



MAXIMA GRUPĖ, UAB

(incorporated in Lithuania as a private company with limited liability under registration number 301066547)

€1,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Base Prospectus (the "**Programme**"), Maxima Grupė, UAB (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed €1,000,000,000 (or the equivalent in other currencies).

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended ("**MIFID II**") and/or which are to be offered to the public in any Member State of the European Economic Area.

Application has been made to the Irish Stock Exchange plc (trading as Euronext Dublin) ("**Euronext Dublin**") for Notes issued under the Programme for the period of 12 months from the date of this Base Prospectus to be admitted to the official list of Euronext Dublin (the "**Official List**") and to trading on Euronext Dublin's Regulated Market (the "**Market**").

This Base Prospectus constitutes a "**Prospectus**" for the purposes of the Prospectus Regulation. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of MiFID II. The relevant Final Terms (as defined herein) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange). The Issuer may make an application, after the Notes are issued, for the Notes to be admitted to trading on the official debt list of Nasdaq Vilnius Stock Exchange (the "**Nasdaq**"). However, there can be no assurance that such application will be made or that such admission will take place.

The long-term senior unsecured obligations of the Issuer have been rated BB+ by S&P Global Ratings Europe Limited ("**S&P**"). S&P is established in the European Union ("**EU**") and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

This Base Prospectus will be valid as a base prospectus under the Prospectus Regulation for 12 months from 28 June 2022. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Base Prospectus.

ARRANGERS

CITIGROUP

J.P. MORGAN

LUMINOR

MUFG

DEALERS

CITIGROUP

J.P. MORGAN

LUMINOR

MUFG

The date of this Base Prospectus is 28 June 2022

IMPORTANT NOTICES

Responsibility

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms. To the best of the knowledge of the Issuer, the information contained in this Base Prospectus and the Final Terms is in accordance with the facts and the Base Prospectus as completed by the Final Terms makes no omission likely to affect the import of such information.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, or the Trustee accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arrangers, a Dealer or the Trustee or on its behalf in connection with the Issuer on the issue and offering of the Notes. The Arrangers, each Dealer and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers, the Dealers or the Trustee that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, or the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, or the Trustee.

Final Terms/Drawdown Prospectus

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. Copies of Final Terms in relation to Notes to be listed on Euronext Dublin will be published on the website of the Euronext Dublin (<https://live.euronext.com/>). All references herein to "**Final Terms**" shall, unless the context requires otherwise, be deemed to be references to the relevant Drawdown Prospectus (as applicable).

Unauthorised Information

No person has been authorised to give any information or to make any representation not contained in this Base Prospectus or in connection with the issue or sale of the Notes and any information or representation not so contained must not be relied upon as having been authorised by the Issuer, the Trustee or any of the Dealers or the Arrangers (as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Minimum Denominations

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the "**EEA**") or a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory requirements.

Restrictions on distribution

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restriction.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States (the "U.S.") and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")).

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes. The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions.

The Issuer, the Arrangers and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms.

For a description of further restrictions on offers and sales of Notes and distribution of this Base Prospectus, see "*Subscription and Sale*".

Product Governance under Directive 2014/65/EU (as amended)

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Final Terms in respect of any Notes may include a legend entitled "**MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

Product Governance under UK MiFIR

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

The Final Terms in respect of any Notes may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target

market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to EEA Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA ("**UK MiFIR**"). Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Product Classification Pursuant to Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore

The Final Terms in respect of any Notes may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Notes pursuant to section 309B(1) of the Securities and Futures Act 2001 (2020 Revised Edition) (the "**SFA**").

The Issuer will make a determination in relation to each issue about the classification of the Notes being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

Benchmarks Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.)".

Credit Ratings

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating agency may change its rating methodology in respect of a particular class of instruments, making it more difficult to maintain a certain credit rating. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Any such revision, suspension or

withdrawal could adversely affect the market value of the Notes. For the avoidance of doubt, the Issuer does not commit to ensure that any specific rating of the Notes will be upheld nor that any credit rating agency rating the Notes will remain the same.

In general, European Union regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

In general, UK regulated investors are restricted under Regulation (EC) No 1060/2009 as it forms part of domestic law by virtue of the EUWA (the "**UK CRA Regulation**") from using credit ratings for regulatory purposes unless such ratings are issued by a credit rating agency established in the UK and registered under the UK CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-UK credit rating agencies, unless the relevant credit ratings are endorsed by a UK-registered credit rating agency or the relevant non-UK rating agency is certified in accordance with the UK CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes, European Union and/or UK regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European Union and/or UK regulated investors selling the Notes which may impact the value of the Notes and any secondary market. The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms. Where a Tranche of Notes is rated, such rating will be specified in the Final Terms and may not necessarily be the same as the rating assigned to the Issuer.

Stabilisation

In connection with the issue of any Tranche (as defined in "*Overview of the Programme – Method of Issue*"), the Dealer or Dealers (if any) named as the stabilisation manager(s) (the "Stabilisation Manager(s)**") (or any person acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or any person acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

Certain Definitions

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to a "member state" are references to a member state of the EEA, references to "EUR", "€" and "euro" are to the currency introduced at the start of the third stage of the European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

Any information sourced from third parties contained in this Base Prospectus has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not total exactly. The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Forward-looking statements

This Base Prospectus contains certain forward-looking statements. Forward-looking statements are based on current plans, estimates and projections, and therefore investors should not place undue reliance on them. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "should", "continue" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which it expects to operate in the future. Important factors that could cause its actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Base Prospectus:

- its ability to integrate any future expansion of its business;
- its ability to realise the benefits it expects from existing and future investments in their existing operations and pending expansion and development projects;
- its ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;
- its ability to obtain external financing or maintain sufficient capital to fund its existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which it and its customers operate;
- changes in the competitive environment in which it and its customers operate;
- failure to comply with regulations applicable to its business; or
- fluctuations in the currency exchange rates in the markets in which it operates.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of the Issuer speak only as at the date they are made. The Issuer does not undertake to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Investments in Notes

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of the investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Presentation of Financial Information

The consolidated financial information of the Group set forth herein has, unless otherwise indicated, been derived from the Group's audited consolidated financial statements as of and for the years ended 31 December 2021 and 2020 (the "**2021 Audited Financial Statements**") and from the Group's audited consolidated financial statements as of and for the year ended 31 December 2020 (the "**2020 Financial Statements**"), which and are included elsewhere in this Base Prospectus (together, the "**Audited Consolidated Financial Statements**").

The Audited Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as endorsed in the EU based on Regulation (EC) No 1606/2002. The Group presents its financial statements in EUR, which is the functional and presentation currency of the Group.

PricewaterhouseCoopers UAB ("**PwC**") has audited the Audited Consolidated Financial Statements and issued an unmodified audit opinion dated 4 April 2022.

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RISK FACTORS

Investing in the Notes involves certain risks. If any of the risks described below materialise, the Group's business, financial condition and results of operations could suffer, and the trading price and liquidity of the Notes could decline, in which case an investor may lose some or all of the value of its investment. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Additional risks and uncertainties of which the Issuer is not aware or that the Issuer currently believes are immaterial may also have a material adverse effect on its business, financial condition, results of operations and prospects. If any of the events described in the risk factors below occur, it could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. This Base Prospectus also contains forward-looking statements that involve risks and uncertainties. The Issuer's actual results may differ materially from those anticipated in the forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Base Prospectus.

It cannot be excluded that over time the list of the risks specified below will no longer be complete or comprehensive. Consequently, these risks cannot be considered as the only risks to which the Issuer is exposed as at the date of the Base Prospectus. The Issuer may be exposed to additional risks and adverse factors of which the Issuer is unaware or which are believed to be immaterial as at the date of the Base Prospectus.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.

Risks Related to the Group

Risk relating to the macro-economic environment

Macro-economic factors, both domestically and internationally, may materially adversely affect the Group's financial performance

The Group's business environment can be adversely impacted by macroeconomic conditions in individual and global markets. In recent years, there has been uncertainty and volatility with regard to macroeconomic factors, including across Europe and the Baltic States, in areas such as monetary policy, regulatory change, public capital investments and consumer confidence and spending.

These have resulted in higher interest rates, fluctuations in the price of petroleum products and raw materials (including crude oil, natural gas, gasoline, and diesel fuel), higher costs for electricity and other energy, inflation and increased costs of living and essential services. Combined with the coronavirus pandemic ("Covid-19"), this has led to fluctuating levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, the imposition of new taxes and measures that create barriers to or increase the costs associated with international trade. In addition, the Baltic States have generally recorded declining population sizes over the last five years; if such declines continue, the size of the retail market in the Baltic States could be adversely impacted. Overall economic slowdown and these other socio-economic factors in the markets in which the Group operates could adversely affect consumer demand, change the mix of products sold by the Group to one with a lower average gross margin and cause a slowdown in discretionary purchases of goods, therefore adversely affecting the Group's sales. This could also lead to a slower inventory turnover and greater markdowns of inventory which, when taken together, could materially adversely affect the Group's operations and

operating results. These economic factors that affect the Group's operations may also adversely affect the operations of its suppliers, which can result in an increase in the cost of the goods sold to customers or, in more extreme cases, in certain suppliers not producing goods in the volume typically available for sale.

The factors described above, individually, together or combined with any other economic factors or circumstances resulting in higher transportation, labour, insurance or commodity prices, could increase the Group's cost of sales and operating, selling, general and administrative expenses and therefore materially adversely affect the Group's operations and operating results.

Geo-political factors, both domestically and internationally, may materially adversely affect the Group's financial performance

Geopolitical tensions and protectionism have intensified generally in recent years, and in particular following military invasion of Ukraine by the Russian Federation in February 2022. Although difficult to predict, these tensions, and any potential further escalation of the conflict, may increasingly affect policies on trade, production, duties and taxation globally. This in turn may disrupt the Group's supply chain, and may also directly impact the Group's businesses should countries where the Group operates become involved.

Any political developments in the European Union ("EU"), including any future integration or withdrawal of European countries, or changes in the economic policy, executive authority or composition of the EU and its institutions, may have an adverse effect on the overall economic and political stability of the EU and the European countries in which the Group's assets and operations are located. Any changes in the political or economic stability of any of the countries in which the Group operates, as well as any political, economic, regulatory or administrative developments in these countries, over which the Group has no control, could have a material adverse effect on the Group's business, results of operations and financial condition. Any political or other developments affecting the integration, integrity or stability of the EU, developments in the regulation of food and other consumer products and the performance of financial markets in the EU and elsewhere could have a material adverse effect on the economies where the Group operates and on the Group's business, results of operations and financial condition.

Covid-19 and other pandemics could have an adverse effect on the Group's operations and employees.

The outbreak of Covid-19 together with measures aimed at mitigating the further spread of Covid-19, such as restrictions on travel, imposition of quarantines, prolonged closures of stores and workplaces, social distancing measures and other restrictions has had a significant adverse effect on the global economy and international financial markets. Covid-19 continued to affect the Group's operations and results in 2021 and there is still a degree of related uncertainty and volatility across Europe and the Baltic States. This is driven by, among other things, the effectiveness of vaccination programmes, mutations and variants of Covid-19, and potentially new viruses which may cause new pandemics.

As a retailer of food and essential provisions, as well as an operator of an online retail business, there is a degree of resilience in the Group's business and operations. Nonetheless, Covid-19 may continue to impact the Group, particularly the health and safety of its employees, the footfall of consumers in the Group's stores and the Group's business continuity, for example, its functional operations, supply chain, and commercial processes. In addition, responses to the risks of Covid-19 require effort and expense, both in terms of implementing measures to keep employees and customers safe and reacting to any further restrictions imposed by local authorities or governments. Such events may negatively affect the Group's business, financial conditions and results of operations and revenue and cash flow generation.

The Group depends on economic, demographic and market developments in the Baltic States, in particular Lithuania

The Group's revenue is particularly sensitive to the performance of the economies in the Baltic States, in particular the Lithuanian economy; 39.2 per cent. of the Group's revenue (excluding VAT) for the year ended 31 December 2021 was derived from Lithuania. Changes in economic, regulatory, administrative or other policies of the Lithuanian government, as well as political or economic developments the jurisdictions in which the Group operates (including potential changes in sovereign credit ratings) over which the Group has no control, could have a significant effect on the Lithuanian economy, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

The Baltic States are subject to greater risks than western European markets, including legal, economic and political risks. In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, individual countries' gross domestic product ("GDP"), foreign trade or the economy in general. The Group's performance could be significantly affected by events beyond its control, such as a general downturn in the economy of the region, changes in regulatory requirements and applicable laws (including in relation to taxation and planning), the condition of financial markets in the Baltic States, and interest, inflation and exchange rate fluctuations, all of which could reduce the Group's income.

Risks relating to the operations of the Group

The Group may not be able to implement its business strategy effectively

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 out in "*Description of the Group – Strategy*", including but not limited to, a prolonged and unexpected decline in macroeconomic conditions, a failure to grow online sales through its Barbora platform, operational challenges relating to the expansion of its store network (see – "*There are Risks Associated with the Management and Development of the Group's Property Portfolio*"), the capacity to execute its strategic agenda ahead of competitors, the amplification of reputational damage as a result of social media activism and unanticipated changes in regulatory conditions.

If the Group's board of directors adopts the wrong business strategy or does not communicate or implement its strategies effectively, the business may be negatively impacted, which may have a material adverse effect on the Group's operations and financial results.

The Group may not successfully manage the risks associated with expanding its international operations and integrating newly acquired subsidiaries and it may face significant risks and liabilities or rating downgrades as a result of such acquisitions

Since the Issuer was established, it has expanded its operations through mergers and acquisitions. For example, the Group acquired Emperia Holding S.A. ("**Emperia**") in April 2018 in order to increase its exposure to the Polish retail market as part of its strategic plan and has continued to make targeted acquisitions, such as the recent acquisition of a portfolio of eight stores in Poland. The Group continues to evaluate investment opportunities in the future and it may expand its operations in other countries or in new markets (see "*Description of the Issuer—Strategy*"). The Group faces many risks inherent in expanding its operations, such as unexpected changes in regulatory requirements; default by the Group's partners; tariffs, customs and duties; difficulties in staffing and managing foreign operations; increased competition in foreign markets; existing incumbents; lack of brand recognition; longer payment cycles and problems in collecting accounts receivable; and potentially adverse tax consequences. Any failure to manage the risks associated with expanding the Group's operations could have a material adverse effect on the Group's business, results of operations and financial condition.

In addition, although due diligence reviews are undertaken in relation to acquisitions, such reviews may not reveal all existing or potential risks and liabilities and the Group cannot give any assurance that its acquisitions are not or will not become subject to liabilities of which it is unaware. While warranties and indemnities are generally obtained where practical and appropriate, the Group cannot give any assurance that it would be able to enforce its contractual or other rights against the relevant sellers or that any warranties and indemnities would be adequate to cover potential liabilities. The acquisition of businesses or assets with risks or liabilities of which the Group was or may be unaware, or did not correctly assess or assume, or against which the Group did not obtain full legal protection, could have a material adverse effect on its business, results of operations and financial condition.

The Group cannot give any assurance that it will successfully integrate its previous acquisitions in an efficient and effective manner or that it will be able to identify, consummate and integrate future acquisitions. The Group's failure to integrate its acquisitions and to manage any of the risks and costs associated with such integration, could have a material adverse effect on its business, results of operations and financial condition.

In addition, any future acquisition of highly leveraged companies (and the funding of such acquisitions through debt finance) might result in worsening of the Group's financial condition and therefore, lead to rating downgrades in the future. In the event the Issuer's credit ratings are lowered by the rating agencies, the Issuer may not be able to raise additional indebtedness on terms similar to its existing indebtedness or at all, and its ability to access credit and bond markets and other forms of financing (or refinancing) could be limited, which could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group faces strong competition from other retailers which could materially adversely affect its financial performance

The Group's business competes for customers, employees, digital prominence, products and services and in other important aspects of its business with many other local, regional, national and global physical and online retailers and retail intermediaries. The business competes in a variety of ways, including the prices at which merchandise is sold, merchandise selection and availability, services offered to customers, location, store hours, in-store amenities, shopping convenience and overall shopping experience, the attractiveness and ease of use of its online Barbora platform and the cost and speed of and options for delivery to customers. A failure to respond effectively to competitive pressures and changes in the retail markets or delays or failure in execution of the Group's strategy could materially adversely affect its financial performance.

The Group has faced particularly strong competition over the last few years from discount retailers such as Lidl who have targeted rapid expansion in the Baltic States (see "*Description of the Issuer - Competitive Landscape and Market Positioning*"). Whilst the Group believes that it has developed effective strategies to successfully compete with entry of discount retailers to the market, including the acquisition of Emperia Holding S.A. and subsequent expansion of the Stokrotka chain of stores to increase its presence in the Polish market, it can give no assurance that such strategies will be sufficient in order to increase or even maintain its market position. Amongst other factors, a change in consumer preference in favour of discount retailers, consolidation of market players and aggressive promotional and marketing tactics could put the Group at a competitive disadvantage, resulting in an adverse impact on its financial results and market reputation.

Separately, certain segments of the retail industry are undergoing consolidation, which could result in increased competition and significantly alter the dynamics of the retail marketplace. Such consolidation, or other business combinations or alliances, may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration than they previously enjoyed and other improvements in their competitive positions. Such business combinations or alliances could result in the provision of a wider variety of products and services at competitive prices by such consolidated or aligned companies. There is also the risk of new entrants entering the retail markets in which the Group operates, either through acquisition or the emergence of non-traditional disruptive methods including via online or other novel retail models (including home delivery).

These factors could in turn reduce the Group's market share and/or existing profit margins, which may adversely affect its financial performance.

Failure to maintain the Group's reputation and brand image could adversely impact its results of operations

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. Adverse publicity, whether about the products it sells or the manner in which it operates, or regulatory or legal action could damage the Group's reputation and brand image, undermine consumer confidence in the Group and reduce long-term demand for its products, even if any such adverse publicity or regulatory or legal action is unfounded or not material to the Group's operations. Consequently, the Group's results of operations could be adversely impacted if its brand is tarnished or receives negative publicity.

The Group may not timely identify or effectively respond to consumer trends or preferences, which could negatively affect the Group's relationship with its customers, demand for its products and services, market share and the growth of the business

It is difficult to predict consistently and successfully the products and services the Group's customers will demand and changes in their shopping patterns. The success of the Group depends in part on how accurately it predicts consumer demand, availability of merchandise, the related impact on the demand for existing products and the competitive environment. Price transparency, assortment of products, customer experience, convenience and the speed and cost of shipping are of primary importance to customers and continue to increase in importance, particularly as a result of digital tools and social media available to consumers and the choices available to consumers for purchasing products. Failure to adequately or effectively respond to changing consumer tastes, preferences and shopping patterns, or any other failure on the part of the business to timely identify or effectively respond to changing consumer tastes, preferences and shopping patterns could negatively affect the Group's relationship with its customers, the demand for its products, its market share and the growth of the business.

There are risks associated with the management and development of the Group's property portfolio

A key focus of the Group's strategy is to strengthen its position in the Baltic States and expand its retail presence in Bulgaria and Poland (see "*Description of the Issuer - Strategy*"). Acquiring the targeted volume of the right sites and operating new and existing space in line with targeted levels of profitability presents a risk in an increasingly competitive market.

The Group's expansion strategy depends upon its ability to execute retail concepts successfully in new markets and upon its ability to increase the number of stores in existing markets. The ability to open additional retail sites depends in large measure upon the ability to locate, hire and retain qualified personnel and to acquire new store sites on acceptable terms. Local real estate, land use, zoning, and other regulations restricting the construction of buildings of the type in which the business operates its various formats, as well as local community action opposed to the location of specific stores at specific sites and the adoption of certain local laws restricting its operations, may affect the ability to open new stores or to relocate or expand existing units in certain cities and countries, including in market areas in which the Group has no existing operations.

Increased real estate, construction and development costs and competition could limit growth opportunities. Moreover, expansion into existing local market areas may be limited if the opening of new stores would result in an unacceptable level of cannibalisation of the sales of existing stores. If the Group is unable to open new retail premises or acquire leasehold premises on acceptable terms, its financial performance, such as net sales and operating income growth, could be materially adversely affected. In addition, if consumers in the markets into which the Group expands or in which it builds stores of a new format are not receptive to its retail concepts or are otherwise not receptive to the Group's presence in a market, its financial performance could be adversely affected.

The Group may be unable to find a suitably located premises for its stores

The Group operates leases in premises that are either owned by it or leased from other parties.

From time to time, the Group reviews the ownership and leasing structure of these premises. The terms of such lease arrangements are generally long-dated and contain provisions requiring the Group to continue to operate that store for the full term of the lease irrespective of individual store profitability. There exists a risk that the Group's flexibility to exit underperforming stores may be constrained by the terms of the relevant lease. Conversely, in the case of profitable stores, the Group may encounter difficulties in renewing the relevant lease on existing terms or at all, or may be adversely affected by the lessor's exercise of contractual termination rights. In such circumstances, the Group may not be able to find suitable alternative premises, which could adversely affect its presence in a particular geographic market and negatively impact its competitive position.

Additionally, where the Group seeks to identify premises for purchase, it may be difficult to obtain suitable sites at commercially reasonable prices due to competition within the sector impacting the costs of acquiring land. Any such difficulty may impact the Group's profitability and results of operations. Furthermore,

difficulty acquiring suitable premises either for purchase or lease may adversely affect the Group's ability to expand its operations pursuant to its strategy.

Product liability risk

The packaging, marketing, distribution and sale of products entails an inherent risk of product and public liability, product recall and resultant adverse publicity. Further, as a retailer of products, the Group faces risks associated with faulty, defective products or mislabelled products. If any products sold by the Group are defective, contaminated or adulterated, this may lead to a risk of exposure to product liability claims and adverse publicity. Concerns regarding the safety of food and non-food products could cause customers to avoid purchasing certain products from the Group, or to seek alternative sources of supply for all of their food and non-food needs, even if the basis for the concern is outside the control of the business. Any lost confidence on the part of the Group's customers would be difficult and costly to re-establish. This could create a negative perception amongst consumers, colleagues, suppliers and the communities in which the Group operates which may in turn result in a loss of market share or an unfavourable effect on the Group's ability to do business which could have an adverse effect on the Group's financial performance.

Risks associated with the suppliers from whom the Group's products are sourced could materially adversely affect financial performance

The Group relies on certain suppliers, manufacturers and other service providers to provide goods and produce products for its retail businesses and to transport products to distribution centres, stores and customers, and it may not be able to obtain or deliver quality products on a timely basis or in sufficient quantity at acceptable cost.

Political and economic instability in the countries in which the Group's foreign suppliers and their manufacturers are located (including involvement in illegal or immoral practices), the financial instability of suppliers, suppliers' failure to meet certain of the Group's supplier standards, labour problems experienced by suppliers and their manufacturers, the availability of raw materials to suppliers, merchandise safety and quality issues, disruption in the transportation of merchandise from the suppliers and manufacturers to the Group's stores and other facilities, including as a result of labour slowdowns, currency exchange rates, transport availability and cost, transport security, inflation and other operational factors relating to the suppliers and the countries in which they are located are beyond the Group's control. In addition, foreign trade policies, tariffs and other impositions on imported goods, trade sanctions imposed on certain countries, the limitation on the importation of certain types of goods or of goods containing certain materials from other countries and other factors relating to foreign trade are beyond its control.

Although the purchases from the Group's ten major suppliers amounted to only 9 per cent. of total purchases, the Group cannot provide any assurance that there will not be any disputes with its major suppliers or that it will be able to maintain business relationships with its existing suppliers. Any disruption to the Group's supply chain as a result of an issue with a supplier, or any damage to such supplier's integrity could cause the Group significant time and expense in remediation of any deficiencies and could impact its reputation, which could adversely affect its brand recognition, market share and profitability. Furthermore, it could result in increased operating costs and improperly implemented initiatives which may harm customer engagement through reduced levels of service and could adversely impact the Group's business.

Inventory management risks

Efficiently managing inventory stocks and ensuring stock availability are of paramount importance to the Group's business. If the Group is unable to manage inventory effectively, or if the Group faces shortages of stock availability resulting in lost sales, this could affect the businesses' competitive position and may have an adverse impact on the Group's results of operations and financial condition.

The Group is susceptible to extraneous events which may impact its inventory stocks and availability, notably in respect of its storage and transportation facilities. As is customary in the industry, the Group stores perishable merchandise in distribution centres and in-store, in light and temperature-controlled environments (particularly through the use of refrigeration facilities). Any significant disruption to the Group's storage facilities (through breakdown, deterioration or unforeseen accidents) could especially impact the Group's inventory levels, its ability to distribute products to its stores or customers and its ability to and to maintain an adequate product supply chain.

As the Group's strategy is focused on high volume, low margin businesses, any disruptions to operations could reduce overall profitability. The Group carries business interruption insurance, which may partly offset the financial effect of such an event, although no assurance can be given that any such event may not adversely affect the Group's future profitability, results of operations and financial position.

The Group may experience unforeseen increases in cost

An ongoing focus for the Group is to maintain its cost of doing business at an appropriate level whilst working in an environment with increasing prices of petroleum products and raw materials (including crude oil, natural gas, gasoline, and diesel fuel), higher costs for electricity and other energy and inflation associated costs. If the Group is unable to do so on a sustainable basis or achieve the savings to the necessary extent, it may be unable to compete effectively in its markets and its trading results may be adversely affected. In addition, the Group seeks to maintain an acceptable margin by improved buying practices, including benefits gained from increased direct global sourcing, as well as reduced shrinkage and efficiency improvements. Failure to achieve targets in these areas may adversely affect the Group's gross margin improvements.

The Group may fail to attract or retain key management and personnel

The responsibility of overseeing day-to-day operations and the strategic management of the Group is concentrated among a number of key employees. Furthermore, the Group's ability to continue to conduct and expand operations depends on its ability to attract and retain a large and growing number of personnel. The ability to meet labour needs, including the ability to find qualified personnel to fill positions that become vacant at the Group's existing stores, and distribution centres, while controlling associated wages and labour costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the work force of the markets in which the business operates, unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labour laws and regulations. If the Group is unable to locate, to attract or to retain qualified personnel, the quality of service provided to customers may decrease and the Group's financial performance may be adversely affected. In addition, if costs of labour or related costs increase for other reasons or if new or revised labour laws, rules or regulations or healthcare laws are adopted or implemented that further increase labour costs, financial performance could be materially adversely affected.

The Group relies extensively on information systems to process transactions, summarise results and manage its business. Disruptions in systems could harm the ability to conduct operations

The Group's operations are dependent on IT systems and the management of information, particularly its online operations through Barbora. Increasing digital interactions with customers, suppliers and consumers place ever-greater emphasis on the need for secure and reliable IT systems, infrastructure and careful management of the information that is in our possession. Disruption of the Group's IT systems could inhibit its business operations in a number of ways, including disruption to sales, production and cash flows, ultimately impacting the Group's financial results. There is also a threat from unauthorised access and misuse of sensitive information. Group's information systems could be subject to unauthorised access or the mistaken disclosure of information which disrupts Group's business and/or leads to loss of assets

Given the number of individual transactions the business processes each year, it is crucial that uninterrupted operation of business-critical information systems is maintained. The Group's information systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer programmes, denial-of-service attacks, security breaches (through cyber-attacks from cyber-attackers and sophisticated organisations), catastrophic events and usage errors by associates or contractors. Information systems are essential to the Group's business operations, including the processing of transactions, facilities, logistics, inventories, physical stores and its online Barbora platform. If the Group's IT systems are damaged, breached or cease to function properly, the Group may have to make a significant investment to repair or replace them, and may suffer interruptions in business operations in the interim.

Any significant failure of the Group's information infrastructure or key IT systems could result in a loss of information, inability to operate effectively, financial or regulatory penalties and a negative impact on the reputation and financial performance of the Group. The Group's customers and colleagues are increasingly

sensitive to matters of data usage and storage and security. As a result, the inherent reputational risks of the IT control environment have increased in conjunction with the financial and regulatory risks.

Data security and data privacy risks

A failure by the Group to maintain appropriate control over customer, colleague and commercial and/or operational data could lead to a loss of commercial or personal data. Failure to invest appropriately in IT or ineffectively implement controls over its online presence could increase its vulnerability to and likelihood of successful cyber-attack, constrain the growth of the business and fail to safeguard employee, supplier or customer data, or the Group's own proprietary data or confidential information. The Group may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber attacks. Attacks may be targeted at the Group, its customers and suppliers, or others who have entrusted it with information. Data and security breaches may also occur as a result of non-technical issues, including breaches by the Group or by persons with whom it has commercial relationships that result in the unauthorised release of personal or confidential information. Misuse or mismanagement of personal data could also result in reputational harm, regulatory investigation, and/or financial penalties which could adversely affect the Group's financial performance; the loss or misuse of proprietary information could additionally impact the Group's competitive position in the market or its ability to execute its strategic plans.

Additionally, the European Union and many countries within the European Union have adopted privacy directives or laws that strictly regulate the collection and use of personally identifiable information of internet users. The United States and other jurisdictions have also adopted legislation which governs the collection and use of certain personal information, including the EU General Data Protection Regulation (the "GDPR") which significantly increases the potential penalties which may be imposed in the event of any breach or violation. The Group is subject to these personal data and privacy laws and regulations and related security protocols with respect to the use, transfer and disclosure of personal data. In addition, there are many proposals by lawmakers that address the collection, maintenance and use of consumer information, web browsing and geo-location data, and that establish data security and breach notification procedures. Given that this is an evolving and unsettled area of regulation, any new significant restrictions or technological requirements could subject the Group to potential liability or restrict the Group's present business practices, which, in turn, could have an adverse effect on its business, results of operations and financial condition. In addition, in the event of a security breach of the Group's data management systems affecting consumer information, or in the event of the loss or corruption of consumer information, the Group could face liability, including administrative, civil and criminal liability and the imposition of fines by relevant authorities. Compliance with any applicable laws could also delay or impede the development of new products, result in negative publicity, increase the Group's operating costs, require significant management time and attention, or subject the Group to inquiries or investigations, claims or other remedies, including fines or demands that the Group modifies or ceases existing business practices.

Crime and Security Risks

The Group promotes the security and safety of consumers and employees in its stores, warehouse and other facilities. However, due to high visibility and the presence of large numbers of people, particularly in the Group's large-format stores, the Group's properties may be targets for crime, including thefts, break-ins and robberies, and other forms of violence. Any violent attack on a property of the Group may harm such stores operations and general condition, whilst endangering or injuring employees and customers. In addition to causing financial and operational losses, any such events may directly or indirectly affect the value of the Group's properties and their attractiveness to consumers. Any threats, whether genuine or not, can stop business operations temporarily or permanently, can cause declining visitor numbers to the affected properties and may substantially impede a store's business. Any one or more of these risks could have a materially adverse impact on the Group's reputation, financial results and operations.

Funding and liquidity risk

Changes in the global credit and financial markets, including regulatory changes in respect of banks and the wider financial services sector have in recent years affected and may continue to affect the availability of credit and has led to an increase in the cost of financing. In the past, the deterioration in the financial markets has contributed to a recession in the U.S. and the global economy, which has led, and may continue to lead, to significant declines in employment, household wealth, customer demand and lending. As a result, this may adversely affect economic growth in Europe and elsewhere.

Whilst the Group currently has committed facilities available that enable it to meet its current funding needs, there may be difficulty in the future in accessing the financial markets, which could make it more difficult or expensive to obtain funding. There can be no assurance that the Group will be able to continue to raise financing at a reasonable cost, or at all. The Group may also be subject to solvency risks of its banks and counterparts in its financial investments and arrangements. These may have an adverse effect on the Group's business, financial condition and results of operations.

Interest and exchange rate risk

The Group acquires some of its goods and services in foreign currencies, principally in United States dollars, while its income is denominated mostly in Euro. The impact of such currency risk cannot be predicted reliably. 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 seeks to manage its exposure to adverse fluctuations in exchange rates and interest rates by using currency and interest rate hedging instruments. There is a risk that the Group's results of operations may be adversely affected if its hedges are not effective in mitigating exchange rate and interest rate risks, if the Group is under hedged or if a hedge provider defaults on its obligations under the Group's hedging agreements. There can be no assurance that the Group's interest rate and exchange rate hedging arrangements or hedging policy will be sufficient or effective.

The Group's level of indebtedness could adversely impact its ability to refinance such indebtedness when desired or to raise additional capital to fund its operations and limit the ability to react to changes in the economy or the industry

The Group's level of indebtedness presents a number of risks to its financial condition, including the following:

- it may limit the Group's ability to obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- a substantial portion of cash flows from operations could be dedicated to the payment of principal and interest on indebtedness and may not be available for other business purposes;
- certain of the Group's borrowings are at variable rates of interest, exposing the business to the risk of increased interest rates; and
- if due to liquidity needs the Group must replace any borrowings upon maturity, the business would be exposed to the risk that it would be unable to do so as the result of market, operational or other factors.

In the case that such consequences manifest, the Group's financial condition may be adversely affected.

Natural disasters or changes in climate could materially adversely affect the Group's financial performance

The occurrence of one or more natural disasters, such as floods or fires, weather conditions such as major or extended winter storms or severe changes in a country in which the business operates or in which its suppliers are located could adversely affect the Group's operations and financial performance.

Such events could result in physical damage to, or the complete loss of, one or more of the Group's properties, the closure of one or more stores or distribution facilities, the lack of an adequate work force in a market, the inability of customers and associates to reach or have transportation to stores affected by such events, the evacuation of the populace from areas in which stores and distribution facilities are located, the unavailability of the online Barbora platform to customers if servers or networks are disrupted, changes in the purchasing patterns of consumers and in consumers' disposable income, the temporary or long-term disruption in the supply of products from some local and overseas suppliers, the disruption in the transport of goods from overseas, the disruption or delay in the delivery of goods to distribution facilities or stores within a country in which the Group operates, the reduction in the availability of products in stores, the disruption of utility services to stores and facilities, and disruption in communications with stores. The

business bears the risk of losses incurred as a result of physical damage to, or destruction of, any stores or distribution facilities, loss or spoilage of inventory and business interruption caused by such events. These events and their impacts could otherwise disrupt and adversely affect the Group's operations in the areas in which they occur and could materially adversely affect its financial performance.

The Group's employees may engage in misconduct or improper activities, including non-compliance with regulatory standards

The Group is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with regulations, failure to report financial information or data accurately or disclose unauthorised activities to the Group and theft of products from stores and warehouses. In particular, sales, marketing and business arrangements are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. Employee misconduct could also involve the improper use of information obtained, or illegal misappropriation of inventory. The Group has adopted several policies in relation to its employees conduct for its employees, but it is not always possible to identify and deter employee misconduct, and the precautions taken to detect and prevent this activity may not be effective. Any such activities could have a significant impact on the Group's business, including the imposition of significant fines or other sanctions. Moreover, any such unethical conduct may adversely affect the reputation and brand image of the Group.

A strike or other labour disruption at the Group's facilities could adversely affect its business

A substantial number of the Group's employees are represented by labour unions and collective bargaining agreements. Since the Group's foundation, it has not experienced any strikes or work stoppages, however, any strikes, threats of strikes, or other resistance or work stoppages in the future could impair its ability to implement further measures to reduce costs and improve production efficiencies in furtherance of its strategy, which could have a material adverse effect on its business, results of operations and financial condition.

The materialisation of risks related to occupational health and safety could have a material adverse effect on the Group

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

The Group may fail to adequately manage these risks, resulting in the occurrence of workplace accidents or injuries, which could in turn cause delays to the distribution chain, oblige the Group to take preventative or restorative measures or result in the imposition of civil or criminal penalties. These and other costs and liabilities could have a material adverse effect on the Group's business, financial position, results of operations, reputation and ability to recruit competent personnel.

The Group's insurance coverage may not be adequate

The Group's insurance policies may not cover all losses and, as a result, the Group's insurance may not fully compensate it for losses associated with damage to its real estate assets, principally its stores and warehouse, and third-party liability, such as accidents involving customers. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or that are not economically insurable. Other factors might also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, taxation, changes in building codes and ordinances and environmental considerations. The Group may incur significant losses or damage to its assets or business or liability for losses or damage towards third parties for which it may not be compensated fully or at all. As a result, the Group may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group could be liable to repair damage caused by uninsured risks. Additionally, no assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in

excess of insured limits could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

Environmental and sustainability risks

The Group faces risks relating to reducing the environmental impact of its business, in particular with regard to reducing packaging and implementing new methods of reducing waste and energy usage across stores, depots and offices. As a retailer of food and perishable products, the Group may be required to comply with stricter environmental, health and safety laws or enforcement policies or become involved in claims and lawsuits relating to health and safety matters. Meeting stricter compliance standards or defending potential actions may have a significant negative impact on its results of operations. If the relevant authorities in a country where the Group has its operations discover violations of applicable environmental or health and safety laws, the Group may be subject to fines and other penalties. Any of these matters could have a material adverse effect on the Group's business, financial condition, prospects and results of operations.

The Group could incur unforeseen taxes, tax penalties and sanctions which could adversely affect its results of operations and financial condition

The imposition of any tax amendments in the markets in which the Group operates or changing interpretations or application of tax regulations by the tax authorities and the possible imposition of penalties and other sanctions due to unpaid tax liabilities may result in additional amounts being payable by the Group, which could have a material adverse effect on its business, results of operations and financial condition.

Regulatory, compliance and political risk

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

In each country in which it operates, the Group may be impacted by legal and regulatory changes, increased scrutiny by competition authorities and political developments relevant to the retail market. For example, implementation of Directive (EU) 2019/633 on unfair trading practices reduced the payment term for agricultural products to 30 days in some countries, and 30 or 60 days according to the product list, which resulted in a negative impact to operating cash flows in some Group companies. Similarly, Directive 2019/2161, commonly known as the Omnibus Directive, will increase the administrative burden on the Group by requiring the presentation of clear information to consumers on the criteria used by traders to rank products in online searches and will also require the Group to inform consumers that prices presented to them have been personalised as a result of automated decision-making.

The impact of new laws, regulations and policies and the related interpretations and enforcement practices generally cannot be predicted, and changes in applicable laws, regulations and policies and the related interpretations and enforcement practices may require extensive system and operational changes, be difficult to implement, increase the Group's operating costs and require significant capital expenditure.

A failure by the Group to comply with legal or regulatory requirements relating to the Group's business activities could result in fines, criminal penalties, consequential litigation, an adverse effect on the Group's reputation or other adverse consequences including adverse impact on the Group's financial results or unfavourable effects on the Group's ability to do business. If the Group's internal procedures and controls or compliance monitoring system is insufficient, this could lead to difficulties in identifying weakness or breaches which could have an adverse impact upon the Group's financial performance.

Litigation risks

From time to time, the Group may be a party to litigation claims and legal proceedings, including personal injury and other claims and proceedings arising in the ordinary course of its business. The Group evaluates

any litigation claims and legal proceedings to which it is a party to assess the likelihood of unfavourable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, the Group establishes reserves and/or discloses the relevant litigation claims or legal proceedings as appropriate. These assessments and estimates are based on the information available to management at the time and involve significant management judgement.

The merit, likely outcome and potential impact on the Group of any such litigation that either has been or might potentially be brought against the Group is subject to a number of significant uncertainties. Adverse outcomes in legal proceedings, or changes in management's evaluations or predictions about any such proceedings, could have a material adverse effect on the Group's reputation, financial results and financial condition. See "*Legal and Regulatory Proceedings*" for further information.

Holding company risks

The Issuer is the ultimate holding company of the Group. The principal assets of the Issuer are the equity interests it directly or indirectly holds in its operating subsidiaries and loan balances receivable from Group entities. As a result, the Issuer is largely dependent on loans, interest, dividends and other payments from its subsidiaries to generate the funds necessary to meet its financial obligations, including the payment of interest and principal to its creditors, including the holders of the Notes. The ability of the Issuer's subsidiaries to make such distributions and other payments depends on their earnings and may be subject to statutory or contractual restrictions. Consequently, if amounts that the Issuer receives from its subsidiaries are not sufficient, the Issuer may not be able to service its obligations under the Notes. As at 31 December 2021, 67.6 per cent. of the Group's external financing obligations are the responsibility of the Issuer.

As an equity investor in its subsidiaries, the Issuer's right to receive assets on any liquidation or reorganisation would be effectively subordinated to the claims of creditors of its subsidiaries (including, without limitation, creditors under external financing arrangements entered into by such subsidiaries and the holders of any debt securities and regulatory capital securities issued by its subsidiaries to third party investors). To the extent that the Issuer is also recognised as a creditor of such subsidiaries, the Issuer's claims may still be subordinated to any security interest in or other lien on their assets and to any of their debt or other obligations that rank senior to the Issuer's claims.

The Issuer's ability to access credit and bond markets and the Issuer's ability to raise additional financing is in part dependent on the Issuer's credit ratings

As of the date of this Base Prospectus, the Issuer has been assigned a long-term senior unsecured rating of BB+ by S&P. These ratings reflect each agency's opinion of the Issuer's financial strength, operating performance and ability to meet the Issuer's debt obligations as they become due. The Issuer's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer's credit ratings. In the event the Issuer's credit or debt ratings are lowered by the rating agencies, the Issuer may not be able to raise additional indebtedness on terms similar to its existing indebtedness or at all, and its ability to access credit and bond markets and other forms of financing (or refinancing) could be limited, which could have a material adverse effect on the Group's business, results of operations and financial condition.

Risks related to the structure of a particular issue of Notes

The agreements that govern the Group's long-term debt contain restrictive covenants

The agreements that govern the Group's long-term debt contain certain restrictive covenants, including among others "negative-pledge" clauses, "no disposal of assets" clauses and "restrictions on financial indebtedness" clauses and "net leverage ratio/net interest cover ratio" clauses, which may restrict its ability to acquire or dispose of assets or incur new debt. The Group's 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 credit agreements 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.

Notes subject to optional redemption by the Issuer

The Final Terms for a particular issue of Notes may provide for early redemption at the option of the Issuer. An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of such Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities

The Issuer may issue Notes with variable interest rates under the Programme, which can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

The Issuer may issue Fixed/Floating Rate Notes under the Programme which may bear interest at a rate that the Issuer may elect to change from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The change of the interest basis may affect the secondary market in, and the market value of, such Notes where the change of interest basis results in a lower interest return for Noteholders. Where the relevant Notes change from a fixed rate to a floating rate, the spread on the relevant Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the relevant Notes change from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on such Notes and could affect the market value of an investment in such Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates

The Issuer may issue Notes under the Programme at a substantial discount or premium. The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Discontinuation or reformation of certain base rates described herein as "benchmarks," including EURIBOR

The Euro Interbank Offered Rate ("EURIBOR") and other interest rates or other types of rates and indices which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("benchmarks") have, in recent years, been the subject of national and international regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing benchmarks, with further changes anticipated. These reforms and changes may affect the manner of administration of benchmarks, with the result that they may perform differently than in the past, or be eliminated entirely. Any change in the performance of a benchmark or its discontinuation could have a material adverse effect on any Notes referencing or linked to such benchmark.

As an example of such benchmark reforms, on 21 September 2017, the European Central Bank announced that it would be part of a new working group tasked with the identification and adoption of a "risk free overnight rate" which can serve as a basis for an alternative to current benchmarks used in a variety of financial instruments and contracts in the euro area. On 13 September 2018, the working group on Euro risk-free rates recommended the new Euro short-term rate ("€STR") as the new risk-free rate for the euro area. The €STR was published for the first time on 2 October 2019. Although EURIBOR has subsequently been reformed in order to comply with the terms of the Benchmarks Regulation, it remains uncertain as to

how long it will continue in its current form, or whether it will be further reformed or replaced with €STR or an alternative benchmark.

The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the European Union. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-European Union-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by European Union supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-European Union based, not deemed equivalent or recognised or endorsed).

Regulation (EU) No. 2016/1011 as it forms part of domestic law by virtue of the EUWA (the "**UK Benchmarks Regulation**") applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the UK. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-UK based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by UK supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation and the UK Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmarks Regulation and/or the UK Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

The Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any other successor service)) becomes unavailable or a Benchmark Event otherwise occurs. Such an event may be deemed to have occurred prior to the issue date for a Series of Notes. Such fallback arrangements include the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate and that such rates may be adjusted (if required) in accordance with the recommendation of a Relevant Nominating Body or in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

Judgments entered against Lithuanian entities in the courts of a state which is not subject to the Brussels Regulation or the Lugano Convention may not be recognised or enforceable in Lithuania

There may be difficulties or delays in having an English court judgment recognised or enforced in Lithuania. A judgment entered against a company incorporated in Lithuania in the courts of a state which is not, under the terms of (i) Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and

commercial matters (the **"2012 Brussels Regulation"**), or (ii) the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters made at Lugano on 30 October 2007 (the **"Lugano Convention"**), a Member State (as defined in the 2012 Brussels Regulation) or a Contracting State (as defined in the Lugano Convention), would not be recognised or enforceable in Lithuania as a matter of law without a recognition procedure. As such, in the absence of an international treaty between Lithuania and the United Kingdom, the recognition and enforcement of English court judgments in Lithuania will not be automatic but must be granted by a Lithuanian court. Generally, Lithuanian courts will not recognise and enforce an English court judgment if, *inter alia*, such judgment has not become final, the respondent was denied a possibility of defending its rights, the recognition of the judgment is in conflict with the public policy (*ordre public*) of Lithuania, the English court, under Lithuanian law, does not have jurisdiction or a Lithuanian court or the courts of another third country have exclusive jurisdiction over the case, or the English court has not applied foreign law applicable according to the conflicts of law rules of Lithuanian private international law, as the case may be. There can be no assurance that all conditions for the recognition and enforcement of any English court judgment in Lithuania will be met or that any particular judgment will be determined to be recognisable and enforceable in Lithuania by the Lithuanian courts.

Limitation periods may apply to any claims or enforcement proceedings relating to the Notes which are brought before a Lithuanian court

According to Article 55 Part 9 of the Law on Companies of the Republic of Lithuania, should the owner of notes issued by a Lithuanian company fail to request the redemption of such notes within a period of three years after the due date for redemption, as established by the resolution to issue the relevant notes, then the noteholder loses such right of claim. If, in accordance with their terms, the Notes are redeemed prior to their maturity date, it is likely that the aforementioned three years period will start on the date of such earlier redemption. Although the Notes are governed by English law, and the prescription periods set out in Condition 9 (*Prescription*) are materially longer than those set out above, the application of this principle to foreign law securities is untested before the Lithuanian courts, and there remains a risk that any claims or enforcement proceedings that are not brought within three years of the redemption date of the relevant Notes would not be recognised or enforced by the Lithuanian courts.

Claims of Noteholders under the Notes are effectively subordinated to those of certain other creditors of the Issuer and to creditors of the Issuer's subsidiaries

Notes issued under the Programme will be unsecured and unsubordinated obligations of the Issuer. The obligations under the Notes will rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness; however, the Notes will be effectively subordinated to the Issuer's secured indebtedness, if any, to the extent of the value of the assets securing such transactions, and will be subject to certain preferential obligations under Lithuanian law, such as wages of employees.

Generally, lenders and trade and other creditors of the Issuer's subsidiaries are entitled to payment of their claims from the assets of such subsidiaries before these assets would be available for distribution to the Issuer, as direct or indirect shareholder, which would then allow for the Issuer to make payments under the Notes. Any debt that the Issuer's subsidiaries may incur in the future will also rank structurally senior to Notes issued under the Programme.

A significant part of the Group's assets and revenue are generated by the Issuer's subsidiaries. Accordingly, the Issuer is and will be dependent on its subsidiaries' operations to service its indebtedness, including interest and principal due under the Notes. The subsidiaries are legally separated from the Issuer and the subsidiaries' ability to make payments to the Issuer is restricted by, among other things, the availability of funds, corporate restrictions and the law of the domicile of the respective subsidiaries. Furthermore, in the event of insolvency, liquidation or a similar event relating to one of the subsidiaries, all creditors of such subsidiary would be entitled to payment in full out of the assets of such subsidiary before any entity within the Group, as a shareholder, would be entitled to any payments. Thus, Notes issued under the Programme are structurally subordinated to the liabilities of the subsidiaries of the Issuer.

Notes may be redeemed prior to their stated maturity

Where a payment of interest is subject to withholding tax in Lithuania, the Issuer has undertaken to pay additional amounts such that Noteholders receive the amount of interest they would have received had there

been no such withholding. If the Issuer has or will become obliged to pay any other additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Lithuania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, the Issuer may redeem all outstanding Notes in accordance with the Conditions. For further information, see "*Taxation – Lithuania Taxation – Withholding Tax, Income Tax*".

The Notes will constitute unsecured obligations of the Issuer

The Issuer's obligations under the Notes will be unsecured and rank equally in right of payment with all unsecured unsubordinated obligations of the Issuer. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and its ability and that of the Group's subsidiaries to generate cash flows, which could be affected by, inter alia, the circumstances described in these risk factors. The Issuer's obligations under the Notes will also be structurally subordinated to the holders of secured and unsecured debt and other creditors of subsidiaries of the Issuer.

Any such factors could affect the Issuer's ability to make payment of interest and principal under the Notes.

Modification, waivers and substitution

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Trust Deed) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Trust Deed and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer and the Trustee (as the case may be) will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters of the nominal amount of the Notes of the relevant Series for the time being outstanding; and
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Issuer and/or the Trustee (as the case may be) by accountholders in the clearing systems with entitlements to such global note or certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries).

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

In addition, subject to and in accordance with Condition 5(j) (*Benchmark Discontinuation*) certain changes may be made to the interest calculation of Floating Rate Notes, without the consent of the Noteholders. The Conditions also provide that the Trustee may, without the consent of Noteholders or Couponholders, agree to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests

of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. In addition, the Trust Deed contains provisions which allow, without the consent of the Noteholders or Couponholders, certain legal entities to assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, in the circumstances described in Condition 11 (*Meetings of Noteholders, Modification, Waiver and Substitution*) of the Notes.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive bearer Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Change of law

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice or any change in law (including taxation law) relating to the jurisdiction of the Noteholders after the date of issue of the relevant Notes.

Eligibility of the Notes for Eurosystem Monetary Policy

The New Global Note form has been introduced to allow for the possibility of debt instruments to be held in a manner which will allow Eurosystem eligibility. This means that any such Notes are upon issue deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that such Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem Eligible Collateral**") either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and other obligations (including the provision of further information) as specified by the European Central Bank from time to time. The Issuer does not give any representation, warranty, confirmation or guarantee to any investor that such Notes will, either upon issue, or at any or all times during their life, satisfy all or any requirements for Eurosystem eligibility and be recognised as Eurosystem Eligible Collateral. Any potential investor in any such Notes should make their own conclusions and seek their own advice with respect to whether or not any such Notes constitute Eurosystem Eligible Collateral.

Because the Global Notes and the Global Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with (in the case of a CGN or a Note not to be held under the NSS) a common depositary for Euroclear and Clearstream, Luxembourg, or (in the case of NGN or a Note to be held under the NSS) Euroclear and Clearstream, Luxembourg as common safekeeper. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to (in the case of CGN or a Note

that is not to be held under the NSS) the common depositary for Euroclear and Clearstream, Luxembourg, or (in the case of NGN or a Note that is to be held under the NSS) Euroclear and Clearstream, Luxembourg as common safekeeper for distribution to their account holders. A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or the Global Registered Notes.

Interest rate risks

The Issuer may issue Notes under the Programme which pay a fixed Rate of Interest. Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the relevant rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Inflation risk

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Notes will be reduced by rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Notes.

Taxation

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws of the country where the Notes are transferred or other jurisdictions. Payments of interest on the Notes, or gains realised by the Noteholders upon sale or redemption of the Notes, may be subject to taxation in their home jurisdictions or in other jurisdictions in which they are required to pay taxes. Potential investors are advised not to rely upon the tax summary included in this Base Prospectus and/or in the Final Terms but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. This investment consideration should be read in connection with the taxation sections included in this Base Prospectus and the additional tax sections, if any, contained in the relevant Final Terms.

Risks related to the market

The trading market for debt securities may be volatile and may be adversely impacted by many events

The market for debt securities is influenced by economic and market conditions. There can be no assurance that events in Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be liquid or may become illiquid at a later stage and may be sensitive to changes in financial markets. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case should the Issuer be in financial distress, which may result in any sale of the Notes having to be at a substantial discount to their principal amount or for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer may issue Notes under the Programme in any currency. The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify

exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the necessary information which is material to an investor for making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes and the reasons for the issuance and its impact on the issuer. In relation to the different types of Notes which may be issued under the Programme the Issuer has included in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions described in the relevant Final Terms as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note.

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the more detailed information contained elsewhere in this Base Prospectus. Capitalised terms used herein and not otherwise defined have the respective meanings given to them in the Conditions.

Issuer:	Maxima Grupė, UAB
Legal Entity Identifier	259400Z5DFISQ00QN727
Description:	Euro Medium Term Note Programme
Size:	Up to €1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arrangers:	Citigroup Global Markets Europe AG, J.P. Morgan SE, Luminor bank AS and MUFG Securities (Europe) N.V.
Dealers:	Citigroup Global Markets Europe AG, J.P. Morgan SE, Luminor bank AS and MUFG Securities (Europe) N.V.

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Trustee:	BNY Mellon Corporate Trustee Services Limited
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(Important note: the Trustee is not a trustee of the owners of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas). The Trustee therefore does not have rights and obligations established in the above-mentioned laws, including in relation to any meetings of Noteholders. Accordingly, meetings of Noteholders, as described herein, do not meet the requirements of and are not regulated by the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas).

Issuing and Paying Agent:	The Bank of New York Mellon, London Branch
Registrar	The Bank of New York Mellon SA/NV, Dublin Branch

Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a " Series ") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a " Tranche ") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the
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Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").

Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:	The Notes may be issued in bearer form (" Bearer Notes ") or in registered form (" Registered Notes ") only. Each Tranche of Bearer Notes will be represented on issue by a temporary global note (each a " Temporary Global Note ") if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the TEFRA D (as defined in " <i>Selling Restrictions</i> " below), otherwise such Tranche will be represented by a permanent global note (each a " Permanent Global Note " and, together with the Temporary Global Note, the " Global Notes "). Registered Notes will be represented by certificates (each a " Certificate "), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates (" Global Certificates ").
Clearing Systems:	Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, if the relevant Global Note is to be issued in new global note (" NGN ") form or the relevant Global Certificate is held under the New Safekeeping Structure (" NSS "), the Global Note or Global Certificate will be delivered to a common safekeeper (the " Common Safekeeper ") for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is not issued in NGN form (" CGN ") or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary (the " Common Depositary ") for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all applicable legal and/or regulatory requirements, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities:	Any maturity, subject to compliance with all applicable legal and/or regulatory requirements.
Specified Denomination:	Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the UK or the EEA or offered to the public in the UK or an EEA State in circumstances which require the publication of a prospectus under the UK Prospectus Regulation or the Prospectus Regulation, respectively, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which

the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes: Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes: Floating Rate Notes will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series or
- (ii) on the basis of the reference rate set out in the applicable Final Terms

Interest periods will be specified in the relevant Final Terms.

Zero Coupon Notes: Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates: The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption: The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption: The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

Status of Notes: The Notes will constitute unsubordinated and unsecured obligations of the Issuer all as described in Condition 3 (*Status*).

Negative Pledge: The terms of the Notes will contain a negative pledge provision as further described in Condition 4 (*Covenants*).

Cross-Acceleration: The terms of the Notes will contain a cross-acceleration provision as further described in Condition 10 (*Events of Default*).

Certain Covenants: The terms of the Notes contain certain covenants which, *inter alia*, limit the Issuer's ability and the ability of certain restricted subsidiaries to conduct certain transactions, for example:

- (i) limits on making certain restricted payments;

- (ii) restrictions on incurring indebtedness and issuing preferred stock;
 - (iii) limitations on mergers or consolidation with other entities
 - (iv) restrictions on making certain asset sales;
 - (v) restrictions on entering into transactions with affiliates;
 - (vi) restrictions on incurring subordinated indebtedness; and
 - (vii) granting additional guarantees of the Issuer's indebtedness,
- all as further described in Condition 4 (*Covenants*).

Ratings:

The long-term senior unsecured obligations of the Issuer have been rated BB+ by S&P.

S&P is established in the EU and registered under the CRA Regulation.

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption:

Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See Condition 6 (*Redemption, Purchase and Options*).

Withholding Tax:

All payments of principal and interest in respect of the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) will be made free and clear of withholding taxes of Lithuania, as the case may be, unless the withholding is required by law. In such event, the Issuer shall, pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in Condition 8 (*Taxation*). For further information, see "*Taxation – Lithuania Taxation – Withholding Tax, Income Tax*".

The Issuer will pay additional amounts in respect of this withholding so that Noteholders receive the full amount they would have received had there been no withholding. For so long as the Notes are held in global form, the Issuer will pay such additional amounts on the entire principal amount of the Notes represented by such Global Note.

Governing Law:

English.

Listing and Admission to Trading:

Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

In addition, application has been made for a certificate of approval to be issued by the Central Bank to the competent authority in Lithuania. The Issuer may make an application, after the Notes are issued, for the Notes to be admitted to trading on the official debt list of the Nasdaq. However, there can be no assurance that such application will be made or that such admission will take place.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the UK, the EEA (including Lithuania), Japan and Singapore. See "*Subscription and Sale*".

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) ("**TEFRA D**") unless the Notes are issued other than in compliance with TEFRA D but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by a Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 28 June 2022 between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 28 June 2022 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection upon request during usual business hours at the specified offices of the Paying Agents and the Transfer Agents.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the interest and redemption/payment basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for

all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Transfers Free of Charge:** Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status

The Notes and Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Covenants

4.1 Negative Pledge

- (a) The Issuer shall not, and shall ensure that none of its Restricted Subsidiaries will, create, incur, assume or permit to subsist any Security Interest (securing Indebtedness), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) without at the same time or prior thereto (x) securing all amounts payable by it under the Notes and Coupons equally and rateably therewith; or (y) providing such other Security Interest for the payment of amounts payable by it as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.
- (b) For purposes of determining compliance with this Condition 4.1, (A) a Security Interest need not be permitted solely by reference to one category of Permitted Security Interest described in the definition of "Permitted Security Interest" but may be permitted in part under any combination thereof; and (B) in the event that a Security Interest meets the criteria of one or more of the categories of Security Interest described in the definition of "Permitted Security Interest", the Issuer shall, in its sole discretion, classify or reclassify, or later divide, classify or reclassify, such Security Interest in any manner that complies with this Condition 4.1 and will only be required to include the amount and type of such Security Interest in one of the clauses of the definition of "Permitted Security Interest" and such Security Interest will be treated as being incurred or existing pursuant to only one of such clauses.
- (c) With respect to any Security Interest securing Indebtedness that was permitted to secure such Indebtedness at the time of the incurrence of such Indebtedness, such Security Interest shall also be permitted to secure any Increased Amount of such Indebtedness. The "**Increased Amount**" of any Indebtedness shall mean any increase in the amount of such Indebtedness in connection with any accrual of interest, the accretion of accreted value, the amortisation of original issue discount, the payment of interest in the form of additional Indebtedness with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Indebtedness.

4.2 Restricted Payments

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:
- (i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such other than: (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer or in warrants, options other rights to purchase Equity Interests; or (B) dividends and distributions by a Restricted Subsidiary so long as, in the case of any dividend, payment or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its *pro rata* share of such dividend, payment or distribution in accordance with its Equity Interests in such class or series of securities;
 - (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent of the Issuer;
 - (iii) make any principal payment on or with respect to, or redeem, repurchase defease or otherwise acquire or retire for value, any Indebtedness of the Issuer that is expressly contractually subordinated in right of payment to the Notes (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries and Indebtedness permitted under Condition 4.3(b)(iv) and (v)) except (i) a payment of interest or principal at the stated maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement; or
 - (iv) make any Restricted Investment;

(all such payments and other actions set forth in paragraphs (i) through (iv) above being collectively referred to as "**Restricted Payments**"), unless, at the time of and after giving effect to such Restricted Payment, the conditions specified in Condition 4.2(b) are satisfied or the Restricted Payment is permitted under Condition 4.2(c):

- (b) The conditions referred to in Condition 4.2(a) are that at the relevant time:
- (i) No Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
 - (ii) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the Relevant Testing Period, have been permitted to incur at least EUR1.00 of additional Indebtedness pursuant to Condition 4.3(a); and
 - (iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the date of the first issuance of Notes under the Programme (including Restricted Payments permitted by paragraphs (vi) and (xiv) of Condition 4.2(c) (furthermore, in the case of Restricted Payments permitted pursuant to paragraphs (vi) and (xiv) of Condition 4.2(c), such payments shall be fully or partially excluded, as

applicable, to the extent that the amount available for Restricted Payments under this Condition 4.2(b)(iii) would be reduced to less than zero as a result of payments made under paragraphs (vi) and (xiv) of Condition 4.2(c))) is equal to or *less* than the sum, without duplication, of:

- (A) 50 per cent. of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from 1 January 2022 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, *less* 100 per cent. of such deficit); *plus*
- (B) 100 per cent. of the aggregate Net Proceeds received and the Fair Market Value of marketable securities or other property received by the Issuer since the date of the first issuance of Notes under the Programme from the issue or sale of (i) Equity Interests or Subordinated Shareholder Funding of the Issuer but excluding cash proceeds and the Fair Market Value of: (x) Equity Interests or Subordinated Shareholder Funding to any future, present or former employees, directors, officers, managers or consultants of the Issuer or any of the Issuer's Subsidiaries after the date of the first issuance of Notes under the Programme to the extent such amounts have been applied to Restricted Payments made in accordance with Condition 4.2(c)(v); and (y) Designated Preferred Stock; or (ii) Indebtedness of the Issuer or a Restricted Subsidiary that has been converted into or exchanged for such Equity Interests or Subordinated Shareholder Funding of the Issuer; *provided*, that this Condition 4.2(b)(iii)(B) shall not include the proceeds from (W) Refunding Capital Stock (as defined below) applied in accordance with Condition 4.2(c)(xv), (X) Equity Interests or convertible debt securities of the Issuer sold to a Restricted Subsidiary, (Y) Disqualified Stock or debt securities that have been converted into Disqualified Stock or (Z) Excluded Contributions; *plus*
- (C) 100 per cent. of the aggregate amount of cash and the Fair Market Value of marketable securities or other property contributed to the capital of the Issuer following the date of the first issuance of Notes under the Programme (other than (i) net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to Condition 4.3(b)(xi), (ii) contributions by a Restricted Subsidiary and (iii) any Excluded Contributions); *plus*
- (D) 100 per cent. of the aggregate amount received in cash and the Fair Market Value of marketable securities or other property received by the Issuer or any Restricted Subsidiary by means of: (i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of, or other returns on Investments from, Restricted Investments made by the Issuer or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or its Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments made by the Issuer or its Restricted Subsidiaries, in each case after the date of the first issuance of Notes under the Programme; or (ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a dividend or distribution (other than an Excluded Contribution) from an Unrestricted Subsidiary; *plus*
- (E) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the date of the first issuance of Notes under the Programme is re-designated as a Restricted Subsidiary or is merged or consolidated into

the Issuer or a Restricted Subsidiary of the Issuer, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary of the Issuer, 100 per cent. of the Fair Market Value of the property received by the Issuer or such Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such re-designation, merger, consolidation or transfer of assets, to the extent such Investment reduced the Restricted Payments capacity under this Condition 4.2 and was not previously repaid or otherwise reduced.

Any amounts (such amounts, the “**Excluded Amounts**”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to Condition 4.2(b)(iii)(B) or (C), will be excluded from such calculation to the extent (1) such amounts result from the receipt of net cash proceeds, property or assets or marketable securities received in contemplation of, or in connection with, an event that constitutes a Specified Change of Control Event, (2) the purpose of, or the effect of, the receipt of such net cash proceeds, property or assets or marketable securities was to reduce the Consolidated Net Leverage Ratio so that a Specified Change of Control Event occurs, which would not have been achieved without the receipt of such net cash proceeds, property or assets or marketable securities and (3) no Change of Control Put Event has occurred in connection with such event in accordance with the requirements of the Conditions.

- (c) Condition 4.2(a) will not prohibit:
- (i) the payment of any dividend or other distribution or the consummation of any irrevocable redemption within 90 days after the date of declaration of the dividend or other distribution or giving of the redemption notice, as the case may be, if at the date of declaration or notice, the dividend or redemption payment would have complied with the provisions of the Trust Deed and these Conditions;
 - (ii) the making of any Restricted Payment in exchange for, or out of the Net Proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Equity Interests of the Issuer (other than Disqualified Stock) or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such Net Proceeds that are utilised for any such Restricted Payment will be excluded from Condition 4.2(b)(iii)(B) of the preceding paragraph;
 - (iii) the repurchase, redemption, defeasance or other acquisition or retirement for value of Indebtedness of the Issuer that is contractually subordinated to the Notes with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness for the purpose of such repurchase, redemption, defeasance or other acquisition or retirement for value;
 - (iv) the declaration or payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary of the Issuer to the holders of its Equity Interests on no more than a *pro rata* basis;
 - (v) the defeasance, repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Issuer or any Restricted Subsidiary of the Issuer held by any current or former employee, director, officer, member of management or consultant of the Issuer (or any of its Restricted Subsidiaries) or their respective permitted transferees pursuant to any management or employee benefit plan, equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement (including, for the avoidance of doubt, any principal and interest payable on any notes issued by the Issuer or any Restricted Subsidiary of the Issuer in connection with such repurchase, retirement or other acquisition); *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests may not exceed EUR3.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); *provided, further,*

that such amount in any calendar year under this clause may be increased by an amount not to exceed:

- (a) the cash proceeds from the sale of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer to any future, present or former employees, directors, officers, members of management, or consultants (or their Immediate Family Members) of the Issuer or any of its Subsidiaries that occurs after the date of the first issuance of Notes under the Programme, to the extent the cash proceeds from the sale of such Equity Interests have not otherwise been applied to the payment of Restricted Payments by virtue of Condition 4.2(b)(iii); *plus*
- (b) the cash proceeds of key man life insurance policies received by the Issuer or its Restricted Subsidiaries after the date of the first issuance of Notes under the Programme; *less*
- (c) the amount of any Restricted Payments previously made with the cash proceeds described in clauses (a) and (b) of this Condition 4.2(c)(v);

and *provided, further*, that (i) cancellation of Indebtedness owing to the Issuer or any Restricted Subsidiary from any future, present or former employees, directors, officers, members of management or consultants of the Issuer (or their respective permitted transferees) or any of the Issuer's Restricted Subsidiaries in connection with a repurchase of Equity Interests of the Issuer and (ii) the repurchase of Equity Interests deemed to occur upon the exercise of options, warrants or similar instruments if such Equity Interests represents all or a portion of the exercise price thereof or payments, in lieu of the issuance of fractional Equity Interests or withholding to pay other taxes payable in connection therewith, in the case of each of clauses (i) and (ii), will not be deemed to constitute a Restricted Payment for purposes of this Condition or any other provision of the Trust Deed;

- (vi) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment by the Issuer of dividends on the Capital Stock of the Issuer following an IPO Event, by any IPO Entity, in an amount not to exceed the greater of (a) five per cent. per calendar year of the Net Proceeds received by or contributed to the Issuer in or from any public offering; and (b) an aggregate amount per calendar year not to exceed the greater of (x) five per cent. of the Market Capitalisation and (y) five per cent. of the IPO Capitalisation; *provided* that, in the case of (x) and (y), after giving *pro forma* effect to such payment, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries shall be equal to or *less* than 4.0 to 1.0;
- (vii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of (i) EUR35.0 million and (ii) 1.5 per cent. of Total Assets;
- (viii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, payment of any management fees not to exceed in aggregate EUR2.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years);
- (ix) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries or any class or series of preferred stock of any Restricted Subsidiary issued in accordance with Condition 4.3;

- (x) Restricted Payments that are made (a) in an amount equal to the amount of Excluded Contributions previously received or (b) without duplication with clause (a), from the Net Proceeds from an Asset Sale in respect of property or assets acquired after the date of the first issuance of Notes under the Programme, if the acquisition of such property or assets was financed with Excluded Contributions;
 - (xi) the repurchase, redemption or other acquisition for value of Capital Stock of the Issuer representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary or any other transaction permitted by the Trust Deed;
 - (xii) repurchases of Equity Interests deemed to occur upon the exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price thereof;
 - (xiii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;
 - (xiv) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 4.0 to 1.0;
 - (xv) (a) the redemption, repurchase, defeasance, retirement or other acquisition of any Equity Interests, including any accrued and unpaid dividends thereon ("**Treasury Capital Stock**") or Subordinated Shareholder Funding of the Issuer or any Restricted Subsidiary, in exchange for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Restricted Subsidiary) of, Equity Interests or Subordinated Shareholder Funding of the Issuer to the extent contributed to the Issuer (in each case, other than any Disqualified Stock or Excluded Contributions) ("**Refunding Capital Stock**"); and (b) the declaration and payment of dividends on Treasury Capital Stock out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Subsidiaries) of Refunding Capital Stock;
 - (xvi) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable upon exercise of Equity Interests by any future, present or former employee, director, officer, member of management or consultant (or their Immediate Family Members) of the Issuer or any Restricted Subsidiary and any repurchases of Equity Interests deemed to occur upon exercise of stock options, warrants or other equity-based awards if such Equity Interests represent a portion of the exercise price of such options, warrants or awards; and
 - (xvii) the distribution, by dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, the primary assets of which are cash and/or Cash Equivalents).
- (d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.
- (e) For purposes of determining compliance with this Condition 4.2, in the event that a proposed Restricted Payment (or a portion thereof) meets the criteria of clauses (i) through

(xvii) of (c) of this Condition 4.2 or is entitled to be made pursuant to (b) of this Condition 4.2, the Issuer will be entitled to classify or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment (or a portion thereof) between clauses (i) through (xvii) of (c) of this Condition 4.2 and (b) of this Condition 4.2 in any manner that otherwise complies with this Condition 4.2.

4.3 Incurrence of Indebtedness and Issuance of Preferred Stock

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, (collectively, incur) with respect to any Indebtedness (including Acquired Debt) or issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, if

- (i) the Consolidated Net Leverage Ratio for the Relevant Testing Period would have been equal to or less than 4.25 to 1.00, and
- (ii) the Fixed Charge Coverage Ratio for the Relevant Testing Period would have been at least 2.0 to 1.0,

in each case, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred or the Disqualified Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such Relevant Testing Period.

- (b) Condition 4.3(a) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):

- (i) the incurrence by the Issuer of Indebtedness represented by the Notes to be issued on the date of the first issuance of Notes under the Programme;
- (ii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Existing Indebtedness;
- (iii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness, in exchange for or to replace (including, for the avoidance of doubt, any Indebtedness that may be incurred from time to time to replace other Indebtedness that has already been repaid, terminated, discharged or cancelled), or the net proceeds of which are used to extend, renew, refund, refinance, replace, defease or discharge, other Indebtedness (other than intercompany Indebtedness) that was permitted by the Trust Deed;
- (iv) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries; *provided, however*, that:
 - (A) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and
 - (B) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer,

will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this paragraph (iv);

- (v) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:

- (A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and
 - (B) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary,
- will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this paragraph (v);
- (vi) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible financial or accounting officer of the Issuer);
 - (vii) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or a Restricted Subsidiary of the Issuer that was permitted to be incurred by another provision of this Condition 4.3; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;
 - (viii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness:
 - (A) arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business;
 - (B) owed on a short-term basis of no longer than 30 Business Days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;
 - (C) in connection with the bankers' acceptances, discounted bills of exchange or the discounting or factoring (or reverse factoring) of receivables (or similar instruments), in each case incurred or undertaken consistent with past practice or in the ordinary course of business on arm's length commercial terms;
 - (D) consisting of (a) the financing of insurance premiums or (b) take or pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business;
 - (E) to the extent constituting Indebtedness, customer deposits and advance payments (including progress premiums) received in the ordinary course of business from customers for goods purchased in the ordinary course of business; and
 - (F) undertaken in connection with cash management, cash pooling and related activities with respect to any Subsidiary or joint venture in the ordinary course of business;
 - (ix) Indebtedness of a Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Issuer or a Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or a Restricted Subsidiary of the Issuer in accordance with the Trust Deed; *provided, however*, with respect to this paragraph (ix) that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (A) the Issuer would have been able to incur EUR1.00 of additional Indebtedness pursuant to Condition 4.3(a) after giving *pro forma*

effect to the incurrence of such Indebtedness pursuant to this paragraph (ix) or (B) the (x) Issuer's Consolidated Net Leverage Ratio would not be higher and (y) Fixed Charge Coverage Ratio would not be lower, than they were immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this paragraph (ix);

- (x) the incurrence by the Issuer of Indebtedness pursuant to any Credit Facility or similar instrument in an aggregate principal amount at any time outstanding not to exceed the greater of (i) EUR115.0 million and (ii) 4.9 per cent. of Total Assets;
- (xi) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this paragraph (xi) and then outstanding, will not exceed 100 per cent. of the Net Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock, preferred stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Subordinated Shareholder Funding, preferred stock or an Excluded Contribution) of the Issuer, in each case, subsequent to the date of the first issuance of Notes under the Programme; *provided, however*, that (x) any such Net Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Condition 4.2(b) and paragraphs (ii), (v), (vi), (vii), (x), (xi) and (xii) of Condition 4.2(c) to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (y) any Net Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this paragraph (xi) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under Condition 4.2(b) and paragraphs (ii), (v), (vi), (vii), (x), (xi) and (xii) of Condition 4.2(c) in reliance thereon;
- (xii) Indebtedness (a) of the Issuer incurred or issued to finance an acquisition (including an acquisition of assets) ("**Acquisition Debt**") or (b) of Persons that are, or secured by assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Trust Deed; *provided* that Indebtedness incurred pursuant to this Condition 4.3(b)(xii) is in an aggregate amount not to exceed the greater of (i) EUR50.0 million and (ii) 2.2 per cent. of Total Assets;
- (xiii) the incurrence by any Restricted Subsidiary of Indebtedness or any issuance by a Restricted Subsidiary of preferred stock and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed EUR300.0 million, *provided, however*, with respect to this paragraph (xiii) that at the time such Indebtedness was incurred, the Issuer would have been able to incur EUR1.00 of additional Indebtedness pursuant to Condition 4.3(a) after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this paragraph (xiii);
- (xiv) the incurrence by the Issuer of Indebtedness or the issuance of Disqualified Stock by the Issuer and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed the greater of (i) EUR65.0 million and (ii) 2.8 per cent. of Total Assets;
- (xv) Indebtedness arising from agreements of the Issuer or its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earnouts or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition;

- (xvi) Indebtedness consisting of Indebtedness issued by the Issuer or any of its Restricted Subsidiaries to future, present or former employees, directors, officers, managers and consultants thereof, their respective Immediate Family Members, in each case to finance the purchase or redemption of Equity Interests of the Issuer to the extent described in Condition 4.2(c)(v); and
 - (xvii) Indebtedness of the Issuer supported by a letter of credit issued pursuant to a Credit Facility that is incurred pursuant to another clause in this Condition 4.3, in a principal amount not in excess of the stated amount of such letter of credit.
- (c) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this Condition 4.3:
- (i) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in Condition 4.3(b), or is entitled to be incurred pursuant to Condition 4.3(a), the Issuer, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such paragraphs although the Issuer may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Condition 4.3; and
 - (ii) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included.
- (d) The amount of any Indebtedness outstanding as of any date will be:
- (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;
 - (ii) in the case of any Indebtedness owed to any export credit agency, adjusted to exclude the effect of the increase in the principal amount of such Indebtedness in accordance with IFRS resulting solely from the effect of the amortisation of the insurance premium initially applied to reduce the principal of the Indebtedness;
 - (iii) the principal amount of the Indebtedness, in the case of any other Indebtedness;
 - (iv) in respect of Indebtedness of another Person secured by a Security Interest on the assets of the specified Person, the lesser of:
 - (A) the Fair Market Value of such assets at the date of determination; and
 - (B) the amount of the Indebtedness of the other Person, and
 - (v) in the case of Hedging Obligations, the net amount payable if such Hedging Obligations were terminated at that time due to default by such Person (after giving effect to any contractually permitted set-off).
- (e) Accrual of interest, accrual of dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this Condition 4.3.
- (f) Notwithstanding any other provision of this Condition 4.3 (including pursuant to any Permitted Refinancing Indebtedness permitted pursuant to this Condition 4.3), the

maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this Condition 4.3 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

- (g) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary of the Issuer, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this Condition 4.3, the Issuer shall be in Default of this Condition 4.3).
- (h) For purposes of determining compliance with any euro denominated restriction on the incurrence of Indebtedness, the euro equivalent principal amount of Indebtedness denominated in a different currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided however*, the principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:
 - (i) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the euro equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred; and
 - (ii) the principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.
- (i) In the event that the Issuer or a Restricted Subsidiary enters into or increases commitments under a revolving credit facility, enters into any commitment to incur or issue Indebtedness, the incurrence or issuance thereof for all purposes under these Conditions and the Trust Deed, including for purposes of calculating the Consolidated Net Leverage Ratio or the Fixed Charge Coverage Ratio, as applicable, or usage of Condition 4.3(a) or clauses (i) through (xvii) of Condition 4.3(b) for borrowings and re-borrowings thereunder (and including issuance and creation of letters of credit and bankers' acceptances thereunder) will, at the Issuer's option, either (a) be determined (i) on the date of such revolving credit facility or such entry into or increase in commitments (assuming that the full amount thereof (or, at the option of the Issuer, a portion thereof) has been borrowed as of such date) or other Indebtedness, Disqualified Stock or preferred stock (in each case, pursuant to any letter, agreement or instrument, which may be conditional, including as to documentation) and/or (ii) on the date on which such facility or commitments become available, and, if such Consolidated Net Leverage Ratio or Fixed Charge Coverage Ratio, as applicable, test or other provision of these Conditions and the Trust Deed is satisfied with respect thereto at such time, any borrowing or re-borrowing thereunder (and the issuance and creation of letters of credit and bankers' acceptances thereunder) will be permitted under this covenant irrespective of the Consolidated Net Leverage Ratio or the Fixed Charge Coverage Ratio, as applicable, or other provision of these Conditions or the Trust Deed at the time of any borrowing or re-borrowing (or issuance or creation of letters of credit or bankers' acceptances thereunder) (the committed amount permitted to be borrowed or reborrowed (and the issuance and creation of letters of credit and bankers' acceptances) on a date pursuant to the operation of this clause (a) shall be the "**Reserved Indebtedness Amount**" as of such date for purposes of the Consolidated Net Leverage Ratio or the Fixed Charge Coverage Ratio, as applicable, and, to the extent of the usage of clauses (i) through (xvii) of Condition 4.3(b) shall be deemed to be incurred and outstanding under such clauses) or (b) be determined on the date such amount is borrowed pursuant to any such facility or increased commitment, and in each case, the Issuer may revoke such determination at any time and from time to time.

4.4 Merger, Consolidation or Sale of All or Substantially All Assets

- (a) The Issuer will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:
- (i) either: (a) the Issuer is the surviving corporation; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made is an entity organised or existing under the laws of any member state of the European Union (as of the first issuance of Notes under the Programme), any state of the United States or the District of Columbia, the United Kingdom, Canada or any province of Canada, Norway, Switzerland, Australia, New Zealand or Singapore;
 - (ii) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer) or the Person to which such sale, assignment, transfer, conveyance, lease or other disposition has been made assumes by supplemental Trust Deed, executed and delivered to the Trustee, in form and substance satisfactory to the Trustee, all the obligations of the Issuer under the Notes, these Conditions and the Trust Deed;
 - (iii) immediately after such transaction or transactions, no Default or Event of Default exists;
 - (iv) the Issuer or the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the Relevant Testing Period (A) be permitted to incur at least EUR1.00 of additional Indebtedness pursuant to Condition 4.3(a) or (B) the Consolidated Net Leverage Ratio would not be higher, and the Fixed Charge Coverage Ratio would not be lower, than they were immediately prior to giving effect to such transaction; and
 - (v) the Issuer shall have delivered to the Trustee (A) an Officer's Certificate stating that such consolidation, amalgamation or merger or such sale, assignment, transfer, conveyance, lease or other disposition complies with this Condition 4.4(a); and (B) an opinion of counsel (which may include in-house counsel) stating that such consolidation, amalgamation or merger or such sale, assignment, transfer, conveyance, lease or other disposition, and if a supplemental Trust Deed is required in connection with such transaction, such supplemental Trust Deed will, comply with this Condition 4.4(a) and has been duly authorised, executed and delivered by the surviving Person and constitutes a legal, valid, binding and enforceable obligation of such Person. The Trustee shall be entitled to accept and rely on such Officer's Certificate and opinion without further enquiry and without liability to any person, *provided* that in giving an opinion of counsel, counsel may rely on an Officer's Certificate as to any matters of fact including clauses (i) through (iv) above.
- (b) Any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this Condition 4.4, and any Permitted Refinancing Indebtedness with respect thereto, shall be deemed to have been incurred in compliance with Condition 4.3.
- (c) For purposes of this Condition 4.4, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more

Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Issuer.

- (d) In addition, the Issuer will not, directly or indirectly, lease all or substantially all of the properties and assets of it and the Restricted Subsidiaries taken as a whole, in one or more related transactions, to any other Person.
- (e) Condition 4.4(a)(iii) and (iv) will not apply to any merger or consolidation of the Issuer or any Restricted Subsidiary into an Affiliate solely for the purpose of reincorporating the Issuer or such Restricted Subsidiary of the Issuer in another jurisdiction for tax reasons, or for the purpose of changing the legal form or the legal domicile of such entity. Nothing in the Trust Deed will prevent and this Condition 4.4 will not apply to any Restricted Subsidiary that is not the Issuer consolidating with, merging with or into or transferring all or part of its properties and assets to the Issuer or another Restricted Subsidiary, or another Restricted Subsidiary from merging into the Issuer or another Restricted Subsidiary.
- (f) The foregoing provisions (other than Condition 4.4(a)(iii)) will not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

4.5 **Asset Sales**

- (a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
 - (i) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration in connection with the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
 - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents; *provided* that:
 - (A) any Capital Stock or assets of the kind referred to in Conditions 4.5(b)(i)(C) or 4.5(b)(i)(E) (or any combination thereof);
 - (B) the amount of any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the footnotes thereto or, if incurred or increased subsequent to the date of such balance sheet, such liabilities that would have been shown on the Issuer's or such Restricted Subsidiary's balance sheet or in the footnotes thereto if such incurrence or increase had taken place on or prior to the date of such balance sheet, as determined by the Issuer) of the Issuer or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the Notes, that are assumed by the transferee of any such assets pursuant to a written agreement which releases or indemnifies the Issuer or such Restricted Subsidiary from such liabilities;
 - (C) the amount of any securities, notes or other obligations or assets received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into Cash Equivalents (to the extent of the Cash Equivalents received) within 270 days following the closing of such Asset Sale; and
 - (D) the amount of any Designated Non-cash Consideration received by the Issuer or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed (at the time of the receipt of such

Designated Non-cash Consideration or, at the Issuer's option, at the time of contractually agreeing to such Asset Sale) the greater of (i) EUR60.0 million and (ii) 2.5 per cent. of Total Assets,

shall be deemed to be Cash Equivalents for purposes of this provision and for no other purpose.

- (b) Within 365 days after the later of (A) the date of any Asset Sale and (B) the receipt of any Net Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may:
 - (i) apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):
 - (A) to purchase the Notes pursuant to an offer to all Noteholders at a purchase price in cash equal to at least 100 per cent. of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (a "**Notes Offer**");
 - (B) to repay, repurchase, prepay or redeem any Indebtedness that is secured by a Security Interest and, if the Indebtedness repaid, repurchased, prepaid or redeemed is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto;
 - (C) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;
 - (D) to make capital expenditures;
 - (E) to acquire other assets (other than Capital Stock) not classified as current assets under IFRS that are used in, useful in or related to a Permitted Business;
 - (F) to make (at such time or subsequently in compliance with this Condition 4.5) an offer to the Noteholders to purchase their Notes in accordance with the provisions set forth below for an Asset Sale Offer (which offer shall be deemed to be an Asset Sale Offer for purposes hereof);
 - (G) any combination of the foregoing; or
 - (ii) to apply the Net Proceeds pursuant to Condition 4.5(b)(i)(C), (D) or (E); *provided* that a binding commitment entered into not later than such 365th day shall be treated as a permitted application of the Net Proceeds from the date of such commitment so long as the Issuer or such Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Proceeds will be applied to satisfy such commitment within 180 days of such commitment (an "**Acceptable Commitment**"); *provided, further*, that if any Acceptable Commitment is later cancelled or terminated for any reason before such Net Proceeds are applied, then such Net Proceeds shall constitute Excess Proceeds.
- (c) Pending the final application of any Net Proceeds, the Issuer or any Restricted Subsidiary may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Trust Deed.
- (d) Any Net Proceeds from Asset Sales that are not applied or invested and within the time period set forth in Condition 4.5(b) will constitute "**Excess Proceeds**". On the 366th day from the later of (A) the date of such Asset Sale and (B) the receipt of such Net Proceeds in connection with the Asset Sale, or at such earlier date that the Issuer elects, if the aggregate amount of Excess Proceeds exceeds EUR75.0 million within 15 Business Days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to Noteholders and may

make an offer to all holders of other Indebtedness that is *pari passu* with the Notes to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100 per cent. of the principal amount, *plus* accrued and unpaid interest and additional amounts, if any, to the date of purchase, subject to the rights of Noteholders on the relevant record date to receive interest due on the relevant interest payment date and will be payable in cash. If any Net Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Restricted Subsidiaries may use those Net Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate principal amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Issuer will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or, in the case of Notes issued in global form, based on a method that most nearly approximates a *pro rata* selection as is fair and appropriate in the circumstances) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

- (e) The Issuer will comply with the requirements all applicable securities laws and regulations thereunder to the extent such laws or regulations are applicable in connection with the repurchase of the Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Trust Deed, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Trust Deed by virtue thereof.

4.6 Reporting

For so long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (a) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any changes of the chief executive officer or chief financial officer at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event; and
- (b) as soon they become available but, in any event,
 - (i) within 180 days after the end of each of its financial years, a copy of the Issuer's audited annual consolidated financial statements for such financial year, together with the report thereon by the Issuer's independent auditors; and
 - (ii) within 90 days after the end of each first half year of each of its financial years, a copy of the Issuer's unaudited consolidated financial statements for such six-month period,

in each case, prepared in accordance with IFRS and certified in an Officer's Certificate as fairly representing the financial position of the Issuer and its consolidated Subsidiaries as at the relevant date, and the results of operations and changes in financial position of the Issuer and its consolidated Subsidiaries for the relevant period then ended, each prepared and presented in accordance with the relevant laws of Lithuania.

The Issuer will also make available copies of all reports required by this Condition 4.6 (i) on the Issuer's website and (ii) for so long as the Notes are listed and admitted to trading, in accordance with the rules of the relevant stock exchange. The Trustee's receipt of any financial statement or other document required to be provided to it under this Condition 4.6 shall be without liability to the Trustee and receipt of such financial statements or other documents shall not be deemed to give

the Trustee notice of any breach of these Conditions by the Issuer or its Restricted Subsidiaries or any Event of Default or Default in respect of the Issuer or its Restricted Subsidiaries. The Trustee shall not be required to review any such financial statements or other documents nor shall the Trustee be bound to enquire as to whether any such breach of these Conditions or any Event of Default or Default has occurred or may occur on the basis of receipt of such financial statements or other documents.

For purposes of this Condition 4.6, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 10.0% of the Issuer's (a) total revenue or Consolidated EBITDA for the Relevant Testing Period; or (b) consolidated assets as of the last day of the Relevant Testing Period.

4.7 **Transactions with Affiliates**

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) which has a value in excess of EUR20.0 million with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, disposals or acquisitions, unless:
 - (i) in the good faith determination by a responsible Officer of the Issuer, the terms of such Affiliate Transaction are no less favourable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer or such Restricted Subsidiary, as the case may be; and
 - (ii) in the event such Affiliate Transaction involves an aggregate value in excess of EUR45.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer.
- (b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Condition 4.7(a):
 - (i) any employment, management, consulting, monitoring or advisory agreement (including any termination fees), collective bargaining agreement, employee benefit plan, officer or director indemnification agreement, including any stock option, stock appreciation rights, stock incentive or similar plans or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments or other transactions pursuant thereto;
 - (ii) transactions (including a merger) between or among the Issuer and/or any of its Restricted Subsidiaries;
 - (iii) payment of fees to, reimbursements of expenses and indemnity provided on behalf of, officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;
 - (iv) the issuance or transfer of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer to any Affiliate or to any Permitted Holder or to any employee, director, officer, manager or consultant (or their respective Immediate Family Members) of the Issuer or any of its Restricted Subsidiaries;
 - (v) Restricted Payments and Permitted Investments that do not violate Condition 4.2;

- (vi) transactions effected pursuant to or contemplated by agreements or arrangements in effect or entered into on the date of the first issuance of Notes under the Programme (or any subsequent amendment thereto (so long as any such amendment is not more disadvantageous in any material respect in the good faith judgment of the Issuer to the Noteholders when taken as a whole as compared to the applicable agreement or arrangement as in effect on the date of the first issuance of Notes under the Programme));
- (vii) Hedging Obligations entered into from time to time for bona fide hedging purposes and not for speculative purposes of the Issuer and the Restricted Subsidiaries and the unwinding of any Hedging Obligations;
- (viii) execution, delivery and performance of any consolidated group arrangements for tax or accounting purposes, *provided* that any payments to be made pursuant to such arrangements are made in compliance with Condition 4.2;
- (ix) transactions in which the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favourable, when taken as a whole, to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis;
- (x) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, any shareholders agreement to which it (or any parent company of the Issuer) is a party as of the date of the first issuance of Notes under the Programme and any similar agreements which it (or any parent company of the Issuer) may enter into thereafter; *provided*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries (or such parent company) of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the date of the first issuance of Notes under the Programme shall only be permitted by this paragraph to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous in any material respect in the good faith judgment of the Issuer to the Noteholders when taken as a whole;
- (xi) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services or providers of employees or other labour that are Affiliates, in each case in the ordinary course of business or that are consistent with past practice and otherwise in compliance with the terms of the Trust Deed which are fair to the Issuer and its Restricted Subsidiaries, in the reasonable determination of the Issuer, or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated party;
- (xii) any transaction with a joint venture which would constitute an Affiliate Transaction solely because the Issuer or its Restricted Subsidiary owns an equity interest or otherwise controls such joint venture or similar entity;
- (xiii) payments and Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Issuer and its Restricted Subsidiaries and preferred stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, manager or consultant (or their respective Immediate Family Members) of the Issuer, any of its Subsidiaries pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement that are, in each case, approved by the Issuer in good faith; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors,

officers, managers or consultants (or their respective permitted transferees) that are, in each case, approved by the Issuer in good faith;

- (xiv) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including, without limitation, any cash management activities related thereto);
- (xv) the pledge of Equity Interests of any Unrestricted Subsidiary to lenders to support the Indebtedness of such Unrestricted Subsidiary owed to such lenders;
- (xvi) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, *provided* such lease (i) is entered into in the ordinary course of business or consistent with past practice and (ii) is approved by the Issuer in good faith;
- (xvii) intellectual property licenses in the ordinary course of business; and
- (xviii) investments by Affiliates in Indebtedness of the Issuer or any of its Subsidiaries (and the payment of reasonable out-of-pocket expenses of any Affiliate in connection therewith), so long as non-Affiliates were also offered the opportunity to invest in such Indebtedness, and transactions with Affiliates solely in their capacity as holders of Indebtedness of the Issuer or any of its Subsidiaries, so long as such transaction is with all holders of such Indebtedness (and there are such non-Affiliate holders) and such Affiliates are treated no more favourably than all other holders of such Indebtedness generally.

4.8 **Suspension of Covenants When Notes Rated Investment Grade**

If on any date following the date of the first issuance of Notes under the Programme:

- (a) the Notes have achieved Investment Grade Status; and
- (b) no Default or Event of Default shall have occurred and be continuing on such date,

then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (such period, the "**Suspension Period**");

- (i) the following Conditions will no longer be applicable to the Notes and any related default provisions in these Conditions will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries:
 - (A) Condition 4.2;
 - (B) Condition 4.3;
 - (C) Condition 4.4(a)(iv);
 - (D) Condition 4.5;
 - (E) Condition 4.7;
 - (F) Condition 4.9; and
- (ii) Condition 4.1(a) shall be replaced with the following:

"The Issuer shall not, and shall ensure that none of its Restricted Subsidiaries will, create, incur, assume or permit to subsist any Security Interest to secure any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, or other debt securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or

revenues (including any uncalled capital) without at the same time or prior thereto (x) securing all amounts payable by it under the Notes and Coupons equally and rateably therewith; or (y) providing such other Security Interest for the payment of amounts payable by it as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders."

Such covenants and any related default provisions will again apply according to their terms from the date the Notes cease to have Investment Grade Status (including, for the avoidance of doubt, Condition 4.1 reverting to its original wording) and no action taken or omitted to be taken by the Issuer or any of its Restricted Subsidiaries prior to such reinstatement will give rise to a Default or Event of Default under the Trust Deed; *provided* that (A) with respect to the Restricted Payments made after any such re-application, the amount of Restricted Payments will be calculated as though Condition 4.2 had been in effect since the date of the Trust Deed but not during the Suspension Period; (B) all Indebtedness incurred, or Disqualified Stock or preferred stock issued, during the Suspension Period will be classified to have been incurred or issued pursuant to Condition 4.3(b)(ii); and (C) any Affiliate Transaction entered into after such reinstatement pursuant to an agreement or any other arrangement entered into during any Suspension Period shall be deemed to be permitted pursuant to Condition 4.7(a)(vi). Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

During any period that the foregoing covenants have been suspended, the Issuer may not designate any of its Subsidiaries as Unrestricted Subsidiaries.

The Issuer shall notify the Trustee in writing upon the occurrence of a Suspension Period and upon the end of any such Suspension Period; *provided* that such notice will not be a precondition of the suspension of covenants described under this Condition 4.8.

4.9 **Anti-Layering**

The Issuer agrees that it will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes, if any, on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer solely by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

4.10 **Additional Guarantees**

- (a) If any Restricted Subsidiary guarantees any Indebtedness of the Issuer, the Notes must be guaranteed on an equal and rateable basis (or, if such Indebtedness of the Issuer is subordinated in right of payment, the Notes will be guaranteed on a priority basis).
- (b) Any guarantee of the Notes by a Restricted Subsidiary will be limited as necessary to recognise certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalisation, distributable reserves, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law. The Issuer and the relevant Restricted Subsidiaries will use reasonable efforts to overcome any such limitations and to assist in demonstrating the accrual of adequate corporate benefit as required. If any such limitations apply (notwithstanding such reasonable efforts by the Issuer and the relevant Restricted Subsidiaries), the relevant guarantee will be limited to the maximum amount that such Restricted Subsidiary may provide under applicable law.
- (c) Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent and for so long as the incurrence of such guarantee of the Notes could reasonably be expected to give rise to or result in: (1) any violation (or any material risk of any such violation) of applicable law or regulation; (2)

any liability (or any material risk of any such liability) for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation which is disproportionate to the benefit accruing to the Noteholders as a result of such guarantee other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such guarantee of the Notes, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or a Restricted Subsidiary.

In these Conditions:

"Acquired Debt" means, with respect to any specified Person:

- (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and
- (ii) Indebtedness secured by Permitted Security acquired by such specified Person.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, **"control"** when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **"controlling"** and **"controlled"** have meanings correlative to the foregoing.

"Asset Sale" means:

- (i) the sale, lease, conveyance or other disposition of any assets or rights (including by way of a Sale and Lease-Back Transaction); *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Trust Deed described below in Condition 6(h) and/or the provisions described in Condition 4.4; and
- (ii) the sale by the Issuer or its Subsidiaries of Equity Interests in any of its Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (i) any disposition of Capital Stock, properties or assets in a single transaction or series of related transactions with, in aggregate, a Fair Market Value (as determined in good faith by the Issuer) of less than the greater of EUR30.0 million and 1.3 per cent. of Total Assets;
- (ii) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (iii) sales or dispositions in connection with any factoring (or reverse factoring) transaction or in the ordinary course of business;
- (iv) the sale or lease of products, services, equipment, accounts receivable or other assets in the ordinary course of business;

- (v) any sale or other disposition of damaged, unserviceable, worn-out or obsolete property or assets in the ordinary course of business or any disposition of inventory or goods (or other assets) held for sale or no longer used or useful in the ordinary course of business;
- (vi) the sale or other disposition of cash or Cash Equivalents or Investment Grade Securities in the ordinary course of business;
- (vii) the lease, assignment, sub-lease, license or sub-license of any real or personal property in the ordinary course of business;
- (viii) granting of Permitted Security Interests;
- (ix) any issuance or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;
- (x) a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind in the ordinary course of business;
- (xi) transactions permitted by Condition 4.2 or any Permitted Investment or the proceeds of which are used to fund a Restricted Payment and/or Permitted Investment;
- (xii) sale or discounting of accounts receivable in the ordinary course of business, dispositions of receivables in the ordinary course of business or in bankruptcy or similar proceedings;
- (xiii) foreclosure, condemnation or any similar action with respect to any property or other assets and any sale of assets received by the Issuer or any of its Restricted Subsidiaries upon the foreclosure of any Security Interest;
- (xiv) unwinding of Hedging Obligations;
- (xv) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the first issuance of Notes under the Programme, including Sale and Lease-Back Transactions;
- (xvi) the disposition of all or substantially all of the assets of the Issuer in a manner permitted pursuant to the provisions described in Condition 4.4 or any disposition that constitutes a Change of Control pursuant to the Trust Deed;
- (xvii) any exchange of like property or assets for use in a Permitted Business;
- (xviii) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;
- (xix) the abandonment of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Issuer are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;
- (xx) the issuance by a Restricted Subsidiary of preferred stock or Disqualified Stock that is permitted by Condition 4.3;
- (xxi) the issuance of directors' qualifying shares and shares issued to foreign nationals as required by applicable law; and

- (xxii) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person.

In the event that a transaction (or a portion thereof) meets the criteria of a permitted Asset Sale and would also be a permitted Restricted Payment and/or Permitted Investment, the Issuer, in its sole discretion, will be entitled to divide and classify such transaction (or a portion thereof) as an Asset Sale and/or one or more the types of permitted Restricted Payments or Permitted Investments.

"Board of Directors" means:

- (i) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorised to act on behalf of such board;
- (ii) with respect to a partnership, the board of partners (or similar) of the partnership or the board of directors of the general partner of the partnership;
- (iii) with respect to a limited liability company, the managing member or members or any controlling committee of managing members thereof; and
- (iv) with respect to any other Person, the board or committee of such Person serving a similar function.

"Capital Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a lease that would at such time be required to be reflected as a lease liability in the financial statements of the Issuer prepared in accordance with IFRS.

"Capital Stock" means:

- (i) in the case of a corporation, corporate stock;
- (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (iii) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and
- (iv) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"Cash Equivalents" means:

- (i) United States dollars;
- (ii) (a) Canadian dollars, pounds sterling, yen, euros or any national currency of any participating member state of the EMU; or (b) in such local currencies held by the Issuer or any Restricted Subsidiary from time to time in the ordinary course of business;
- (iii) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland or Canada, as the case may be, having maturities of not more than 24 months from the date of acquisition;

- (iv) certificates of deposit, time deposits, euro-dollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than 24 months from the date of acquisition thereof issued by any commercial bank having capital and surplus of not less than EUR250.0 million;
- (v) repurchase obligations for underlying securities of the types described in paragraphs (iii), (iv), (vii) and (viii) entered into with any financial institution meeting the qualifications specified in paragraph (iv) above;
- (vi) commercial paper and variable or fixed rate notes rated at least P-2 by Moody's or at least A-2 by S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) and in each case maturing within 24 months after the date of creation thereof;
- (vii) marketable short-term money market and similar funds having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency);
- (viii) readily marketable direct obligations issued by any state, commonwealth or territory of the United States or the European Union or any political subdivision or taxing authority thereof having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;
- (ix) readily marketable direct obligations issued by any foreign government or any political subdivision or public instrumentality thereof, in each case having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;
- (x) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency);
- (xi) securities with maturities of 12 months or less from the date of acquisition backed by standby letters of credit issued by any financial institution or recognized securities dealer meeting the qualifications specified in clause (iv) above;
- (xii) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 24 months or less from the date of acquisition; and
- (xiii) interests in any investment company or money market fund which invests 85 per cent. or more of its assets in instruments of the type specified in paragraphs (i) through (xii) above.

In the case of any Investments made in a country outside the United States of America, Cash Equivalents shall also include (a) investments of the type and maturity described in clauses (i) through (viii) and clauses (x), (xi), (xii) and (xiii) above of foreign obligors, which investments or obligors (or the parents of such obligors) have ratings described in such clauses or equivalent ratings from comparable foreign rating agencies and (b) other short-term investments utilized by Restricted Subsidiaries in accordance with normal investment practices for cash management in investments analogous to the foregoing investments in clauses (i) through (xiii) and in this paragraph.

Notwithstanding the foregoing, Cash Equivalents shall include amounts denominated in currencies other than those set forth in clauses (i) and (ii) above.

For the avoidance of doubt, any items identified as Cash Equivalents under this definition will be deemed to be Cash Equivalents for all purposes under the Trust Deed regardless of the treatment of such items under IFRS.

"Consolidated EBITDA" means, for any period, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income, without duplication (in each case on a consolidated basis in accordance with IFRS):

- (i) provision for all taxes based on income, profits or capital of the Issuer or a Restricted Subsidiary; *plus*
- (ii) Consolidated Interest Expense for such period (including (x) net losses or Hedging Obligations or other derivative instruments entered into for the purpose of hedging interest rate risk, (y) bank fees and other financing fees and (z) costs of surety bonds in connection with financing activities); *plus*
- (iii) depreciation, amortisation or impairment (including but not limited to amortisation of goodwill and intangibles and amortisation and write-off of financing costs and write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and its Restricted Subsidiaries for such period) and any non-cash charges, non-cash losses, or non-cash provisions for reserves for discontinued operations, in each case, other than any non-cash items for which a future cash payment will be required and for which an accrual or reserve is required by IFRS to be made, to the extent that such depreciation, amortisation and other non-cash expenses were deducted in computing such Consolidated Net Income; *plus*
- (iv) any other non-cash charges, including any write-offs or write-downs reducing Consolidated Net Income for such period (*provided*, that if any such non-cash charges represent an accrual or reserve for potential cash items in any future period, (A) the Issuer may elect not to add back such non-cash charge in the current period and (B) to the extent the Issuer elects to add back such non-cash charge, the cash payment in respect thereof in such future period shall be subtracted from Consolidated EBITDA to such extent, and excluding amortisation of a prepaid cash item that was paid in a prior period); *plus*
- (v) the amount of any non-controlling interest or minority interest expense consisting of Subsidiary income attributable to minority equity interests of third parties in any non-Wholly Owned Subsidiary; *plus*
- (vi) the amount of any management, monitoring, consulting or advisory fees; *plus*
- (vii) the amount of loss or discount on sale of receivables; *plus*
- (viii) any expenses or charges related to the offering of any Capital Stock (to the extent the proceeds thereof were contributed to the equity capital of the Issuer or its Restricted Subsidiaries), any Permitted Investment or Permitted Debt; *plus*
- (ix) any net loss from disposed, abandoned or discontinued operations; *plus*
- (x) interest income or investment earnings on intellectual property, royalty or license receivables; *plus*
- (xi) all deferred financing costs written off and premiums paid in connection with any early extinguishment of Hedging Obligations or other derivative instruments; *minus*
- (xii) any foreign currency translation gains; *minus*

- (xiii) any extraordinary, exceptional or unusual gain; *minus*

(other than any non-cash items reducing such Consolidated Net Income pursuant to paragraphs (i) – (xx) of the definition thereof) non-cash items increasing such Consolidated Net Income for such period, other than any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required.

"Consolidated Interest Expense" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued (excluding debt issuance costs but including, without limitation, amortisation of original issue discount, additional amounts, non-cash interest payments, the interest component of any deferred payment obligations (which shall be deemed to be equal to the principal of any such payment obligation *less* the amount of such principal discounted to net present value at an interest rate (equal to the interest rate on one-year EURIBOR at the date of determination) on an annualised basis), plus or including (without duplication) any interest, costs and charges consisting of:

- (i) interest expense attributable to Capital Lease Obligations;
- (ii) amortisation of debt discount, debt issuance cost and premium;
- (iii) non-cash interest expense;
- (iv) commissions, discounts and other fees and charges owed with respect to financings not included in paragraph (ii) above;
- (v) costs associated with Hedging Obligations;
- (vi) dividends on other distributions in respect of all Disqualified Stock of the Issuer and all preferred stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Subsidiary of the Issuer;
- (vii) the consolidated interest expense that was capitalised during such period; and
- (viii) interest actually paid by the Issuer or any Restricted Subsidiary under any guarantee of Indebtedness or other obligation of any other Person.

"Consolidated Net Income" means, for any period, the aggregate of the net income (loss) of the Issuer and the Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that, without duplication:

- (i) the net income (*loss*) for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting shall be excluded; *provided*, that Consolidated Net Income of such Person shall be increased by the amount of dividends or distributions or other payments (other than Excluded Contributions) that are actually paid in cash (or to the extent converted into cash) or that could, in the reasonable determination of management, have been distributed to such Person or a Restricted Subsidiary thereof in respect of such period;
- (ii) solely for the purpose of determining the amount available for Restricted Payments under Condition 4.2(b)(iii) any net income of any Restricted Subsidiary will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Trust Deed, (c)

contractual restrictions in effect on the date of the first issuance of Notes under the Programme with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favourable to the holders of the Notes than such restrictions in effect on the date of the first issuance of Notes under the Programme or (d) restrictions pursuant to applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this paragraph);

- (iii) any net gain (*loss*) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;
- (iv) any one-time non-cash charges or any amortisation or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;
- (v) the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies during such period will be excluded;
- (vi) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case as determined in good faith by the Issuer) will be excluded;
- (vii) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;
- (viii) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;
- (ix) any goodwill or other intangible asset impairment charges will be excluded;
- (x) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;
- (xi) any after-tax effect of extraordinary, non-recurring or unusual gains or losses (*less* all fees and expenses relating thereto), charges or expenses (including relating to any multi-year strategic initiatives), transaction expenses, restructuring and duplicative running costs, relocation costs, integration costs, facility consolidation and closing costs, severance costs and expenses, one-time compensation charges, costs relating to pre-opening and opening costs for facilities, signing, retention and completion bonuses, costs incurred in connection with any strategic initiatives, transition costs, costs incurred in connection with acquisitions and non-recurring product and intellectual property development, other business optimization expenses (including costs and expenses relating to business optimization programs and new systems design, retention charges, system establishment costs and implementation costs) and operating expenses

attributable to the implementation of cost-savings initiatives, and curtailments or modifications to pension and post-retirement employee benefit plans will be excluded;

- (xii) effects of adjustments (including the effects of such adjustments pushed down to such Person and its Restricted Subsidiaries) in such Person's consolidated financial statements pursuant to IFRS (including in the inventory (including any impact of changes to inventory valuation policy methods, including changes in capitalisation of variances), property and equipment, software, goodwill, intangible assets, in-process research and development, deferred revenue and debt line items thereof) resulting from the application of recapitalisation accounting or purchase accounting, as the case may be, in relation to any consummated acquisition or joint venture investment or the amortisation or write-off or write-down of any amounts thereof, net of taxes, will be excluded;
- (xiii) any after-tax effect of income (loss) from the early extinguishment or conversion of (i) Indebtedness, (ii) Hedging Obligations or (iii) other derivative instruments will be excluded;
- (xiv) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities and investments recorded using the equity method or as a result of a change in law or regulation, in each case, pursuant to IFRS, and the amortisation of intangibles arising pursuant to IFRS will be excluded;
- (xv) any equity-based or non-cash compensation charge or expense including any such charge or expense arising from grants of stock appreciation or similar rights, stock options, restricted stock or other rights or equity incentive programs, and any cash charges associated with the rollover acceleration, or pay-out of Equity Interests by management, other employees or business partners of the Issuer will be excluded;
- (xvi) any fees, expenses, premiums (including tender premiums) or charges incurred during such period, or any amortisation thereof for such period, in connection with any acquisition, recapitalisation, Investment, Asset Sale, disposition, incurrence or repayment of Indebtedness (including such fees, expenses or charges related to the offering and issuance of the Notes and the syndication and incurrence of any Credit Facilities), issuance of Equity Interests, refinancing transaction or amendment or modification of any debt instrument (including any amendment or other modification of the Notes and other securities and any Credit Facilities) and including, in each case, any such transaction consummated on or prior to the date of the first issuance of Notes under the Programme and any such transaction undertaken but not completed, and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful or consummated, will be excluded;
- (xvii) any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is in fact reimbursed within 365 days of the date of the insurable or indemnifiable event (net of any amount so added back in any prior period to the extent not so reimbursed within the applicable 365-day period), will be excluded;
- (xviii) any noncash compensation expense resulting from the application of accounting principles relating to the expensing of stock-related compensation will be excluded;

- (xix) the impact of capitalised, accrued or accreting on pay-in-kind interest or principal on Subordinated Shareholder Funding will be excluded; and
- (xx) all fair value adjustments on investment properties will be excluded.

In addition, to the extent not already included in the Consolidated Net Income of such Person and its Restricted Subsidiaries, notwithstanding anything to the contrary in the foregoing, Consolidated Net Income shall include the amount of proceeds received from business interruption insurance and reimbursements of any expenses and charges that are covered by indemnification or other reimbursement provisions in connection with any acquisition, Investment or any sale, conveyance, transfer or other disposition of assets permitted under the Trust Deed.

"Consolidated Net Leverage" means as of any date of determination, the sum of the total amount of Indebtedness (excluding (i) Hedging Obligations and (ii) for the avoidance of doubt, any other Indebtedness of the type specified in sub-paragraph (iv) of the definition of Permitted Debt), reflected on the consolidated balance sheet of the Issuer and its Restricted Subsidiaries as of such date (excluding the notes thereto), calculated on a consolidated basis on the basis of IFRS, *less* cash, Cash Equivalents of the Issuer and its Restricted Subsidiaries on a consolidated basis on the basis of IFRS (other than cash, Cash Equivalents which are the proceeds of Indebtedness incurred on the date of determination in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made).

"Consolidated Net Leverage Ratio" means as of any date of determination, the ratio of (a)(i) the Consolidated Net Leverage of the Issuer on such date *plus* (ii) the Reserved Indebtedness Amount in respect of Indebtedness that, once incurred, would be included in the calculation of Consolidated Net Leverage to (b) the Consolidated EBITDA of the Issuer for the Relevant Testing Period.

For purposes of the calculation of such ratio:

- (i) in the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the ratio is made (for the purposes of this definition, the **"Calculation Date"**), then the ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period; *provided, however*, that the *pro forma* calculation of the ratio shall not give effect to the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in Condition 4.3(b);
- (ii) for purposes of calculating Consolidated EBITDA or Consolidated Interest Expense for such period, if, as of such date of determination:
 - (1) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a **"Sale"**) or if the transaction giving rise to the need to calculate the ratio is such a Sale, (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if

negative) attributable thereto for such period; and (b) the Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);

- (2) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect thereto, as if such Purchase occurred on the first day of such period; and
- (3) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect thereto, as if such Sale or Purchase occurred on the first day of such period;
- (iii) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness); and
- (iv) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness, or the deemed incurrence of any Reserved Indebtedness Amount, as if such transaction had occurred on the first day of the relevant period; *provided, however*, that solely for the purpose of the covenant described under Condition 4.3(a), *pro forma* effect shall not be given to (1) any Indebtedness incurred on the date of the *pro forma* calculations pursuant to Condition 4.3(b) (other than Condition 4.3(b)(ix)) and (2) the discharge on the date of the *pro forma* calculations of any Indebtedness to the extent that such Indebtedness was incurred pursuant to Condition 4.3(b) (other than Condition 4.3(b)(ix)),

the adjustments set out in the foregoing paragraphs (i) - (iv), collectively being referred to as the "**Pro Forma Calculation Adjustments**").

For the purposes of this definition calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer .

"**Consolidated Secured Leverage**" means, without duplication, the aggregate outstanding Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations) on a consolidated basis on the basis of IFRS.

"**Consolidated Secured Leverage Ratio**" means as of any date of determination the ratio of (a) the Consolidated Secured Leverage on such date to (b) the Consolidated EBITDA of the Issuer for the Relevant Testing Period.

The calculation of the Consolidated Secured Leverage Ratio shall be made subject to the applicable Pro Forma Calculation Adjustments as set out in the definition of the Consolidated Net Leverage Ratio above.

For the purposes of this definition calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer.

"Contingent Obligations" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness (**"primary obligations"**) of any other Person (the **"primary obligor"**) in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent,

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds,
 - (a) for the purchase or payment of any such primary obligation; or
 - (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"Credit Facility" means one or more debt facilities, instruments or arrangements or any revolving credit facility or commercial paper facilities, overdraft facilities, indentures or trust deeds, in each case with banks or other institutional lenders or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), inventory financing, letters of credit, bonds, notes, debentures or other corporate debt instruments or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time in one or more agreements or indentures (in each case with the same or new lenders or institutional investors or investors), including any agreement or indenture extending the maturity thereof or otherwise restructuring all or any portion of the Indebtedness thereunder, increasing the amount loaned or issued thereunder, altering the maturity thereof, adding Subsidiaries of the Issuer as additional borrowers, issuers or guarantors thereunder or otherwise altering the terms and conditions thereof.

"Default" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by the Issuer or a Restricted Subsidiary in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, executed by a principal financial or accounting officer of the Issuer, *less* the amount of Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of or collection or payment on such Designated Non-cash Consideration.

"Designated Preferred Stock" means preferred stock of the Issuer (other than Disqualified Stock) that is issued for cash (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officer's Certificate executed by a principal financial or accounting officer of the Issuer or the applicable parent company thereof, as the case may be, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in Condition 4.2(b)(iii).

"Disqualified Stock" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable; pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature; *provided*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, or is so redeemable at the option of the holder thereof prior to such date, will be deemed to be Disqualified Stock. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the Issuer to repurchase such Capital Stock upon the occurrence of a change of control or an asset sale will not constitute Disqualified Stock if the terms of such Capital Stock provide that the Issuer may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with Condition 4.2. For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Trust Deed and/or these Conditions, and if such price is based upon, or measured by, the Fair Market Value of such Disqualified Stock, such Fair Market Value to be determined as set forth herein.

"EMU" means economic and monetary union as contemplated in the Treaty on European Union.

"Equity Interests" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"Equity Offering" means any public or private sale or issuance of common stock or preferred stock of the Issuer or any of its Holding Companies (excluding Disqualified Stock), other than:

- (1) public offerings with respect to the Issuer's or any Holding Company's common stock registered on Form S-4 or Form S-8;
- (2) issuances to any Subsidiary of the Issuer; and
- (3) any such public or private sale or issuance that constitutes an Excluded Contribution.

"Excluded Contributions" means Net Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock) of the Issuer after the date of the first issuance of Notes under the Programme or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock) of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer.

"Existing Indebtedness" means Indebtedness of the Issuer and its Restricted Subsidiaries in existence as of the first issuance of Notes under the Programme after giving effect to the use of proceeds of the offering of the Notes on the date of the first issuance of Notes under the Programme.

"Fair Market Value" means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in good faith by a responsible accounting or financial officer of the Issuer or by the Board of Directors of the Issuer.

"Fixed Charge Coverage Ratio" means, with respect to any specified Person for any period, the ratio of the Consolidated EBITDA of such Person for such period to the Consolidated Interest Expense of such Person for such period.

The calculation of the Fixed Charge Coverage Ratio shall be made subject to the applicable Pro Forma Calculation Adjustments as set out in the definition of the Consolidated Net Leverage Ratio above.

For the purposes of this definition calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer.

"Group" means the Issuer and its Restricted Subsidiaries taken as a whole.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, commodity swap agreement, commodity cap agreement, commodity collar agreement, foreign exchange contract, currency swap agreement or similar agreement providing for the transfer, modification or mitigation of interest rate, currency or commodity risks either generally or under specific contingencies.

"Holding Company" means any Person that is a direct or indirect parent company of the relevant Person.

"IFRS" means the International Financial Reporting Standards as endorsed by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply; *provided*, that at any date after the Issue Date, the Issuer may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election (a **"One-Time Election"**). The Issuer shall promptly give notice of a One-Time Election to the Trustee.

"Immediate Family Members" means with respect to any individual, such individual's child, stepchild, grandchild or more remote descendant, parent, stepparent, grandparent, spouse, former spouse, qualified domestic partner, sibling, mother-in-law, father-in-law, son-in-law and daughter-in-law (including adoptive relationships) and any trust, partnership or other bona fide estate-planning vehicle the only beneficiaries of which are any of the foregoing individuals or any private foundation or fund that is controlled by any of the foregoing individuals or any donor-advised fund of which any such individual is the donor.

"Indebtedness" means, with respect to any specified Person, on any date of determination:

- (i) the principal amount in respect of borrowed money;
- (ii) evidenced by bonds, notes, debentures or similar instruments;
- (iii) representing reimbursement obligations in respect of letters of credit, banker's acceptances or similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments *plus* the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent any such reimbursement obligations relate to trade payables and such obligations are satisfied within 60 days of incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (iv) representing Capital Lease Obligations;
- (v) representing the balance deferred and unpaid of the purchase price of any property or services (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (vi) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends);
- (vii) representing any Hedging Obligations;

- (viii) the principal component of all Indebtedness of other Persons secured by a lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons; and
- (ix) the principal component of Indebtedness of other Persons to the extent guaranteed by such Person,

provided that the foregoing indebtedness (other than Hedging Obligations) shall be included in this definition of Indebtedness only if, and to the extent that, the indebtedness would appear as a liability upon a balance sheet of such Person prepared in accordance with IFRS.

For the avoidance of doubt and notwithstanding the above, the term "Indebtedness" excludes any accrued expenses and trade payables.

The aggregate amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be equal to the total amount of funds borrowed and then outstanding.

The term Indebtedness shall not include:

- (i) any lease, concession or license of property (or guarantee thereof) which would be considered a lease under IFRS as in effect on the date of the first issuance of Notes under the Programme;
- (ii) any contingent obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions, or similar claims, obligations or contributions or social security or wage taxes;
- (iii) Contingent Obligations incurred in the ordinary course of business, obligations under or in respect of securitisation transactions and accrued liabilities incurred in the ordinary course of business that are not more than 120 days past due;
- (iv) Subordinated Shareholder Funding;
- (v) obligations under any license, permit, or other approval (or guarantees given in respect of such obligations) incurred prior to the date of the first issuance of Notes under the Programme or in the ordinary course of business;
- (vi) deferred or prepaid revenues;
- (vii) Indebtedness in respect of the incurrence by the Issuer or any Restricted Subsidiary of Indebtedness in respect of letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honoured in accordance with their terms and if to be reimbursed, are reimbursed no later than 30 days following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond;
- (viii) Indebtedness incurred by the Issuer or a Restricted Subsidiary in connection with a transaction where a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Indebtedness, or a Subsidiary or Affiliate thereof, in an amount equal to such Indebtedness;
- (ix) in connection with the purchase by the Issuer or any Restricted Subsidiary of the Issuer of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing

balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 180 days thereafter; or

- (x) prepayments of deposits received from clients or customers in the ordinary course of business.

"Independent Financial Advisor" means an accounting, appraisal, investment banking firm of nationally recognized standing that is, in the good faith judgment of the Issuer, qualified to perform the task for which it has been engaged.

"Initial Public Offering" means an Equity Offering of common stock or other common equity interests of the Issuer (or any successor of the Issuer) or any Holding Company of the Issuer (or any successor of the Holding Company of the Issuer) that has been established for purposes of an Equity Offering (the **"IPO Entity"**) as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market (including, but not limited to, any internationally recognized market in the European Union (as of the date of the first issuance of Notes under the Programme)).

"IPO Capitalisation" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the IPO Event multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"IPO Event" means the occurrence of an Initial Public Offering.

"Investment Grade Rating" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or if the applicable securities are not then rated by Moody's or S&P an equivalent rating by any other rating agency.

"Investment Grade Securities" means:

- (xi) securities issued or directly and fully guaranteed or insured by the European Union or any member of the European Union (as at the date of the first issuance of Notes under the programme), the United States, Canada, Switzerland, Norway, Japan, Singapore or any agency thereof (other than Cash Equivalents);
- (xii) debt securities or debt instruments with a rating of "A-" or higher from S&P or "A3" higher by Moody's or the equivalent of such rating by such rating organisation or, if no rating of Moody's or S&P then exists, the equivalent rating by any other rating agency, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;
- (xiii) investments in any fund that invests exclusively in investments of the type described in (i) and (ii) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and
- (xiv) any investment in repurchase obligations with respect to any securities of the type described in clauses (i) and (ii) above which are collateralized at par or over.

"Investment Grade Status" shall occur when the Notes receive an investment grade ratings from any two rating agencies rating the Notes, which as at the date of the first issuance of Notes under the Programme means "BBB-" or better by Fitch and "BBB-" or better by S&P (or, if either entity ceases to rate the Notes, the equivalent investment grade credit rating from any other rating agency *provided* that at all times two investment grade ratings will be required in order for the Notes to be defined as having Investment Grade Status).

"Investments" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions

(excluding accounts receivable, trade credit, advances to customers, commission, travel and similar advances to employees, directors, officers, managers and consultants, in each case made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by IFRS to be classified on the balance sheet (excluding the footnotes) of the Issuer in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. For purposes of the definition of "Unrestricted Subsidiary" and Condition 4.2:

- (xv) "Investments" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a re-designation of such Subsidiary as a Restricted Subsidiary, the Issuer will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's "Investment" in such Subsidiary at the time of such re-designation *less* (b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary;
- (xvi) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer; and
- (xvii) if the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto shall not be deemed to be a new Investment at such time.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced by any dividend, distribution, interest payment, return of capital, repayment or other amount received in Cash Equivalents by the Issuer or a Restricted Subsidiary in respect of such Investment.

"Market Capitalisation" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of declaration of such dividend; or, if greater, the IPO Capitalisation.

"Net Proceeds" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration or any Cash Equivalents received in any Asset Sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration, including, without limitation:

- (i) all legal, accounting, investment banking, commissions and other fees and expenses incurred, title and recording tax expenses, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS, as a consequence of such Asset Sale after taking into account any available tax credits or deductions and any tax sharing arrangements;
- (ii) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Security Interest upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

- (iii) all distributions and other payments required to be made to holders of minority interests in Subsidiaries or joint ventures as a result of such Asset Sale; and
- (iv) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, or held in escrow, in either case for adjustment in respect of the sale price or for any liabilities associated with the assets disposed of in such Asset Sale and retained by the Issuer or any Restricted Subsidiary of the Issuer after such Asset Sale.

"Officer" means, with respect to any Person, (1) any member or director of the Board of Directors, the general manager (*generalinis direktorius*), the chief executive officer, the president, the chief financial officer, any vice president, the treasurer, any managing director, the secretary or the equivalent position of any of the foregoing (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated in writing to the Trustee as an "Officer" for the purposes of the Trust Deed by the Board of Directors of such Person.

"Officer's Certificate" means, with respect to any Person, a certificate signed by one Officer of such Person.

"Permitted Business" means (1) any business activities engaged in or proposed to be engaged in on the date of the first issuance of Notes under the Programme by the Issuer, any of its Subsidiaries or joint ventures or similar entities (as well as any business activities engaged in by entities in which the Issuer or any of its Subsidiaries has an investment) or (2) any business activities that are reasonably related, complementary, incidental, ancillary or similar to the foregoing or are reasonable extensions, developments, evolutions or expansions of any thereof.

"Permitted Investments" means:

- (i) any Investment in the Issuer or in a Restricted Subsidiary of the Issuer;
- (ii) any Investment in cash and Cash Equivalents or Investment Grade Securities;
- (iii) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in any Person if as a result of such Investment:
 - (A) such Person becomes a Restricted Subsidiary of the Issuer; or
 - (B) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;
- (iv) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Condition 4.5;
- (v) any acquisition of assets or Capital Stock solely in exchange for the issuance of Equity Interests (other than Disqualified Stock) of the Issuer;
- (vi) any Investments received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (B) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (vii) Investments represented by Hedging Obligations, which are permitted by Condition 4.3(b)(vi);
- (viii) receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include

such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

- (ix) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;
- (x) guarantees of Indebtedness, keep-wells and similar arrangements permitted under Condition 4.3;
- (xi) Investments of a Restricted Subsidiary of the Issuer acquired after the date of the first issuance of Notes under the Programme or of any entity merged into the Issuer or merged into or consolidated or amalgamated with a Restricted Subsidiary of the Issuer in accordance with Condition 4.4 to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;
- (xii) Investments received as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment in default;
- (xiii) any Investment existing on the date of the first issuance of Notes under the Programme and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the first issuance of Notes under the Programme; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of the first issuance of Notes under the Programme or (b) as otherwise permitted under the Trust Deed;
- (xiv) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer;
- (xv) loans and advances to employees, directors, officers, managers and consultants (a) for business related travel expenses, moving expenses and other similar expenses or payroll advances, in each case incurred in the ordinary course of business or consistent with past practices or (b) to fund such Person's purchase of Equity Interests of the Issuer or in any management equity vehicle so investing in such Equity Interests;
- (xvi) Investments consisting of purchases and acquisitions of assets or services (including, but not limited to, inventory, real estate, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property) in the ordinary course of business or consistent with past practise;
- (xvii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Investments in any businesses, services and activities that are related, complimentary or incidental to those engaged in by the Issuer or any of its Restricted Subsidiaries or are extensions or developments of any thereof whether by way of joint venture or a minority interest in a Subsidiary *provided* that the Investments made pursuant to this paragraph (xvii) at any one time do not exceed the greater of (i) EUR60.0 million and (ii) 2.5 per cent. of Total Assets;
- (xviii) prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Issuer or any Restricted Subsidiary of the Issuer;
- (xix) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any *bona fide* Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with

all other Investments made pursuant to this paragraph (xix) that are outstanding not to exceed EUR60.0 million in aggregate at any one time;

- (xx) any Investment acquired by the Issuer or any of its Restricted Subsidiaries: (a) consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business; (b) in exchange for any other Investment or accounts receivable, indorsements for collection or deposit held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalisation of the issuer of such other Investment or accounts receivable (including any trade creditor or customer); or (c) in satisfaction of judgments against other Persons; or (d) as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (xxi) Investments the payment for which consists of Equity Interests (other than Disqualified Stock) of the Issuer; *provided*, that such Equity Interests will not increase the amount available for Restricted Payments under Condition 4.2(b)(iii);
- (xxii) any transaction to the extent it constitutes an Investment that is permitted by and made in accordance with the provisions of Condition 4.7(b) (except transactions described in clauses (v), (ix) and (xi) of Condition 4.7(b));
- (xxiii) Investments (including obligations under Indebtedness and Equity Interests) received in connection with the bankruptcy or reorganization of suppliers and customers or in settlement of delinquent obligations of, or other disputes with, customers and suppliers arising in the ordinary course of business or consistent with past practice or upon the foreclosure with respect to any secured Investment or other transfer of title with respect to any secured Investment;
- (xxiv) advances, loans or extensions of trade credit in the ordinary course of business or consistent with past practice by the Issuer or any of its Restricted Subsidiaries;
- (xxv) Investments made in the ordinary course of business or consistent with past practice in connection with obtaining, maintaining or renewing client contacts;
- (xxvi) Investments in the ordinary course of business or consistent with past practice consisting of endorsements for collection of deposit and customary trade arrangements with customers consistent with past practices; and
- (xxvii) Investments consisting of promissory notes issued by the Issuer to future, present or former officers, directors and employees, members of management, or consultants of the Issuer or any of its Subsidiaries or their respective estates, spouses or former spouses to finance the purchase or redemption of Equity Interests of the Issuer to the extent the applicable Restricted Payment is permitted by Condition 4.2,

provided, however, that with respect to any Investment, the Issuer may, in its sole discretion, allocate all or any portion of any Investment to one or more of the above paragraphs (i) through (xxvii) so that the entire Investment would be a Permitted Investment.

"Permitted Refinancing Indebtedness" means any Indebtedness of the Issuer or any of its Restricted Subsidiaries issued in exchange for or to replace (including, for the avoidance of doubt, any Indebtedness that may be incurred from time to time to replace other Indebtedness that has already been repaid, terminated, discharged or cancelled), or the net proceeds of which are used to extend, renew, refund, refinance, replace, exchange, defease or discharge, other Indebtedness of the Issuer or any of its Restricted Subsidiaries (for the avoidance of doubt, including Indebtedness re-drawn to replace other Indebtedness) (other than intercompany Indebtedness); *provided that*:

- (i) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);
- (ii) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged; and
- (iii) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favourable to the Noteholders as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged.

"Permitted Security Interest" means:

- (i) Security Interests existing on the date of the first issuance of Notes under the Programme;
- (ii) Security Interests existing on any property, income or assets of any person at the time such person becomes a member of the Group or such property, income or assets are acquired by any member of the Group, *provided* that such Security Interest was not created in contemplation of such event and that no such Security Interest shall extend to other property, income or assets of such person or the Group;
- (iii) Security Interests in favour of the Issuer or any other member of the Group;
- (iv) Security Interests securing Permitted Refinancing Indebtedness; *provided* that any such Security Interest is limited to all or part of the same property or assets that secured the Indebtedness being exchanged, replaced, extended, renewed, refunded, refinanced, defeased or discharged or is otherwise in respect of property or assets that is or could be the security for or subject to a Permitted Security Interest hereunder;
- (v) Security Interests on property or other assets at the time the Issuer or a Restricted Subsidiary acquired the property or such other assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries; *provided*, that such Security Interests are not created or incurred in connection with, or in contemplation of, such acquisition, amalgamation, merger or consolidation; *provided, further*, that the Security Interests may not extend to any other property owned by the Issuer or any of its Restricted Subsidiaries;
- (vi) Security Interests securing Indebtedness of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary permitted to be incurred in accordance with Condition 4.3;
- (vii) Security Interests on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary; and

- (viii) other Security Interests, *provided* that the Consolidated Secured Leverage Ratio, on a *pro forma* basis, after giving effect the incurrence of the Secured Indebtedness and the application of proceeds therefrom, would not be more than 1.5 to 1.0.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or other judicial entity, including, without limitation, any state or agency of a state or other entity, whether or not having separate legal personality.

"Related Business Assets" means assets (other than Cash Equivalents) used or useful in a Permitted Business; *provided*, that any assets received by the Issuer or a Restricted Subsidiary in exchange for assets transferred by the Issuer or a Restricted Subsidiary shall not be deemed to be Related Business Assets if they consist of securities of a Person, unless upon receipt of the securities of such Person, such Person would become a Restricted Subsidiary.

"Relevant Testing Period" means, for purposes of the calculation of any applicable financial covenant, test, basket or ratio (including those based on Consolidated EBITDA, Fixed Charge Coverage Ratio and/or Consolidated Net Leverage Ratio), the most recently completed four consecutive fiscal quarters ending on the last day of the most recent fiscal quarter (or fiscal year, if later) for which financial statements have been delivered pursuant to Condition 4.6(b) or, at the option of the Issuer, the most recently completed 12 consecutive months ending on the last day of a calendar month for which the Issuer has, in its sole determination, sufficient available information to be able to determine any applicable financial covenant, test, basket or ratio.

"Restricted Investments" means any Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Sale and Lease-Back Transaction" means any arrangement providing for the leasing by the Issuer or any of its Restricted Subsidiaries of any real or tangible personal property, which property has been or is to be sold or transferred by the Issuer or such Restricted Subsidiary to a third Person in contemplation of such leasing.

"Secured Indebtedness" means, as of any date of determination, the principal amount of Indebtedness that is secured by a Security Interest.

"Security Interest" means any mortgage, charge, pledge, lien or other security interest securing any Indebtedness of any Person (including without limitation, any other agreement or arrangement having similar effect).

"Subordinated Shareholder Funding" means, collectively, any funds provided to the Issuer by a Holding Company in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Holding Company of the Issuer or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (i) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);
- (ii) does not require, prior to the first anniversary of the maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross ups, or any similar cash amounts;
- (iii) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action

or otherwise require any cash payment, in each case, prior to the first anniversary of the maturity of the Notes;

- (iv) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (v) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

"Total Assets" means the total assets of the Issuer and its Restricted Subsidiaries, determined on a consolidated basis in accordance with IFRS, as shown on the most recent balance sheet of the Issuer or such other Person as may be expressly stated.

"Unrestricted Subsidiary" means:

- (i) any Subsidiary of the Issuer which at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer, as provided below); and
- (ii) any Subsidiary of an Unrestricted Subsidiary.

The Issuer may designate any Subsidiary of the Issuer (including any existing Subsidiary and any newly acquired or newly formed Subsidiary, but excluding the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Security Interest on, any property of, the Issuer or any Subsidiary of the Issuer (other than solely any Subsidiary of the Subsidiary to be so designated); *provided*, that:

- (i) such designation complies with Condition 4.2; and
- (ii) each of (a) the Subsidiary to be so designated and (b) its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any Restricted Subsidiary.

The Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, that, immediately after giving effect to such designation, no Event of Default shall have occurred and be continuing and either:

- (i) the Issuer could incur at least EUR1.00 of additional Indebtedness pursuant to Condition 4.3(a); or
- (ii) (x) the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would be equal to or less than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation and (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be equal to or greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation, in each case on a *pro forma* basis taking into account such designation.

Any such designation by the Issuer shall be notified by the Issuer to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer or any committee thereof giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"Weighted Average Life to Maturity" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (i) the sum of the products obtained by multiplying (a) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of

principal, including payment at final maturity, in respect of the Indebtedness, by
(b) the number of years (calculated to the nearest one-twelfth) that will elapse
between such date and the making of such payment; by

- (ii) the then outstanding principal amount of such Indebtedness,

provided, that for purposes of determining the Weighted Average Life to Maturity of any Indebtedness that is being extended, replaced, refunded, refinanced, renewed or defeased (the "**Applicable Indebtedness**"), the effects of any amortisation or prepayments made on such Applicable Indebtedness prior to the date of the applicable extension, replacement, refunding, refinancing, renewal or defeasance shall be disregarded.

"Wholly Owned Subsidiary" of any Person means a Subsidiary of such Person, 100.0 per cent. of the outstanding Equity Interests of which (other than directors' qualifying shares and shares issued to foreign nationals as required by applicable law) shall at the time be owned by such Person and/or by one or more Wholly Owned Subsidiaries of such Person.

5. **Interest and other Calculations**

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f).
- (b) **Interest on Floating Rate Notes:**
 - (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
 - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
 - (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will be the Reference Rate which appears on the Relevant Screen Page as at 11.00 a.m. (Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR or CMT Rate, the Rate of Interest in respect of such Notes will be determined as provided hereon.

- (y) if the Relevant Screen Page is not available, subject as provided below, the Issuer shall request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide its offered quotation (expressed as a percentage rate per annum) for the Reference Rate, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more such banks provide the Issuer with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as calculated by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Issuer determines that fewer than two such banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Issuer by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would

have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be and such offered rates to be notified by the Issuer to the Calculation Agent, or, if fewer than two rates are provided as requested, the rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (aa) If CMT Rate is specified hereon as the relevant Reference Rate, the Rate of Interest in relation to each Interest Accrual Period will be the rate determined by the Calculation Agent and expressed as a percentage equal to:
- (i) the yield for U.S. Treasury Securities at "constant maturity" for a designated maturity specified hereon, as published in the H.15(519) under the caption "Treasury constant maturities (Nominal)", as that yield is displayed, for the particular Interest Determination Date, on the Bloomberg Screen; or
 - (ii) if the yield referred to in (i) above is not published by 4:00 p.m. (New York City time) on the Bloomberg Screen on such Interest Determination Date, the yield for U.S. Treasury Securities at "constant maturity" for a designated maturity specified hereon as published in the H.15(519) under the caption "Treasury constant maturities (Nominal)" for such Interest Determination Date; or
 - (iii) if the yield referred to in (ii) above is not published by 4:30 p.m. (New York City time) on such Interest Determination Date, the CMT Reference Dealer Rate on such Interest Determination Date; or
 - (iv) if fewer than three CMT Reference Dealers selected by the Issuer provide bid prices for the purposes of determining the CMT Reference Dealer Rate referred to in (iii) above as described in the definition

of CMT Reference Dealer Rate, the CMT Rate applicable to the last preceding Interest Period,

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period *provided however* that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as the Issuer determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8 (*Taxation*)).
- (e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:**
 - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

- (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (*provided* that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as reasonably practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as reasonably practicable after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination *provided* that if the Calculation Agent is unable to notify the relevant stock exchange on which the relevant Notes are for the time being listed, the Issuer shall procure such notification. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. All notifications,

determinations, (including, without limitation, of any amount or of any state of affairs, circumstances, event or other matter), certificates, calculations and quotations given, expressed, made or obtained or permitted to be determined, decided, formed or exercised by the Calculation Agent, in each case, under or pursuant to the Agency Agreement and/or these Conditions, shall be final and binding upon all parties and no liability to any party will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers and duties for such purposes.

- (h) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

- (i) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Auditors" means PricewaterhouseCoopers UAB, as the auditors of the Issuer as at the Issue Date, or any other independent audit firm selected by the Issuer.

"Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

"Bloomberg Screen" means page H15T5Y on the Bloomberg L.P. service or any successor service or such other page as may replace that page on that service for the purpose of displaying **"Treasury constant maturities"** as reported in the H.15(519).

"Business Day" means:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a "TARGET Business Day") and/or
- (iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"CMT Rate" means the one-year Constant Maturity Treasury Rate.

"CMT Reference Dealer Rate" means, on any Interest Determination Date, the rate calculated by the Calculation Agent as being a yield-to-maturity based on the arithmetic mean of the secondary market bid prices for U.S. Treasury Securities at approximately 4:30 p.m. (New York City time) on such Interest Determination Date, of leading primary U.S. government securities dealers in New York City as selected by the Issuer (each, a **"CMT Reference Dealer"**). The Issuer will select five CMT Reference Dealers to provide such bid prices and the Calculation Agent will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality,

one of the lowest); *provided, however*, that, if fewer than five but more than two such bid prices are provided, then neither the highest nor the lowest of those quotations will be eliminated prior to calculating the arithmetic mean of such bid prices.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **"Calculation Period"**):

- (i) if **"Actual/Actual"** or **"Actual/Actual - ISDA"** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)
- (ii) if **"Actual/365 (Fixed)"** is specified hereon, the actual number of days in the Calculation Period divided by 365
- (iii) if **"Actual/365 (Sterling)"** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366
- (iv) if **"Actual/360"** is specified hereon, the actual number of days in the Calculation Period divided by 360
- (v) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30

- (vi) if **"30E/360"** or **"Eurobond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30

- (vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30

- (viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"Determination Date" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"EURIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor).

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"H.15(519)" means the weekly statistical release designated as H.15(519), or any successor publication, published by the Board of Governors of the U.S. Federal Reserve System at <http://www.federalreserve.gov/releases/H15/> or any successor site or publication.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Basis" shall be as set out in the relevant Final Terms.

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"Margin" shall be as set out in the relevant Final Terms.

"Lithuania" means the Republic of Lithuania.

"Material Subsidiary" shall mean a Subsidiary from time to time of the Issuer:

- (i) the book value of the assets of which exceeds 5 per cent. of the book value of the assets of the Group taken as a whole; or
- (ii) the revenues of which exceed 5 per cent. of the revenues of the Group taken as a whole.

For these purposes (a) the book value of the assets and revenues of such Subsidiary shall be determined by reference to its then most recent audited annual financial statements (or, if none, its then most recent management accounts), and (b) the book value of the assets and revenues of the Group shall be determined by reference to its then most recent audited annual consolidated financial statements, in each case adjusted, as the Auditors may consider appropriate, to take account of any changes in circumstances since the date as of which such financial statements (or management accounts) were prepared. A certificate of the Issuer signed by the general manager (*generalinis direktorius*) of the Issuer (the **"General Manager"**) stating that in the General Manager's opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Maximum Redemption Amount" shall be as set out in the relevant Final Terms.

"Minimum Rate of Interest" shall be as set out in the relevant Final Terms.

"Minimum Redemption Amount" shall be as set out in the relevant Final Terms.

"Optional Redemption Date" shall be as set out in the relevant Final Terms.

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"Rating Agency" means each rating agency of Moody's Investors Service Ltd. (**"Moody's"**), S&P Global Ratings Europe Limited (**"Standard & Poor's"**) or Fitch, Inc. (**"Fitch"**), as the case may be, *provided* that references herein to a Rating Agency shall only be to such Rating Agency as shall have been appointed by or on behalf of the Issuer to maintain a rating and shall not extend to any such Rating Agency providing ratings on an unsolicited basis.

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount and/or the Optional Redemption Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Final Terms.

"Redemption Margin" shall be as set out in the relevant Final Terms.

"Reference Banks" means, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Issuer or as specified hereon.

"Reference Bond" shall be as set out in the relevant Final Terms or, if not so specified or to the extent that such Reference Bond specified in the Final Terms is no longer outstanding on the relevant Reference Date, the DA Selected Bond.

"Reference Date" means the date which is two business days prior to the despatch of the notice of redemption under Condition 6(d) or such other date as may be specified in the relevant Final Terms.

"Reference Rate" means the rate specified as such hereon.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"Security" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"Specified Interest Payment Date" shall be as set out in the relevant Final Terms.

"Subsidiary" means, in relation to any company or corporation, a company or corporation:

- (i) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (ii) more than half the issued share capital of which is beneficially owned, directly or indirectly by the first mentioned company or corporation;
- (iii) more than half of the votes of which is controlled by the by the first mentioned company or corporation; or
- (iv) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

"U.S. Treasury Securities" means, on any Interest Determination Date, U.S. Treasury Securities with an original maturity as specified hereon, a remaining term to maturity of no more than one year shorter than such specified maturity and in a principal amount equal to an amount that is representative for a single transaction in such U.S. Treasury Securities in the New York City market. If two or more U.S. Treasury Securities have remaining terms to maturity of no more than one year shorter than such specified maturity, the U.S. Treasury Security with the longer remaining term to maturity will be used, and if two or more U.S. Treasury Securities have remaining terms to maturity equally close to such specified maturity, the U.S. Treasury Security with the largest nominal amount outstanding will be used.

- (j) **Benchmark discontinuation:**

Notwithstanding the provisions above in Condition 5(b)(B), if a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions of this Condition 5(j) shall apply.

(i) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(j)(ii)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(j)(iv)). In making such determination, the Independent Adviser appointed pursuant to this Condition 5(j)(i) shall act in good faith as an expert. In the absence of wilful default, negligence, bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 5(j).

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(j)(i) prior to the date which is 10 business days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be determined using the Original Reference Rate last displayed on the Relevant Screen Page or, if no such Relevant Screen Page is so specified in the relevant Final terms, last available (as the case may be) prior to the relevant Interest Determination Date. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(j)(i).

(ii) *Successor Rate or Alternative Rate*

If the Independent Adviser acting in good faith and a commercially reasonable manner determines that:

- (A) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the subsequent operation of this Condition 5(j)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the subsequent operation of this Condition 5(j)).

Neither the Paying Agent nor the Calculation Agent shall be responsible for determining the Successor Rate or Alternative Rate.

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Rate (as applicable) will apply without an Adjustment Spread.

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(j) and the Independent Adviser and acting in good faith and a commercially reasonable manner, determines (i) that amendments to these Conditions and/or the Trust Deed and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Issuer may, subject to giving notice thereof in accordance with Condition 5(j)(v), without any requirement for the consent or approval of Noteholders vary these Conditions and/or the Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date of such amendments.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by the General Manager of the Issuer pursuant to Condition 5(j)(v), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions, the Agency Agreement or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

Notwithstanding any other provision of this Condition 5(j), the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 5(j) to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 5(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices, etc.*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(j) will be notified at least 10 business days prior to the relevant Interest Determination Date by the Issuer to the Trustee, the Calculation Agent, the Paying Agents. In accordance with Condition 12, notice shall be provided to the Noteholders promptly thereafter. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Noteholders of the same, the Issuer shall deliver to the Trustee, the Calculation Agent and the Paying Agents a certificate signed by the General Manager of the Issuer:

- (A) confirming (i) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(j); and
- (B) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Paying Agents and the Noteholders.

Notwithstanding any other provision of this Condition 5(j), if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5(j), the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Condition 5(j)(i), (ii), (iii), and (iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b)(iii)(B) will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions*

As used in this Condition 5(j):

"Adjustment Spread" means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

- (B) the Independent Adviser determines, and acting in good faith and a commercially reasonable manner, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)
- (C) the Independent Adviser determines, and acting in good faith and a commercially reasonable manner, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions or is in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(j)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

“Benchmark Amendments” has the meaning given to it in Condition 5(j)(iv).

“Benchmark Event” means:

- (1) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (2) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease to publish the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or
- (5) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or
- (6) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (2) and (3) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (4) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (5) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the

relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Trustee, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

“**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Calculation Agent.

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(j)(i). In no event, unless otherwise agreed in writing, shall the Paying Agent or Calculation Agent be the Independent Adviser.

“**Original Reference Rate**” means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate (as applicable):

- (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

“**Successor Rate**” means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6. **Redemption, Purchase and Options**

- (a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).
- (b) **Early Redemption:**
 - (i) *Zero Coupon Notes:*
 - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
 - (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per

annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Lithuania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (A) a certificate signed by the General Manager of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures and (B) an opinion of a nationally recognised law firm or other tax advisor in Lithuania experienced in such matters to the effect that the relevant requirement or circumstances referred to in (i) above applies and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon and Make Whole Amount is not specified hereon as the Optional Redemption Amount, the Issuer may, on giving not less than 15 nor more than 60 days' notice (or such other notice period as may be specified hereon) to the Noteholders (which notice shall specify the Optional Redemption Date), redeem all or, if so provided, some of the Notes on any Optional

Redemption Date (provided that if Issuer Maturity Par Call is specified hereon, such Optional Redemption Date falls more than 90 days prior to the Maturity Date). Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be automatically delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent), or such redemption may not occur and such notice may be rescinded if any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

- (e) **Redemption at the Option of the Issuer (Make Whole):** If Make Whole Call Option is specified hereon and Make Whole Amount is specified hereon as the Optional Redemption Amount, the Issuer may, on giving not less than 15 nor more than 60 days' notice (or such other notice period as may be specified hereon) to the Noteholders (which notice shall specify the date fixed for redemption, (the "**Make Whole Optional Redemption Date**"), such date being not less than 90 days' prior to the Maturity Date), redeem all, or, if so *provided*, some of the Notes at the Make Whole Redemption Price together with interest accrued to but excluding the Make Whole Optional Redemption Date.

Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be automatically delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent), or such redemption may not occur and such notice may be rescinded if any or all such conditions

shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

In this Condition:

"Determination Agent" means a financial adviser or bank which is independent of the Issuer appointed by the Issuer (acting reasonably and in good faith) for the purpose of determining the Make Whole Redemption Price;

"Make Whole Redemption Price" means, in respect of each Note, the higher of (a) the nominal amount of such Note and (b) the sum of the then present values of the remaining scheduled payments of principal and interest discounted to the Make Whole Optional Redemption Date on an annual basis (based on the Day Count Fraction specified hereon) at the Reference Dealer Rate (as defined below) *plus* any applicable Redemption Margin specified hereon, in each case as determined by the Determination Agent;

"Reference Dealers" means those Reference Dealers specified hereon; and

"Reference Dealer Rate" means with respect to the Reference Dealers and the Make Whole Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond specified hereon or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers, at the Determination Time specified hereon on the Determination Date specified hereon quoted in writing to the Determination Agent by the Reference Dealers.

- (f) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (g) **Redemption at the Option of the Issuer (Issuer Maturity Par Call):** If Issuer Maturity Par Call is specified hereon, the Issuer may, on giving not less than 15 nor more than 60 days' notice to the Noteholders (or such other notice period as may be specified hereon), redeem all or, if so provided, some of the Notes at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date (the "**Par Call Period Commencement Date**") to (but excluding) the Maturity Date, at the Final Redemption Amount specified hereon together with interest accrued (if any) to (but excluding) the date fixed for redemption.

- (h) **Redemption at the Option of Noteholders (Change of Control):** If Change of Control Put Event is specified hereon and a Change of Control Put Event occurs, the holder of any such Note will have the option (a "**Change of Control Put Option**") (unless (x) prior to the giving of the relevant Change of Control Put Event Notice the Issuer has given notice of redemption of all Notes under Condition 6(c), 6(d), 6(e) or 6(g) above or (y) a Specified Change of Control Event has occurred) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Change of Control Put Date (as defined below) at a price equal to 101 per cent. of its principal amount together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if a Change of Control occurs provided that it is not a Specified Change of Control Event.

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 18 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, any Noteholder must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 90 days after a Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 16 at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 6(h) shall be treated as if they were Notes.

To exercise the Change of Control Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Change of Control Put Notice obtainable from the Registrar or any Transfer Agent within the Change of Control Put Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Change of Control Put Date unless previously redeemed (or purchased) and cancelled.

If 90 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 6(h), the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Change of Control Put Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at 101 per cent. of their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control has occurred, and, until it shall have received express written notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or other such event has occurred.

In this Condition:

a "**Change of Control**" will be deemed to occur if:

- (i) prior to an IPO Event, any person (or persons acting in concert), other than the Permitted Holders, acquires control (or, as the case may be, operating control) of the Issuer; or
- (ii) following an IPO Event, any person (or persons acting in concert) owning a greater percentage of the issued share capital or voting shares of the Issuer than are owned (directly or indirectly) by the Permitted Holders.

For the purpose of the definition of Change of Control above:

- (i) "**acting in concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them, either directly or indirectly, of shares in the relevant company, to obtain or consolidate control of the relevant company;
- (ii) "**control**" means the power (whether by way of ownership of shares, contractual arrangement or otherwise) to (A) cast or control the casting of more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the relevant company or (B) appoint or remove or control the appointment or removal of the majority of the directors or other equivalent officers of the relevant company;
- (iii) "**operating control**" means the power (whether by way of ownership of shares, ability to appoint or remove directors or control the appointment or removal of directors, contractual arrangement or otherwise) to give directions with respect to the operating and financial policies of the relevant company with which the directors or other equivalent officers of the relevant company are obliged to comply; and
- (iv) "**IPO Event**" has the meaning given to such term in Condition 4 (Covenants) above.

"**Investors**" means UAB Vilniaus prekyba and any funds, partnerships, co-investment vehicles and other entities, directly or indirectly, owned, managed, controlled or advised by UAB Vilniaus prekyba and its Affiliates.

"**Specified Change of Control Event**" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; provided, that the Consolidated Net Leverage Ratio of the Issuer immediately after the occurrence of such event and giving pro forma effect thereto (including any Indebtedness incurred in connection therewith) would have been equal to or less than 4.0 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Conditions after the Issue Date.

"**Permitted Holder**" means any of the Investors. Any Person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Put Event occurs and for which an offer to redeem or purchase the Notes is made in accordance with the requirements of the Trust Deed, or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"Relevant Announcement Date" means the date that is the earlier of (i) the date of the first public announcement of the relevant Change of Control and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any); and

"Relevant Potential Change of Control Announcement" means any public announcement or statement by the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

- (i) **Purchases:** The Issuer and its Subsidiaries may at any time purchase Notes (*provided* that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.
- (j) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. **Payments and Talons**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank.
- (b) **Registered Notes:**
 - (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
 - (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the **"Record Date"**). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment

is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

- (d) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

- (f) **Unmatured Coupons and unexchanged Talons:**
 - (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
 - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
 - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
 - (iv) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:
 - (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Lithuania or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Lithuania other than the mere holding of the Note or Coupon or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

Notwithstanding any other provision of these Conditions, any amounts to be paid on the Notes and the Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Section 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of a FATCA Withholding.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed.

"**Relevant Date**", in respect of any Note or Coupon, means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, *provided* that payment is in fact made upon such presentation.

Under current Lithuanian laws and regulations, interest payments on any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident or non-resident individual will be subject to Lithuanian personal income tax at progressive rates of

- (i) *15 per cent., if the total income received by an individual during a calendar year is or does not exceed the sum of 120 Lithuanian gross average salaries, which is determined on the basis of quarterly gross average salaries as published by Statistics Lithuania (for example, in 2022, this figure would be EUR 180,492); and*
- (ii) *20 per cent., on the part of the total income exceeding the above-mentioned threshold.*

For resident individuals, such income will exclude income from employment, self-employment, dividends, remuneration of board members and certain other types of income.

For non-resident individuals, such income will include Lithuanian-sourced interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in the Republic of Lithuania and capital gains from movable property registerable in the Republic of Lithuania.

When interest is earned by a non-resident individual, the Issuer, as a Lithuanian interest-paying entity, will withhold 15 per cent. personal income tax and if it becomes known at the end of the year that a part of the amount was subject to 20 per cent. rate, the non-resident individual will pay the difference himself/herself. Separate double taxation treaties with the Republic of Lithuania can provide for a lower tax rate for non-residents.

Interest payments on any Notes (including to the extent applicable, the difference between the redemption price and the issue price of the Notes) to

- (i) *resident entities will be included into calculation of their taxable profit which will be subject to corporate income tax at a general rate of 15 per cent. or an incentive rate applicable to the Noteholder (banks and credit unions, including branches of foreign banks in the Republic of Lithuania, will pay additional 5 per cent. corporate income tax on profits, subject to special calculation rules, exceeding EUR2 million); and*
- (ii) *(ii) non-resident entities that do not benefit from a double tax treaty with the Republic of Lithuania and are not registered or otherwise organised in a state of the European Economic Area will be subject to Lithuanian withholding tax at a rate of 10 per cent.*

If the Issuer, as a Lithuanian interest paying person, is unable to identify a Noteholder and determine such Noteholder's eligibility for a lower tax rate exemption from the withholding tax, payments of interest in respect of the Notes to any such Noteholder (including, to the extent

applicable, the difference between the redemption price and issue price of the Notes) will be subject to 15 per cent. withholding tax to be paid to the budget of the Republic of Lithuania by the Issuer.

9. **Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. **Events of Default**

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to its being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

- (i) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes or
- (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee or
- (iii) **Cross-Acceleration:** (A) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised *provided* that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph have occurred equals or exceeds EUR35.0 million or its equivalent or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries having an aggregate value of EUR35.0 million or more and is not discharged or stayed within 60 days or
- (v) **Judgment Default:** any one or more final, non-appealable judgments or orders is made against the Issuer or any of its Restricted Subsidiaries involving an aggregate liability not paid or fully covered by insurance in respect of a matter (or a series of related matters) greater than EUR35.0 million, unless those judgments and orders are paid, vacated or discharged within 60 days of their being made (or, if later, prior to the end of the period of any deferral or suspension of enforcement granted for any such judgment or order) or
- (vi) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) or

- (vii) **Insolvency:** any of the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, (b) stops, suspends or threatens to stop or suspend payment of all or any substantial part of (or of a particular type of) its debts, or (c) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts other than any assignment, arrangement or composition on a solvent basis in respect of debts not exceeding EUR20.0 million in the aggregate or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries or
- (viii) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors or other relevant body (as the case may be) threatens to cease to carry on all or any substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Material Subsidiaries, *provided* that this paragraph (vii) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement or
- (ix) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or, in the opinion of the Trustee, a material part of the assets of the Issuer or any of its Material Subsidiaries or
- (x) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or
- (xi) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs

provided that in the case of paragraphs (ii), (v), (vi), (xi) and, in the case of a Material Subsidiary only, (vii) and (viii), the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders.

11. Meetings of Noteholders, Modification, Waiver and Substitution

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest

Amount in respect of the Notes other than in respect of a Benchmark Amendment, (iv) to change the currency of payment of the Notes or the Coupons, (v) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (vi) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

In addition, the Trustee shall be obliged to concur with the Issuer in effecting any Benchmark Amendments in the circumstances set out in Condition 5(j) without the consent of the Noteholders or Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

Important note: *The appointed Trustee does not qualify as a trustee of the holders of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas). Unless the Trustee is a trustee of the holders of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian – Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas), the Trustee does not have rights and obligations established in the above mentioned laws in relation to any Meetings of Noteholders. Accordingly, the Meetings of Noteholders, as described above, do not meet the requirements of and are not regulated by the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania (in Lithuanian - Lietuvos Respublikos akcinių bendrovių ir uždarytųjų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas).*

- (b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company,

as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed *provided* that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. **Enforcement**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such steps, actions or proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. **Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

14. **Replacement of Notes, Certificates, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

15. **Further Issues**

So long as permitted by Condition 4.3, the Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with an outstanding Series. References in these Conditions to the Notes (other than for the purpose of the definition of Permitted Debt) include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

16. **Notices**

Notices required to be given to the holders of Registered Notes pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bearer Notes pursuant to the Conditions shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). So long as the Notes are listed and/or admitted to trading, notices required to be given to the holders of the Notes pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are listed/and or admitted to trading. If in the opinion of the Trustee any such publication is not practicable, notice required to be given pursuant to the Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

17. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

18. **Governing Law and Jurisdiction**

- (a) **Governing Law:** The Trust Deed, the Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.
- (c) **Service of Process:** The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. Initial Issue of Notes

If the Global Notes or the Global Certificates are stated in the applicable Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), the Global Notes or the Global Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper. Depositing the Global Notes or the Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the "Common Depositary").

If the Global Note is a CGN, upon the initial deposit of a Global Note with a Common Depositary or, if the Global Certificate is not held under the NSS, upon registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is a NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3. Exchange

3.1 Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (a) if the relevant Final Terms indicates that such Global Note is issued in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*") and, if the relevant Final Terms so specifies, in whole, but not in part, for the Definitive Notes defined and described below; and

- (b) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

3.2 **Permanent Global Notes**

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 **Global Certificates**

If the Final Terms state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) (*Transfer of Registered Notes*) may only be made in part:

- (a) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (b) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(a) or 3.3(b) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

3.4 **Delivery of Notes**

If the Global Note is a CGN, on or after any due date for exchange the holder of a Global Note may surrender such Global Note. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.5 **Exchange Date**

"**Exchange Date**" means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

4. **Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

4.1 **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the TEFRA D before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. If the Global Note is a NGN or if the Global Certificate is held under the NSS, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Certificate will be reduced accordingly. Payments under a NGN will be made to its holder. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "**business day**" set out in Condition 7(h) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

4.2 **Prescription**

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

4.3 **Meetings**

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified

Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Note.

4.5 Purchase

Notes represented by a Permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note may be exercised by the holder of the Permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the Permanent Global Note is a CGN, presenting the Permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN or where the Global Certificate is held under the NSS, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

4.8 NGN nominal amount

Where the Global Note is a NGN, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

4.9 Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

4.10 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note, except that so long as the Notes are listed and/or admitted to trading, such notices shall also be published (if required) in a manner which complies with the rules and regulations of the relevant stock exchange or relevant authority and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

5. Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Trust Deed) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes, including the refinancing of existing indebtedness.

If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF ISSUER

Overview

Maxima grupė is part of the Uždaroji akcinė bendrovė "Vilniaus Prekyba" group ("**Vilniaus Prekyba**"), one of the largest retail groups in the Baltic States and Central and Eastern Europe (which was rated eleventh in the Coface "CEE Top 500" company rankings in 2021), which has grown significantly in recent years, through a mixture of organic growth and strategic acquisitions.

The Group's consolidated revenue for the year ended 31 December 2021 totalled EUR 4.5 billion, and for the year ended 31 December 2020 totalled EUR 4.2 billion. The Group recorded like-for-like revenue growth of 3.2 per cent. for the year ended 31 December 2021 (at constant exchange rates). Profit from operations and EBITDA for the year ended 31 December 2021 were EUR 191.6 million and EUR 366.3 million, respectively and for the year ended 31 December 2020 EUR 211.3 million and EUR 385.4 million, respectively. As of 31 December 2021, the Group had total assets of EUR 2.34 billion compared to EUR 2.28 billion as of 31 December 2020.

The Group currently owns a number of retail chains operating under the names of "Maxima" in the Baltic States, "Stokrotka" in Poland and "T-Market" in Bulgaria. The Group also owns "Barbora", which, based on publicly available sales data collated by the Group, is the largest e-grocery store in the Baltic States and has operated in Poland since 2021. The Group also owns real estate entities that operate the real estate assets mainly used in the Group's retail businesses.

Description of the Issuer

The Issuer's legal and commercial name is MAXIMA GRUPĖ, UAB (also referred to as "**Maxima grupė**"). The Issuer is incorporated in Lithuania as a private company with limited liability and registered in the Register of Legal Entities of the Republic of Lithuania with registration number 301066547. The Issuer was registered on 27 August 2007 and operates under the Law on Companies of the Republic of Lithuania (the "**Law on Companies**") and other applicable laws. The Issuer's registered office is at Savanorių Ave. 5, Vilnius city, Vilnius city municipality, Lithuania, and the telephone number of its registered office is +370 669 00118.

As at the date of this Base Prospectus, the Issuer's authorised share capital amounts to EUR 1,019,262,730.30 comprised of 3,514,699,070 ordinary shares of nominal value EUR 0.29 each.

The Issuer's principal objects, as set out in its articles of association, are broadly prescribed, and include the performance of commercial, economic or industrial activities, including, but not limited to the sale of goods, provision of services, and performance of works, whether individually or in cooperation with other persons, and the performance of any other activities which the Issuer may decide. The principal business activity of the Issuer and its consolidated subsidiaries (together the "**Group**") consists of the retail of food and other consumables.

History and Development

The Group has evolved over 30 years from three stores that were opened in Vilnius, Lithuania, in 1992. Since then the retail network of MAXIMA LT, UAB ("**Maxima Lithuania**") has expanded into one of the largest retail companies in terms of market share, trading area and sales (based on data compiled by the Issuer) in the Baltic States with a growing presence in Poland and Bulgaria. The Group started its activities in Estonia and Latvia in 2001 under both the "Maxima" and "T-Market" brands and launched its first store in Bulgaria under the T-Market brand in 2005. Between 2005 and 2006 the Group's operations across the Baltic States were consolidated beneath the Maxima brand.

The Issuer was established as a holding company of the Group in Lithuania in 2007 and directly or indirectly controls its retail, real estate and other subsidiaries. Since May 2015, the Issuer has also provided business consulting services to its retail subsidiaries in various areas, such as human resources, finance and legal advice, based on the needs and requests of its subsidiaries. At the end of 2018, Stokrotka acquired the Sano retail chain, which consisted of 36 shops in north-western Poland. In the beginning of 2019, the Sano retail chain successfully merged with Stokrotka under the single "Stokrotka" brand.

At the year ended 31 December 2021, the Group had 1,412 stores, an increase of 89 stores compared to 31 December 2020. At the end of 2021, the Group had 38,482 employees, with 36,332 of them employed in Group retail operators and 2,150 employed in Barbora and other companies. During 2021, the Group continued to expand in Poland through Stokrotka, both in terms of physical stores and by starting e-commerce operations in Warsaw and other large cities through Barbora.

The key milestones in the Group's development are summarised in the diagram below:



The number of stores across the Group's countries of operation is as follows:

Store	Year ended 31 December	
	2021	2020
Lithuania (Maxima Lithuania).....	252	252
Latvia (Maxima Latvia).....	173	178
Estonia (Maxima Estonia)	83	82
Poland (Stokrotka).....	806 ⁽¹⁾	723 ⁽¹⁾
Bulgaria (T-Market)	98	88
Total	1,412	1,323

Notes:

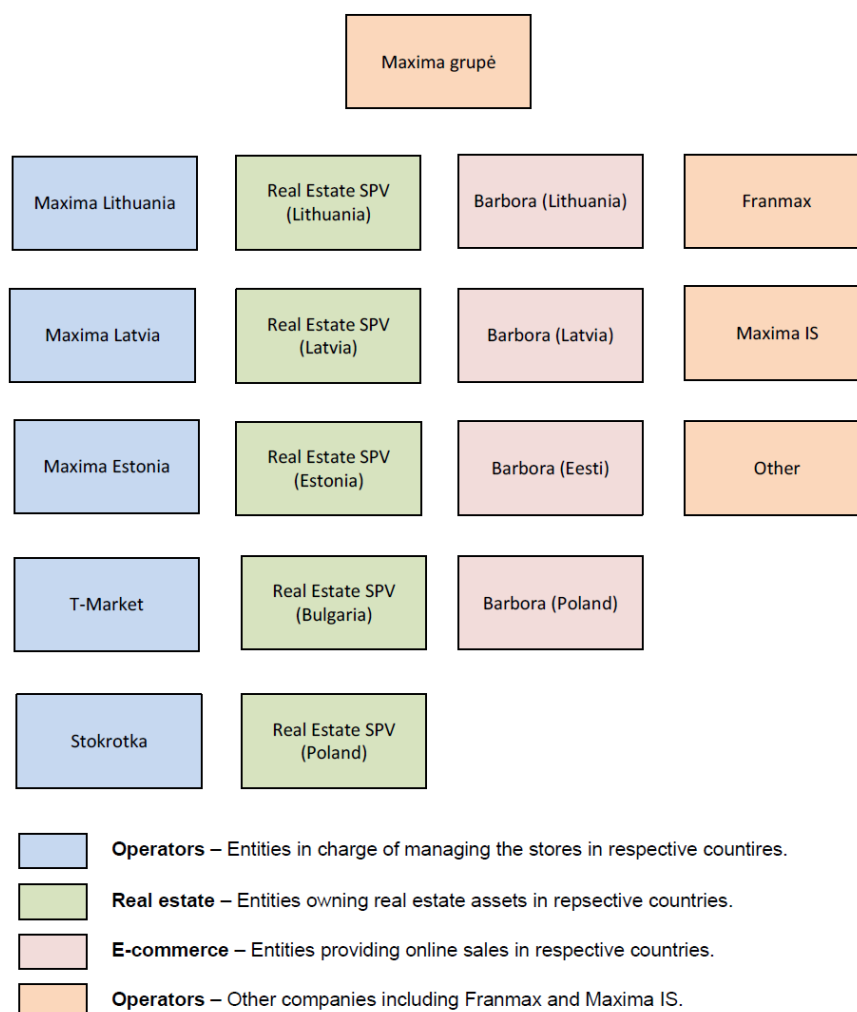
(1) Includes 87 franchised stores in 2021 and 85 franchised stores in 2020

Organisational Structure

The Issuer is the holding company of the Group and operates its retail business through separate subsidiaries in each of its five key geographical markets (Lithuania, Latvia, Estonia, Poland and Bulgaria), as well as its separate e-commerce subsidiary Barbora (which has separate subsidiaries in Lithuania, Latvia, Estonia and Poland).

The Group also holds its real estate assets through separate subsidiaries of each of the retailers, and owns other subsidiaries including FRANMAX, UAB ("**Franmax**") which provides IT development and support services for the Group and MAXIMA International Sourcing ("**Maxima IS**"), which provides centralised services of procurement and agency of food and consumables to the Group.

A structure chart showing the key subsidiaries of the Issuer and their position within the Group is as follows:



Strengths and Strategy

Strategy

The principal elements of the Group's strategy are as follows:

1. Strengthen leadership position in the Baltics

The Group intends to maintain its existing market share leadership position in the Baltic States. The Group intends to achieve this through a mixture of: (i) like-for-like growth based on store upgrades and unified formats; (ii) organic expansion; (iii) development of its e-commerce businesses; and (iv) process optimisation.

2. International Expansion

Expansion beyond the Baltic region, including growth of its existing presence in Poland and Bulgaria, is a key part of the international development of the Group. The Group intends to achieve this through a combination of: (i) like-for-like growth; (ii) organic expansion; and (iii) acquisition activity, focused on potential synergies in respect of retailer size, format, geographies, growth history and ownership structure.

The Group continually monitors the market for complementary acquisitions that could realise suitable synergies with its existing business. Although the Group is currently only working on early-stage initiatives with no certainty of concluding any binding agreements, there is always a possibility that projects currently under consideration could progress to become more concrete opportunities in the longer term. The Group remains committed to maintaining sustainable levels of net debt to EBITDA in the event that any such transaction were to materialise.

3. Growth of e-commerce and online sales

Barbora is the largest e-grocery store in the Baltic States and continues to expand its operations in Poland. Stokrotka and T-Market also have e-commerce platforms as a separate sales channel for customers in Poland and Bulgaria, respectively. In 2021, Barbora's revenue in the Baltic States was EUR 143.3 million, which was a 37.9% increase compared to 2020. In 2021, total e-commerce revenue for the Group amounted to EUR 155.0 million in 2021, which was a 48.8% increase compared to 2020. In 2021, Barbora delivered approximately 9,500 orders a day across the Baltic States. In 2021, Barbora also established a presence in Poland and, in its first year of operations, recorded over 190,000 orders and sales revenue of EUR 6.4 million, and is set for further expansion in 2022. In 2021, 3.9 million e-commerce orders were fulfilled in the Baltic States, Poland and Bulgaria across a combination of in-store, dark-store and stand-alone pick-up and delivery methods, which represented a 69.6% increase from 2020. Following the increase in demand for e-groceries during the Covid-19 pandemic, the Group believes the e-grocery market is still expanding rapidly and that Barbora is well placed for future growth.

4. Competition with discount retailers

The Group has implemented a number of initiatives in order to maintain and strengthen its market position and remain competitive against discount retailers, including the new market entrant Lidl in Latvia and Estonia. For example, the Group has (i) competed with discount retailers by matching prices of certain groups of products, (ii) focussed on stocking a differentiated assortment of goods, including local and store exclusive products, (iii) sought out additional revenue streams by capitalising on holidays and special occasions through promotional events.

The Group's management expects that such initiatives, coupled with the Group's increasing focus on unified store formats and process optimisation, should allow it to keep effectively managing its business in spite of the competition presented by Lidl and other discount retailers.

Strengths

The Group's management believes that the main competitive advantages of Maxima grupė as a whole, as well as the retail operators under its management are the following:

1. Market leadership in the Baltic region and profitable growth in international markets

The Group's market position generates significant revenues and provide scale and operating efficiencies to its retail businesses. The Group is one of the largest retailers in the Baltic States by trading area and sales and also operates in Poland and Bulgaria. At the end of 2021, the Group's aggregate retail trading area totalled 938,000 square meters across a total 1,412 stores, 806 of which were in Poland, 252 in Lithuania, 173 in Latvia, 83 in Estonia and 98 in Bulgaria. At the end of 2021, revenue was EUR 4.5 billion and the Group recorded a two-year period compound annual growth rate ("CAGR") of 6.0% from 2019 to 2021.

As of 31 December 2021, the Group's aggregate retail trading area in the Baltic States stood at 576,100 square metres and its revenue totalled EUR 3.2 billion for the year ended 31 December 2021. The Group recorded a three-year period CAGR for sales of 3.3% from 2018 to 2021. In the Baltic States, the Group has a total market share of approximately 25.8%, which is approximately 31.1% in Lithuania and 26.2% in Latvia (where the Group is the market leader in each country respectively) as well as 16.3% in Estonia, where the Group is one of the top three retailers.

In Poland, Stokrotka is one of the fastest growing retailers and in 2021 year-on-year revenue growth was 14.6% (on a constant FX-rate basis). In the three year period from the end of 2018 to the end of 2021, Stokrotka expanded from 570 stores to 806 stores, an increase of 236 stores. The Group's revenues from retail operations in Poland have increased at a rapid pace, with the Group recording a two-year CAGR for revenue of 10.7% between 2019 and 2021. As of 31 December 2021, Stokrotka's market share was 2.1%, which had increased from 1.6% at the end of 2018.

In Bulgaria, the Group operates the T-Market retail chain, which generated revenues of EUR 197.5 million in 2021. In the three year period from the end of 2018 to the end of 2021, T-Market expanded from 74 stores to 98 stores, an increase of 24 stores. The Group recorded a three-year CAGR for revenue of 14.1% between 2018 and 2021. As of 31 December 2021, T-Market's market share was 2.5%, which had increased from 2.2% at the end of 2018.

Barbora is the largest e-grocery store in the Baltic States, and has a market share of 75.1% in Lithuania, 57.3% in Latvia and 59.1% in Estonia (based on internal Group estimates and publicly available information on financial performance of competitors).

2. Brand recognition

The Group's well-recognised brand name allows it to generate customer loyalty, drive sales across diverse customer segments and shopping occasions and satisfy a broad range of customer needs. The recognition of the "Maxima" brand is an important aspect of the Group's success in the retail market. For example, in Lithuania, Maxima was named 2021's strongest brand among retail chains for the third year in a row by external consultants surveying market trends; in Latvia the Baltic Brand Forum recognised Maxima as the most "beloved brand" and best value for money, which was echoed by Kantar Emor finding Maxima to be the most popular brand in Latvia; and in Estonia, external consultants surveying market trends gave Maxima a store equity index score of 2.6 (with 3 being the level for "very good"). The Group believes that its standardised store formats, well-targeted variety of goods and presence in strategically convenient locations enables it to meet the needs of customers and promotes its brand across all potential target consumer groups.

The Group seeks to be attractive to customers by maintaining lower prices for good quality, key value items ("KVIs") across a range of product categories. The Group also looks to strengthen its relationship with consumers through the use of promotional events and its loyalty card programme (offering customers personalised discounts and cashback offers) which has a high engagement rate and approximately 3.6 million members across the Group's different store formats.

The Group believes Barbora has strong brand recognition in the Baltic States, particularly in the main customer group of middle-aged city inhabitants and is building on this in Poland, where

entered the market in 2021. Given the importance of brand recognition, the Group is working on further growing Stokrotka and T-Market brand awareness in Poland and Bulgaria.

3. Operates in stable markets in the Baltic States and continues expansion in Poland and Bulgaria

The regions in which the Group operates have stable macro-economic fundamentals which are projected for further growth. Through the successful implementation of the Group's strategy, the Group has maintained market leading positions in Lithuania and Latvia and is one of the top three retailers in Estonia despite fierce competition. The Group's expansion into Poland and Bulgaria supports its strategy of diversification and growth into comparatively less saturated markets which have less competition from large-format international and discount retailers.

Based on the Group's internal calculations and data from the official state statistics departments, in 2021 the retail market grew by an average of approximately 5.2% across Baltic States, 4.5% in Poland and 10.4% in Bulgaria, compared with 5.4% retail market growth in the Eurozone (according to the ECB macroeconomic projection in March 2022).

4. Efficient operating model

The Baltic retail industry benefits from being an integrated compact market in terms of the overall size and with a concentration of its population around a few urban centres. This has enabled the Group to implement an efficient supply chain and centralised delivery model, as there is only need for a limited number of warehouses for storage of products and the delivery distances from warehouses to stores are relatively short. This model assists the Group to efficiently manage stock levels and logistics, and to drive economies of scale in order to reduce the cost of doing business and ensure product freshness. Additionally, as personnel costs are a major part of operating expenses, the Group puts effort into improving in-store and e-commerce order picking processes. Initiatives such as standardisation of store management processes, self-checkout counters and contactless payment and dark-store automatisations are examples of initiatives taken to increase efficiency. Collectively, these systems assist the Group to provide a competitive product offering and to maintain profitability.

As an important element in its operating model, the Group actively promotes an internal culture of continuous improvement, efficiency and speed. The most recent examples of such cooperation on internal initiatives are the unified concept of store formats, rearrangement of Group's IT and Procurement service business, redefined objectives in managing real estate

The Group implements various programmes for improving and optimising operations and increasing their efficiency. These programmes include unifying store formats, defining further direction in real estate and in business processes, with the aim of making the Group's business operations more efficient and faster.

5. Supportive shareholders and experienced management team

The Group is owned by Vilniaus Prekyba and benefits from certain synergies arising from its relationship. For example, the Group has an experienced management team comprised of individuals with a significant breadth and depth of experience who are well positioned to understand and capture the Group's strategic opportunities.

Business of the Group

The Group's core business is the provision of retail stores selling food and daily groceries across the Baltic States, Poland and Bulgaria. In the Baltic States, the Group mainly uses three external classifications to indicate to customers the size of the store and the assortment of products: "X", "XX" and "XXX". The Group also operates a limited number of "Express" branded stores which are synonymous with "X" branded stores and one "XXXX" branded store in the Vilnius Akropolis in Lithuania which, whilst sharing characteristics with "XXX" branded stores, is considerably larger both in terms of size and product assortment. For the purposes of this Base Prospectus are included under each of these respective formats.

In Poland and Bulgaria, the Group's stores are laid out in a similar format to "X" and "XX" stores, although branded under the Stokrotka and T-Market brands, respectively. These stores vary in size and are typically designed for efficient, everyday shopping, compared to the Group's large-format stores in the Baltic States. In response to changing consumer preferences, the Group is currently focused on expanding its network of smaller convenience and everyday stores.

The Group has conceptualised a new set of standard store formats, that are based on specific key performance indicators for trading area, stock-keeping unit count and equipment. By implementing these formats, the Group aims to reinforce the visual identity of its stores and brand, with as many stores as possible having a consistent look and product assortment, in line with the principles and algorithms the Group has conceptualised. In line with the Group's drive towards sustainability, this initiative would also introduce a range of operational efficiencies as well as providing a smooth and uniform customer experience from store to store. For example, a standardised and consistent assortment of products would improve supply chain processes and the standardised store format would result in leaner and more efficient operations that would require less supervision and individual planograms. The Group anticipates this consistency of format will also help reduce food waste and general write-offs. The Group believes that implementing the new standard store formats, and the principles underlying them, would enhance the recognition of the "Maxima" brand and would help to position the Group as a sustainable and innovative company. While Stokrotka and T-Market have separate strategies and promotional activities, the Group anticipates that the standard store formats implemented across their networks will also result in similar brand recognition improvement. As at the date of this Base Prospectus, 24 per cent. of the Group's stores have been renovated for the new set of standard store formats.

From a financial management perspective, the Group regularly reviews the profitability of its stores to ensure the store format, size and location are meeting the Group's expectations and targets. Decisions regarding the format of a store are implemented and supervised directly by the management in each country of operation, in line with Group guidelines and strategies. For example, when deciding where to open new stores, the Group's local management teams consider the potential location, local competition and potential trading and sales area, as well as the feasibility of the format, internal fit-out, equipment and the potential for product ranges, pricing and promotions.

The characteristics of each of the respective store formats is summarised below:

"X"	These are grocery stores with a limited assortment of everyday goods and tend to be small supermarkets located near to customers' homes. The stores are intended for everyday shopping and are built in small towns with a population of at least 3,000 people within a 10-kilometre radius and in densely populated areas of large cities. The stores generally have a trading area of up to 1,000 square metres with a product range varying between 1,000 and 11,000 items, depending on the size of store and the offering of local competition.
"XX"	These are stores with a wide food assortment and a strategically selected assortment of non-food items, intended for both everyday and weekly shopping. Typically, these stores are built in towns and areas with more than 15,000 people in a 2-3km radius or passing traffic of at least 6,000 vehicles per day. The store footprint is typically between 1,300 and 3,000 square metres and the product range typically varies between 12,000 and 20,000 items, depending on the size of store and the offering of local competition.
"XXX"	These are the Group's largest stores with a wide assortment of both food and non-food items. These stores are intended for weekly shopping, and shopping for special occasions and holidays. These stores are located in towns with a population of at least 50,000 people, or in towns with populations in excess of 100,000 people they are located in centres of population of at least 50,000 in a 3-5km radius. The store footprint is typically between 3,500 and 5,000 square metres and the product range varies between 23,000 and 55,000 items depending on the size of store and the offering of local competition.

The contribution of each store format to the Group's total retail turnover is set out below. The Group defines retail turnover as sales through cash registers in its stores and online sale:

	Year ended 31 December	
	2021	2020
	<i>(% of Group retail turnover)</i>	
Maxima X.....	27.2	28.3
Maxima XX.....	27.2	28.5
Maxima XXX.....	13.2	13.8
Stokrotka	24.4	22.7
T-Market	4.4	4.2
Barbora.....	3.5	2.3
Total.....	100	100

The Group's revenue and EBITDA for its operations over the last two financial years is set out in the table below:

Revenue	Year ended 31 December	
	2021	2020
	<i>(EUR millions)</i>	
Lithuania (Maxima Lithuania).....	1,759.5	1,689.2
Latvia (Maxima Latvia).....	915.2	878.1
Estonia (Maxima Estonia)	519.8	502.9
Poland (Stokrotka).....	1,087.0	974.9
Bulgaria (T-Market)	197.5	182.8
E-commerce commission income	44.4	30.4
Others (real estate, holdings and other segments, including consolidation adjustments).....	(38.7)	(32.6)
Total.....	4,484.8	4,225.6

EBITDA	Year ended 31 December	
	2021	2020
	<i>(EUR millions)</i>	
Lithuania (Maxima Lithuania).....	172.8	178.4
Latvia (Maxima Latvia).....	72.4	78.0
Estonia (Maxima Estonia)	31.9	28.9
Poland (Stokrotka).....	80.2	83.2
Bulgaria (T-Market)	13.3	11.8
E-commerce	(14.8)	(2.9)
Others (real estate, holdings and other segments, including consolidation adjustments).....	10.6	8.0
Total.....	366.3	385.4

Retail Market

Overview

The retail market in the Baltic States and the European Union contracted in 2020 due to the impact of the Covid-19 pandemic. In 2021, however, the Baltic States, Poland and Bulgaria experienced consistent GDP growth at similar levels to the European Union. In 2021, the average GDP growth in Lithuania was 4.8%, 4.7 % in Latvia and 7.5% in Estonia. Across the Baltic States, the average weighted GDP growth in 2021 was 5.5%. In 2021, Poland recorded average GDP growth of 5.7% and Bulgaria of 4.0%, whilst the average across the EU was 5.3%.

The European Commission's Winter 2022 Economic Forecast predicts growth of 4.0% across the EU in 2022 and by 2.8% in 2023. In Poland, these growth figures are 3.7% and 3.9%, respectively, and, in Bulgaria, 5.5% and 4.2%, respectively. In the Baltic States, the 2022 and 2023 prediction is 3.4% in both years for Lithuania, 4.4% and 3.8% in Latvia and 3.1% and 4.0% in Estonia. However, in March 2022, the Lithuanian Ministry of Finance revised downwards the 2022 GDP forecast as a result of the military invasion of Ukraine by the Russian Federation in February 2022 to 1.6 %, The Bank of Lithuania has also stated it is considering three scenarios with GDP growth at 2.7 %, 0.4 % and -1.2 % respectively. The Group is the largest retailer in the Baltic States by trading area and sales. In the year ended 31 December 2021, the Group's trading area was approximately 536,100 square metres and its revenue was EUR 3.2 billion. Across the entirety of the Group's operations, in the year ended 31 December 2021, the Group had a retail trading area of 938,000 square metres and a total revenue of EUR 4.5 billion.

In the year ended 31 December 2021, the Group had a total market share of approximately 25.8% in the Baltic States, which was approximately 31.1% in Lithuania, 26.2% in Latvia and 16.3% in Estonia. The Group's main competitors in the Baltic States are Rimi, COOP and IKI; discount retailers, such as Lidl,

which entered Latvia and Estonia in 2021 and 2022, respectively, are also competing with the Group for customers.

The Group is also expanding in Poland and has an aggregate retail trading area of 305,200 square metres as of 31 December 2021 and recorded revenue of EUR 1,087.0 million for the year ended 31 December 2021. In Poland, Stokrotka's main competitors are Dino, Biedronka, Kaufland and Lidl and smaller chains like Delicately centrum and Polomarket. In Bulgaria, the Group has an aggregate retail trading area of 56,700 square metres and recorded revenue of EUR 197.5 million for the year ended 31 December 2021. T-Market's main competitors are CBA, Lidl, Kaufland, Billa and Fantastico.

Competitive Landscape and Market Positioning

The Group is the largest retailer in the Baltic States by market share, and its main objective is to maintain market share and continue sustainable growth. This is primarily being achieved through organic expansion and new store openings in areas where the Group's market share is lower than target.

The Maxima brand in the Baltic States is a mass market chain that aims to offer customers convenient shopping and a wide assortment of products at attractive prices. In Poland and in Bulgaria, where the Group's presence is more limited, the focus is on providing a practical and convenient choice for everyday shopping. In all cases, the Group's focus is on combining a high-quality offering with a competitive price. The Group has been expanding the Stokrotka chain in the comparatively large Polish market. T-Market's status in Bulgaria is similar to Stokrotka in Poland and the Group believes it has significant potential for further growth.

The development of the Group's estimated market share across each of its five markets is summarised in the table below:

	Year ended 31 December	
	2021	2020
	(%)	
Lithuania (Maxima Lithuania).....	31.1	32.2
Latvia (Maxima Latvia).....	26.2	25.4
Estonia (Maxima Estonia)	16.3	16.8
Poland (Stokrotka).....	2.1	1.9
Bulgaria (T-Market)	2.5	2.6

Source: Group's internal data combined with countries official Statistical Departments data.

The Group's e-commerce business is operated under the Barbora brand in the Baltic States and Poland, while Stokrotka and T-Market also have e-commerce platforms as a separate sales channel for customers in Poland and Bulgaria, respectively. Barbora is the market leading e-grocery retailer in Lithuania and Latvia, primarily because it domestic competitors have smaller customer bases or utilise narrower e-commerce platforms, for example only offering their services via mobile phone applications. Barbora launched operations in Poland in 2021, starting with Warsaw before expanding to cover the "Tri-city" region of Gdansk, Gdynia and Sopot, Lodz, and Silesia regions. Barbora has demonstrated strong growth and revenues since it began its operations and the Group is focused on further expanding its e-commerce business. In Estonia, online competition is comparatively stronger, with four major players operating in e-commerce, Coop, Rimi, Selver and Prisma.

Products

The Group stocks a wide variety of products, including food, beverages, clothes, domestic electric appliances and sports equipment.

In addition to sourcing products from third party suppliers, the Group produces its own private label goods and products which, in 2021, represented approximately 17% of total turnover in retail stores in terms of revenue with the greatest proportion of private label goods in retail stores being in Lithuania (21.0%) Latvia (20.1%) and Estonia (17.9%). In Stokrotka and T-Market stores, sales of private label products were lower at approximately 9% of revenue in 2021. The Group's private labels covers almost all of product categories. Of these categories, in 2021, fresh food (10.0%) and industrial goods (4.7%) contribute the highest proportion of private label sales in terms of revenue.

The Group constantly keeps its pricing under review and benchmarks prices against those of its competitors. The Group's aim is to provide the most competitive pricing for its main products and offer the widest choice to its customers. The Group places particular emphasis on offering locally produced goods.

Lithuania

In 2021, the Group generated 39.2% (representing the largest portion) of its total revenue in Lithuania. Maxima Lithuania's revenue for the year ended 31 December 2021 totalled EUR 1,759.5 million, and for the year ended 31 December 2020 totalled EUR 1,689.2 million. Maxima Lithuania recorded like-for-like revenue growth of 2.9 per cent. for the year ended 31 December 2021. EBITDA for the year ended 31 December 2021 was EUR 172.8 million and for the year ended 31 December 2020 was EUR 178.4 million. Revenue increased by 4.2% between the financial years ended 2020 and 2021 and EBITDA decreased by 3.1% during the same period.

Maxima Lithuania was established and started its business on 17 March 1995 and its principal address is at Naugarduko str. 84, Vilnius. The principal activity of the company is the retail sale of food and consumer goods and services through its network of stores. As at 31 December 2021, the Maxima Lithuania store network consisted of 252 stores. During 2021, four new stores were opened, eight stores were renovated and four stores were closed. Of these 252 stores, 166 stores are branded "X", 71 are branded "XX" and 15 are branded "XXX". This represents the Group's largest network of stores in the Baltic States and its second largest network overall.

All store formats are designed to ensure that customers are able to orientate themselves easily and find the items that they are looking for. In the XX and XXX stores, part of the commercial area is rented to specialised retailers in order to ensure that customers can find all of their goods and services in one place. During 2021, the Group focused on the setup and implementation of its new internal store format standard, aligning both the layout of stores and the assortment of products. The Group anticipates the first phase of this project will be over by the end of 2022 and shall improve both store efficiency and customer experience as a result.

In 2021, the estimated market share of Maxima Lithuania was 31.1%, based on the Group's internal calculations and data from the official Lithuanian Statistical Department, with its nearest competitor, Iki, estimated by the Group to have a 13.1% market share. In 2021, the Group's major competitors in Lithuania were Iki, Norfa and Lidl.

In 2021, Maxima Lithuania's stores were visited by an average of 419,000 customers per day. Stores are easy to find as they operate in cities, smaller towns and regional centres. Maxima Lithuania provides a comprehensive assortment of everyday, wide usage goods and services, in order to be attractive to customers and to provide higher quality produce than other market participants. Maxima Lithuania is proud of its close relationship with Lithuanian suppliers. All suppliers are selected on the basis of high quality standards and locality to the country, as the Group strives to ensure that high quality and fresh products are available to its customers. In order to meet this objective and satisfy customer needs, Maxima Lithuania implements a continuous store network development and modernization programme and work performance development and efficiency programmes. In addition, Maxima Lithuania runs a prominent loyalty programme "Ačiū" (which translates to "thank you" in English), of which there are nearly two million loyalty card accountholders as of the end of 2021.

At the end of 2021, Maxima Lithuania had 12,334 employees and, together with Barbora and other entities, had 13,650 employees in Lithuania.

Latvia

In 2021, the Group generated 20.4% of its total revenue in Latvia. MAXIMA LATVIJA, SIA's ("**Maxima Latvia**") revenue for the year ended 31 December 2021 totalled EUR 915.2 million, and for the year ended 31 December 2020 totalled EUR 878.1 million. Maxima Latvia recorded like-for-like revenue growth of 1.8 per cent. for the year ended 31 December 2021. EBITDA for the year ended 31 December 2021 was EUR 72.4 million, and for the year ended 31 December 2020 was EUR 78.0 million. Revenue increased by 4.2% between the financial years ended 2020 and 2021 and EBITDA decreased by 7.2% during the same period.

The Group started its activity in Latvia in 2001 by launching a T-Market store, analogous to Maxima's "X" format, with a limited range of products and low prices. As at 31 December 2021, the Maxima Latvia store network consisted of 173 stores and the Maxima brand was announced as the "most beloved" retail brand in the country and the best value for money brand for the third year in a row, according to the latest rankings from the Baltic Brand Forum. During 2021, no new stores were opened, however one store was renovated in Riga and five stores were closed. Of these 173 stores, 140 are branded "X", 24 are branded "XX", 8 are branded "XXX" and 1 store is a Maxima Express.

In 2021, the estimated market share of Maxima Latvia was 26.2%, based on the Group's internal calculations and data from the official Latvian Statistical Department, with its nearest competitor, Rimi, estimated by the Group to have a 24.5% market share and its second main competitor, Top!, estimated to have a 9.1% market share. In 2021, Maxima Latvia's stores were visited by an average of 250,000 customers per day.

Maxima Latvia has a long-term loyalty program called "Paldies" (which translates to "thank you" in English) available to its customers. Ownership of a "Paldies" card allows customers to save on daily purchases, accumulate loyalty points which can be used to pay for future purchases, and to receive special discounts or promotional offers at both Maxima Latvia stores and various partner companies. Over 850,000 customers are members of the "Paldies" programme as at the end of 2021.

At the end of 2021, Maxima Latvia employed 6,821 employees and, together with Barbora, had 7,113 employees in Latvia. Being the largest employer in Latvia, Maxima Latvia continues to increase focus on the training of employees and provision of better customer service. Employees of the company are among the key attributes of Maxima Latvia and the Group is keen to remain an attractive and responsible employer.

Estonia

In 2021, the Group generated 11.6% of its total revenue in Estonia. MAXIMA Eesti OU's ("**Maxima Estonia**") revenue for the year ended 31 December 2021 totalled EUR 519.8 million, and for the year ended 31 December 2020 totalled EUR 502.9 million. Maxima Estonia recorded like-for-like revenue growth of 2.2 per cent. for the year ended 31 December 2021. Revenue increased by 3.3% between the financial years ended 2020 and 2021 and EBITDA increased by 10.4% during the same period.

The Group commenced its activity in Estonia in 2001 by launching its first store in the city of Pärnu. Until 2007, the Group limited its investment in the Estonian retail market, and only T-Market stores were operating. However, since then the Group has grown significantly. In 2015, the Group became the first retail chain in Estonia to open an online grocery and essentials store, e-Maxima, which was rebranded Barbora in 2018. In 2020, the Group became the first retail chain in Estonia to launch the first mobile shopping console in the market, which the Estonian Merchants' Association awarded "Trade Deed of the Year".

Maxima Estonia's stores are spread across Estonia, in villages, towns and cities, offering convenience and accessibility to customers. All stores, independent of format, are intended to create value by delivering, in the view of the Group, the most competitive prices, widest product assortment and high-quality service to customers. In 2021, Maxima Estonia's stores were visited by an average of 131,000 customers per day. As at 31 December 2021, the Maxima Estonia store network consisted of 83 stores. During 2021, two new stores were opened, no stores were renovated and one store was closed. Of these 83 stores, 58 stores are branded "X", 22 are branded "XX" and 3 are branded "XXX". The retail network also includes 12 production shops and a logistics centre.

In 2021, the estimated market share of Maxima Estonia was 16.3%, based on the Group's internal calculations and data from the official Estonian Statistical Department, with its nearest competitor, Selver, estimated by the Group to have a 18% market share. In 2021, the Group's major competitors in Estonia were market leader Coop, estimated by the Group to have a 24.2% market share, Selver and Rimi.

Maxima Estonia has a long-term loyalty program called "Aitah" (which translates to "thank you" in English) available to its customers. Ownership of an "Aitah" card allows customers to save money on daily purchases and exercise various other benefits, including the accumulation of money for future purchases, and the availability of special discounts and offers at Group stores and through various partner companies. Over 500,000 customers are members of the "Aitah" programme and, at the end of 2021, approximately 80% of

Estonian households were in possession of a "Aitah" card. As with other loyalty programs operated by the Group, "Aitah" also provides the opportunity to collect consumer feedback on the effectiveness of different marketing strategies.

At the end of 2021, Maxima Estonia employed 3,502 employees and, together with Barbora, had 3,763 employees in Lithuania.

Poland

In 2021, the Group generated 24.4% of its total revenue in the Polish market, where the Group operates through Stokrotka ("**Stokrotka**") and, since 2021, through e-grocer Barbora. Stokrotka's revenue for the year ended 31 December 2021 totalled EUR 1,087.0 million, and for the year ended 31 December 2020 totalled EUR 974.9 million. Stokrotka recorded like-for-like revenue growth of 6.2 per cent. for the year ended 31 December 2021 (at constant exchange rates). EBITDA for the year ended 31 December 2021 was EUR 80.2 million, and for the year ended 31 December 2020 was EUR 83.2 million.

The Group started its activity in Poland in 2012 with the acquisition of 21 Aldik Nova Sp. z o.o.'s ("**Aldik**") retail stores. However, it was in 2018, with acquisition of Emperia Holding ("**Emperia**") that the Group significantly increased its presence. Following the acquisition, the Stokrotka stores operated by Emperia were merged with Aldik, creating the Groups' dynamic and fast-growing network of small format neighbourhood stores. In 2021, Stokrotka's stores were visited by an average of 442,000 customers per day. As at 31 December 2021, the Stokrotka's store network consisted of 806 stores (including 87 franchised stores). During 2021, 90 new stores were opened, 12 stores were renovated and nine stores were closed. Two franchised stores were also added to the network. This represents the Group's largest network of stores.

Stokrotka's assortment of products includes food, cosmetics, household cleaning supplies, alcoholic beverages, and fresh produce: bread, cold cuts, fruit and vegetables. This assortment consists of locally-produced products, some of which are produced in the actual regions where stores are located, as well as private label products. Stokrotka's logistics network includes three distribution centres across Poland: the main hub is in Teresin near Warsaw and the other two in Lublin and Psar (which is near to Katowice in the Silesia region) and eight regional warehouses. The Group believes that its main advantages over competitors include its differentiated selection of produce (including meat, cold cuts, fruits and vegetables), the accessibility and convenience of its store locations along with the chain's emphasis on customer service.

In 2021, the estimated market share of the Group in Poland was 2.1%, based on the Group's internal calculations and data from the official Polish Statistical Department, which was an increase of 0.2% compared to 2020. Stokrotka operates among major competitors like Dino, Biedronka, Kaufland and Lidl and smaller chains like Delicatesy centrum, Polomarket.

Stokrotka has a mobile loyalty application called "Nasza Stokrotka" (which translates to "Our Stokrotka" in English) available to its customers. Customers are offered various discounts and loyalty point collection and can activate promotional discounts in the mobile application.

At the end of 2021, Stokrotka employed 11,413 employees and, together with Barbora and other entities, the Group had 13,650 employees in Poland, making it the second largest employer among the Group.

Bulgaria

In 2021, the Group generated 4.4% of its total revenue in Bulgaria. MAXIMA Bulgaria EOOD's ("**Maxima Bulgaria**") revenue for the year ended 31 December 2021 totalled EUR 197.5 million and for the year ended 31 December 2020 totalled EUR 182.8 million. Maxima Bulgaria recorded like-for-like revenue growth of 0.4 per cent. for the year ended 31 December 2021. EBITDA for the year ended 31 December 2021 was EUR 13.3 million and for the year ended 31 December 2020 was EUR 11.8 million.

The Group commenced its activity in Bulgaria in 2005 by launching its first T-Market store, which is analogous to an "X" store. Since then the Group has grown significantly, even in challenging economic conditions, through a mix of organic growth and acquisitions. As at 31 December 2021, the Maxima Bulgaria store network consisted of 98 stores. During 2021, 10 new stores were opened, no stores were renovated or closed. During 2021, the Group converted all of its T-Market stores, except former XX-

format stores, to its new internal format standard with the goal of delivering better customer experience. In 2021, an average 84,000 people were served a day across the T-Market network.

In 2021 the estimated market share of the Group in Bulgaria was 2.5%, based on the Group's internal calculations and data from the official Bulgarian Statistical Department. In 2021, the Group's major competitors in Bulgaria were CBA, Lidl, Kaufland Billa and Fantastico. In addition to its 98 stores across Bulgaria, the Group has an e-commerce offering in Sofia and Pernik, Plovdiv and Stara Zagora.

The Group believes the main competitive advantage of T-Market is that customers perceive it to offer well-known brands at the best prices on the market. In 2019, T-Market became the first supermarket to install self-service check-out technology in its store and, by the end of 2021, there were a total of 22 self-check out tills across the network.

At the end of 2021, T-Market employed 2,262 employees throughout Bulgaria. "Modern trade", which is classed as consumer spending in modern retail stores, accounts for approximately 50% of the retail market in Bulgaria, with the remaining 50% made-up of market places, independent mini-markets, grocery stores and convenience stores. The Group believes this is an indication of good potential for development in Bulgaria, as demonstrated by the Group's growth over the last three years.

Suppliers and Sourcing

In 2021, the Group worked with more than 5,000 suppliers. The Group values the relationships it has fostered with its suppliers and over 64% of suppliers have been working with the Group for over five years. As a result, the Group has limited concentration risk, with the top 10 and 20 suppliers contributing 9% and 26% of total company purchases, respectively. Negotiations with major suppliers are carried out centrally at a Group level.

As the Group has expanded its geographical reach throughout the Baltic States, Poland and Bulgaria, the Group has changed its traditional centralised delivery model and has moved to a decentralised model where the supply chain is directly managed in each country of operation. Each of the Group's retail subsidiaries is therefore primarily responsible for expanding the regionality and local sourcing of products. This decentralised model accounts for approximately 84% of products, negotiation, and purchasing processes.

The remaining 16% of the Group's supply chain remains on a centralised delivery model, overseen by Maxima IS. Maxima IS provides centralised sourcing, purchasing, and negotiation services to across the Group, develops private label brands, and engages in wholesale activities. As a wholesaler, Maxima IS buys goods from suppliers and delivers the products to warehouses or directly to stores.

The Group manages and operates owned and leased regional warehouses. The benefits of retaining a centralised delivery model for certain products includes increased operational efficiency and also allows the Group to control the quality of its products and service better. Except for Stokrotka, which rents more than 90 trucks and Barbora which owns its vehicles, the Group does not have its own delivery fleet and instead relies on contracts with local operators. Most non-food items are purchased through Maxima IS, which assures that their quality can be thoroughly checked. This is a two-stage process; when a product is introduced, manufacturers submit certificates for assessment; if the certificates pass the Group's standards, the products are then separately tested under laboratory conditions.

Property

As of 31 December 2021, the Group owned 33.5% of its trading space, with 7.5% rented from associated companies and 59.1% rented from third parties (including franchised areas). In terms of the number of stores, 22.3% were owned, 3.5% were rented from associated companies and 74.2% rented from third parties; this reflects the high proportion of small format stores in Poland, with 589 stores, or 73.1%, rented from third parties.

The trading area of each of the Group's stores in each jurisdiction are summarised in the table below (figures given in square metres):

Stores trade area	31 December	
	2021	2020
	(thousand square metres)	
Lithuania (Maxima Lithuania)	324.2	316.9
Latvia (Maxima Latvia)	156.1	156.9
Estonia (Maxima Estonia).....	95.8	93.5
Bulgaria (T-Market).....	56.7	50.7
Poland (Stokrotka)	305.2 ⁽¹⁾	281.9
Total	938	899.9

Notes:

(1) Includes 23,19 thousand square metre trading area of franchised stores

Information Technology

The Group's information technology support and development is managed centrally, except for equipment hardware support for shop IT systems which is outsourced to local partners. The Group has centralised IT governance and development functions based in Franmax, and also provides IT support to the shops in each country in which it operates, except for Stokrotka and Barbora which have local or outsourced IT teams. The Group has an in-house development team for SAP based solutions, but otherwise relies on outsourcing partners for IT systems development. Hardware that runs and manages core operating data is fully backed up with separate contingency systems to provide real time back-up operations should they ever be required. The Group also maintains a system for the control and reporting of access to its critical IT systems. This is supported by periodical testing of access controls. The Group has policies covering the protection of both business and personal information, as well as the use of IT systems and applications by the Group's employees.

Capital Expenditure

The Group's Capex (as defined below) was EUR 108.2 million in 2021 and EUR 88.9 million in 2020. The Group's main Capex was into newly opened stores and store renovations.

Corporate Social Responsibility ("CSR")

The Group views sustainability activities as integral to its business and has established five policy areas for sustainable projects: People, Customers, Supply Chain, Communities and Environment. In addition, the Group has established a working group called "IMPACT+" to develop a set of sustainability goals for the Group which is comprised of members of the Board, the senior leadership team and employees from across the Group's operations. In the meantime, and since 2019, the Group has been part of the United Nations Global Compact Initiative and contributes to nine of the sustainable development goals ("SDG"); SDG 2, SDG 4, SDG 5, SDG 8, SDG 10, SDG 11, SDG 12, SDG 13 and SDG 17. The Group has also developed a unified internal CSR reporting system which forms the basis of the Group's annual CSR report. The annual CSR report is published in the Group's annual report.

Trend Information

There has been no material, adverse change in the Issuer's prospects since 31 December 2021, the date of its latest audited financial statements.

Recent Developments

Completion of secured credit agreement

In April 2022, Maxima Lithuania entered into a €39 million secured credit agreement (the "**Facility**"). As at the date of this Base Prospectus, the Group has fully drawn down under the Facility.

Completion of second issue of Short-Term Notes

In March 2022, the Group successfully completed its second commercial paper offering with a maturity of March 2023 and an aggregate principal amount of EUR 35 million (the "**Short-Term Notes**"). The Short-Term Notes are not listed and were subscribed by various institutional investors. The Short-Term Notes are unsecured and will be used for general short-term financing purposes of the Group.

Russia's military invasion of Ukraine

On 24 February 2022, Russia began a military invasion of Ukraine. Many countries, including members of the European Union, condemned the attack and imposed economic sanctions against Russia and Belarus.

After the invasion, the Group removed goods of Russian and Belarussian origin from its retail stores and discontinued further orders of such goods. The Group monitors the list of sanctions against Russia and Belarus and ceases business relationships with sanctioned entities. The Group demonstrates its support for Ukraine by providing humanitarian food aid.

The management of the Group monitors the situation in Ukraine on a daily basis and adjusts business operations locally as needed. The Group does not have subsidiaries in Ukraine, Russia or Belarus and does not have direct sales to the entities in these countries. As of the date of this Base Prospectus, management of the Group considers it impracticable to provide a quantitative estimate of the potential impact on the Group and the Group has not included any provisions in this regard in the 2021 Audited Consolidated Financial Statements.

Management of the Issuer

The Issuer has a three-tier management system, comprising the Supervisory Board, the Management Board (the "**Board**") and the General Director of the Issuer (the "**Manager**" or "**CEO**"). Its Board is responsible for the strategic management and adopts decisions on the core transactions to be concluded by the Issuer, while its Supervisory Board is the body that oversees the activities of the Board and the CEO. The CEO is a one-person executive management body that manages the Issuer's day-to-day operations and represents the Issuer in its dealings with third parties.

The Issuer's main retail and real estate subsidiaries also have their own single person management boards and CEOs, depending on local requirements and management board and CEO (in Lithuania). The CEOs of Maxima Lithuania, Maxima Latvia, Maxima Estonia, T-Market and Stokrotka have seats on the Issuer's Board.

The Supervisory Board is a collegial supervisory body provided for in the Issuer's Articles of Association (the "**Articles of Association**"), which is responsible for supervising the activities of the Issuer and its management bodies, including the appointment and removal of the members of the Board, submitting its comments and proposals to the General Meeting of Shareholders of the Issuer (the "**General Meeting**") on the Issuer's operating strategy, sets of financial statements and other reports and the activities of the Board and the CEO.

The Board is a collegial management body provided for in the Articles of Association. The Board does not have executive powers and its main function is adopting the strategic decisions of the Issuer, and it is also responsible for the appointment and removal of the CEO, calling General Meetings, and adoption of other corporate decisions which are economically feasible for the Issuer. The powers and responsibilities of the Board are set forth in detail in the Law on Companies.

The Board currently consists of six members, and the Supervisory Board consists of three members.

The CEO is appointed by the Board but is not necessarily a member of the Board. The CEO manages daily operations of the Issuer and acts on its behalf. For certain transactions with a high value (i.e. certain transactions, the value of which exceeds 1/20 of the authorised capital of the Issuer) and important strategic decisions (such as decisions to incorporate or take up a shareholding in other entities) the CEO needs to get the prior approval of the Board.

The Management Board

The members of the Board are elected and removed by the Supervisory Board. The term of office of the Board is four years. According to the Articles of Association, the Board consists of eight members. Currently six of eight Directors of the Board have been elected and two positions are vacant, although there are no current plans to fill these roles. The Board elects the Chairman of the Board from among its members. The term of office of the current Board started in October 2020. The term of office shall not last longer than the date of the annual General Meeting convened in the last year of the tenure of the respective Board. There is no limitation on the number of terms of office that a member of the Board may serve.

The Board makes decisions by a simple majority of the votes of all its members. In the event of a tie, the vote of the chairman of the Board shall be a casting vote. A quorum is present when at least two thirds of members of the Board is present at a meeting. Each member of the Board has one vote. When necessary in matters of urgency, a decision may be made by the Board without holding a meeting. The Board has discretion to invite to its meetings members of the Supervisory Board, employees, or other persons. Under the Law of Companies, the CEO has to be invited into all meetings of the Board and provided with the opportunity to familiarise himself with the agenda items, if he is not also the member of the Board.

A total of 5 decision making meetings of the Board took place in 2021. So far in 2022, a total of 3 decision making meetings of the Board have taken place. In addition to decision making meetings, the Board meets

on a regular basis to discuss current business matter of the Issuer. No minutes of such meetings are written if formal decisions are not made during them.

The Board Members, their positions and dates of appointment are as follows:

Name	Position	Date of appointment	Other Principal Activities
Mantas Kuncaitis.....	Chairman of the Board	October 2020	CEO of the Issuer
Tomas Rupšys.....	Board Member	December 2020	CEO of Maxima Lithuania
Karolina Zygmantaitė.....	Board Member	March 2022	CEO of Maxima Latvia
Arūnas Zimnickas	Board Member	September 2017	President of the Management Board of Emperia and Stokrotka
Edvinas Volkas	Board Member	May 2019	General Director of Maxima Estonia
Petar Petrov Pavlov.....	Board Member	April 2020	CEO of T-Market

The following are short profiles of the members of the Board:

Mantas Kuncaitis: Previously served as CEO and board member of UAB "Vilniaus prekyba" and other managerial positions. Until joining the Group, he held various legal and administrative positions at international companies in London, such as Promontory Financial Group, an IBM company. Mr. Kuncaitis has a bachelor degree in University of Greenwich and master degree in European Political Economy, at King's College London.

Tomas Rupšys: Mr. Rupšys joined related companies of the Issuer in 2017, and since then, he had diverse managerial positions in related retail companies. Since 2020, he was leading Maxima Latvia. He is currently CEO and chairman of the board at Maxima Lithuania. His education is Business Administration, Management and Operations at Dublin Business School, and Accounting Technology/Technician and Bookkeeping/Payroll at IBAT College Dublin.

Karolina Zygmantaitė: Ms. Zygmantaitė joined related companies of the Issuer in 2020. Until appointment as CEO of Maxima Latvia, she has been serving as CFO of Maxima Grupė, and other financial and administrative positions. Until then she had experience in audit and managing finance teams. Her education is master degree of Accounting and Audit, as well as bachelor degree both at Vilnius University.

Arūnas Zimnickas: Mr. Zimnickas previously served as Chief Executive Officer of Maxima Lithuania, Maxima Latvia and Maxima Estonia and has held managerial positions in other Group companies. Mr. Zimnickas has a bachelor's degree in economics from Vilnius University and master's degree in international business relations from International Business School at Vilnius University.

Edvinas Volkas: Mr. Volkas joined related companies of the Issuer in 2001. Until appointment of CEO of Maxima Estonia, he served as CEO of T-Market, previous to that – held different managerial positions in the group. Mr. Volkas educational background is Business administration at International Business School of Vilnius University.

Petar Petrov Pavlov: Mr. Pavlov started his career in T-Market in 2005, when the company was established. In 2017 he was appointed Chief Administrative Officer, and as of 2019 serves as CEO of T-Market. Mr. Pavlov serves board member of MAXIMA GRUPĖ as of 2020. Mr. Pavlov's educational background is Law at Sofia University St. Kliment Ohridski.

Supervisory Board

All members of the Supervisory Board are elected by the General Meeting for a term of four years, and the term of office of the current Supervisory Board started on 3 March 2022. According to the Articles of Association, the Supervisory Board consists of five members. Currently three of five members of the Supervisory Board have been elected and two positions are vacant, although there are no current plans to fill these roles. The Chairman of the Supervisory Board is elected from among the members of the Supervisory Board. The term of office of the Supervisory Board shall not last longer than until the annual

General Meeting convened in the last year of the tenure of the Supervisory Board. There is no limitation on the number of terms of office a member of the Supervisory Board may serve.

The Supervisory Board's competence includes, among other powers, the:

- approval of the business strategy of the Issuer;
- election and removal of members of the Board; and
- provision of comments and suggestions to the General Meeting covering the Issuer's sets of financial statements.

The Supervisory Board makes decisions by a simple majority of the participating members. Where equal votes are cast "for" and "against", the Chairman of the Supervisory Board shall have the casting vote. Decisions to remove a member of the Board from office may be adopted if at least two thirds of the Supervisory Board members present vote for such decision. The quorum for a meeting of the Supervisory Board is more than half of the seats of members (i.e. at least 3 members must be present). Each Supervisory Board member has one vote.

According to the rules of procedures of the Supervisory Board, the meetings of the Supervisory Board shall be held at least once per quarter. When necessary in matters of urgency, a decision may be made by the Supervisory Board without holding a meeting. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board. The meetings of the Supervisory Board may also be convened by the decision taken by at least of one third of the Supervisory Board members. At its discretion, the Supervisory Board may invite members of the governing bodies, employees, or other persons to its meetings.

The members of the Supervisory Board, their positions and dates of appointment are as follows:

Name	Position	Date of appointment	Other Principal Activities
Evelina Černienė.....	Chairwoman of the Supervisory Board	March 2022	CFO and Board Member of UAB Vilniaus prekyba
Laimonas Devyžis.....	Member of Supervisory Board	March 2022	Board Member of UAB Vilniaus prekyba
Manfredas Dargužis.....	Member of Supervisory Board	March 2022	CEO and Chairman of the Board of Akropolis Group, UAB

The following are short profiles of the members of the Supervisory Board:

Evelina Černienė: Ms. Černienė is CFO and a board member at UAB, Vilniaus prekyba with extensive experience in financial management at diverse companies as well as audit experience in audit firm. She is also the member of Maxima Grupė audit committee.

Laimonas Devyžis: Mr. Devyžis is a board member at UAB Vilniaus prekyba. Previously, he served as CEO of UAB Vilniaus prekyba, CEO and member of the board of EUROAPOTHECA, UAB and UAB EUROVAISTINĖ. Until joining joined related companies of the Issuer in 2019, he held CFO positions at AB "Omnitel" and AB "Lietuvos draudimas". Mr. Devyžis has a bachelor's degree in Economics and Management at Stockholm School of Economics in Riga.

Manfredas Dargužis: Mr. Dargužis is a CEO and chairman of the board of Akropolis Group. He has more than 12 years of experience in the asset management industry. Until joining joined related companies of the Issuer, he served as a fund manager in Lord LB Asset Management, and previously – financial consultant in Danske Bank. His educational background is banking and international finance studies at CAAS Business School in London.

Chief Executive Officer

Day-to-day activities of the Group are managed by the sole management body of the Issuer – the Chief Executive Officer (General Director) who is elected and revoked by the Board. The CEO organises day to day activities of the Issuer and hires and dismisses employees.

The CEO is supported by a senior executive team comprising the chief financial officer; head of legal services; head of personnel; head of mergers and acquisitions, head of sustainability and corporate affairs and head of internal audit.

Conflicts of Interest

No member of the Supervisory Board or of the Board or the CEO has any potential conflict of interest between their duties to the Issuer and their private interests or other duties.

The business address of each of the Board, Supervisory Board and CEO are provided below:

Name	Business Address
Mantas Kuncaitis.....	Savanorių Ave. 5, Vilnius, Lithuania
Tomas Rupšys.....	Naugarduko str. 84, Vilnius, Lithuania
Karolina Zygmantaitė.....	257 Maskavas iela Rīga, LV-1019 Latvia
Arūnas Zimnickas	20- 209 Lublin, ul. Projektowa 1, Lublin, Poland
Edvinas Volkas	Aiandi st. 13/2, 12918 Tallinn, Estonia
Petar Petrov Pavlov.....	Sofia PK 1517, Poduyane District, 247 Botevgradsko Shosse Str., Bulgaria
Evelina Černienė.....	Ozo str. 25, Vilnius, Lithuania
Laimonas Devyžis.....	Ozo str. 25, Vilnius, Lithuania
Manfredas Dargužis	Ozo str. 25, Vilnius, Lithuania

Audit Committee

The Issuer's audit committee comprises

Irena Petruškevičienė, (independent member, Chairwoman of the Audit committee), Rasa Milašiūnienė, (independent member) and Evelina Černienė (member). The primary duties of the audit committee are:

- to monitor the audit of financial statements;
- to review and monitor the independence of the Issuer's auditors;
- to monitor the external auditors election process and provision of recommendations on its appointment;
- approval of the acquisition of specific non-audit services from the company's auditor; and
- monitoring of internal control and internal audit at the company.

The Issuer has an internal audit department which reports to the CEO, the Board and the Audit Committee. The internal audit team is responsible for the auditing procedures of the Issuer's consolidated subsidiaries.

The Issuer has no formal rotation policy for its external auditors. Tender for the selection of auditors is made every 3 years.

Employees

As at 31 December 2021, the Group employed 38,482 employees, with 36,332 employed in Group retail operators and 2,150 employed in Barbora and other companies, making the Group the largest employer in the Baltic States. The Group pays social security contributions to the respective state social security funds in the relevant jurisdictions on behalf of its employees based on defined contribution plans. Social security contributions are recognised as expenses on an accrual basis, and the Group does not have any defined benefit obligations.

Licences

The Group companies currently hold licences to engage in retail trade in alcoholic beverages and tobacco products that are obtained locally. Certain registrations and authorisations required for the operation of specific parts of business are also held, including in respect of food handling, compliance with cash register system software, payment card compliance and the sale of plant protection products. The need for such requirements is prescribed on a country by country basis.

Insurance

The Group maintains a portfolio of insurance policies to help protect it against loss or damage incurred from a wide variety of insurable risks. Each year, the Group reviews with its professional insurance advisers whether the insurance policies and associated coverage that it maintains are sufficient to adequately protect it from the various types of risk to which it is exposed. Analysis takes into account various pertinent factors, such as the likelihood that it would incur a material loss from any given risk, as well as the cost of obtaining insurance coverage against any such risk.

Currently the Group holds property, business interruption, general liability, employer's liability, directors' and officers', cargo, health, accident, motor and travel insurance policies. The Group believes it maintains adequate insurance coverage for the Group's operations and that the scope of the coverage is in line with industry norms. However, there are certain risks (including cybercrime, employee criminal actions and political unrest) for which not all the Group are insured, and it may not have sufficient insurance coverage for damages and liabilities that may arise in the course of the Group's business operations (see "*Risk Factors – The Group's insurance coverage may not be adequate*").

Risk Management

The Group is managed on an integrated basis, with centralised financial reporting and controls. The Issuer, as holding company, seeks to standardise management and financial reporting across the Group in order to provide for clear comparability across its subsidiaries. The Group also adopts a centralised approach to investment management, a variety of financing arrangements and transactions between related companies.

In order to mitigate its exposure to risks described below, the Group conducts specific analysis, monitoring, management and control activities.

Financial risk

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.

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 euro. 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. The Group is using derivative financial instruments to be able to hedge its risks arising from foreign currency fluctuations ("forwards").

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.

Credit risk

The Group's credit risk arises from its 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. The credit risk of liquid funds (cash and cash equivalents) is limited because the counterparties are banks with investment 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. Each Group's entity is responsible for managing and analysing credit risk for each of its new and existing clients. An impairment analysis of outstanding balances 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 accounts receivable are secured by pledged real estate and bank guarantees and insurance.

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. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The management believes that the Group will have sufficient cash resources through earning cash from operating activities and utilising available financing instruments.

Compliance risks

The Group is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies. Identified breaches of compliance will be remedied as soon as practicable. The Group has no appetite for deliberate or purposeful violations of legislative or regulatory requirements, moreover the Group adopted a strong and effective internal control system to avoid fraud and misleading representation on its financial reports. Any residual risk is managed using specific insurance policies to protect corporate assets and provide liability coverage in the event of harm caused to third parties by accidents.

Capital Structure

The Issuer's authorised share capital amounts to EUR 1,019,262,730.30 comprised of 3,514,699,070 ordinary shares of nominal value EUR 0.29 each.

As at 31 December 2021, the Group's long-term borrowings (excluding lease liabilities) consisted of EUR 403.6 million of bank loans and bonds. There were no borrowings from related parties. The Group's short term borrowings (excluding lease liabilities) consisted of EUR 100.6 million of bank loans and bonds.

The Group's bank loans are secured by cash in certain bank accounts and the Group's property, plant and equipment and investment properties. The Group has also pledged certain lease contracts. As of 31 December 2021, approximately 28% of the Group's debt portfolio was secured and the remainder unsecured.

At the end of the 2021 financial year, the Group had undrawn borrowing facilities of EUR 67 million. Approximately 91% of the Group's debt facilities carry a fixed rate of interest and approximately 9% variable rate. Of the Group's borrowings as at 31 December 2021, EUR 100.6 million fall due for repayment in 2022, with EUR 337.3 million falling due in 2023, EUR 29.1 million in 2024, EUR 12.6 million in 2025, and EUR 24.5 million from 2026 onwards (excluding the impact of any Notes issued under the Programme).

A detailed overview of the maturity profiles of the Group's non-derivative financial liabilities can be found at Note 17 (*Borrowings (except for lease liabilities)*) of the audited consolidated financial statements of the Issuer for the year ended 31 December 2021 (the "**2021 Audited Consolidated Financial Statements**").

The Group's capital management strategy aims to continually optimise its financial structure by maintaining an optimum balance between net debt and EBITDA, equity and total assets.

The Issuer's share capital is indirectly owned by three main investors, Nerijus Numa (87.25%), Ignas Staškevičius (2.98%), Vladas Numavičius (9.76%) who indirectly hold their interests through a holding company, Vilniaus Prekyba which owns 100% of the Issuer's share capital. The ultimate shareholder is Metodika B.V. ("**Metodika**"), incorporated in the Netherlands.

The Group is part of the Metodika group, which owns retail, pharmacy, real estate and FMCG production businesses across the Baltic States, Poland and Sweden. There are also other groups and companies related through the controlling shareholder Mr. N. Numa that are not part of the Metodika group, although to the best of the Issuer's knowledge, the Metodika group is the controlling shareholder's main asset. All agreements between related parties are aimed to be concluded on arm's length basis (see "*Related Party Transactions*") below.

Day to day management decisions are taken independently by the Board, without shareholder input, although the long-term strategies of the Group are discussed and agreed with Vilniaus Prekyba. Part of Members of the Board of Vilniaus Prekyba also hold positions on the Supervisory Board of the Issuer.

Dividend distribution policy

The Issuer has a dividend distribution policy in place ensuring that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the shareholders and the Issuer and maintaining a transparent policy towards the creditors and all stakeholders.

The Board recommends a dividend pay-out ratio based on a number of factors, including return on equity and leverage.

The dividends declared and paid by the Issuer in 2021 and 2020 amounted to EUR 106.0 million (EUR 0.030 per share) and EUR 86.6 million (EUR 0.025 per share), respectively. As at the date of this Base Prospectus, dividends declared and paid by the Issuer in 2022 amounted to EUR 95.0 million (EUR 0.027 per share).

Legal and Regulatory Proceedings

From time to time, the Group may be a party to litigation claims and legal proceedings, including claims and proceedings arising in the ordinary course of its business. The Group evaluates any litigation claims and legal proceedings to which it is a party to assess the likelihood of unfavourable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, the Group establishes reserves and/or discloses the relevant litigation claims or legal proceedings as appropriate. These assessments and estimates are based on the information available to management at the time and involve significant management judgement.

The Group has not made any provisions in relation to legal or regulatory proceedings. See Note 30 (*Contingent Liabilities*) of the 2021 Audited Consolidated Financial Statements for further information.

As noted in Note 30 (*Contingent Liabilities*) of the 2021 Audited Consolidated Financial Statements, the corporate income tax of Emperia Holding Sp. Z o.o. for the 2011 fiscal was under review by the Tax Chamber of Warsaw following a decision of the Supreme Administrative Court. On 20 April 2022, the Tax Chamber of Warsaw cancelled the appeal and returned the matter to the Tax Chamber of Lublin to re-examine the facts of the case. The Tax Chamber of Lublin could still issue an unfavourable decision. The Group has not made any provision in its 2021 Audited Consolidated Financial Statements.

Credit Rating

The Issuer has been assigned a long-term senior unsecured credit rating of BB+ by S&P.

Related Party Transactions

The relationships between the Group and its related parties, identified according to the principles of International Accounting Standard 24 ("**IAS 24**"), primarily consist of financing and business transactions relating to the sale and purchase of goods and services. They fall within the activities carried out by the Group in the ordinary course of its business, and mostly comprise goods for resale, consulting services, franchise fees, rental services and borrowings from related parties.

The Group's transactions with its related parties are regulated by applicable laws in the respective countries, where the Group companies are conducting business, Articles of Association and transfer pricing documents, which provide for comprehensive regulation of rules concerning related party transactions and

conflicts of interest between a company and members of its Board or Supervisory Board (and persons close to such members).

All transactions with related parties are conducted on an arm's length basis.

See Note 28 (*Related party transactions*) of the 2021 Audited Consolidated Financial Statements for further information.

Selected Financial Information relating to the Issuer

The following tables set out in summary form consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows information relating to the Issuer. Such information is derived from the 2021 Audited Consolidated Financial Statements. The financial statements of the Issuer are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Such financial statements, together with the reports of PricewaterhouseCoopers UAB, including the accompanying notes, appear elsewhere in this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

Consolidated statement of financial position

	At 31 December	
	2021	2020
	EUR (thousands)	
ASSETS		
Non-current assets		
Property, plant and equipment	749,310	713,622
Right-of-use assets	660,626	674,801
Investment properties	18,412	16,581
Intangible assets (except for goodwill)	42,737	46,368
Goodwill	207,073	207,670
Non-current receivables and prepayments	16,908	16,605
Deferred tax assets	7,255	10,093
	1,702,321	1,685,740
Current assets		
Inventories	345,322	338,136
Trade and other receivables, prepayments and other short term financial assets	75,618	69,352
Cash and cash equivalents	219,045	183,523
	639,985	591,012
TOTAL ASSETS	2,342,306	2,276,752
EQUITY AND LIABILITIES		
Equity		
Share capital	1,019,263	1,019,263
Share premium	41,352	41,352
Legal reserve	53,359	43,767
Reverse acquisition reserve	(1,430,271)	(1,430,271)
Other reserves	342	(622)
Foreign currency translation reserve	(32,933)	(30,057)
Retained earnings	763,810	744,021
Total equity	414,922	387,453
Non-current liabilities		
Borrowings (except for lease liabilities)	403,553	453,158
Lease liabilities	585,170	592,185
Deferred tax liabilities	15,734	18,401
Other non-current liabilities	5,934	3,248
	1,010,391	1,066,992
Current liabilities		
Borrowings (except for lease liabilities)	100,645	42,256
Lease liabilities	97,840	96,658
Current income tax liabilities	2,588	5,930
Trade and other payables	715,920	677,463
	916,993	822,308
Total liabilities	1,927,384	1,889,299
TOTAL EQUITY AND LIABILITIES	2,342,306	2,276,752

Consolidated statement of comprehensive income

	Year ended 31 December	
	2021	2020
	<i>EUR (thousands)</i>	
Revenue	4,484,771	4,225,603
Cost of sales	(4,116,152)	(3,845,539)
Operating expenses	(179,544)	(167,670)
Other gains (losses)	2,505	(1,117)
Profit from operations	191,580	211,279
Finance income	503	376
Finance costs	(38,079)	(36,863)
Finance costs, net	(37,576)	(36,486)
Profit before tax	154,004	174,792
Income tax expense	(18,623)	(22,211)
Net profit	135,381	152,581
Net profit attributable to:		
Equity holders of the parent	135,381	152,581
.....	135,381	152,581
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(2,876)	(20,481)
Net gain (loss) on cash flow hedges	964	(485)
Other comprehensive income	(1,912)	(20,966)
Total comprehensive income	133,469	131,615
Total comprehensive income attributable to:		
Equity holders of the parent	133,469	131,615
.....	133,469	131,615
Earnings per share for profit attributable to ordinary equity holders of the parent (EUR)		
Basic/Diluted)	0.039	0.043

Consolidated statement of cash flows

	Year ended 31 December	
	2021	2020
	EUR (thousands)	
OPERATING ACTIVITIES		
Net profit	135,381	152,581
Adjustments for:		
Depreciation	160,678	154,163
Amortisation	9,030	10,903
Property, plant & equipment, intangible assets, right-of-use assets impairment charge (reversal)	2,843	8,054
(Profit) / loss on disposal and write-offs of property, plant and equipment and intangible assets	55	2,056
(Profit) / loss on disposal of subsidiaries	(194)	50
Income tax expense	18,623	22,211
Interest expenses	38,810	34,849
Interest income	(503)	(376)
Fair value (gains) losses on derivative financial instruments	964	(485)
<i>Changes in working capital</i>		
- trade and other receivables	(5,762)	(863)
- inventories	(7,153)	(9,186)
- reverse factoring arrangements	3,880	3,963
- trade and other payables	27,715	(42,261)
Cash generated from operations	384,367	335,658
Income tax paid	(22,439)	(24,923)
Net cash generated from operating activities	361,928	310,735
INVESTING ACTIVITIES		
Purchases of property, plant and equipment, intangible assets and investment properties	(105,715)	(99,752)
Proceeds from disposal of property, plant and equipment	4,905	5,695
Acquisition of subsidiaries, net of cash acquired	-	(1,235)
Proceeds (outflow) from disposal of subsidiaries, net of cash disposed	(51)	(175)
Loans granted	(320)	(72)
Proceeds from repayment of loans granted	151	70
Interest received	11	19
Acquisition of lease contracts	(4,375)	-
Finance sublease receivable collected	3,100	2,953
Net cash (used in) investing activities	(102,294)	(92,498)
FINANCING ACTIVITIES		
Proceeds from borrowings	57,915	-
Repayment of borrowings	(50,525)	(90,038)
Payment of principal portion on lease liabilities	(88,420)	(86,207)
Dividends paid	(106,000)	(86,562)
Interest paid, including interest on leases	(37,271)	(33,465)
Net cash (used in) financing activities	(224,301)	(296,272)
Net increase (decrease) in cash and cash equivalents	35,333	(78,035)
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE BEGINNING OF THE YEAR	183,523	261,559
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE END OF THE YEAR	218,856	183,523

Alternative Performance Measures

This section provides further information relating to alternative performance measures ("APM"s) for the purposes of the guidelines published by the European Securities and Markets Authority. Certain of the financial measures included in "*Description of the Issuer*" can be characterised as APMs and set out below are clarifications as to the meaning of such measures.

This Base Prospectus includes EBITDA, EBITDA margin, net debt, net debt to equity, net debt to EBITDA and Capex which are APMs:

	Unaudited as of and for the year ended 31 December	
	2021	2020
	<i>(EUR in millions, except percentages and ratios)</i>	
EBITDA.....	366.3	385.4
EBITDA Margin.....	8.2%	9.1%
Net debt.....	968.2	1,000.7
Net debt to equity.....	2.3x	2.6x
Net debt to EBITDA.....	2.6x	2.6x
Capex.....	108.2	88.9

Information regarding these measures is sometimes used to evaluate the efficiency of the Group's operations and its ability to apply its earnings towards the repayment of debt. There are no generally accepted principles governing the calculation of APMs, and the criteria upon which these measures are based can vary from company to company. APMs, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity. The Group does not regard the APMs as a substitute for, or superior to, the equivalent measures that are calculated in accordance with IFRS. The APMs measures presented in this Prospectus may not be comparable to other similarly titled measures used by other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

EBITDA

EBITDA should not be considered as an alternative to profit before tax as defined by IFRS or to cash flows from operating activities (or any other performance measure determined in accordance with IFRS) or as indicators of operating performance or as measures of the Group's liquidity. In particular, EBITDA should not be considered as measures of discretionary cash available to the Group to invest in the growth of the Group's businesses.

EBITDA has certain limitations as analytical tool, and should not be considered in isolation, or as a substitute for financial information as reported under IFRS. Investors should not place undue reliance on this data. EBITDA in this Base Prospectus is presented, for each period, as: net profit, adjusted by income tax expenses, finance income and finance costs, depreciation and amortisation, impairment and write-offs of property, plant and equipment, investment properties, intangible assets and right-of-use assets, and profit from disposal of subsidiaries.

No statement in this Base Prospectus is intended as a profit/EBITDA forecast and no statement in this Base Prospectus should be interpreted to mean that the earnings of the Group for the current or future years would necessarily match or exceed the historical published earnings of the Group.

The table below presents reconciliation of EBITDA to the net profit for the period of the Group for the years ended 31 December 2021 and 31 December 2020:

For the year ended 31 December		
	2021	2020
	<i>(EUR in millions, except percentages)</i>	
Net profit.....	135.4	152.6
Income tax expense.....	18.6	22.2
Depreciation and amortisation.....	169.7	165.1
Finance income.....	(0.5)	(0.4)
Finance costs.....	38.1	36.9
Impairment and write-offs of property, plant and equipment, intangible assets and right-of-use assets.....	5.2	9.0
Profit / loss from disposal of subsidiaries.....	(0.2)	0.1
EBITDA.....	366.3	385.4
EBITDA Margin.....	8.2%	9.1%

EBITDA Margin

EBITDA Margin consists of EBITDA divided by total revenue, expressed as a percentage.

The following table illustrates the methodology the Group uses to determine EBITDA margin for the year ended December 2021 and 31 December 2020:

For the year ended 31 December		
	2021	2020
	<i>(EUR in millions, except percentages)</i>	
EBITDA	366.3	385.4
Revenue	4,484.8	4,225.6
EBITDA Margin.....	8.2%	9.1%

Net Debt

Net debt consists of borrowings and lease liabilities, less cash and cash equivalents.

The following table illustrates the methodology the Group uses to determine its net debt as of 31 December 2021 and 31 December 2020:

As of 31 December		
	2021	2020
	<i>(EUR in millions)</i>	
Non-current borrowings, incl. lease liabilities.....	988.7	1,045.3
Bank borrowings.....	105.5	156.1
Other borrowings.....	298.1	297.1
Lease liabilities	585.2	592.2
Current borrowings, incl. lease liabilities.....	198.5	138.9
Current portion of non-current borrowings.....	60.5	42.3
Current borrowings	40.2	-
Current portion of lease liabilities	97.8	96.7
Total borrowings	1,187.2	1,184.3
Cash and cash equivalents.....	(219.0)	(183.5)
Net Debt	968.2	1,000.7

Net Debt to Equity

Net debt to equity is the ratio of net debt to equity and is used as a measure of both indebtedness and borrowing capacity.

Net Debt to EBITDA

Net debt to EBITDA is the ratio of net debt to EBITDA and is used as a measure of both indebtedness and borrowing capacity.

Capital Expenditure ("CAPEX")

CAPEX means expenditures corresponding to additions to property, plant and equipment (excluding subsidiary acquisitions) and investment property.

The following table illustrates the methodology the Group uses to determine capex for the years ended 31 December 2021 and 31 December 2020:

	For the year ended 31 December	
	2021	2020
	<i>(EUR in millions)</i>	
Additions to property, plant and equipment	105.4	88.9
Additions to investment properties	2.8	-
Capex.....	108.2	88.9

TAXATION

The following summaries do not purport to be a comprehensive description of all tax considerations that could be relevant for Noteholders. These summaries are intended as general information only and each prospective Noteholders should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes. These summaries are based on tax legislation and published case law in force as of the date of this document. They do not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Lithuanian Taxation

The following is a summary which covers the Lithuanian tax consequences of ownership and disposition of the Notes to a resident individual, a resident entity or a non-resident entity acting through a permanent establishment in Lithuania (the "**Lithuanian Holder**") or a non-resident individual or a non-resident entity which is not acting through a fixed base or permanent establishment in Lithuania that holds such Notes (the "**Non-Lithuanian Holder**"). The information contained within this section is limited to Lithuanian withholding and income tax issues and prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Notes.

As used in the preceding paragraph, a "resident individual" means an individual whose permanent place of residence is in Lithuania, or whose personal, social or economic interests are located in Lithuania or who is present in Lithuania continuously or intermittently for at least 183 days in the relevant tax period or at least 280 days in two consecutive tax periods and at least 90 days in one of these tax periods and a "resident entity" means an entity which is legally established in Lithuania. A "non-resident individual" means an individual whose permanent place of residence is outside Lithuania, whose personal, social or economic interests are located outside Lithuania and who is present in Lithuania for less than 183 days in the relevant tax period and less than 280 days in two consecutive tax periods or who is present in the Republic of Lithuania for more than 280 days in two consecutive tax periods, but less than 90 days in one of these tax periods and a "non-resident entity" means an entity which is legally established outside Lithuania.

Taxation of interest income and capital gains received by non-resident entities acting through a permanent establishment in Lithuania is the same as that of resident entities defined above, therefore, it is not separately outlined in the further sections of this Base Prospectus. For relevant details on the taxation of Lithuanian permanent establishments as Noteholders, please refer to the taxation of resident entities.

Withholding Tax, Income Tax

Taxation of interest

Payments to Lithuanian Holders

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident individual will be subject to personal income tax at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during a calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which is determined on the basis of quarterly gross average salaries as published by Statistics Lithuania (for example, in 2022, this figure would be EUR 180,492) and (ii) 20 per cent., which will apply to any income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during a calendar year, exceeding the aforementioned threshold. Part of the total amount of interest (including interest on the Notes) received by a resident individual during the calendar year up to the amount of EUR 500 will be exempt from personal income tax.

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to corporate income tax at a general rate of 15 per cent. or an incentive rate applicable to the Noteholder (i.e. 5 per cent. corporate income tax rate applies to small-sized entities). Banks and credit unions, including branches of foreign banks in the Republic of Lithuania,

shall pay additional 5 per cent. corporate income tax on profits (subject to special calculation rules) for the part of profits exceeding EUR 2 million.

Payments to Non-Lithuanian Holders

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident individual will be subject to personal income tax at progressive tax rates of:

- (i) 15 per cent., if the total amount of income (including Lithuanian-sourced interest, royalties, income from sports and entertainment activities, capital gains and rent from real estate located in the Republic of Lithuania and capital gains from movable property registerable in the Republic of Lithuania) received by a non-tax resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, in 2022, this figure would be EUR 180,492) and
- (ii) 20 per cent., which shall be applied to the amount of the above listed categories of income exceeding the aforementioned threshold.

Separate double tax treaties with the Republic of Lithuania may provide for a lower tax rate. The Issuer as a Lithuanian interest-paying entity will withhold 15 per cent. personal income tax and if it becomes known at the end of the year that a part of the amount was subject to a 20 per cent. rate, a non-resident individual will pay the difference himself/herself.

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident entity which is registered or otherwise organised in a state of the European Economic Area or in a state with which the Republic of Lithuania has concluded and brought into effect double tax treaty, will not be subject to withholding tax in Lithuania. Payments in respect of interest on the Notes to a non-resident entity other than listed above will be subject to 10 per cent. withholding tax.

If the Issuer as an interest-paying person is unable to identify the Noteholder and determine such Noteholder's eligibility for a lower tax rate or exemption from withholding tax, payments of interest in respect of the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to any such Noteholder will be subject to 15 per cent. withholding tax to be withheld and paid to the budget of the Republic of Lithuania by the Issuer.

Taxation on Disposition of Notes

Payments to Lithuanian Holders

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident individual will be subject to personal income tax at progressive tax rates of

- (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during a calendar year does not exceed the sum of 120 Lithuanian gross average salaries (for example, in 2022, this figure would be EUR 180,492) and
- (ii) 20 per cent., which will be applied to any income (excluding income from employment, self-employment, dividends, remuneration of board members and certain other types of income) received by a resident individual during a calendar year, exceeding the aforementioned threshold.

Part of the capital gains received from the sale of securities (including the Notes) during the calendar year up to the amount of EUR 500 is exempt from personal income tax. The tax exemption will not apply if the sale proceeds are received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven.

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be

subject to corporate income tax at a general rate of 15 per cent. or an incentive rate applicable to the Noteholder (i.e. 5 per cent. corporate income tax rate applies to small-sized entities). Banks and credit unions, including branches of foreign banks in the Republic of Lithuania, shall pay additional 5 per cent. corporate income tax on profits (subject to special calculation rules) for the part of profits exceeding EUR 2 million.

Payments to Non-Lithuanian Holders

The disposition of Notes by a non-resident individual or a non-resident entity which is not acting through a fixed base or a permanent establishment in Lithuania will not be subject to any Lithuanian income or capital gain tax.

Registration and Stamp Duty

Transfers of Notes will not be subject to any registration or stamp duty in Lithuania.

Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Notes.

The proposed financial transactions tax (the "FTT")

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The FTT that was initially proposed had a very broad scope and could, if introduced in that form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 were intended to be exempt.

In its initial version, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution could be, or would be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Following the meeting of the Council of the EU of 14 June 2019, the FTT currently being considered by FTT Participating Member States would be levied on the acquisition of shares of listed companies which have their head office in a member state of the EU and market capitalisation in excess of €1 billion on 1 December of the preceding year, rather than on any type of financial instrument. In order to reach a final agreement among the member states participating in the enhanced cooperation, further work in the Council and its preparatory bodies will be required in order to ensure that the competences, rights and obligations of non-participating EU member states are respected.

If the proposed directive or any similar tax was adopted and depending on the final terms and scope of the FTT, transactions on the Notes could be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Lithuania) have entered into, or have agreed in substance to, intergovernmental agreements with the United

States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes that are characterised as debt (or which are not otherwise characterised as equity and have a defined term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are filed with the U.S. Federal Register generally would be "**grandfathered**" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in a dealer agreement dated 28 June 2022 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Dealers for their expenses incurred in connection with the establishment of the Programme and for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of such Tranche within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the UK. For the purposes of this provision the expression "**retail investor**" means a person who is one (or more) of the following:

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

Lithuania

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy the Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in Lithuania other than in compliance with the Law on Securities of the Republic of Lithuania and any other laws applicable in Lithuania governing the issue, offering and sale of Notes.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")/distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

IMPORTANT - PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")/MiFID II]; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT - PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the [European Union (Withdrawal) Act 2018 ("**EUWA**")/EUWA]; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as

defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018.)

Final Terms dated [●]

MAXIMA GRUPË, UAB

Legal entity identifier (LEI): 259400Z5DFISQ00QN727

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the €1,000,000,000 Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the term and conditions set forth in the base prospectus dated 28 June 2022 [and the supplement(s) to it dated [●]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information.]

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the base prospectus dated [original date] [and the supplement(s) to it dated [●]] which are incorporated by reference in the base prospectus dated 28 June 2022. This document constitutes the Final Terms of the Notes described herein for the purposes of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and must be read in conjunction with the base prospectus dated 28 June 2022 [and the supplement(s) to it dated [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**") in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the base prospectus dated [original date] [and the supplement(s) to it dated [●]].]

[The Base Prospectus has been published on the website of the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") (<https://live.euronext.com/>).]

- | | | | |
|---|-------|--|---|
| 1 | (i) | Issuer: | Maxima Grupë, UAB |
| 2 | (i) | Series Number: | [●] |
| | (ii) | Tranche Number: | [●] |
| | (iii) | Date on which the Notes become fungible: | [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [insert date]]].] |
| 3 | | Specified Currency or Currencies: | [●] |
| 4 | | Aggregate Nominal Amount: | |
| | (i) | Series: | [●] |
| | (ii) | Tranche: | [●] |

- 5 Issue Price: ☐ per cent. of the Aggregate Nominal Amount
[plus accrued interest from *[insert date]* (if applicable)]
- 6 (i) Specified Denominations: ☐
- (ii) Calculation Amount: ☐
- 7 (i) Issue Date: ☐
- (ii) Interest Commencement Date *[Specify/Issue Date/Not Applicable]*
- 8 Maturity Date: *[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
- 9 Interest Basis: ☐ per cent. Fixed Rate]
- ☐ month [U.S. Treasury Rate/EURIBOR] +/-
☐ per cent. Floating Rate]
- [Zero Coupon]
- (See paragraph [14/15/16] below)
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at ☐/100] per cent. of their nominal amount.
- 11 Change of Interest Basis: *[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable]*
- 12 Put/Call Options: [Investor Put]
- [Change of Control Put]
- [Issuer Call]
- [Par Call]
- See paragraph [17/18/19] below)]
- 13 Date [Board] approval for issuance of Notes obtained: ☐/Not Applicable]
- (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions ☐ Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: ☐ per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): ☐ in each year

(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount
(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
(v)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
(vi)	[Determination Dates:	[●] in each year (<i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))</i>)]
15	Floating Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
(i)	Interest Period(s):	[[●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(ii)	Specified Interest Payment Dates:	[[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iii)	Interest Period Date:	[Not Applicable]/ [[●] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
(iv)	First Interest Payment Date:	[●]
(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
(vi)	Business Centre(s):	[●]
(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]

- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●]
- (ix) Screen Rate Determination:
- Reference Rate: [[●] month EURIBOR]
 - Interest Determination Date(s): [●]
 - Relevant Screen Page: [●]
- (x) ISDA Determination:
- Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (xi) [Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xii) Margin(s): [+/-][] per cent. per annum
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual] [Actual/Actual – ISDA]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360] [360/360] [Bond Basis]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]
[Actual/Actual-ICMA]
- 16 Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) [Day Count Fraction in relation to Early Redemption Amounts: [Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]]

PROVISIONS RELATING TO REDEMPTION

17	Call Option	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[[●] per Calculation Amount] / [Make Whole Amount]
(iii)	Reference Date:	[●]
(iv)	[Make Whole Amount:	
	- Reference Bond	[●]
	- Determination Time:	[●]
	- Determination Date	[●]
	- Redemption Margin	[●] <i>(if Make Whole Amount is not specified in paragraph 17(ii) above, this can be deleted)</i>
(v)	Par Call Commencement Date:	[●] / [Not Applicable]
(vi)	If redeemable in part:	
	(a) Minimum Redemption Amount:	[●] per Calculation Amount
	(b) Maximum Redemption Amount:	[●] per Calculation Amount
(vii)	Notice period:	[●] days
18	Put Option	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note:	[●] per Calculation Amount
(iii)	Notice period:	[●] days
19	Change of Control Put Option	[Applicable/Not Applicable]
		<i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Put Period:	[●]
(ii)	Put Date:	[●]
20	Final Redemption Amount of each Note	[●][Par] per Calculation Amount
21	Early Redemption Amount	

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [●]/[Par] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- | | | |
|----|---|---|
| 22 | Form of Notes: | <p>Bearer Notes:</p> <p>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>[Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]</p> <p>[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]</p> <p>Registered Notes:</p> <p>[Regulation S Global Note (US\$/€[●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]</p> |
| 23 | New Global Note: | [Yes] [No] |
| 24 | New Safekeeping Structure: | [Yes] [No] |
| 25 | Financial Centre(s): | [Not Applicable/give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which subparagraph 15(v) relates] |
| 26 | Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): | [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.] |

THIRD PARTY INFORMATION

[(Relevant third party information) has been extracted from (specify source). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Maxima Grupė, UAB:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of Euronext Dublin and listed on the official list of Euronext Dublin]/[Nasdaq Vilnius Stock Exchange] with effect from [●].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of Euronext Dublin and listed on the official list of Euronext Dublin]/[Nasdaq Vilnius Stock Exchange] with effect from [●].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

- (ii) Estimate of total expenses related to admission to trading: [●]

2 RATINGS

Ratings: [[The Notes to be issued [have been/are expected to be/have not been] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[Standard & Poor's: [●]]*

[Moody's: [●]]*

[[Fitch: [●]]*

[[Other]: [●]]*

**Include legal name of rating agency*

[Insert a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

[[●] is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").]

[[●] is established in the European Union and has applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].]

[[●] is established in the European Union and is neither registered nor has it applied for registration under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").]

[[●] is not established in the European Union but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the European

Union and registered under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").]

[[●] is not established in the European Union but is certified under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**").]

[[●] is not established in the European Union and is not certified under Regulation (EC) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

(Need to include a description of any interest, including a conflict of interest, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]

4 **REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS**

Reasons for the offer: [●]

[See "Use of Proceeds" in the Base Prospectus.] *[If reasons for offer different from what is disclosed in the Base Prospectus, give details here.]*

Estimated net proceeds: [●]

5 **[Fixed Rate Notes only – YIELD]**

Indication of yield: [●]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6 **OPERATIONAL INFORMATION**

ISIN: [●]

Common Code: [●]

Trade Date [●]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [Not Applicable/[●]]

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

7 DISTRIBUTION

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated:

(A) Names of Managers: [Not Applicable/*give names*]

(B) Stabilisation Manager(s) (if any): [Not Applicable/*give names*]

(iii) If non-syndicated, name of Dealer: [Not Applicable/*give name*]

(iv) US Selling Restrictions: [Reg. S Compliance Category 2]; [TEFRA D/ TEFRA not applicable]

GENERAL INFORMATION

1. This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Regulation. Application has also been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Market. The Market is a regulated market for the purposes of MiFID II.
2. The Issuer has obtained all necessary consents, approvals and authorisations in Lithuania in connection with the Programme. The Programme was authorised by resolutions of the Board of Directors passed on 27 June 2022.
3. There has been no significant change in the financial performance or financial position of the Group since 31 December 2021, and there has been no material adverse change in the prospects of the Issuer since 31 December 2021 other than as described in "*Description of the Issuer – Legal and Regulatory Proceedings*" on page 126 of this Base Prospectus.
4. Except as disclosed in "*Description of the Issuer – Legal and Regulatory Proceedings*" on page 126 of this Base Prospectus, neither the Issuer nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
5. Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.
7. The Legal Entity Identifier (LEI) code for the Issuer is 259400Z5DFISQ00QN727.
8. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
9. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.
10. The website of the Issuer is www.maximagrupe.eu. The information on www.maximagrupe.eu does not form part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus.
11. Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
12. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

13. For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available at be <https://live.euronext.com/en/product/bonds-detail/s95777%7C19961%7Cp1106/documents>:
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
 - (ii) the Agency Agreement;
 - (iii) each Final Terms;
 - (iv) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Prospectus; and
 - (v) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus.

In addition, copies of the Trust Deed and Agency Agreement will be available for inspection at specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

The Articles of Association of the Issuer, the 2021 Audited Consolidated Financial Statements and the latest annual report of the Issuer may be obtained from <https://maximagrupe.eu/en/for-investors1>.

14. The consolidated financial statements of Maxima Grupė, UAB as of 31 December 2021 and 2020 and for the years then ended and as of 31 December 2020 and for the year then ended, included in the Base Prospectus, have been audited by PricewaterhouseCoopers UAB, independent auditors, as stated in their report appearing herein. PricewaterhouseCoopers UAB of J. Jasinskio St. 16B, Vilnius, Lithuania is a member of the Lithuanian Chambers of Auditors.
15. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates routinely hedge their credit exposures to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.
16. Except where such information has been incorporated by reference into this Base Prospectus, the contents of the Issuer's website, any website mentioned in this Base Prospectus or any website directly or indirectly linked to these websites have not been verified and do not form part of this Base Prospectus and investors should not rely on such information.
17. The Irish Listing Agent is The Bank of New York Mellon SA/NV, Dublin Branch and the address of its registered office is Riverside II Sir John Rogerson's Quay, Grand Canal Dock, 2, Dublin 2, Ireland. The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as

listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Market.

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The Audited Consolidated Financial Statements and related auditor's report included on the following pages have been extracted without material adjustment from the annual report published at the date indicated in the auditor's report. References in the auditor's report to "other information" are references to other information in the annual report. Such other information does not form part of this Base Prospectus.



Independent auditor's report

To the shareholder of MAXIMA GRUPĖ, UAB

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MAXIMA GRUPĖ, UAB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021 and 31 December 2020, and of the Group's consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 4 April 2022.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021 and 31 December 2020;
- the consolidated statement of comprehensive income for the years then ended;
- the consolidated statement of changes in equity for the years then ended;
- the consolidated statement of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

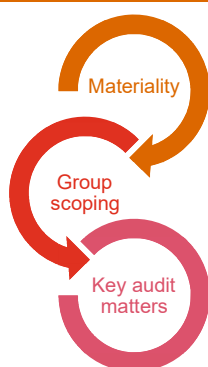
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements. The non-audit services that we have provided to the Group, in the period from 1 January 2021 to 31 December 2021 are disclosed in Consolidated Annual Report section *Information on non-audit services*.

PricewaterhouseCoopers UAB, J. Jasinskio str. 16B, 03163 Vilnius, Lithuania
+370 (5) 239 2300, lt_vilnius@pwc.com, www.pwc.lt

Our audit approach

Overview



- Overall Group materiality: EUR 12,700 thousand
- We conducted audit work at 8 reporting units, located in Bulgaria, Estonia, Latvia, Lithuania and Poland.
- Our audit addressed 87% of the Group's total assets and 98% of the Group's total revenues.
- Goodwill impairment assessment
- Property, plant and equipment and right-of-use assets impairment assessment
- Lease term determination and application of discount rate

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

Materiality

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

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

Overall materiality	EUR 12,700 thousand (2020: EUR 12,000 thousand)
How we determined it	0,28% of Group's total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark because total revenues are one of the Group's key performance indicators analysed by the management and communicated to the shareholder and, in our view, it is an appropriate measure of the size of the Group. Total revenues are also a more stable measure compared to profitability ratio.

We chose the threshold of 0,28%, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We informed the Audit Committee that we would report to them misstatements identified during our audit above EUR 889 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment</p> <p><i>Refer to accounting policy on impairment testing in note 2.5 „Goodwill”, accounting estimates and assessments in note 3.2 „Key sources of estimation uncertainty” and note 9 „Goodwill”.</i></p> <p>The Group’s goodwill balance amounted to EUR 207,073 thousand as at 31 December 2021.</p> <p>Goodwill has to be tested for impairment at least annually. When determining the recoverable amount (higher of value in use and fair value less costs to sell) the management is required to use judgment in identifying the relevant cash-generating units and determining their recoverable amounts.</p> <p>The recoverable amounts are based on the cash flow forecasts covering the management’s estimate of key value driver inputs and external market indicators: inflation rate, revenue growth rate, competition, capital expenditures, and discount rates applied.</p> <p>No impairment was recognised in the current reporting period as the recoverable amount of the relevant cash-generating units was higher than their carrying amount.</p> <p>We focused on this area because the balance of goodwill was material, and the impairment assessment involved the management’s significant judgements about the future results and the discount rates used in the cash flow forecast.</p>	<p>We obtained an understanding of the management’s process over the impairment testing. We evaluated the way in which the management identified the Group’s cash-generating units to which goodwill was allocated.</p> <p>Our audit procedures also included challenging the management on the appropriateness of the impairment models and reasonableness of the assumptions used, by performing the following:</p> <ul style="list-style-type: none"> - Assessing reliability of the cash flow forecast, by checking the actual past performance and comparing it against the previous forecasts, and by inspecting the internal documents, such as budgets for 2022–2026; - Benchmarking the market-related assumptions, such as discount rates and long-term growth rates against the external data. Where it was considered necessary, we involved our valuation experts; - Testing the mathematical accuracy of the model and sensitivity of the impairment test to the key inputs. <p>Finally, we have reviewed the adequacy of the disclosures in the Group’s consolidated financial statements.</p>

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

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

The Group's property, plant and equipment and right-of-use assets amounted to EUR 749,310 thousand and EUR 660,626 thousand, respectively, thereby representing around 60% of total assets reported in the Group's consolidated statement of financial position as at 31 December 2021. The Group assessed existence of impairment indicators for property, plant and equipment and right-of-use assets as at 31 December 2021.

The Group performed the annual impairment test for those items assets, for which impairment indicators were identified as at 31 December 2021. The test was based on the estimated recoverable amounts of the Group's cash-generating units (individual stores). The annual impairment test involves the management's judgments regarding the assumptions used in the underlying cash flow forecasts covering the management's estimate of key value driver inputs and external market indicators: inflation rate, revenue growth rate, competition, capital expenditures, and discount rates applied.

For property, plant and equipment and right-of-use assets, the Group recognised additional impairment charges of EUR 2,670 thousand and EUR 5,681 thousand, respectively, and a reversal of impairment charges of EUR 1,305 thousand and EUR 4,634 thousand, respectively, in 2021.

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

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

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

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

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

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

Lease term and the discount rate determination

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

During our audit procedures, we analysed completeness and accuracy of new, modified or remeasured lease contracts that were identified and recorded in the lease accounting system during 2021; assessed whether it was reasonably certain that the lease extension options would be

As at 31 December 2021, the Group's right-of-use assets amounted to EUR 660,626 thousand, net investment in lease amounted to EUR 13,158 thousand, and lease liabilities amounted to EUR 683,010 thousand.

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

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

- We obtained an understanding of the internal processes around the identification of leases, and obtained the related lease contract data;
- We read the policy listing the factors, such as economic incentives, geographical location of a store, leasehold improvements and other, to be considered in determining the lease term, including the extension options. We tested the management's assessment of those factors and whether it was reasonably certain that the lease extension options would be exercised, by reviewing the contractual terms, business plans, and other relevant information;
- For the lease contracts where the management used the incremental borrowing rate as a discount rate, we reviewed the methodology and assumptions used by the management, and compared them against the borrowing rates confirmed by the SEB bank AB;
- For the lease contracts where the management used the interest rate implicit in the lease as a discount rate, we tested the key assumptions, including the fair value determined for the leased asset at the commencement and termination dates of the lease;
- We involved a valuation expert to assist us with the review of the management's assumptions to determine the interest rate implicit in the lease;
- We assessed completeness and accuracy of the input data used in the calculation, by reconciling the inputs to the lease contracts and discount rates determined by the management, and tested them on a sample basis;
- For a sample of lease contracts, we checked whether the contracts were appropriately identified as a lease, whether appropriate lease terms and discount rates were determined, and whether that the lease liability and the right-of-use asset were recognised and measured in accordance with IFRS 16, Leases;
- We recalculated on a sample basis the right-of-use asset and the lease liability for the selected lease contracts, and verified the mathematical accuracy of the calculation;
- For the same sample of lease contracts, we recalculated the lease payments, interest and

amortisation charges recognised during the period;

We also read the disclosures in the consolidated financial statements regarding the right-of-use assets and the lease liabilities.

How we tailored our Group audit scope

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

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

- Maxima Bulgaria EOOD;
- Maxima Eesti OU;
- Maxima Latvia SIA;
- Maxima Grupe UAB;
- Maxima LT;
- Maxima International Sourcing UAB;
- Elpro Development S.A.;
- Stokrotka Sp.z.o.o.

For real estate and e-trade entities of the Group, the Group engagement team and PwC entities in Estonia and Latvia 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, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and Law of the Republic of Lithuania on Financial 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 for the financial year for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and Law of the Republic of Lithuania on Financial 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 had an uninterrupted engagement appointment of 3 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
4 April 2022

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

		At 31 December	
	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	5	749 310	713 622
Right-of-use assets	6	660 626	674 801
Investment properties	7	18 412	16 581
Intangible assets (except for goodwill)	8	42 737	46 368
Goodwill	9	207 073	207 670
Non-current receivables and prepayments	10	16 908	16 605
Deferred tax assets	11	7 255	10 093
		1 702 321	1 685 740
Current assets			
Inventories	12	345 322	338 136
Trade and other receivables, prepayments and other short-term financial assets	13	75 618	69 352
Cash and cash equivalents	14	219 045	183 523
		639 985	591 012
TOTAL ASSETS		2 342 306	2 276 752
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 019 263	1 019 263
Share premium	15	41 352	41 352
Legal reserve	16	53 359	43 767
Reverse acquisition reserve	16	(1 430 271)	(1 430 271)
Other reserves		342	(622)
Foreign currency translation reserve		(32 933)	(30 057)
Retained earnings		763 810	744 021
Total equity		414 922	387 453
Non-current liabilities			
Borrowings (except for lease liabilities)	17	403 553	453 158
Lease liabilities	6	585 170	592 185
Deferred tax liabilities	11	15 734	18 401
Other non-current liabilities		5 934	3 248
		1 010 391	1 066 992
Current liabilities			
Borrowings (except for lease liabilities)	17	100 645	42 256
Lease liabilities	6	97 840	96 658
Current income tax liabilities		2 588	5 930
Trade and other payables	18	715 920	677 463
		916 993	822 308
Total liabilities		1 927 384	1 889 299
TOTAL EQUITY AND LIABILITIES		2 342 306	2 276 752
Mantas Kuncaitis	Povilas Šulys		
Chief Executive Officer	Chief Financial Officer		

The consolidated financial statements have been approved and signed electronically on 4 April 2022.

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	
		2021	2020
Revenue	4, 19	4 484 771	4 225 603
Cost of sales		(4 116 152)	(3 845 539)
Operating expenses	20	(179 544)	(167 670)
Other gains (losses)	22	2 505	(1 117)
Profit from operations		191 580	211 279
Finance income	21	503	376
Finance costs	21	(38 079)	(36 863)
Finance costs, net		(37 576)	(36 486)
Profit before tax		154 004	174 792
Income tax expense	23	(18 623)	(22 211)
Net profit	4	135 381	152 581
Net profit attributable to:			
Equity holders of the parent		135 381	152 581
		135 381	152 581
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss</i>		-	-
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(2 876)	(20 481)
Net gain (loss) on cash flow hedges		964	(485)
Other comprehensive income		(1 912)	(20 966)
Total comprehensive income		133 469	131 615
Total comprehensive income attributable to:			
Equity holders of the parent		133 469	131 615
		133 469	131 615
Earnings per share for profit attributable to ordinary equity holders of the parent (EUR)			
Basic/diluted	25	0.039	0.043

(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 2020		1 019 263	41 352	36 163	(1 430 271)	(137)	(9 576)	685 606	342 400
Profit for the year		-	-	-	-	-	-	152 581	152 581
Other comprehensive income		-	-	-	-	(485)	(20 481)	-	(20 966)
<i>Total comprehensive income for the year</i>		-	-	-	-	(485)	(20 481)	152 581	131 615
Transfer to legal reserve	16	-	-	7 604	-	-	-	(7 604)	-
Dividends	26	-	-	-	-	-	-	(86 562)	(86 562)
<i>Total transactions with shareholders recognised directly in equity</i>		-	-	7 604	-	-	-	(94 166)	(86 562)
At 31 December 2020		1 019 263	41 352	43 767	(1 430 271)	(622)	(30 057)	744 021	387 453
At 1 January 2021		1 019 263	41 352	43 767	(1 430 271)	(622)	(30 057)	744 021	387 453
Profit for the year		-	-	-	-	-	-	135 381	135 381
Other comprehensive income		-	-	-	-	964	(2 876)	-	(1 912)
<i>Total comprehensive income for the year</i>		-	-	-	-	964	(2 876)	135 381	133 469
Transfer to legal reserve	16	-	-	9 592	-	-	-	(9 592)	-
Dividends	26	-	-	-	-	-	-	(106 000)	(106 000)
<i>Total transactions with shareholders recognised directly in equity</i>		-	-	9 592	-	-	-	(115 592)	(106 000)
At 31 December 2021		1 019 263	41 352	53 359	(1 430 271)	342	(32 933)	763 810	414 922

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

Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2021	2020
OPERATING ACTIVITIES			
Net profit		135 381	152 581
Adjustments for:			
Depreciation	5, 6, 7	160 678	154 163
Amortisation	8	9 030	10 903
Property, plant & equipment, intangible assets, right-of-use assets impairment charge (reversal)	20	2 843	8 054
(Profit) / loss on disposal and write-offs of property, plant and equipment and intangible assets	5, 8, 22	55	2 056
(Profit) / loss on disposal of subsidiaries	22	(194)	50
Income tax expense	23	18 623	22 211
Interest expenses	21	38 810	34 849
Interest income	21	(503)	(376)
Fair value (gains) losses on derivative financial instruments		964	(485)
<i>Changes in working capital</i>			
- trade and other receivables		(5 762)	(863)
- inventories		(7 153)	(9 186)
- reverse factoring arrangements	18	3 880	3 963
- trade and other payables		27 715	(42 261)
Cash generated from operations		384 367	335 658
Income tax paid	23	(22 439)	(24 923)
Net cash generated from operating activities		361 928	310 735
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and investment properties	5, 7, 8	(105 715)	(99 752)
Proceeds from disposal of property, plant and equipment		4 905	5 695
Acquisition of subsidiaries, net of cash acquired		-	(1 235)
Proceeds (outflow) from disposal of subsidiaries, net of cash disposed		(51)	(175)
Loans granted		(320)	(72)
Proceeds from repayment of loans granted		151	70
Interest received		11	19
Acquisition of lease contracts		(4 375)	-
Finance sublease receivable collected		3 100	2 953
Net cash (used in) investing activities		(102 294)	(92 498)
FINANCING ACTIVITIES	29		
Proceeds from borrowings		57 915	-
Repayment of borrowings		(50 525)	(90 038)
Payment of principal portion on lease liabilities		(88 420)	(86 207)
Dividends paid	26	(106 000)	(86 562)
Interest paid, including interest on leases		(37 271)	(33 465)
Net cash (used in) financing activities		(224 301)	(296 272)
Net increase (decrease) in cash and cash equivalents		35 333	(78 035)
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE BEGINNING OF THE YEAR	14	183 523	261 559
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE END OF THE YEAR	14	218 856	183 523

(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 23 August 2007. The Company's registered address is Savanorių av. 5, Vilnius, Lithuania. The Company's legal status - private limited liability company, entity code 301066547.

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

The consolidated group is comprised of the Company and its subsidiary undertakings (hereinafter collectively referred to as "the Group"). In 2021 and 2020, the Group's main subsidiaries are listed in the table below. Other subsidiaries not listed below are mainly involved in real estate management. The Group owns 100% of shares in all subsidiaries. There were no significant business combinations in 2021 and 2020.

Significant subsidiary	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2021	2020	
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 2021, the Group employed 38.5 thousand employees (total remuneration related costs amounted to EUR 495 million in 2021, net of government grant of EUR 2 million that was accounted for as reduction of payroll costs (Note 24) (31 December 2020: 40.7 thousand employees, remuneration related costs EUR 458 million, net of government grant of EUR 11 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 4 April 2022. The Company's shareholders have a statutory right to approve or not to approve these consolidated financial statements and to require the preparation of a new set of consolidated financial statements.

2. Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, except for the below amended IFRSs which have been adopted by the Group as of 1 January 2021.

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 tabular amounts are in EUR thousands unless otherwise stated)

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

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

IBOR reform had no impact for the Group, as all borrowings are either EURIBOR/WIBOR linked, or have fixed interest rates, therefore there was no need to transition to alternative benchmark interest rates.

COVID-19-Related Rent Concessions – Amendments to IFRS 16

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2022; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

The Group did not receive significant COVID-19 related rent concessions, therefore these amendments had no impact on the Group's consolidated financial statements.

IFRSs issued but not yet effective

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2022, yet not applied in preparing these consolidated financial statements are presented below. The new accounting pronouncements have been endorsed by the European Union unless otherwise stated. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023)

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

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the COVID-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. These Amendments have not yet been endorsed by the EU. The Group has not yet assessed the impact of the amendments.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.
- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The Group has not yet assessed the impact of the amendments.

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

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

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment 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. These Amendments have not yet been endorsed by the EU. The Group has not yet assessed the impact of the amendments

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023).

The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. These Amendments have not yet been endorsed by the EU. The Group has not yet assessed the impact of the amendments

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

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

Other standards

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

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

2.3. Consolidation

All entities controlled by the Company (its subsidiaries) are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

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

2.4. Business combinations

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

Acquisition-related costs are expensed as incurred.

2.5. Goodwill

The excess of the:

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

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or their groups) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2.6. Property, plant and equipment

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

Buildings	2 – 43 years
Equipment and other assets	2 – 12 years
Vehicles	2 – 4 years

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

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

Land is not depreciated.

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

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

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

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

2.7. Investment properties

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

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

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

2.8. Intangible assets with finite useful lives

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

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

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

Software	2 - 4 years
Brands and trademarks	5 - 15 years
Customer contracts	15 years
Other intangible assets	3 - 5 years

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

At each financial year end, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is determined in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.10. Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs necessary to be incurred in selling.

(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. Logistics costs incurred for transportation of inventory between different locations of retail operators are accounted as cost of sales in the relevant accounting period.

2.11. Financial instruments

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

2.11.1. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from contracts with customers*. Refer to the accounting policies in Note 2.15.

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

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

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

Subsequent measurement

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

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

a) Financial assets at amortised cost

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

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

and

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

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

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

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

b) Financial assets at fair value through OCI

in 2021 and 2020 the Group did not have financial assets at fair value through OCI.

c) Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

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

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

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

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

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

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

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

2.11.2. Financial liabilities

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

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

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

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

b) Financial liabilities at amortised cost

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

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

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

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

Derecognition

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

2.11.3. Offsetting of financial instruments

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

2.11.4 Reverse factoring arrangements (supply chain financing arrangements)

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

2.12. Borrowing costs

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

2.13. Derivative financial instruments and hedging activities

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

On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices for forwards (level 1) and using valuation models for interest rate swaps (level 2 and 3). The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in profit or loss.

For the purposes of hedge accounting, hedges are classified into two categories:

- (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability or a firm commitment (fair value hedges); and
- (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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

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

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

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

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

Cash flow hedges

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

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

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

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

2.14. Provisions

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

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

2.15. Revenue from contracts with customers

a) Retail revenue

The Group recognises revenue from its retail customers as it satisfies its performance obligations at the point of check out in its retail stores. Revenue from online sales is recognised upon delivery of goods, i.e. upon transfer of control of goods to customer. Revenue from the sale of gift cards is recognised when the gift cards are redeemed by the retail customer or expire, whichever event occurs earlier.

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

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

b) Commission income

For certain products and services, e.g. lottery tickets, prepaid telephone cards, collection of payments for utilities on behalf of utility service providers from retail customers, etc., the Group acts as an agent and recognises commission income in its revenue when the related goods are sold in retail stores.

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.

Contract assets

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

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.11.1.

Contract liabilities

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

2.16. Cost of sales

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

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

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

The Group's cost of sales can be sub-divided into: the cost of goods sold (accounting for approximately 80 per cent of the total cost of sales for the year ended 31 December 2021 (2020: approximately 80 per cent), employee remuneration costs (accounting for approximately 10 per cent of the total cost of sales for the year ended 31 December 2021 (2020: 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 2021 (2020: approximately 10 per cent).

2.17. Income tax

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

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

a) Current income tax

The current income tax expenses are based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax rate is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The income tax for the Group is calculated according to the laws of the country in which respective Group's entity operates.

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

	<u>2021</u>	<u>2020</u>
Lithuania	15%	15%
Latvia*	20/80	20/80
Estonia*	20/80 (14/86 for regular profit distribution amount)	20/80 (14/86 for regular profit distribution amount)
Poland	19%	19%
Bulgaria	10%	10%

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

b) Deferred income tax

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

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

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

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

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

2.18. Employee benefits

a) Social security contributions

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

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

b) Termination benefits

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

c) Bonus plans

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

2.19. Leases

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

2.19.1. The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. The right-of-use assets are subject to impairment, see Note 2.9.

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2.19.2. The Group as a lessor

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

2.19.3. Sublease

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

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

2.20. Government grants

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

2.21. Foreign currencies

a) Functional and presentation currency

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

b) Transactions and balances

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

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

c) Group companies

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

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

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

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

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

2.22. Contingencies

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

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

2.23. Dividend distribution

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

2.24. Related parties

Related parties include the following persons and entities:

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

2.25. Subsequent events

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

3. Critical accounting judgements and key sources of estimation uncertainty

3.1. Critical judgments in applying the accounting policy

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

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

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

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

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

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

The Group has the option, under some of its leases (buildings and land), to lease the assets for additional term of five to thirty years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend the lease term. It considers all relevant factors that create an economic incentive for it to exercise the renewal (e.g., lease term, geographical location of the store, leasehold improvements, etc). The Group included the renewal period as part of the lease term for leases of buildings leased for retail operations where after considering a number of relevant factors the Group concluded that it is reasonably certain that the Group will exercise an extension option. Potential future cash flows that have not been included in the lease liability for extension options which realisation is not reasonably certain are disclosed in Note 6.

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

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

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

Classification of reverse factoring arrangements (supply chain financing arrangements)

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

The Group presents liabilities that are part of a reverse factoring arrangement as part of trade payables only when those liabilities have a similar nature and function to trade payables. However, these liabilities are presented separately when the size, nature or function of those liabilities makes separate presentation relevant to an understanding of the Group's financial position. In assessing whether it is required to present such liabilities separately, the Group considers the amounts, nature and timing of those liabilities. As of 31 December 2021 and 2020 the Group's liabilities under supplier financing arrangements are presented within trade and other payables (Note 18). As the supplier financing arrangement is closely related to operating purchasing activities of the Group, the Group presents cash outflows to settle the liability as arising from operating activities in its consolidated statement of cash flows.

3.2. Key sources of estimation uncertainty

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

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

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

(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 are based on value in use, which is calculated from cash flow projections for five years using data from the Group's internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates used to extrapolate cash flow projections beyond the period of five years, revenue and EBITDA (for the definition of EBITDA see Note 4) growth. Management estimates discount rates using rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. The discount rates ranged from 5.1 to 7.7 percent (2020: 7.0 – 9.6 percent) and terminal growth rate was from 1.0 to 1.5 percent (2020: 1.0 – 1.5 percent). These discount rates are derived from the Group's post-tax weighted average cost of capital as adjusted for the specific risks relating to each geographical region. Changes in revenue and costs, and, consequently, EBITDA, are based on historical trends and expectations of future developments in the markets the Group operates. The increase in discount rates by 0.5 percentage points and decrease in terminal growth rates by 0.5 percentage points would not result in goodwill impairment. Further information is disclosed in Note 9.

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

Property, plant and equipment, intangible assets and right-of-use assets are tested for impairment at cash generated units which are separate stores. Costs and assets that cannot be directly attributed to stores, e.g. related to warehouses, administration, marketing activities, etc. are allocated to stores based on store revenue. E-commerce revenue are directly related to particular store, therefore are included in cash inflows of the particular store. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flow model does not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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

The post-tax discount rates used to calculate value in use range from 5.1 to 7.7 percent (2020: 7.0 – 9.6 percent) and terminal growth rates range from 1.0 to 1.5 percent (2020: 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 6.0 to 9.6 percent (2020: 8.3 to 11.8 percent).

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

Allocation of transaction price to the loyalty programme points

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

Contingent liabilities

In the process of preparation of the annual financial statements management evaluates available information on the status and potential outcome of pending litigations and other contingent liabilities (Note 30) and accordingly recognises necessary provisions and / or discloses in the consolidated financial statements.

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

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 2021, the Group estimated interest rates implicit in the lease using the following inputs provided by the independent valuers for each specific lease contract:

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

4. Segment information

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

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

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

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

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

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

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

2020						
Retail						
	Lithuania	Latvia	Estonia	Poland	Bulgaria	E-commerce Total retail
Revenue	1 689 164	878 069	502 947	974 874	182 758	4 258 245
<i>incl. external customers</i>	1 675 935	877 755	502 793	973 473	182 758	4 217 342
<i>incl. inter-segment</i>	13 229	314	154	1 401	-	40 903
Interest expenses	12 853	4 272	2 640	12 272	3 274	35 576
EBITDA	178 361	78 018	28 909	83 209	11 834	(2 868)
Depreciation and amortisation	75 193	33 894	24 336	52 451	9 521	196 907
Net profit (loss)	219 700	31 305	1 171	12 159	1 394	(8 873)

2020						
	Total retail	Real estate	Other segments	Total reported segments	Other	Consolidation adjustments Total
Revenue	4 258 245	61 811	224 142	4 544 198	4 059	(322 653)
<i>incl. external customers</i>	4 217 342	5 155	1 583	4 224 080	599	924
<i>incl. inter-segment</i>	40 903	56 656	222 559	320 118	3 459	(323 577)
Interest expenses	35 576	2 692	157	38 425	13 400	(16 976)
EBITDA	377 463	57 158	10 313	444 934	(3 339)	(56 155)
Depreciation and amortisation	196 907	26 518	2 768	226 193	610	(61 734)
Net profit (loss)	256 856	24 628	6 580	288 064	287 931	(423 414)

Segments' net profit (loss) includes dividends received from directly controlled subsidiaries. During the year ended 31 December 2021 dividends included in the Lithuania segment's net profit (loss) amounted to EUR 13,346 thousand (2020: EUR 142,612 thousand), in Latvia segment's net profit (loss) amounted to EUR 917 thousand (2020: nil) and in Estonia segment's net profit (loss) amounted to EUR 2,020 thousand (2020: EUR 1,025 thousand).

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

	2021	2020
Lithuania	1 758 667	1 682 402
Latvia	915 393	878 194
Estonia	520 357	503 432
Poland	1 092 897	978 799
Bulgaria	197 457	182 777
	4 484 771	4 225 603

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

	2021	2020
Lithuania	447 091	452 854
Latvia	436 589	447 163
Estonia	178 046	177 709
Poland	535 379	501 182
Bulgaria	81 053	80 134
	1 678 158	1 659 042

(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 2020	933 764	430 284	1 698	32 740	1 398 486
Additions	7 261	42 762	136	38 697	88 857
Acquisition of subsidiaries	25	-	-	811	836
Disposals and write-offs	(1 199)	(11 413)	(907)	(566)	(14 086)
Exchange differences	(13 223)	(8 045)	(243)	(2 016)	(23 528)
Reclassifications (to) from other assets	(177)	(37)	497	(200)	82
Disposal of subsidiaries (Note 22)	-	(2)	-	-	(2)
Reclassifications	26 843	14 028	-	(40 871)	-
At 31 December 2020	953 293	467 577	1 181	28 595	1 450 645
Additions	18 953	43 042	374	43 057	105 426
Disposals and write-offs	(8 347)	(22 590)	(1 075)	(515)	(32 527)
Exchange differences	(1 789)	(207)	(24)	313	(1 707)
Reclassifications (to) from other assets	1 371	(1 422)	2 231	(1 882)	298
Disposal of subsidiaries (Note 22)	-	(3)	-	-	(3)
Reclassifications	22 313	15 563	23	(37 898)	-
At 31 December 2021	985 794	501 960	2 710	31 670	1 522 133
Accumulated depreciation and impairment					
At 1 January 2020	455 695	237 288	(460)	5 266	697 789
Depreciation	21 065	35 351	563	-	56 980
Impairment charge (reversal)	1 621	776	-	(52)	2 346
Disposals and write-offs	(682)	(10 595)	(221)	-	(11 498)
Exchange differences	(3 592)	(4 826)	(151)	(503)	(9 072)
Reclassifications (to) from other assets	(13)	(4)	497	-	479
At 31 December 2020	474 094	257 990	228	4 711	737 024
Depreciation	21 515	38 321	475	-	60 310
Impairment charge (reversal)	(79)	1 429	-	15	1 365
Disposals and write-offs	(6 371)	(20 552)	(963)	-	(27 887)
Exchange differences	(347)	(727)	12	502	(560)
Reclassifications (to) from other assets	35	320	2 216	-	2 571
At 31 December 2021	488 847	276 781	1 968	5 228	772 823
Carrying amount					
At 31 December 2021	496 947	225 179	742	26 442	749 310
At 31 December 2020	479 198	209 587	953	23 884	713 622

In 2021, major part of depreciation of property, plant and equipment was accounted for as cost of sales – EUR 55,480 thousand (2020: EUR 53,643 thousand). Remaining part is accounted for as operating expenses.

Pledged property, plant and equipment

The Group has pledged property, plant and equipment with the total carrying value of EUR 237,638 thousand (2020: EUR 320,642 thousand) to secure banking facilities granted to the Group (Note 17).

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

6. Leases

The Group as a lessee

The Group has lease contracts for land, buildings and vehicles used in its operations. Leases of buildings generally have lease terms between 2 and 40 years, while vehicles generally have lease terms between 1 and 5 years. Land is leased for a period between 1 and 83 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 2021	14 066	635 915	10 645	660 626
At 31 December 2020	13 313	649 605	11 883	674 801

Additions to the right-of-use assets during 2021 were EUR 84,218 thousand (2020: EUR 100,589 thousand). In 2021, the Group recognised impairment of right-of-use assets amounting to EUR 1,047 thousand (2020: EUR 5,206 thousand).

The Group has pledged lease contracts, representing right-of-use assets with the total carrying value of EUR 1,426 thousand (2020: EUR 3,548 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
2021	495	93 398	6 019	99 912
2020	465	91 049	5 121	96 634

Interest expense on lease liabilities are disclosed in Note 21. In 2021 expenses relating to short-term leases amounted to EUR 2,597 thousand (2020: EUR 3,178 thousand) and expenses of leases of low-value assets amounted to EUR 3,515 thousand (2020: EUR 2,947 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 2021, potential future cash outflows of EUR 218,373 thousand (2020: EUR 171,590 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The Group as a lessor

The Group leases and subleases retail and administrative premises to various tenants. These leases have terms between 1 and 27 years.

Finance leases

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

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

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

	2021	2020
In the first year	2 934	2 861
In the second year	2 648	2 433
In the third year	2 183	2 068
In the fourth year	1 948	1 596
In the fifth year	1 580	1 431
After 5 years	4 455	3 076
	15 748	13 466
Unearned finance income	(2 590)	(1 253)
Net investment in the lease	13 158	12 212

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:

	2021	2020
Not later than 1 year	23 698	25 938
Later than 1 year and no later than 5 years	45 877	44 798
Later than 5 years	24 822	22 425
	94 397	93 161

7. Investment properties

	Land and buildings
Cost	
At 1 January 2020	19 567
Exchange differences	(1 340)
Reclassifications (to) from other assets	(206)
At 31 December 2020	18 022
Additions	2 760
Disposals	(292)
Exchange differences	(182)
Reclassifications (to) from other assets	(32)
At 31 December 2021	20 276
Accumulated depreciation	
At 1 January 2020	1 197
Depreciation	549
Exchange differences	(306)
At 31 December 2020	1 440
Depreciation	456
Disposals	(61)
Exchange differences	29
At 31 December 2021	1 864
Carrying amount	
At 31 December 2021	18 412
At 31 December 2020	16 581

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

As of 31 December 2021, the fair value of investment properties amounted to EUR 22,323 thousand (2020: EUR 19,361 thousand). It was determined by independent valuers using discounted cash flow method (hierarchy level 3). Net operating income were estimated for a period of rent contracts signed and together with estimated terminal value discounted by applying 7 – 14.9 percent discount rates (2020: 7 – 14.9 percent).

The Group has pledged investment property with the total carrying value of EUR 6,383 thousand (2020: EUR 11,536 thousand) to secure banking facilities granted to the Group (Note 17).

8. Intangible assets (except for goodwill)

	Software	Brands and trademarks	Contracts with customers	Other intangible assets	Total
Cost					
At 1 January 2020	12 642	63 432	1 578	5 877	83 529
Additions	2 484	-	-	270	2 754
Disposals and write-offs	(400)	-	-	(28)	(428)
Exchange differences	(249)	(2 915)	(79)	(390)	(3 633)
Reclassifications	430	-	-	(430)	-
Reclassifications from (to) other assets	120	-	-	263	383
At 31 December 2020	15 027	60 516	1 500	5 563	82 605
Additions	4 687	-	-	498	5 185
Disposals and write-offs	(721)	-	-	(9)	(730)
Exchange differences	(166)	(314)	(13)	28	(465)
Reclassifications	(46)	-	-	46	-
Reclassifications from (to) other assets	200	-	-	254	454
At 31 December 2021	18 981	60 202	1 487	6 380	87 049
Accumulated amortisation					
At 1 January 2020	8 978	14 539	(89)	3 527	26 956
Amortisation	1 686	8 775	53	389	10 903
Impairment charge (reversal)	-	-	-	502	502
Disposals and write-offs	(226)	-	-	(68)	(294)
Exchange differences	(362)	(1 849)	240	127	(1 844)
Reclassifications	270	-	-	(270)	-
Reclassifications from (to) other assets	3	-	-	13	16
At 31 December 2020	10 349	21 465	204	4 220	36 238
Amortisation	2 456	5 886	41	647	9 030
Impairment charge (reversal)	-	-	-	431	431
Disposals and write-offs	(712)	-	-	(9)	(721)
Exchange differences	(42)	(81)	(2)	39	(86)
Reclassifications	511	1 332	-	(1 843)	-
Reclassifications from (to) other assets	-	-	-	(580)	(580)
At 31 December 2021	12 562	28 602	243	2 905	44 312
Carrying amount					
At 31 December 2021	6 419	31 600	1 244	3 475	42 737
At 31 December 2020	4 677	39 052	1 295	1 343	46 368

Part of amortisation of intangible assets is accounted for as costs of sales – EUR 385 thousand in 2021 (2020: EUR 295 thousand). Remaining part is accounted for as operating expenses.

Under the brands and trademarks the Group accounted for Stokrotka brand acquired in a business combination in 2018. Its carrying amount was EUR 25,795 thousand as of 31 December 2021 (2020: EUR 28,314 thousand) and it is amortised over the remaining useful life of 11 years (2020: 12 years).

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

9. Goodwill

At 1 January 2020	212 178
Exchange differences	(4 916)
Acquisition of subsidiaries	408
At 31 December 2020	<u>207 670</u>
Exchange differences	(597)
At 31 December 2021	<u>207 073</u>

For the purpose of impairment testing, the goodwill as of 31 December 2021 and 2020 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.

	2021	2020
Retail - Lithuania	20 283	20 419
Retail - Latvia	134 440	134 507
Retail - Estonia	12 291	12 342
Retail - Poland	39 906	40 248
Retail - Bulgaria	153	153
	<u>207 073</u>	<u>207 670</u>

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 2021 and 2020 impairment tests did not result in additional goodwill impairment.

10. Non-current receivables and prepayments

	2021	2020
Net investment in the lease (Note 6)	10 738	9 547
Prepayments	6 170	7 058
	<u>16 908</u>	<u>16 605</u>

(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 rates of depreciation and amortisation	Other	Total
At 1 January 2020	1 994	606	1 070	1 649	5 164	4 129	14 614
(Charged) / credited to statement of comprehensive income	326	(44)	52	381	2 064	1 187	3 966
Disposal of subsidiaries (Note 22)	(13)	-	-	-	-	-	(13)
Exchange differences	(45)	(3)	(67)	(114)	(87)	(149)	(464)
Other	66	-	1	70	990	(789)	338
At 31 December 2020	2 328	559	1 056	1 986	8 132	4 379	18 441
(Charged) / credited to statement of comprehensive income	609	(23)	(1 048)	136	(638)	1 180	215
Disposal of subsidiaries (Note 22)	(56)	-	-	-	-	-	(56)
Exchange differences	(9)	-	(2)	(16)	(1)	(36)	(64)
Other	1	-	-	-	(2 020)	2 018	-
At 31 December 2021	2 873	536	6	2 106	5 473	7 541	18 535

Deferred tax liabilities	Different rates of depreciation and amortisation	Fair value adjustments	Taxable temporary differences on investments in subsidiaries	Total
At 1 January 2020	6 322	17 012	2 186	25 521
Charged / (credited) to statement of comprehensive income	4 719	(2 295)	(69)	2 356
Exchange differences	(392)	(939)	-	(1 331)
Other	204	-	-	204
At 31 December 2020	10 854	13 779	2 117	26 750
Charged / (credited) to statement of comprehensive income	2 976	(2 162)	(494)	320
Exchange differences	(60)	4	-	(56)
At 31 December 2021	13 770	11 621	1 623	27 014

As of 31 December 2021 deferred tax assets to be realised within one year amounted to EUR 9,560 thousand and deferred tax liabilities to be settled within one year amounted to EUR 6,890 thousand (2020: EUR 9,737 thousand and EUR 6,278 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 2021 the Group recognised deferred tax liability of EUR 1,623 thousand (2020: EUR 2,117 thousand) associated with investments in subsidiaries in Latvia and Estonia for the amounts that are planned to be distributed as dividends in the foreseeable future. Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised amounted to EUR 117,537 thousand as of 31 December 2021 (2020: EUR 82,092 thousand).

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

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 2021 the Group did not recognise deferred income tax assets of EUR 2,929 thousand (2020: EUR 1,391 thousand) in respect of tax losses amounting to EUR 17,088 thousand (2020: EUR 9,107 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:

	2021	2020
Within 1 year	4	-
Within 2 years	226	4
Within 3 years	3	228
Within 4 years	385	3
Within 5 years	8 520	389
Indefinitely	7 950	8 483
Total	17 088	9 107

12. Inventories

	2021	2020
Goods for resale	332 013	318 248
Goods in transit	7 524	12 903
Materials	5 785	6 985
	345 322	338 136

The allowances for net realisable value of inventories, goods for resale, comprise EUR 16,687 thousand (2020: EUR 13,235 thousand). The change in allowance for inventory is accounted for in cost of sales. In 2021, increase in allowance amounting to EUR 3,452 thousand was included in cost of sales (2020: decrease of EUR 2,040 thousand).

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

	2021	2020
Trade receivables	8 800	11 646
Other receivables	43 386	43 361
Less: allowances for trade receivables	(978)	(1 061)
Less: allowances for other receivables	(2 466)	(2 458)
Trade and other receivables, net	48 742	51 487
Contract assets	3 368	3 786
Short term loans granted	238	70
	52 348	55 344
Deferred charges	5 865	5 202
Current year portion of net investment in the lease	2 420	2 666
Prepayments	2 912	2 379
Prepaid profit tax	968	353
VAT receivable	10 586	3 060
Other prepaid taxes	519	348
	75 618	69 352

Other receivables mainly relate to receivables for sold property, plant and equipment and advertising and other services provided to the Group's suppliers (see Note 2.15. for accounting policy).

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

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

Trade receivables and other receivables are non-interest bearing and generally have payment terms of 21 to 41 days (2020: 21 to 41 days).

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

	2021	2020
At 1 January	3 519	3 718
Impairment losses	133	171
Write-off of impairment loss due to receivables write-off	(184)	(370)
Other	(24)	-
At 31 December	<u>3 444</u>	<u>3 519</u>

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

14. Cash and cash equivalents

	2021	2020
Cash at bank	171 720	144 126
Cash on hand and in transit	47 325	39 397
	<u>219 045</u>	<u>183 523</u>

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 cash transfers made at the year-end, which have not yet reached their destination before the year end. Cash in transit reaches the Group's bank accounts in several days after the year end.

Cash in certain bank accounts and future cash inflows into these accounts amounting to EUR 17,137 thousand (2020: EUR 48,451 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:

	2021	2020
Cash and cash equivalents	219 045	183 523
Bank overdrafts (Note 17)	(189)	-
	<u>218 856</u>	<u>183 523</u>

15. Share capital and share premium

	2021	2020
Number of shares (in thousands)	3 514 699	3 514 699
Par value of one share	0.29	0.29
Total share capital	<u>1 019 263</u>	<u>1 019 263</u>

In 2021 and 2020 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.

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

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 2021, legal reserve amounted to EUR 53,359 thousand (2020: EUR 43,767 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 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)

	2021	2020
<i>Non-current</i>		
Bank loans	105 487	156 086
Bonds	298 066	296 985
Other borrowings	-	87
	<u>403 553</u>	<u>453 158</u>
<i>Current</i>		
Bank loans	57 574	39 339
Bank overdrafts	189	-
Bonds	2 909	2 909
Short-term notes	39 973	-
Other borrowings	-	8
	<u>100 645</u>	<u>42 256</u>
	<u>504 198</u>	<u>495 414</u>

On 13 September 2018 the Group issued EUR 300 million nominal value fixed 3.25% interest rate coupon bonds. Bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges. Bonds will mature on 13 September 2023. The fair value of bonds amounted to EUR 310,707 thousand as of 31 December 2021 (2020: EUR 320,154 thousand).

In March 2021, the Group completed commercial paper (short-term notes) offering with 12 months maturity. The nominal value of the transaction amounted to EUR 40,000 thousand. The notes were placed at 0.618% yield. They are not listed and were subscribed by various institutional investors. The issued notes are unsecured and are being used for general short-term financing purposes of the Group. In March 2022, the Group redeemed the aforementioned short-term notes and completed a new EUR 35,000 thousand offering (Note 32).

The bank loans as of 31 December 2021 and 2020 are secured by cash in certain bank accounts (Note 14), property, plant and equipment (Note 5), right-of-use assets (Note 6) and investment property (Note 7).

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

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

	2021	2020
EUR	490 321	485 264
PLN	13 877	10 151
	504 198	495 414

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

	2021	2020
Bank loans	1.17%	1.14%
Bonds	3.65%	3.65%
Short-term notes	0.72%	-
Other borrowings	-	1.75%
Total	2.44%	2.65%

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

	2021	2020
In the second year	337 348	58 694
In the third to fifth years (inclusive)	51 347	371 816
After five years	14 858	22 648
	403 553	453 158

For undiscounted contractual future cash outflows see Note 27.1.

The undrawn borrowing facilities were as follows:

	2021	2020
Expiring within one year	66 885	71 516
Expiring beyond one year	-	50 434
	66 885	121 949

In accordance with the Euro Medium Term Note Program issued for bonds and the agreements signed with banks the Group must comply with various covenants. As of 31 December 2021 and 2020 the Group complied with all of them.

18. Trade and other payables

	2021	2020
Trade payables	571 095	550 240
Liabilities under reverse factoring arrangements	7 843	3 963
Other amounts payable	14 517	7 094
Accrued expenses	4 698	4 659
	598 152	565 956
Remuneration, social security and other related taxes	69 122	65 149
Payable taxes, other than corporate income tax	31 003	28 721
Contract liabilities	15 249	14 919
Advances received	2 109	2 306
Other	285	413
	715 920	677 463

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

The Group is involved in a reverse factoring arrangement with a bank under which the bank agrees to pay amounts the Group owes to the Group's suppliers and the Group agrees to pay the bank at a date later than suppliers are paid. Payables to the bank under reverse factoring arrangement amounted to EUR 7,843 thousand as of 31 December 2021 (2020: EUR 3,963 thousand). Liabilities under reverse factoring arrangement have a similar nature and function to trade payables as they are part of the working capital used in the Group's normal operating cycle.

Contract liabilities represent the Group's liability to customers to transfer goods or services for the loyalty points received and gift cards. They also include prepayments for goods and services received from the Group's customers. In 2021, the Group recognised EUR 14,919 thousand revenue that was included in the contract liability balance as of 31 December 2020 (2020: EUR 12,663 thousand).

19. Revenue

	2021	2020
<i>Revenue from contracts with customers</i>		
Retail revenue	4 369 780	4 118 691
Commission income	9 006	9 352
Wholesale revenue	57 768	54 589
Other	19 076	14 039
	<u>4 455 630</u>	<u>4 196 672</u>
<i>Other income</i>		
Rental income	29 141	28 932
	<u>29 141</u>	<u>28 932</u>
	<u>4 484 771</u>	<u>4 225 603</u>

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

20. Operating expenses

	2021	2020
Employee remuneration and related taxes	75 695	69 999
Long-term employee benefits	3 095	655
Transportation services	4 409	3 297
Property, plant and equipment, intangible assets, right-of-use assets impairment charge	2 843	8 054
Depreciation and amortisation	22 670	24 409
Advertising	30 583	24 777
Rental expenses	575	663
Utilities	7 699	6 558
Taxes (except for income tax)	5 279	5 202
Repair and maintenance	7 893	5 907
Other	18 803	18 149
	<u>179 544</u>	<u>167 670</u>

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

21. Finance costs, net

	2021	2020
<i>Finance costs</i>		
Interest expenses		
– Bank borrowings	(2 819)	(3 661)
– Bonds	(11 051)	(10 797)
– Lease	(24 935)	(20 120)
– Other borrowings	(5)	(271)
	<u>(38 810)</u>	<u>(34 849)</u>
Other	398	16
Net foreign exchange gain/(loss)	333	(2 029)
	<u>(38 079)</u>	<u>(36 863)</u>
<i>Finance income</i>		
Interest income on net investment in the lease	492	357
Other income	11	19
	<u>503</u>	<u>376</u>
Finance costs, net	<u>(37 576)</u>	<u>(36 486)</u>

22. Other gains (losses)

	2021	2020
Profit (loss) from disposal of subsidiaries	194	(50)
Profit (loss) on disposal of property, plant and equipment	2 311	(1 067)
	<u>2 505</u>	<u>(1 117)</u>

In 2021, the Group disposed of its wholly owned subsidiaries Loganas, UAB, Eigeris, UAB and Akonkagva, UAB (Lithuania). In 2020, the Group disposed of its wholly owned subsidiary Kametas, UAB (Lithuania). All of the disposed subsidiaries provided security services to the Group's entities in Lithuania.

23. Income tax expense

	2021	2020
Current tax	18 519	23 821
Deferred tax (Note 11)	104	(1 610)
Income tax expense	<u>18 623</u>	<u>22 211</u>

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

	2021	2020
Profit before income tax	154 004	174 792
Tax at domestic tax rate of 15% (2020: 15%)	23 101	26 219
Income not subject to tax	(1 521)	(936)
Expenses not deductible for tax purposes	3 028	1 719
Tax losses for which no deferred income tax was recognised	1 287	13
Utilisation of previously unrecognised tax losses	(941)	(1 274)
Tax incentives (charity, etc)	(1 140)	(730)
Adjustments in respect of prior year	(93)	17
Effect of different tax rates of foreign subsidiaries	(5 036)	(2 847)
Other	(62)	30
Income tax expense	<u>18 623</u>	<u>22 211</u>
Effective income tax rate	12%	13%

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

24. Government grants

In 2021, the Group received government grant in Poland amounting to EUR 1,814 thousand (2020: EUR 10,832 thousand) for the protection of jobs threatened by COVID-19 pandemic. The grant was received for co-financing of payroll costs of certain employees to certain extent. The grant was accounted for by reducing cost of sales. As of the end of the year, there were no unfulfilled conditions relating to the grant.

25. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Company's basic and diluted earnings per share are equal. Calculation of basic/diluted earnings per share is presented below:

	2021	2020
Profit attributable to ordinary equity holders of the parent (EUR thousand)	135 381	152 581
Weighted average number of ordinary shares (in thousands)	3 514 699	3 514 699
Basic/diluted earnings per share (EUR/share)	<u>0.039</u>	<u>0.043</u>

26. Dividends per share

Dividends declared in 2021 and 2020 amounted to EUR 106,000 thousand (EUR 0.030 per share) and EUR 86,562 thousand (EUR 0.025 per share), respectively.

27. Financial risk management

27.1. 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 2021 and 2020, 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.

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

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 44,597 thousand as of 31 December 2021 (2020: EUR 11,552 thousand) with repricing periods between 1 - 6 months (2020: 1 - 6 months). The remaining borrowings are with fixed interest rates. Fair value of bonds is disclosed in Note 17, fair value of other borrowings approximates their carrying value. The Group estimates that the increase / decrease of variable interest rates by 50 basis points, applied to exposed amounts as of 31 December 2021 and with all other variables held constant, would result in an increase / decrease in interest expense of EUR 56 thousand and EUR 56 thousand, respectively (2020: EUR 58 thousand and EUR 58 thousand, respectively).

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.

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.

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 accounts receivable are secured by pledged real estate and bank guarantees and insurance. The Group's accounts receivable secured by collateral amounted to EUR 2,789 thousand as of 31 December 2021 (2020: EUR 2,013 thousand). A loss allowance has not been recognised for the amount of accounts receivable covered by collateral. Collateral obtained by the Group has not affected the expected credit losses as of 31 December 2021 (2020: has not affected the expected credit losses). COVID-19 pandemic did not have material effect on the ECLs and allowances for doubtful amounts receivable.

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

31 December 2021

	Current	1-30 days past due	31-90 days past due	>90 days past due	Total
Expected credit loss rate	0.1%-1%	0.5%-8%	7%	100%	
Gross carrying amount-receivables from non-related parties	43 694	3 401	752	3 731	51 578
Gross carrying amount-receivables from related parties	517	65	26	-	608
Contract assets	3 368	-	-	-	3 368
Cash and cash equivalents	219 045	-	-	-	219 045
Expected credit loss	(57)	(91)	(54)	(3 242)	(3 444)
	266 567	3 375	724	489	271 155

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

31 December 2020

	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-receivables from non-related parties	44 862	5 119	889	3 697	54 566
Gross carrying amount-receivables from related parties	345	48	46	2	441
Contract assets	3 724	62	-	-	3 786
Cash and cash equivalents	183 523	-	-	-	183 523
Expected credit loss	(28)	(134)	(96)	(3 261)	(3 520)
	232 426	5 096	838	438	238 796

The partners of the Group in cash transactions are banks with an adequate credit history and high ratings. The credit quality of cash at banks is assessed by reference to external credit ratings and is as follows:

	2021
A2 (Moody's)	6 519
A3 (Moody's)	43 141
Aa3 (Moody's)	88 729
Baa1 (Moody's)	1 349
Baa2 (Moody's)	18 939
BBB+ (S&P)	12 789
BBB (BCRA)	250
Other	4
	171 720

c) Liquidity risk

The Group is exposed to liquidity risk due to different maturity profiles of receivables and payables. Major amount of operating cash is collected from retail customers, therefore the Group does not have significant amount of trade receivables while payables to suppliers outstanding as of 31 December 2021 had weighted average payment term of 43 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.

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

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

	2020				
	Borrowings from banks and bonds	Lease liabilities	Borrowings from related and other companies	Other financial liabilities	Total
In the first year	47 857	110 334	8	565 960	724 160
In the second year	66 908	98 532	8	89	165 537
In the third year	344 662	95 981	8	252	440 902
In the fourth year	26 371	86 416	8	898	113 693
In the fifth year	10 744	77 352	8	296	88 400
After five years	23 379	353 520	56	10	376 964
	519 921	822 135	96	567 505	1 909 656

27.2. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group considers total capital under management to be equity plus net debt. Net debt comprises of borrowings and lease liabilities, less cash and cash equivalents. As of 31 December 2021, Group's managed capital was EUR 1,383,085 thousand (2020: EUR 1,388,187 thousand).

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

The Group monitors capital on the basis of Net debt/EBITDA (Note 4) ratio. Net debt comprises of borrowings and lease liabilities, less cash and cash equivalents. As of 31 December 2021, net debt was EUR 968,163 thousand (2020: EUR 1,000,734 thousand) and EBITDA was EUR 366,302 thousand (2020: EUR 385,440 thousand) resulting in net debt/EBITDA ratio of 2.6. Net debt/EBITDA remained unchanged since the end of 2020.

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

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

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

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

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).
- The fair value of non-current debt, except for bonds, is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The carrying amount of non-current borrowings with variable interest rates approximates their fair value (level 3).
- The fair value of bonds is based on quoted market price (level 1) (Note 17).

28. 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

The following transactions were carried out with related parties:

	2021	2020
Sales of goods and services:		
Sales of goods to other related parties	1 287	1 326
Sales of services to other related parties	8 531	10 161
	9 818	11 487

Sales of services to related parties include mostly rent services and commission income.

	2021	2020
Purchases of goods and services:		
Purchases of goods and services from other related parties	23 284	22 946
Purchases of services from parent company	917	826
	24 201	23 772

Purchases of goods and services from related parties include mostly purchased goods for resale and consulting services.

	2021	2020
Sales of property, plant and equipment to:		
Other related parties	2 101	53
	2 101	53

	2021	2020
Purchases of property, plant and equipment from:		
Other related parties	893	758
	893	758

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

b) Year-end balances arising from sales/purchases of goods/services

	2021	2020
Non-current receivables and prepayments:		
Net investment in the lease – other related parties	5 699	4 514
	5 699	4 514

Net investment in the lease is recognised for the sublease of premises to related parties.

	2021	2020
Trade and other receivables, prepayments and other short-term financial assets from:		
Trade and other receivables - other related parties	608	441
Current year portion of net investment in the lease - other related parties	1 252	1 543
	1 860	1 983

	2021	2020
Trade and other payables to:		
Parent company	135	82
Other related parties	5 548	4 523
	5 683	4 605

c) Borrowings

	2021	2020
Non-current borrowings:		
Lease liabilities to other related parties	91 387	91 364
	91 387	91 364

	2021	2020
Current borrowings:		
Lease liabilities to other related parties	8 771	11 435
	8 771	11 435

d) Finance income/costs

	2021	2020
Interest expenses to:		
Other related parties	1 969	2 122
	1 969	2 122

Interest expenses are incurred on lease liabilities.

	2021	2020
Interest income from:		
Other related parties	345	106
	345	106

Interest income is earned on net investment in the lease to related parties.

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

e) *Key management compensation*

	2021	2020
Salaries including related taxes	1 139	1 259
Termination benefits	99	78
Provision for long term employee benefits	3 095	-

29. Cash flow information

29.1. Non-cash investing and financing activities

Non-cash investing and financing activities in 2021 and 2020 are provided below:

- Additions to right-of-use assets and lease liabilities amounted to EUR 84,218 thousand (Note 6) (2020: EUR 100,589 thousand).
- Lease liability remeasurements and decrease in lease liability due to lease contract terminations, including effect of foreign exchange rate changes, amounted to EUR 1,621 thousand (2020: EUR 13,432 thousand).

29.2. 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 2021 and 2020:

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

		2020								
		Balance at 31 December 2019	Dividends declared	Cash received	Cash paid	Increase in lease liabilities	Interest expenses	Interest paid	Other	Balance at 31 December 2020
Borrowings, excl. bank overdrafts		585 332	-	-	(90 038)	-	14 729	(13 345)	(1 263)	495 415
Lease liabilities		687 894	-	-	(86 207)	87 157	20 120	(20 120)	-	688 844
Dividend payable		-	86 562	-	(86 562)	-	-	-	-	-
Total liabilities arising from financing activities		1 273 226	86 562	-	(262 807)	87 157	34 849	(33 465)	(1 263)	1 184 259

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

30. 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) which 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 first instance was delivered on 18 February 2020. The court acquitted the employee of Maxima Latvija SIA. Decision of the court was appealed.

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 2021.

Corporate income tax case in Poland

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

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

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

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

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

Finally, on 24 November 2021 the Supreme Administrative Court, apart from other issues, revoked the Appealed decision in its entirety and ordered the Director of the Tax Administration Chamber in Warsaw to reimburse Emperia Holding the costs of court proceedings. As a result, the corporate income tax liability for the 2011 fiscal year, equal to Shortfall, ceased to be payable, and the collateral securing the payment of Shortfall, was returned to the company by Tax Administration Chamber in Warsaw. Additionally, proceedings on determining the corporate income tax of Emperia Holding for the 2011 fiscal year was again transferred to Tax Chamber of Warsaw. The Group expects the final outcome of the proceedings to be favourable to Emperia Holdings, i.e. expects that it will be admitted that Emperia Holding's corporate income tax liability for the 2011 fiscal year was declared correctly, and no Shortfall should be paid by Emperia Holding. No provision for the matter was formed in the consolidated financial statements for the year ended 31 December 2021.

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

31. COVID-19

The COVID-19 pandemic continued to affect the Group's results in 2021. The Group's revenue growth in brick-and-mortar stores continued to be negatively impacted by the lockdown measures taken by the national governments in the countries where the Group operates. On the other hand, consumer shift to e-commerce resulted in the growth of the Group's online sales. However, accelerated online sales only partially compensated negative impact on revenue from lockdown measures.

During the year the Group continued to incur additional costs amounting to EUR 6.5 million (2020: EUR 9 million) relating to protection of health of the Group's employees and customers. Moreover, the Group continued to provide temporary rent concessions to tenants that suffered from the lockdown. The government's assistance of EUR 1.8 million (2020: EUR 10.8 million) was received in Poland for the protection of jobs threatened by COVID-19 pandemic (Note 24).

While COVID-19 continues to create significant uncertainty, the Group's management is monitoring the situation and taking adaptive actions to handle the effects of the pandemic. The risks of COVID-19 spread has been successfully managed in the Group by ensuring supply of goods, maintaining appropriate liquidity position, expanding e-commerce capacity, etc. The prompt implementation of COVID-19 prevention actions has made it possible to ensure safe shopping for customers and to maintain a safe working environment for employees, and still remains a priority.

32. Events after the reporting period

Completion of the second issue of short-term notes

In March 2022, the Group successfully completed the second commercial paper offering with 12 months maturity. The nominal value of the transaction amounted to EUR 35 million. The notes were placed at 1.064% yield. They are not listed and were subscribed by various institutional investors. The issued notes are unsecured and will be used for general short-term financing purposes of the Group.

Russia's military invasion of Ukraine

On 24 February 2022, Russia began military invasion of Ukraine. Many countries, including members of European Union, condemned the attack and imposed economic sanctions against Russia and Belarus.

After the invasion the Group removed goods of Russian and Belarussian origin from its retail stores and discontinued further orders of such goods. The Group monitors the list of sanctions against Russia and Belarus and ceases business relationships with the sanctioned entities. The Group's entities demonstrate continuous support to Ukraine by providing humanitarian food aid to its people.

Management of the Group monitors the situation in Ukraine on daily basis and adjusts business operations locally as needed. The Group does not have subsidiaries in Ukraine, Russia or Belarus and does not have direct sales to the entities in these countries. At this stage management considers it impracticable to provide a quantitative estimate of the potential impact of this war on the Group. All Group's entities demonstrated stable results since the beginning of the war until the date of the issuance of these consolidated financial statements.

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



Independent auditor's report

To the shareholder of MAXIMA GRUPĖ, UAB

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MAXIMA GRUPĖ, UAB (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Audit Committee dated 1 April 2021.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

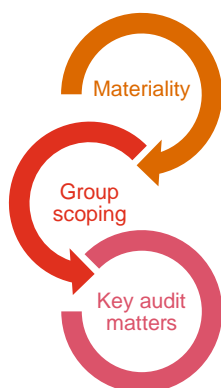
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the Law of the Republic of Lithuania on the Audit of Financial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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in the Republic of Lithuania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014 considering the exemptions of Regulation (EU) No 537/2014 endorsed in the Law of the Republic of Lithuania on the Audit of Financial Statements. The non-audit services that we have provided to the Group, in the period from 1 January 2020 to 31 December 2020 are disclosed in Consolidated Annual Report section *Information on non-audit services*.

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Our audit approach

Overview



- Overall Group materiality: EUR 12,000 thousand
- We conducted audit work at 8 reporting units, located in Bulgaria, Estonia, Latvia, Lithuania and Poland.
- Our audit addressed 92% of the Group's total assets and 98% of the Group's total revenues.
- Goodwill impairment assessment
- Property, plant and equipment and right-of-use assets impairment assessment
- Lease term determination and application of discount rate

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

Materiality

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

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

Overall materiality	EUR 12,000 thousand (2019: EUR 10,000 thousand)
How we determined it	0,28% of Group's total revenues
Rationale for the materiality benchmark applied	We chose total revenues as the benchmark because total revenues are one of the Group's key performance indicators analysed by the management and communicated to the shareholder and, in our view, it is an appropriate measure of the size of the Group. Total revenues are also a more stable measure compared to profitability ratio.

We chose the threshold of 0,28%, which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We informed the Audit Committee that we would report to them misstatements identified during our audit above EUR 840 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment</p> <p><i>Refer to accounting policy on impairment testing in note 2.5, accounting estimates and assessments in note 3.2 and note 9 „Goodwill”.</i></p> <p>The Group has a goodwill balance of EUR 207,670 thousand as at 31 December 2020.</p> <p>The goodwill has to be tested for an impairment at least on an annual basis. The determination of recoverable amount, being the higher of value in-use and fair value less costs of disposal, requires judgment from management when identifying and valuing the relevant cash-generating units.</p> <p>Recoverable amounts are based on the cash flow forecasts that include management's estimate of key value driver inputs and external market conditions such as inflation, revenue growth and competition, capital expenditures and discount rates applied.</p> <p>No impairment was recognized in the current period as the recoverable amount was higher than the carrying amount.</p> <p>We focused on this area due to the significance of the goodwill balance and because the impairment assessment involved significant management's judgements about future results and the discount rates applied to future cash flows forecasts.</p>	<p>We obtained an understanding of management's process over the impairment assessment. We evaluated management's identification of the Group's cash-generating units.</p> <p>Our audit procedures also included challenging management on the appropriateness of the impairment models and the reasonableness of the assumptions used by performing the following:</p> <ul style="list-style-type: none"> - Assessing the reliability of the cash flow forecast by checking the actual past performance and comparing to previous forecasts and by inspecting internal documents, such as budget forecasts for 2021–2025; - Benchmarking market related assumptions like discount rate and long-term growth rate against external data. Where it was considered necessary, we involved our valuation experts; - Testing the mathematical accuracy of the model and assessing the sensitivity of the impairment test to key inputs. <p>Finally, we have reviewed the adequacy of the Group's disclosures in the consolidated financial statements.</p>
<p>Property, plant and equipment and right-of-use assets impairment assessment</p> <p><i>Refer to accounting policy on impairment testing in note 2.9, accounting estimates and</i></p>	<p>We obtained understanding of management's</p>

assessments in note 3.2 and note 5 „Property, plant and equipment” and note 6 „Leases”

Property, plant and equipment and right-of-use assets amounted to EUR 713,622 thousand and EUR 674,801 thousand, respectively, in the Group's consolidated statement of financial position as at 31 December 2020, and represented around 61% of the total assets recognised in the consolidated statement of financial position.

The Group has assessed if impairment indicators for property, plant and equipment and right-of-use assets existed as at 31 December 2020.

The Group performed an annual impairment test of the assets, where impairment indicators were identified as at 31 December 2020, based on the recoverable amount estimations of the Group's cash-generating units (individual store). The annual impairment test involves management judgment regarding the assumptions used in the underlying cash flows forecasts that include management's estimate of key value driver inputs and external market conditions such as inflation, revenue growth and competition, capital expenditures and discount rates applied.

The additional impairment charge of EUR 3,402 thousand and EUR 6,600 thousand and the reversal of impairment charge of EUR 1,056 thousand and EUR 1,394 thousand were recognised in 2020 for property, plant and equipment and right-of-use assets, respectively.

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

procedures in relation to the impairment assessment of the property, plant and equipment and right-of-use assets.

Among other procedures, we involved a valuation specialist to assist us with the review of the impairment model structure and composition as well as the discount rates used by the management in the impairment test.

-We also considered key assumptions used by the management in the estimation of cash flows forecasts, including the expected trend in revenue, costs, level of capital expenditure by comparing them to historical performance levels and management's expectations of their development in the future.

-We tested the sensitivity in the available headroom of the impairment test by considering if a reasonably possible change in assumptions could cause the carrying amount of cash generating unit to exceed its recoverable amount.

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

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

Lease term determination and application of discount rate

Refer to accounting policy on lease liabilities and subleases in note 2.19, accounting estimates and assessments in note 3.1 and note 6 „Leases”.

The Group has accounted for a right-of-use assets of EUR 674,801 thousand, a net investment in the lease of EUR 12,213 thousand and lease liabilities of EUR 688,843 thousand as at 31 December 2020.

We paid attention to this area during our audit, as the balances recorded were material, the process to identify and process all relevant

Our audit procedures included analysis of the completeness and accuracy of the new, modified or remeasured lease contracts identified and recorded in the lease accounting system during 2020 and calculation of the right-of-use assets and lease liability:

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

- We performed procedures to assess the process of lease term determination and management's assessment whether options to extend a lease are

data associated with the leases (including IT software and controls) was complex and the measurement of the right-of-use asset and lease liability was based on assumptions such as discount rates and the lease terms, including termination and renewal options.

reasonably certain to be exercised, by reviewing the contractual terms and other relevant documents

- We challenged management assumptions, specifically on the assumptions used to determine the discount rates;

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

-For the sample of lease contracts selected, we checked whether the accounting treatment of leases is consistent with the definitions of IFRS 16, including factors such as lease term, discount rate and measurements principles;

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

- We recalculated for the same sample lease payments, interest and amortisation expenses recognised during the period;

We also read the disclosures in the consolidated financial statements regarding right-of-use assets and lease liabilities

How we tailored our Group audit scope

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

The Group comprises 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 for the financial information of the following Group entities:

- Maxima Bulgaria EOOD;
- Maxima Eesti OU;
- Maxima Latvia SIA;
- Maxima Grupe UAB;
- Maxima LT;
- Maxima International Sourcing UAB;
- Elpro Development S.A.;
- Stokrotka Sp.z.o.o.

For real estate and e-trade entities of the Group, the Group engagement team and PwC entities in Estonia and Latvia 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, we considered whether the consolidated annual report includes the disclosures required by the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and Law of the Republic of Lithuania on Financial 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 for the financial year for which the consolidated financial statements are prepared, is consistent with the consolidated financial statements; and
- the consolidated annual report has been prepared in accordance with the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and Law of the Republic of Lithuania on Financial 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 had an uninterrupted engagement appointment of 2 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
1 April 2021

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

MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

Consolidated financial statements**for the year ended 31 December 2020***(All tabular amounts are in EUR thousands unless otherwise stated)***Consolidated statement of financial position**

	Notes	At 31 December	
		2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	713 622	700 698
Right-of-use assets	6	674 801	691 458
Investment properties	7	16 581	18 370
Intangible assets (except for goodwill)	8	46 368	56 574
Goodwill	9	207 670	212 178
Non-current receivables and prepayments	10	16 605	17 038
Deferred tax assets	11	10 093	10 014
		1 685 740	1 706 331
Current assets			
Inventories	12	338 136	328 950
Trade and other receivables, prepayments and other short-term financial assets	13	69 352	76 734
Cash and cash equivalents	14	183 523	272 909
		591 012	678 593
TOTAL ASSETS		2 276 752	2 384 924
EQUITY AND LIABILITIES			
Equity			
Share capital	15	1 019 263	1 019 263
Share premium	15	41 352	41 352
Legal reserve	16	43 767	36 163
Reverse acquisition reserve	16	(1 430 271)	(1 430 271)
Other reserves		(622)	(137)
Foreign currency translation reserve		(30 057)	(9 576)
Retained earnings		744 021	685 606
Total equity		387 453	342 400
Non-current liabilities			
Borrowings (except for lease liabilities)	17	453 158	492 616
Lease liabilities	6	592 185	593 602
Deferred tax liabilities	11	18 401	20 919
Other non-current liabilities		3 248	2 887
		1 066 992	1 110 024
Current liabilities			
Borrowings (except for lease liabilities)	17	42 256	104 065
Lease liabilities	6	96 658	94 293
Current income tax liabilities		5 930	7 928
Trade and other payables	18	677 463	726 214
		822 308	932 500
Total liabilities		1 889 299	2 042 524
TOTAL EQUITY AND LIABILITIES		2 276 752	2 384 924

Mantas Kuncaitis
Chief Executive OfficerVitalij Rakovski
Chief Financial Officer

The consolidated financial statements have been approved and signed electronically on 1 April 2021.

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

MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

Consolidated financial statements**for the year ended 31 December 2020**

*(All tabular amounts are in EUR thousands unless otherwise stated)***Consolidated statement of comprehensive income**

		Year ended 31 December	
	Notes	2020	2019
Revenue	4, 19	4 225 603	3 993 140
Cost of sales		(3 845 539)	(3 659 698)
Operating expenses	20	(167 670)	(157 408)
Other gains (losses)	22	(1 117)	11 625
Profit from operations		211 279	187 660
Finance income	21	376	465
Finance costs	21	(36 863)	(32 975)
Finance costs, net		(36 486)	(32 510)
Profit before tax		174 792	155 150
Income tax expense	23	(22 211)	(26 015)
Net profit	4	152 581	129 135
Net profit attributable to:			
Equity holders of the parent		152 581	129 135
		152 581	129 135
Other comprehensive income:			
<i>Items that will not be subsequently reclassified to profit or loss</i>		-	-
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(20 481)	3 375
Reclassification of exchange differences to profit or loss on disposal of subsidiary		-	(15)
Net gain (loss) on cash flow hedges		(485)	(519)
Other comprehensive income		(20 966)	2 841
Total comprehensive income		131 615	131 976
Total comprehensive income attributable to:			
Equity holders of the parent		131 615	131 976
		131 615	131 976
Earnings per share for profit attributable to ordinary equity holders of the parent (EUR)			
Basic/diluted	25	0.043	0.037

Mantas Kuncaitis
Chief Executive OfficerVitalij Rakovski
Chief Financial Officer

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MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

**Consolidated financial statements
for the year ended 31 December 2020**

*(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 31 December 2018		1 019 263	41 352	30 720	(1 430 271)	382	(12 936)	643 914	292 424
Profit for the year		-	-	-	-	-	-	129 135	129 135
Other comprehensive income		-	-	-	-	(519)	3 360	-	2 841
<i>Total comprehensive income for the year</i>		-	-	-	-	(519)	3 360	129 135	131 976
Transfer to legal reserve	16	-	-	5 443	-	-	-	(5 443)	-
Dividends	26	-	-	-	-	-	-	(82 000)	(82 000)
<i>Total transactions with shareholders recognised directly in equity</i>		-	-	5 443	-	-	-	(87 443)	(82 000)
At 31 December 2019		1 019 263	41 352	36 163	(1 430 271)	(137)	(9 576)	685 606	342 400
At 31 December 2020		1 019 263	41 352	36 163	(1 430 271)	(137)	(9 576)	685 606	342 400
Profit for the year		-	-	-	-	-	-	152 581	152 581
Other comprehensive income		-	-	-	-	(485)	(20 481)	-	(20 966)
<i>Total comprehensive income for the year</i>		-	-	-	-	(485)	(20 481)	152 581	131 615
Transfer to legal reserve	16	-	-	7 604	-	-	-	(7 604)	-
Dividends	26	-	-	-	-	-	-	(86 562)	(86 562)
<i>Total transactions with shareholders recognised directly in equity</i>		-	-	7 604	-	-	-	(94 166)	(86 562)
At 31 December 2020		1 019 263	41 352	43 767	(1 430 271)	(622)	(30 057)	744 021	387 453

Mantas Kuncaitis
Chief Executive OfficerVitalij Rakovski
Chief Financial Officer

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MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

Consolidated financial statements**for the year ended 31 December 2020***(All tabular amounts are in EUR thousands unless otherwise stated)***Consolidated statement of cash flows**

	Notes	Year ended 31 December	
		2020	2019
OPERATING ACTIVITIES			
Net profit		152 581	129 135
Adjustments for:			
Depreciation	5, 6, 7	154 163	144 129
Amortisation	8	10 903	10 996
Property, plant & equipment and intangible assets write-offs		989	842
Property, plant & equipment, intangible assets, right-of-use assets impairment charge (reversal)	20	8 054	502
Loss / (profit) on disposal of property, plant and equipment	22	1 067	(929)
(Profit) / loss on disposal of subsidiaries	22	50	(10 696)
Income tax expense	23	22 211	26 015
Interest expenses	21	34 849	32 444
Interest income	21	(376)	(465)
Fair value (gains) losses on derivative financial instruments		(485)	(519)
<i>Changes in working capital</i>			
- trade and other receivables		(863)	(7 365)
- inventories		(9 186)	(18 194)
- trade and other payables		(38 298)	50 496
Cash generated from operations		335 658	356 390
Income tax paid		(24 923)	(22 435)
Net cash generated from operating activities		310 735	333 955
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and investment properties		(99 752)	(126 609)
Proceeds from disposal of property, plant and equipment		5 695	2 980
Acquisition of subsidiaries, net of cash acquired		(1 235)	(7)
Proceeds (outflow) from disposal of subsidiaries, net of cash disposed		(175)	11 694
Loans granted		(72)	140
Proceeds from repayment of loans granted		70	297
Interest received		19	94
Finance sublease receivable collected		2 953	2 799
Net cash (used in) investing activities		(92 498)	(108 612)
FINANCING ACTIVITIES			
Proceeds from borrowings		0	72 354
Repayment of borrowings		(90 038)	(59 501)
Payment of principal and interest on leases		(106 327)	(102 441)
Dividends paid	26	(86 562)	(82 000)
Interest paid		(13 345)	(14 263)
Net cash generated from (used in) financing activities		(296 272)	(185 851)
Net increase (decrease) in cash and cash equivalents		(78 035)	39 492
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE BEGINNING OF THE YEAR	14	261 559	222 067
CASH AND CASH EQUIVALENTS, LESS OVERDRAFTS, AT THE END OF THE YEAR	14	183 523	261 559

Mantas Kuncaitis
Chief Executive OfficerVitalij Rakovski
Chief Financial Officer

The consolidated financial statements have been approved and signed electronically on 1 April 2021.

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

MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

**Consolidated financial statements
for the year ended 31 December 2020**

(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 23 August 2007. The Company's registered address is Savanoriu av. 5, Vilnius, Lithuania. The Company's legal status - private limited liability company.

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 2020 and 2019, the Group's main subsidiaries are provided in the table below. Other subsidiaries not listed below are mainly involved in real estate management. The Group owns 100% of shares in all subsidiaries. There were no significant business combinations in 2020 and 2019.

Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2020	2019	
MAXIMA GRUPĖ, UAB	Lithuania			Holding company
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
FRANMAX, UAB	Lithuania	100%	100%	IT development, maintenance and consulting services
MAXIMA INTERNATIONAL SOURCING, UAB	Lithuania	100%	100%	Wholesale and agency of food and consumables

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

As of 31 December 2020, the Group employed 40.7 thousand employees (total remuneration related costs amounted to EUR 458 million in 2020, including government grant of EUR 11 million (Note 24) (31 December 2019: 40.6 thousand employees, remuneration related costs EUR 454 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 1 April 2021. The Company's shareholders have a statutory right to approve or not to approve these consolidated financial statements and to require the preparation of a new set of consolidated financial statements.

2. Accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial year, except for the below amended IFRSs which have been adopted by the Group as of 1 January 2020.

MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

**Consolidated financial statements
for the year ended 31 December 2020**

(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****Revised Conceptual Framework for Financial Reporting**

The IASB issued the revised Conceptual Framework for Financial Reporting. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. These revised Conceptual Framework had no impact on the consolidated financial statements of the Group.

IFRS 3 Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. The Amendments are prospective and the Group will apply them to the future business combinations and acquisition of group of assets. In 2020 the Group did not have significant business combinations, therefore the amendments had no impact on the Group's consolidated financial statements.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)

The Amendments clarify the definition of "material" and how it should be applied. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS. The Amendments had no impact to the Group's consolidated financial statements.

MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 5, Vilnius, Lithuania

Consolidated financial statements**for the year ended 31 December 2020**

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

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ("IBORs"). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Cash flow hedge accounting under both IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* requires the future hedged cash flows to be 'highly probable'. Where these cash flows depend on an IBOR, the relief provided by the amendments requires an entity to assume that the interest rate on which the hedged cash flows are based does not change as a result of the reform. Both IAS 39 and IFRS 9 require a forward-looking prospective assessment in order to apply hedge accounting. While cash flows under IBOR and IBOR replacement rates are currently expected to be broadly equivalent, which minimises any ineffectiveness, this might no longer be the case as the date of the reform gets closer. Under the amendments, an entity may assume that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based, is not altered by IBOR reform. IBOR reform might also cause a hedge to fall outside the 80–125% range required by retrospective test under IAS 39. IAS 39 has therefore been amended to provide an exception to the retrospective effectiveness test such that a hedge is not discontinued during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside this range. However, the other requirements for hedge accounting, including the prospective assessment, would still need to be met. In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. In order for hedge accounting to be applied, both IFRS 9 and IAS 39 require the designated risk component to be separately identifiable and reliably measurable. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis. In the context of a macro hedge, where an entity frequently resets a hedging relationship, the relief applies from when a hedged item was initially designated within that hedging relationship. Any hedge ineffectiveness will continue to be recorded in profit or loss under both IAS 39 and IFRS 9. The amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments require entities to provide additional information to investors about their hedging relationships that are directly affected by these uncertainties, including the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process. The Amendments had no impact on the Group's consolidated financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8. The amendment had no impact on the Group's consolidated financial statements.

IFRSs issued but not yet effective

Other new standards, amendments to standards and interpretations effective for the annual periods beginning on or after 1 January 2021, yet not applied in preparing these consolidated financial statements are presented below. The new accounting pronouncements have been endorsed by the European Union unless otherwise stated.

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023)

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

The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of these Amendments.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of "costs to fulfil a contract". The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

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- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of these Amendments.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021)

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

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 a material impact on the Group.

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

2.3. Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

2.4. Business combinations

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

Acquisition-related costs are expensed as incurred.

2.5. Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Bargain purchase gain is recognised in profit or loss on the acquisition moment.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or their groups) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

2.6. Property, plant and equipment

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

Buildings	5 – 30 years
Equipment and other assets	2 – 12 years
Vehicles	3 – 5 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.

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Property, plant and equipment acquired under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or the lease term, if shorter.

Land is not depreciated.

Depreciation of property, plant and equipment is recognised in the statement of comprehensive income. Depreciation of property, plant and equipment directly related to sales of goods and services is recognised in cost of sales and depreciation of other property, plant and equipment is recognised in operating expenses.

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

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

2.7. Investment properties

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

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

2.8. Intangible assets with finite useful lives

Intangible assets expected to provide economic benefits in future periods are valued 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 the statement of comprehensive income as operating expenses unless it relates to operation of warehouses or retail outlets when it is recognised as cost of sales. The Group amortises intangible assets over the following periods:

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

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

At each financial year end, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

2.10. Inventories

Inventories are stated at the lower of weighted average cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in selling.

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

2.11. Financial instruments

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

2.11.1. Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 *Revenue from contracts with customers*. Refer to the accounting policies in Note 2.15.

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

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

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

Subsequent measurement

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

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

a) Financial assets at amortised cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

b) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

c) Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

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

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

Impairment of financial assets

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

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

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

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2.11.2. Financial liabilities

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

a) Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing 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 the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 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 amortisation process.

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

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 the statement of profit or loss.

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2.11.3. Offsetting of financial instruments

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

2.11.4 Reverse factoring arrangements (supply chain financing arrangements)

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

2.12. Borrowing costs

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

2.13. Derivative financial instruments and hedging activities

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

On the agreement date and subsequently derivative financial instruments are accounted for at fair value. Fair value is derived from quoted market prices for forwards (level 1) and using valuation models for interest rate swaps (level 2 and 3). The estimated fair values of these contracts are reported in the statement of financial position as assets for contracts having a positive fair value and liabilities for contracts with a negative fair value. Gain or losses from changes in the fair value of derivative financial instruments are recognised in the statement of comprehensive income.

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 an unrecognised firm commitment; 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 hedging 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:

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- 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 hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the other reserves, while any ineffective portion is recognised immediately in profit or loss. The other reserves are adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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 equity is removed from the separate component of equity 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 equity is transferred to the statement of comprehensive income (profit or loss).

2.14. Provisions

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

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

2.15. Revenue from contracts with customers

a) Retail revenue

The Group recognises revenue from its retail customers as it satisfies its performance obligations at the point of check out in its retail stores. Revenue from online sales is recognised upon delivery of goods, i.e. upon transfer of control of goods to customer. Revenue from the sale of gift cards is recognised when the gift card is 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 products 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 sale under contract liabilities in trade and other payables. Revenue is recognised at the earlier of when the points are redeemed or when they expire. For allocation of transaction price to the loyalty points see Note 3.1.

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b) Commission income

For certain products and services, e.g. lottery tickets, prepaid telephone cards, collection of payments for utilities on behalf of utilities services 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.

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 client in accordance with the terms of delivery.

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 a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional on the acceptance of the goods and services by the customer.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 2.11.1.

Contract liabilities

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

2.16. Cost of sales

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

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

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

The Group's cost of sales can be sub-divided into: the cost of goods sold (accounting for approximately 80.5 per cent of the total cost of sales for the year ended 31 December 2020; 2019: approximately 79.9 per cent), employee remuneration costs (accounting for approximately 10 per cent of the total cost of sales for the year ended 31 December 2020; 2019: approximately 10.5 per cent) and other costs including expenses relating to logistics, utilities, depreciation and amortisation, repair and maintenance, etc (accounting for approximately 9.5 per cent of the total cost of sales for the year ended 31 December 2020; 2019: approximately 9.6 per cent).

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

a) Current income tax

The current income tax expenses are based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax rate is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The income tax rate for the Group companies in Lithuania comprises 15% (2019: 15%). The income tax for the Group companies, which operate in foreign countries, are calculated according to the laws of these foreign countries.

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

	<u>2020</u>	<u>2019</u>
Latvia*	20/80	20/80
Estonia*	20/80 (14/86 for regular profit distribution amount)	20/80 (14/86 for regular profit distribution amount)
Bulgaria	10%	10%
Poland	19%	19%

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

b) Deferred income tax

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

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

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

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

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

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2.18. Employee benefits*a) Social security contributions*

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

b) Termination benefits

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

c) Bonus plans

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

2.19. Leases

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

2.19.1. The Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Recognised right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term. The right-of-use assets are subject to impairment, see Note 2.9.

Lease liabilities

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

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In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a lease modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office and other equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.19.2. The Group as a lessor

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

2.19.3. Sublease

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

For subleases classified as operating lease, the Group recognises the lease income on a straight-line basis over the lease term and includes them in revenue in the consolidated statement of comprehensive income. 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.

2.20. Government grants

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

2.21. Foreign currencies**a) Functional and presentation currency**

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

b) Transactions and balances

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

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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 the statement of comprehensive income.

c) Group companies

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

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

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

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

2.22. Contingencies

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

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

2.23. Dividend distribution

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

2.24. Related parties

Parties are defined as related if one party empowers another party to exercise the control or significant influence over the other party in making financial and other decisions. Related parties are defined as shareholders, key management personnel, their close relatives and companies that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group companies. The party is also a related party if it is controlled or jointly controlled by a member of the key management personnel of the Company or of a parent of the Company or his/her close relative. The entity over which the controlling party of the Company or his close relatives have significant influence or are members of the key management personnel of that entity (or of a parent of that entity) is also considered to be related party.

2.25. Subsequent events

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

2.26. Rounding

Due to rounding the numbers in these consolidated financial statements may not sum up.

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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 judgements in allocation of transaction price to the loyalty programme points

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

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

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

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

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

The Group has the option, under some of its leases (buildings and land), to lease the assets for additional term of five to thirty years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to extend the lease term. It considers all relevant factors that create an economic incentive for it to exercise the renewal (e.g., lease term, geographical location of the store, leasehold improvements, etc). The Group included the renewal period as part of the lease term for leases of buildings leased for retail operations where after considering a number of relevant factors the Group concluded that it is reasonably certain that the Group will exercise an extension option. Potential future cash flows that have not been included in the lease liability for extension options which realisation is not reasonably certain are disclosed in Note 6.

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

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

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

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3.2. Key sources of estimation uncertainty

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

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

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for five years using data from the Group's internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates used to extrapolate cash flow projections beyond the period of five years, revenue and EBITDA growth. Management estimates discount rates using rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. The discount rates ranged from 7.0 to 9.6 percent (2019: 6.4 – 7.9 percent) and terminal growth rate was from 1.0 to 1.5 percent (2019: 1.4 – 1.9 percent). These discount rates are derived from the Group's post-tax weighted average cost of capital as adjusted for the specific risks relating to each geographical region. Changes in revenue and costs, and, consequently, EBITDA, are based on historical trends and expectations of future developments in the markets the Group operates. The increase in discount rates by 0.5 percentage points and decrease in terminal growth rates by 0.5 percentage points would not result in goodwill impairment. Further information is disclosed in Note 9.

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

Property, plant and equipment, intangible assets and right-of-use assets are tested for impairment at cash generated units which in most cases are separate stores. 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 of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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

The post-tax discount rates used to calculate value in use range from 7.0 to 9.6 percent (2019: 6.4 – 7.9 percent) and terminal growth rates range from 1.0 to 1.5 percent (2019: 1.4 to 1.9 percent) depending on the specific country conditions in which each store operates. Pre-tax discount rates were in the range from 8.3 to 11.8 percent (2019: 7.1 to 8.6 percent).

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

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Allowances for inventories

The Group is estimating an allowance for slow-moving inventories. For this estimation all goods are grouped according to their estimated time of selling. Inventories that were not sold in a period defined for that group of inventory are considered to become impaired. Full cost of estimated impaired inventory is included in the calculation of the allowance.

The Group is estimating the allowance for shortages of goods in the shops and warehouses. The estimate is based on forecasted shortage between actual stock counts. The estimated amount is included in allowance for inventories.

Contingent liabilities

In the process of preparation of the annual financial statements the management evaluates available information on the status and potential outcome of pending litigations and other contingent liabilities (Note 30) and accordingly recognises necessary provisions and / or discloses in the consolidated financial statements.

4. Segment information

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

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

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

The Group restated segments information for the year ended 31 December 2019 by combining intra-group franchise, wholesale and agency services segment with other segments. Under other segments are now combined intra-group services such as IT, security, franchise, wholesale and agency of goods. Other segments include segments that are not reportable in accordance with IFRS.

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

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	2020						
	Retail						
	Lithuania	Latvia	Estonia	Bulgaria	Poland	E-commerce	Total retail
Revenue	1 689 164	878 069	502 947	182 758	974 874	30 434	4 258 245
<i>incl. external customers</i>	1 675 935	877 755	502 793	182 758	973 473	4 629	4 217 342
<i>incl. inter-segment</i>	13 229	314	154	-	1 401	25 805	40 903
Interest expenses	12 853	4 272	2 640	3 274	12 272	266	35 576
EBITDA	178 361	78 018	28 909	11 834	83 209	(2 868)	377 463
Depreciation and amortisation	75 193	33 894	24 336	9 521	52 451	1 512	196 907
Net profit (loss)	219 700	31 305	1 171	1 394	12 159	(8 873)	256 856

	2020						
	Total retail	Real estate	Other segments	Total reported segments	Other	Consolidation adjustments	Total
Revenue	4 258 245	61 811	224 142	4 544 198	4 059	(322 653)	4 225 603
<i>incl. external customers</i>	4 217 342	5 155	1 583	4 224 080	599	924	4 225 603
<i>incl. inter-segment</i>	40 903	56 656	222 559	320 118	3 459	(323 577)	-
Interest expenses	35 576	2 692	157	38 425	13 400	(16 976)	34 849
EBITDA	377 463	57 158	10 313	444 934	(3 339)	(56 155)	385 440
Depreciation and amortisation	196 907	26 518	2 768	226 193	610	(61 734)	165 069
Net profit (loss)	256 856	24 628	6 580	288 064	287 931	(423 414)	152 581

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	2019 (restated)						
	Retail						
	Lithuania	Latvia	Estonia	Bulgaria	Poland	E-commerce	Total retail
Revenue	1 709 683	836 727	486 292	149 513	886 655	14 864	4 083 735
<i>incl. external customers</i>	1 619 629	836 463	486 163	149 513	884 683	2 682	3 979 133
<i>incl. inter-segment</i>	90 054	264	130	-	1 972	12 182	104 601
Interest expenses	11 794	3 297	2 250	2 147	10 916	286	30 690
EBITDA	142 488	61 478	22 398	5 612	55 370	(2 735)	284 610
Depreciation and amortisation	66 215	27 720	21 883	7 007	49 858	1 732	174 413
Net profit (loss)	83 641	27 496	(3 266)	(4 719)	(3 073)	(4 742)	95 338

	2019 (restated)						
	Total retail	Real estate	Other segments	Total reported segments	Other	Consolidation adjustments	Total
Revenue	4 083 735	60 951	309 336	4 454 022	4 680	(465 562)	3 993 140
<i>incl. external customers</i>	3 979 133	4 613	7 153	3 990 900	934	1 307	3 993 140
<i>incl. inter-segment</i>	104 601	56 338	302 183	463 122	3 747	(466 869)	-
Interest expenses	30 690	3 132	63	33 886	13 243	(14 685)	32 444
EBITDA	284 610	56 857	122 325	463 792	(4 336)	(126 037)	333 420
Depreciation and amortisation	174 413	25 409	2 515	202 337	661	(47 872)	155 126
Net profit (loss)	95 338	24 192	101 219	220 750	195 842	(287 457)	129 135

Segments' net profit (loss) includes dividends received from directly controlled subsidiaries. During the year ended 31 December 2020 dividends included in the Lithuania segment's net profit (loss) amounted to EUR 142,612 thousand (2019: EUR 24,972 thousand) and in Estonia segment's net profit (loss) amounted to EUR 1,025 thousand (2019: nil).

At the end of 2019 intra-group franchise activities were terminated and related intellectual property was transferred from separate unit providing such services to retail operators. As a result of this change, during the year ended 31 December 2020 EBITDA of retail operators in the Baltics and Bulgaria increased as compared to the year ended 31 December 2019 because no franchise fee was charged to them.

In 2020 the Group performed structural changes of the ownership structure within the Group. Gains/losses of the related transactions are reflected in "Other" column in the segment information above.

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

	2020	2019
Lithuania	1 682 402	1 624 142
Latvia	878 194	836 617
Estonia	503 432	486 694
Bulgaria	182 777	149 513
Poland	978 799	895 944
Other	-	229
	4 225 603	3 993 140

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

	2020	2019
Lithuania	452 854	461 417
Latvia	447 163	439 343
Estonia	177 709	191 054
Bulgaria	80 134	80 002
Poland	501 182	507 410
Other	-	54
	1 659 042	1 679 278

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	Land and buildings	Equipment and other assets	Vehicles	Construction in progress & prepayments	Total
Cost					
At 1 January 2019	908 148	375 249	5 129	17 755	1 306 280
Additions	2 309	62 301	1 049	65 591	131 250
Disposals and write-offs	(5 822)	(23 260)	(691)	(2 676)	(32 448)
Exchange differences	2 530	1 540	53	76	4 199
Reclassifications (to) from other assets	(5 194)	416	(1)	(20)	(4 799)
Reclassifications (to) right of use assets on adoption of IFRS 16	-	-	(3 217)	-	(3 217)
Disposal of subsidiaries (Note 22)	(14)	(2 137)	(625)	(3)	(2 779)
Reclassifications	31 807	16 175	1	(47 982)	-
At 31 December 2019	933 764	430 284	1 698	32 740	1 398 486
Additions	7 261	42 762	136	38 697	88 857
Acquisition of subsidiaries	25	-	-	811	836
Disposals and write-offs	(1 199)	(11 413)	(907)	(566)	(14 086)
Exchange differences	(13 223)	(8 045)	(243)	(2 016)	(23 528)
Reclassifications (to) from other assets	(177)	(37)	497	(200)	82
Disposal of subsidiaries (Note 22)	-	(2)	-	-	(2)
Reclassifications	26 843	14 028	-	(40 871)	0
At 31 December 2020	953 293	467 577	1 181	28 595	1 450 645
Accumulated depreciation and impairment					
At 1 January 2019	444 986	228 175	1 050	5 536	679 746
Depreciation	16 461	32 156	810	-	49 426
Impairment charge (reversal)	(3 666)	490	-	41	(3 135)
Disposals and write-offs	(1 506)	(22 685)	(507)	(311)	(25 009)
Exchange differences	130	591	29	-	750
Reclassifications (to) from other assets	(701)	(93)	100	-	(694)
Reclassifications (to) right of use assets on adoption of IFRS 16	-	-	(1 588)	-	(1 588)
Disposal of subsidiaries (Note 22)	(8)	(1 346)	(353)	-	(1 708)
At 31 December 2019	455 695	237 288	(460)	5 266	697 789
Depreciation	21 065	35 351	563	-	56 980
Impairment charge (reversal)	1 621	776	-	(52)	2 346
Disposals and write-offs	(682)	(10 595)	(221)	-	(11 498)
Exchange differences	(3 592)	(4 826)	(151)	(503)	(9 072)
Reclassifications (to) from other assets	(13)	(4)	497	-	479
At 31 December 2020	474 094	257 990	228	4 711	737 024
Carrying amount					
At 31 December 2020	479 198	209 587	953	23 884	713 622
At 31 December 2019	478 070	192 996	2 158	27 474	700 698

In 2020, major part of depreciation of property, plant and equipment was accounted for as cost of sales – EUR 53,643 thousand (2019: EUR 47,964 thousand). Remaining part is accounted for as operating expenses.

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*(All tabular amounts are in EUR thousands unless otherwise stated)**Pledged property, plant and equipment*

The Group has pledged property, plant and equipment with the total carrying value of EUR 320,642 thousand (2019: EUR 310,470 thousand) to secure banking facilities granted to the Group (Note 17).

6. Leases*The Group as a lessee*

The Group has lease contracts for land, buildings and vehicles used in its operations. Leases of buildings generally have lease terms between 2 and 40 years, while vehicles generally have lease terms between 1 and 10 years. Land is leased for a period between 1 and 90 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning 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	Vehicle	Total
At 31 December 2020	13 313	649 605	11 883	674 801
At 31 December 2019	13 196	666 004	12 258	691 458

Additions to the right-of-use assets during 2020 were EUR 100,589 thousand (2019: EUR 103,860 thousand). In 2020, the Group recognised impairment of right-of-use assets amounting to EUR 5,206 thousand (2019: EUR 3,418 thousand).

The Group has pledged right-of-use assets with the total carrying value of EUR 3,548 thousand (2019: EUR 4,628 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	Vehicle	Total
2020	465	91 049	5 121	96 634
2019	843	88 393	5 012	94 249

Interest expense on lease liabilities are disclosed in Note 21. In 2020 expenses relating to short-term leases, leases of low-value assets amounted to EUR 6,126 thousand (2019: EUR 5,909 thousand).

Extension and termination options are included in a number of property and equipment 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 ability to re-negotiate terms of lease contracts with the property owners which also contributes to the Group's flexibility. As of 31 December 2020, potential future cash outflows of EUR 171,590 thousand (2019: EUR 178,730 thousand) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The Group as a lessor

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

Finance leases

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

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

	2020	2019
In the first year	2 861	2 772
In the second year	2 433	2 532
In the third year	2 068	2 170
In the fourth year	1 596	1 859
In the fifth year	1 431	1 357
After 5 years	3 076	3 693
	13 466	14 382
Unearned finance income	(1 253)	(1 306)
Net investment in the lease	12 212	13 077

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:

	2020	2019
Not later than 1 year	25 938	20 022
Later than 1 year and no later than 5 years	44 798	34 276
Later than 5 years	22 425	10 931
	93 161	65 229

7. Investment properties

	Land and buildings
Cost	
At 1 January 2019	14 062
Exchange differences	180
Reclassifications (to) from other assets	5 325
At 31 December 2019	19 567
Exchange differences	(1 340)
Reclassifications (to) from other assets	(206)
At 31 December 2020	18 022
Accumulated depreciation	
At 1 January 2019	266
Depreciation	454
Reclassifications (to) from other assets	477
At 31 December 2019	1 197
Depreciation	549
Exchange differences	(306)
At 31 December 2020	1 440
Carrying amount	
At 31 December 2020	16 581
At 31 December 2019	18 370

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As of 31 December 2020, the fair value of investment properties amounted to EUR 19,361 thousand (2019: EUR 19,393 thousand). It was determined by independent valuers using discounted cash flow method (hierarchy level 3). Net operating income were estimated for a period of rent contracts signed and together with estimated terminal value discounted by applying 7 – 14.9 percent discount rates (2019: 7 – 14.9 percent).

The Group has pledged investment property with the total carrying value of EUR 11,536 thousand (2019: EUR 13,459 thousand) to secure banking facilities granted to the Group (Note 17).

8. Intangible assets (except for goodwill)

	Software	Brands and trademarks	Contracts with customers	Other intangible assets	Total
Cost					
At 1 January 2019	11 478	64 042	26 627	12 869	115 016
Additions	2 495	-	-	128	2 624
Disposals and write-offs	(521)	(24)	-	(64)	(609)
Disposal of subsidiaries (Note 22)	(1 013)	(175)	-	(533)	(1 722)
Exchange differences	188	(411)	(219)	576	134
Reclassifications	(1)	-	-	1	-
Reclassifications (to) right of use assets on adoption of IFRS 16	-	-	(24 829)	-	(24 829)
Reclassifications from (to) other assets	16	-	-	(7 101)	(7 085)
At 31 December 2019	12 642	63 432	1 578	5 877	83 529
Additions	2 484	-	-	270	2 754
Disposals and write-offs	(400)	-	-	(28)	(428)
Exchange differences	(249)	(2 915)	(79)	(390)	(3 633)
Reclassifications	430	-	-	(430)	-
Reclassifications from (to) other assets	120	-	-	263	383
At 31 December 2020	15 027	60 516	1 500	5 563	82 605
Accumulated amortisation					
At 1 January 2019	7 082	7 181	2 304	4 411	20 977
Amortisation	2 803	7 761	71	361	10 996
Impairment charge (reversal)	-	-	-	217	217
Disposals and write-offs	(385)	(8)	-	(19)	(412)
Disposal of subsidiaries (Note 22)	(658)	(22)	-	(497)	(1 176)
Exchange differences	137	(374)	(258)	(99)	(594)
Reclassifications (to) right of use assets on adoption of IFRS 16	-	-	(2 206)	-	(2 206)
Reclassifications from (to) other assets	(1)	-	-	(846)	(847)
At 31 December 2019	8 978	14 539	(89)	3 527	26 956
Amortisation	1 686	8 775	53	389	10 903
Impairment charge (reversal)	-	-	-	502	502
Disposals and write-offs	(226)	-	-	(68)	(294)
Exchange differences	(362)	(1 849)	240	127	(1 844)
Reclassifications	270	-	-	(270)	-
Reclassifications from (to) other assets	3	-	-	13	16
At 31 December 2020	10 349	21 465	204	4 220	36 238
Carrying amount					
At 31 December 2020	4 677	39 052	1 295	1 343	46 368
At 31 December 2019	3 664	48 893	1 668	2 350	56 574

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Part of amortisation of intangible assets is accounted for as costs of sales – EUR 295 thousand in 2020 (2019: EUR 346 thousand). Remaining part is accounted for as operating expenses.

Under the brands and trademarks the Group accounted for Stokrotka brand acquired in a business combination in 2018. Its carrying value amounted to EUR 28,314 thousand as of 31 December 2020 (2019: EUR 32,765 thousand) and it will be amortised over the remaining useful life of 12 years (2019: 13 years).

9. Goodwill**Cost**

At 1 January 2019	212 967
Exchange differences	833
Acquisition of subsidiaries	10
Disposal of subsidiaries (Note 22)	(764)
At 31 December 2019	213 045
Exchange differences	(4 916)
Acquisition of subsidiaries	408
At 31 December 2020	208 537

Impairment

At 1 January 2019	867
At 31 December 2019	867
At 31 December 2020	867

Carrying amount

At 31 December 2020	207 670
At 31 December 2019	212 178

For the purpose of impairment testing, the goodwill as of 31 December 2020 and 2019 was allocated to the below 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.

	2020	2019
Retail - Lithuania	20 419	21 347
Retail - Latvia	134 507	134 836
Retail - Estonia	12 342	12 756
Retail - Bulgaria	153	153
Retail - Poland	40 248	43 085
	<u>207 670</u>	<u>212 178</u>

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 2020 and 2019 impairment tests did not result in additional goodwill impairment.

10. Non-current receivables and prepayments

	2020	2019
Net investment in the lease (Note 6)	9 547	10 496
Prepayments	7 058	6 541
	<u>16 605</u>	<u>17 038</u>

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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 rates of depreciation and amortisation	Other	Total
At 1 January 2019	2 126	512	463	1 288	-	3 189	7 579
(Charged) / credited to statement of comprehensive income	(101)	94	597	418	4 789	1 696	7 491
Disposal of subsidiaries (Note 22)	(33)	-	-	-	-	(179)	(211)
Exchange differences	6	1	11	17	(18)	(21)	(5)
Other	(4)	-	-	(73)	393	(556)	(240)
At 31 December 2019	1 994	606	1 070	1 649	5 164	4 129	14 614
(Charged) / credited to statement of comprehensive income	326	(44)	52	381	2 064	1 187	3 966
Disposal of subsidiaries (Note 22)	(13)	-	-	-	-	-	(13)
Exchange differences	(45)	(3)	(67)	(114)	(87)	(149)	(464)
Other	66	-	1	70	990	(789)	338
At 31 December 2020	2 328	559	1 056	1 986	8 132	4 379	18 441

Deferred tax liabilities	Different rates of depreciation and amortisation	Fair value adjustments	Taxable temporary differences on investments in subsidiaries	Total
At 1 January 2019	2 938	19 553	4 300	26 792
Charged (credited) to statement of comprehensive income	2 901	(2 616)	(2 114)	(1 829)
Disposal of subsidiaries (Note 22)	(54)	(86)	-	(141)
Exchange differences	(13)	162	-	149
Other	550	-	-	550
At 31 December 2019	6 322	17 012	2 186	25 521
Charged (credited) to statement of comprehensive income	4 719	(2 295)	(69)	2 356
Exchange differences	(392)	(939)	-	(1 331)
Other	204	-	-	204
At 31 December 2020	10 854	13 779	2 117	26 750

As of 31 December 2020 deferred tax assets to be realised within one year amounted to EUR 9,737 thousand and deferred tax liabilities to be settled within one year amounted to EUR 6,278 thousand.

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.

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As of 31 December 2020 the Group recognised deferred tax liability of EUR 2,117 thousand (2019: EUR 2,186 thousand) associated with investments in subsidiaries in Latvia and Estonia for the amounts that are planned to be distributed as dividends in the foreseeable future. Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised amounted to EUR 82,092 thousand as of 31 December 2020 (2019: EUR 46,964 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 2020 the Group did not recognise deferred income tax assets of EUR 1,391 thousand (2019: EUR 3,843 thousand) in respect of tax losses amounting to EUR 9,107 thousand (2019: EUR 30,009 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:

	2020	2019
Within 1 year	-	2 370
Within 2 years	4	1 775
Within 3 years	228	2 440
Within 4 years	3	16 068
Within 5 years	389	12
Indefinitely	8 483	7 344
Total	9 107	30 009

12. Inventories

	2020	2019
Goods for resale	318 248	315 085
Goods in transit	12 903	10 937
Materials	6 985	2 928
	338 136	328 950

The allowances for net realisable value of inventories, goods for resale, comprise EUR 13,235 thousand (2019: EUR 11,195 thousand). The change in allowance for inventory is accounted for in cost of sales. In 2020, increase in allowance amounting to EUR 2,040 thousand was included in cost of sales (2019: decrease of EUR 791 thousand).

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	2020	2019
Trade receivables	11 646	11 075
Other receivables	43 361	47 056
Less: allowances for trade and other receivables	(3 519)	(3 718)
Trade and other receivables, net	51 487	54 413
Contract assets	3 786	3 804
Short term loans granted	70	90
	<u>55 344</u>	<u>58 307</u>
Deferred charges	5 202	5 036
Current year portion of net investment in the lease	2 666	2 581
Prepayments	2 379	2 394
Prepaid profit tax	353	1 377
VAT receivable	3 060	5 654
Other prepaid taxes	348	1 386
	<u>69 352</u>	<u>76 734</u>

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 2.16. for accounting policy).

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

Trade receivables and other receivables are non-interest bearing and generally have payment terms of 21 to 41 days (2019: 21 to 41 days).

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

	2020	2019
At 1 January	3 718	3 044
Impairment losses	171	990
Write-off of impairment loss due to receivables write-off	(370)	(187)
Disposal of subsidiary	-	(130)
At 31 December	<u>3 519</u>	<u>3 718</u>

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

14. Cash and cash equivalents

	2020	2019
Cash at bank	144 126	226 584
Cash on hand and in transit	39 397	46 325
	<u>183 523</u>	<u>272 909</u>

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 cash transfers made at the year-end, which have not yet reached their destination before the year end. Cash in transit reaches the Group's bank accounts in several days after the year end.

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Cash in certain bank accounts and future cash inflows into these accounts amounting to EUR 48,451 thousand (2019: EUR 59,467 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	183 523	272 909
Bank overdrafts (Note 17)	-	(11 350)
	<u>183 523</u>	<u>261 559</u>

15. Share capital and share premium

	<u>2020</u>	<u>2019</u>
Number of shares (in thousands)	3 514 699	3 514 699
Par value of one share	0.29	0.29
Total share capital	<u>1 019 263</u>	<u>1 019 263</u>

In 2020 and 2019 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 2020, legal reserve amounted to EUR 43,767 thousand (2019: EUR 36,163 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 has been accounted for as a reverse acquisition, and for accounting purposes the legal subsidiary MAXIMA LT, UAB (identified as acquirer), has been deemed to have acquired the legal parent, MAXIMA GRUPĖ, UAB (identified as acquiree). The net assets of MAXIMA LT, UAB have been recognised at their pre-combination carrying amounts. No goodwill was recognised. The reverse acquisition reserve comprises principally of the pre-acquisition reserves of MAXIMA LT, UAB and its subsidiaries, elimination of the investment in MAXIMA LT, UAB and elimination of net assets of MAXIMA MGN, UAB.

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	2020	2019
Non-current		
Bank loans	156 086	196 578
Bonds	296 985	295 938
Other borrowings	87	101
	<u>453 158</u>	<u>492 616</u>
Current		
Bank loans	39 339	48 741
Bank overdrafts	-	11 350
Bonds	2 909	2 909
Loans from related parties (Note 28)	-	41 056
Other borrowings	8	8
	<u>42 256</u>	<u>104 065</u>
	<u>495 414</u>	<u>596 681</u>

On 13 September 2018 the Group issued EUR 300 million nominal value fixed 3.25% interest rate coupon bonds. Bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges. Bonds will mature on 13 September 2023. The fair value of bonds amounted to EUR 320,154 thousand as of 31 December 2020 (2019: EUR 318,816 thousand)

The bank loans as of 31 December 2020 and 2019 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:

	2020	2019
EUR	485 264	580 800
PLN	10 151	14 499
BGN	-	1 382
	<u>495 414</u>	<u>596 681</u>

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

	2020	2019
Bank loans	1.14%	1.05%
Bonds	3.65%	3.65%
Other borrowings	1.75%	0.80%
Total	<u>2.65%</u>	<u>2.33%</u>

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

	2020	2019
In the second year	58 694	39 725
In the third to fifth years (inclusive)	371 816	419 528
After five years	22 648	33 363
	<u>453 158</u>	<u>492 616</u>

For undiscounted contractual future cash outflows see Note 27.1.

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The undrawn borrowing facilities were as follows:

	2020	2019
Expiring within one year	71 516	64 907
Expiring beyond one year	50 434	6 308
	121 949	71 214

In accordance with the Euro Medium Term Note Program issued for bonds and the agreements signed with banks the Group must comply with various covenants. As of 31 December 2020 and 2019 the Group complied with all of them.

18. Trade and other payables

	2020	2019
Trade payables	509 609	555 577
Liabilities under reverse factoring arrangement	3 963	-
Other amounts payable for services, property, plant and equipment and intangible assets	47 725	58 302
Accrued expenses	4 659	3 757
	565 956	617 636
Remuneration, social security and other related taxes	65 149	63 414
Payable taxes, other than corporate income tax	28 721	29 115
Contract liabilities	14 919	12 663
Advances received	2 306	3 386
Other	413	-
	677 463	726 214

The Group is involved in a reverse factoring arrangement with a bank under which the bank agrees to pay amounts the Group owes to the Group's suppliers and the Group agrees to pay the bank at a date later than suppliers are paid. Payables to the bank under reverse factoring arrangement amounted to EUR 3,963 thousand as of 31 December 2020 (2019: nil). 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.

Contract liabilities represent the Group's liability to customers to transfer goods or services for the loyalty points received and gift cards. In 2020, the Group recognised EUR 12,663 thousand revenue that was included in the contract liability balance as of 31 December 2019 (2019: EUR 11,480 thousand).

19. Revenue

	2020	2019
<i>Revenue from contracts with customers</i>		
Retail revenue	4 118 691	3 883 807
Commission income	9 352	10 190
Wholesale revenue	54 589	51 247
Other	14 039	18 940
	4 196 672	3 964 185
<i>Other income</i>		
Rental income	28 932	28 955
	28 932	28 955
	4 225 603	3 993 140

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	2020	2019
Employee remuneration and related taxes	69 999	69 891
Long-term employee benefits	655	263
Transportation services	3 297	2 938
Property, plant and equipment, intangible assets, right-of-use assets impairment charge	8 054	502
Depreciation and amortisation	24 409	19 516
Advertising	24 777	24 490
Rental expenses	663	999
Utilities	6 558	5 453
Taxes (except for income tax)	5 202	4 528
Repair and maintenance	5 907	5 462
Other	18 149	23 364
	167 670	157 408

21. Finance costs, net

	2020	2019
<u>Finance costs:</u>		
Interest expenses		
– Bank borrowings	(3 661)	(4 163)
– Bonds	(10 797)	(10 757)
– Lease	(20 120)	(17 174)
– Other borrowings	(271)	(350)
	(34 849)	(32 444)
Other	16	(272)
Net foreign exchange gain/(loss)	(2 029)	(259)
	(36 863)	(32 975)
<u>Finance income:</u>		
Interest income on net investment in the lease	357	371
Other income	19	94
	376	465
Finance costs, net	(36 486)	(32 510)

22. Other gains (losses)

	2020	2019
Profit (loss) from disposal of subsidiaries	(50)	10 696
Profit (loss) on disposal of property, plant and equipment	(1 067)	929
	(1 117)	11 625

In 2020, the Group disposed of its wholly owned subsidiary Kametas, UAB (Lithuania). In 2019, the Group disposed of its wholly owned subsidiaries Infinite Sp.z.o.o. (Poland) and Infinite IT Solutions Sarl. (Romania).

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	2020	2019
Current tax	23 821	35 336
Deferred tax (Note 11)	(1 610)	(9 321)
Income tax expense	22 211	26 015

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

	2020	2019
Profit before income tax	174 792	155 150
Tax at domestic tax rate of 15% (2019: 15%)	26 219	23 272
Income not subject to tax	(936)	(1 184)
Expenses not deductible for tax purposes	1 719	6 102
Tax losses for which no deferred income tax was recognised	13	43
Utilisation of previously unrecognised tax losses	(1 274)	(131)
Tax incentives (charity, etc)	(730)	(571)
Adjustments in respect of prior year	17	1
Effect of different tax rates of foreign subsidiaries	(2 847)	(2 159)
Other	30	641
Income tax expense	22 211	26 015
Effective income tax rate	13%	17%

24. Government grants

In 2020, the Group received government grant in Poland amounting to EUR 10,832 thousand for the protection of jobs threatened by COVID-19 pandemic. The grant was received for co-financing of payroll costs of certain employees to certain extent. The grant was accounted for by reducing cost of sales. As of the end of the year, there were no unfulfilled conditions relating to the grant.

25. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The Company's basic and diluted earnings per share are equal. Calculation of basic/diluted earnings per share is presented below:

	2020	2019
Profit attributable to ordinary equity holders of the parent (EUR thousand)	152 581	129 135
Weighted average number of ordinary shares (in thousands)	3 514 699	3 514 699
Basic/diluted earnings per share (EUR/share)	0,043	0,037

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26. Dividends per share

Dividends declared in 2020 and 2019 amounted to EUR 86,562 thousand (EUR 0.02 per share) and EUR 82,000 thousand (EUR 0.02 per share), respectively.

27. Financial risk management

27.1. 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 2020 and 2019, 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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 11,552 thousand as of 31 December 2020 (2019: EUR 83,236 thousand) with repricing periods between 1 - 6 months (2019: 1 - 6 months). The remaining borrowings are with fixed interest rates. Fair value of bonds is disclosed in Note 17, fair value of other borrowings approximates their carrying value. The Group estimates that the increase / decrease of variable interest rates by 50 basis points, applied to exposed amounts as of 31 December 2020 and with all other variables held constant, would result in an increase / decrease in interest expense of EUR 58 thousand and EUR 58 thousand, respectively (2019: EUR 128 thousand and EUR 18 thousand, respectively).

b) Credit risk

The Group's credit risk arises from its trade and other receivable, contract assets, cash and cash equivalents, time deposits and loans granted. The 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, time and other deposits at banks) is limited because the counterparties are banks with investment 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. The management does not expect any material losses from non-performance of the Group's counterparties.

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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.

The amounts presented in the consolidated statement of financial position are net of allowances for doubtful amounts estimated. 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 accounts receivable are secured by pledged inventory and real estate and bank guarantees and insurance. The Group's accounts receivable secured by collateral amounted to EUR 2,013 thousand as of 31 December 2020 (2019: EUR 1,662 thousand). A loss allowance has not been recognised for the amount of accounts receivable covered by collateral. Collateral obtained by the Group has not affected the expected credit losses as of 31 December 2020 (2019: resulted in a decrease of EUR 9 thousand). COVID-19 pandemic did not have material effect on the ECLs and allowances for doubtful amounts receivable.

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

31 December 2020

	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%-50%	100%	
Gross carrying amount-receivables from non-related parties	44 862	5 119	889	3 697	54 566
Gross carrying amount-receivables from related parties	345	48	46	2	441
Contract assets	3 724	62	-	-	3 786
Cash and cash equivalents	183 523	-	-	-	183 523
Expected credit loss	(28)	(134)	(96)	(3 261)	(3 520)
	232 426	5 096	838	438	238 796

31 December 2019

	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%-50%	100%	
Gross carrying amount-receivables from non-related parties	42 496	6 298	1 009	3 415	53 219
Gross carrying amount-receivables from related parties	4 696	50	164	2	4 913
Contract assets	3 377	-	-	427	3 804
Cash and cash equivalents	272 909	-	-	-	272 909
Expected credit loss	(87)	(181)	(248)	(3 202)	(3 718)
	323 391	6 167	925	643	331 126

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 2020 had weighted average payment term of 43 days.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding. The 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. In March 2021, the Group completed commercial paper offering with 12 months maturity, the value of the transaction being EUR 40,000 thousand (Note 32).

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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.

2020					
	Borrowings from banks and bonds	Lease liabilities	Borrowings from related and other companies	Other financial liabilities	Total
In the first year	47 857	110 334	8	565 960	724 160
In the second year	66 908	98 532	8	89	165 537
In the third year	344 662	95 981	8	252	440 902
In the fourth year	26 371	86 416	8	898	113 693
In the fifth year	10 744	77 352	8	296	88 400
After five years	23 379	353 520	56	10	376 964
	519 921	822 135	96	567 505	1 909 656

2019					
	Borrowings from banks and bonds	Lease liabilities	Borrowings from related and other companies	Other financial liabilities	Total
In the first year	63 001	105 927	41 064	617 932	827 924
In the second year	39 717	99 382	8	176	139 283
In the third year	56 589	93 522	8	368	150 487
In the fourth year	335 560	84 703	8	499	420 770
In the fifth year	27 352	74 211	8	331	101 902
After five years	33 296	361 490	67	496	395 350
	555 515	819 235	41 165	619 802	2 035 717

27.2. 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 capital management strategy aims to continually optimise its financial structure by maintaining an optimum balance between net debt and EBITDA also equity and total assets in order to minimise the cost of capital and maintain the Group's credit rating at a level that allows it to access a wide range of financing sources and instruments.

The Group's equity is comprised of issued share capital, share premium, legal reserve, reverse acquisition reserve, foreign currency translation reserve and retained earnings attributable to equity holders. 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.

27.3. 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.

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

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

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).
- The fair value of non-current debt, except for bonds, is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (level 3).
- The fair value of bonds is based on quoted market price (level 1) (Note 17).

28. Related party transactions

Related parties below include the Group's parent Uzdaroji Akcine Bendrove 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

The following transactions were carried out with related parties:

	2020	2019
Sales of goods and services:		
Sales of goods to other related parties	1 326	1 211
Sales of services to other related parties	10 161	8 092
	11 487	9 303

Sales of services to related parties include mostly rent services, commission income.

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	2020	2019
Purchases of goods and services:		
Purchases of goods from other related parties	4 837	5 187
Purchases of services from parent company	826	973
Purchases of services from other related parties	18 109	15 492
	<u>23 772</u>	<u>21 653</u>

Purchases of goods and services from related parties include mostly purchased goods for resale, consulting services, rental and utilities services.

	2020	2019
Sales of property, plant and equipment to:		
Other related parties	53	5 506
	<u>53</u>	<u>5 506</u>

	2020	2019
Purchases of property, plant and equipment from:		
Other related parties	758	676
	<u>758</u>	<u>676</u>

b) Year-end balances arising from sales/purchases of goods/services

	2020	2019
Non-current receivables and prepayments:		
Other related parties	4 514	4 630
	<u>4 514</u>	<u>4 630</u>

Non-current receivables and prepayments include net investment in the lease recognised for the sublease of premises to related parties.

	2020	2019
Trade and other receivables, prepayments and other short-term financial assets from:		
Trade and other receivables - other related parties	441	4 913
Current year portion of net investment in the lease - other related parties	1 543	1 262
	<u>1 983</u>	<u>6 175</u>

	2020	2019
Trade and other payables to:		
Parent company	82	84
Other related parties	4 523	5 981
	<u>4 605</u>	<u>6 065</u>

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	2020	2019
Non-current borrowings:		
Lease liabilities to other related parties	91 364	101 745
	91 364	101 745
Current borrowings:		
Loans from other related parties	-	41 056
Lease liabilities to other related parties	11 435	11 421
	11 435	52 476

d) Finance income/costs

	2020	2019
Interest expenses to:		
Other related parties	2 122	2 261
	2 122	2 261

Loans borrowed from related parties are unsecured and their weighted average interest rate as of 31 December 2019 was 0.8%.

	2020	2019
Interest income from:		
Other related parties	106	94
	106	94

Interest income is earned on net investment in the lease to related parties.

e) Key management compensation

	2020	2019
Salaries including related taxes	1 259	1 829
Termination benefits	78	317
Payment of long term employee benefits	-	2 088
(Release) of provision for long term employee benefits	-	(39)

29. Cash flow information**29.1. Non-cash investing and financing activities**

Non-cash investing and financing activities in 2020 and 2019 are provided below:

- Additions to right-of-use assets and lease liabilities amounted to EUR 100,589 thousand (Note 6) (2019: EUR 103,860 thousand).
- Lease liability remeasurements, including effect of foreign exchange rate changes, amounted to EUR 13,432 thousand (2019: EUR 35,759 thousand).

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29.2. 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 2020 and 2019:

	2020								
	Balance at 31 December 2019	Dividends declared	Cash received	Cash paid	Increase in lease liabilities	Interest expenses	Interest paid	Other	Balance at 31 December 2020
Borrowings, excl. bank overdrafts	585 332	-	-	(90 038)	-	14 729	(13 345)	(1 263)	495 415
Lease liabilities	687 894	-	-	(106 327)	87 157	20 120	-	-	688 844
Dividend payable	-	86 562	-	(86 562)	-	-	-	-	-
Total liabilities arising from financing activities	1 273 226	86 562	-	(282 927)	87 157	34 849	(13 345)	(1 263)	1 184 259

	2019										
	Balance at 31 December 2018	Recognised on adoption of IFRS16	Dividends declared	Cash received	Cash paid	Disposal of subsidiary	Increase in lease liabilities	Interest expenses	Interest paid	Other	Balance at 31 December 2019
Borrowings, excl. bank overdrafts	571 334	-	-	72 355	(59 501)	-	-	15 270	(14 263)	137	585 332
Lease liabilities	1 954	632 273	-	-	(102 448)	(713)	139 655	17 174	-		687 894
Dividend payable	-	-	82 000	-	(82 000)	-		-	-	-	-
Total liabilities arising from financing activities	573 288	632 273	82 000	72 355	(243 949)	(713)	139 655	32 444	(14 263)	137	1 273 226

30. Contingent liabilities

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

As of the date of the approval of these consolidated financial statements, all legal proceedings in which Maxima Latvija SIA was involved as of 31 December 2019 relating to the collapse of parts of the roof of the trade centre "Maxima XX" located in Priedaines iela 20, Riga, Latvia, that occurred on 21 November 2013, with a claim amount of EUR 100 thousand were terminated due to the concluded settlement agreements of EUR 2 thousand.

Separately, an employee of Maxima Latvija SIA (who was responsible for labour safety in the aforementioned store) was participating as defendant 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 first instance was delivered on 18 February 2020. The court acquitted the employee of Maxima Latvija SIA. Decision of the court was appealed.

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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 2020.

Corporate income tax case in Poland

The Group is involved in an ongoing tax dispute with the Polish tax authorities relating to Emperia Holding Sp.z.o.o. (previously Emperia Holding S.A.) ("Emperia Holding") corporate income tax liability for the fiscal year ended 31 December 2011. In 2010, Emperia Holding established P1 sp. z o.o. ("P1"), a 100 per cent owned subsidiary and, in 2011, it made an in-kind contribution to P1 of the shares of certain of its distribution company subsidiaries (the "Distribution Subsidiaries") (which was treated as tax neutral step by Emperia Holding). At the end of 2011, P1 disposed of its shares in the Distribution Subsidiaries to an entity outside the Emperia Holding group.

In 2011, P1's share capital was reduced through the compulsory redemption of 13,200,000 shares with an aggregate nominal value of PLN 1,320,000,000 (the "P1 Redemption"). Emperia Holding received remuneration for the redemption of its P1 shares which was treated as tax exempt dividend-type income since Emperia Holding had held 100 percent of P1's shares for a period exceeding two years.

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

Emperia Holding has subsequently filed a complaint to the Administrative Court in Warsaw (Wojewódzki Sąd Administracyjny w Warszawie), requesting the annulment of both first and second instance decisions. On 17 July 2018 the court of first instance annulled the decision of the second instance tax authority. The court held that the case should ultimately be resolved by the tax authority of the second instance, however, such tax authority must take into account certain considerations espoused by the court during its ruling. On 28 November 2018, the Director of the Tax Administration Chamber in Warsaw filed a cassation complaint with the Supreme Administrative Court.

On 25 July 2019, the Supreme Administrative Court annulled the judgement of the Provincial Administrative Court and remitted the case for reconsideration to the Provincial Administrative Court in Warsaw which on 20 November 2019 adopted favourable judgement to Emperia Holding – annulled the tax decisions of both instances and discontinued the tax proceedings.

On 19 February 2020 the Director of the Tax Chamber filed a cassation complaint to the Supreme Administrative Court. On 15 December 2020, the Supreme Administrative Court issued a judgment annulling the judgment of the court of first instance (the Provincial Administrative Court) and referred the case back to that court. The case is currently pending before the Provincial Administrative Court which set a date of 22 April 2021 for the examination of this case.

Whilst resolution of the matter is pending, Emperia Holding has provided the tax authorities with collateral securing the Shortfall, together with default interest, in the form of a bank guarantee up to a maximum of PLN 200 million.

The management believes that the final outcome of the court will be beneficial to the Group, therefore no provision was formed in the consolidated financial statements as of 31 December 2020.

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31. COVID-19

The Group's results of the year ended 31 December 2020 were affected by COVID-19 pandemic. The Group's revenue growth was negatively impacted by the lockdown measures taken by the national governments to tackle COVID-19 pandemic in the second quarter of 2020, especially. On the other hand COVID-19 pandemic accelerated consumer shift to e-commerce and this resulted in increased Group's revenue of online sales, however this only partially compensated negative impact on revenue from lockdown measures.

During the year the Group incurred additional costs amounting to EUR 9 million relating to protection of health of the Group's employees and customers and compensations to employees for the work in COVID-19 pandemic environment. Moreover, the Group provided temporary rent concessions to tenants that suffered from the lockdown resulting in the decrease of rent income. The government's assistance of EUR 10.8 million was received in Poland for the protection of jobs threatened by COVID-19 pandemic (Note 24).

Overall during the COVID-19 pandemic the Group's financial position remained stable, which implies that the Group's business model is resilient to the negative economic cycles.

As in 2021 the world is still exposed to the pandemic, the Group's management monitors the situation and takes adaptive decisions to the changing environment. The Group's priority to maintain a safe environment to its employees and customers remains unchanged.

32. Events after the reporting period

In March 2021, the Group completed commercial paper offering with 12 months maturity. The nominal value of the transaction amounted to EUR 40 million. The notes were placed at 0.618% yield. They are not listed and were subscribed by various institutional investors. The issued notes are unsecured and will be used for general short-term financing purposes of the Group.

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

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