessing the implementation of the business strategy.

CEO (General Manager) | Sole executive management body that manages the Company's day-to-day operations and represents the Company in its relations with third parties.

The General meeting of the Shareholders

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

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

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

Supervisory Board

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

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

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

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

Evelina Černienė
Chairwoman

SINCE 3 MAR 2022

Board Member
at Vilniaus prekyba

Nerijus Maknevičius
Member

SINCE 30 AUG 2022

Board Member
at Vilniaus prekyba

Jurgita Šlekytė
Member

SINCE 2 JUN 2023

Chairwoman of the Board
at Vilniaus prekyba

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

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

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

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

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

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

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

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

Audit Committee

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

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

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

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

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

The main matters discussed during the meetings included:

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

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

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

About the Audit Comittee Members

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

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

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

Management Board

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

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

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

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

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

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

Manfredas Dargužis
Chairman

SINCE 2 JUN 2023

CEO
at MAXIMA GRUPĖ, UAB

Jolanta Bivainytė
Board Member

SINCE 2 JUN 2023

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

Lauryna Šaltinė
Board Member

SINCE 1 FEB 2023

CFO
at MAXIMA GRUPĖ, UAB

Agnė Voverė
Board Member

SINCE 24 NOV 2022

CEO
at MAXIMA INTERNATIONAL SOURCING, UAB

Karolina Zygmantaitė
Board Member

SINCE 3 MAR 2022

CEO
at MAXIMA LATVIJA SIA

Arūnas Zimnickas
Board Member

SINCE 14 OCT 2020

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

Petar Petrov Pavlov
Board Member

SINCE 14 OCT 2020

CEO
at MAXIMA BULGARIA EOOD

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

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

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

Tomas Rupšys – until 2 June 2023;

Edvinas Volkas – until 31 January 2023.

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

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

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

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

Chief Executive Officer

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

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

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

Remuneration policies

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

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

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

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

Internal Audit

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

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

Risk Management

Control Framework

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

Management of Significant Risks

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

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

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

PRINCIPAL RISK	MITIGATION

Reputation and brand image risk

The Group believes that its strong brand is among its most valuable assets, and that its brand image and reputation have contributed significantly to the success of its business. The Group's continued success depends on its ability to maintain, promote and grow its brand image and reputation.

- Permanent improvement of internal control system
- Training employees and developing the corporate culture to make sure unethical behavior is seen as unacceptable
- Using expertise of specialist external agencies and our in-house marketing to maximize the value and image of our brand
- The Group implements initiatives in areas that are known to be material to its business brand reputation

Country and geopolitical risks

Political, economic, social, and legal factors could impact the Group's operations, profitability, and reputation in countries of operation. Country risk management involves implementing measures to mitigate identified risks, such as diversifying operations, establishing local partnerships, or securing appropriate insurance coverage. Geopolitical tensions have intensified in recent years, and in particular following military invasion of Ukraine by the Russian Federation in February 2022. Although difficult to predict, but the mounting geopolitical tensions and the likelihood of any further escalation of the conflict could have an amplified influence on trade policies, production, duties, and taxation on a global scale.

- The Group is present in different countries with different specific risks
- Knowledge and awareness of the business, economic and legal environment in countries where the Group is present
- Monitoring, reviewing and reporting on changes of the political, financial, social or economic situation in countries where the Group is present
- Incorporation of the impacts of political and regulatory changes in our strategic planning and policies
- Engagement of leadership, structured action and communication plans to manage this risk area

Regulatory risk

A pattern of growing regulation, coupled with enforcement measures, is evident across all sectors of the Group's business. This raises the likelihood of non-compliance, introduces additional expenses to comply with these regulations, and adds complexity to business processes.

- The Group is present in different countries with different regulatory framework, which enables risks' diversification
- Knowledge and awareness of regulations in countries where the Group is present
- Monitoring, reviewing, and reporting on changes of regulations in countries where the Group is present