Consolidated Annual Report 2018

TO BE APPRECIATED CHOICE FOR EVERYDAY

Transforming ourselves for growth

2018 was a special year for MAXIMA GRUPĖ. It's the year when we started an important transformation. The success story that began more than two decades ago from a single store opened in Lithuania has been confidently crossing borders and overcoming new milestones. Today the story is shared among more than 1000 stores in 5 countries, but we see this just as the beginning. 2018 marked the year when we laid strong foundation for growth, thus we are prepared for of an even greater journey ahead of us.

One of the main goals of this journey is to become a truly international company with strong operations beyond the Baltics. Acquisition of Polish retail chain Stokrotka in 2018 was an important milestone toward such direction. Having completed this deal, we have become the largest Lithuanian capital investor in Poland and now, together with the previously acquired chains, we have more than 500 stores in the Polish market.

Another important achievement in our plans for further international growth was receiving a solid BB+ credit rating from Standard & Poor's and successfully placing EUR 300 million issue of 5-year bonds. It was the biggest issue of bonds by private company in the Baltics. They were purchased by more than 60 investors from 14 countries proving that the company has achieved maturity and gained confidence of international investors.

Our daily operations in 2018 were also solid. Revenue grew by more than 22 percent to EUR 3'451 million fuelled by the acquisition of Stokrotka together with a help of a healthy revenue increases in the Baltics and Bulgaria. We continued opening new stores and modernizing the old ones by investing more than EUR 88 million. At the end of 2018 more than 40 thousand people worked throughout the group.

In the beginning of 2019, we've developed a new long-term strategy – the blueprint for the future journey of MAXIMA GRUPĖ. The dream goal of our new strategy is to be appreciated choice for everyday. At the heart of it is our clients and employees. The strategy focuses on 5 main priorities: ensuring great shopping experience, forming wide-right assortment and best prices, creating efficiency and daily excellence, building one organization.

Successful strategy implementation will be possible only with the contribution of every team member. We want our employees feel valued and respected therefore their engagement and empowerment is the integral part of our culture. Together with our goal driven team we will continue to create value for our customers by making decisions and taking initiative with responsibility and respect, learning together everyday and becoming excellent.

5 countries

More than
1 thousand stores

EUR 300 million
Issue of 5-year bonds

EUR 3 451 million
Revenue in 2018

MAXIMA GRUPĖ at a glance

MAXIMA GRUPĖ has grown, over more than two decades, from a single store in Vilnius into the largest Lithuania-born grocery retailer owning more than a thousand stores in the Baltic States, Poland and Bulgaria.

During these years, we have become the first choice for many shoppers in the Baltic countries, where MAXIMA retail chain is the market leader. We were among the first in the Baltics to launch e-retail operations. The e-grocery business Barbora today serves customers in Lithuania, Latvia and Estonia. About 40 thousand people work in our company across all countries. We serve more than 1.3 million customers every day.

The firm business foundations that were laid in the Baltics have enabled MAXIMA GRUPĖ to seek further expansion opportunities in other markets. In 2018 the successful completion of the strategic acquisition of Emperia Holding, which operates the Stokrotka retail chain in Poland, strengthened our positions in the neighboring country.

More than
1 thousand stores
in the Baltic States, Poland and Bulgaria.

About
40 thousand people
work in our company across all countries.

We serve more than
1.3 million customers everyday.

Where we operate

1129

total number of stores

Number of stores*

Number of employees**

*Including 72 franchise stores.

**Number of employees: active and on maternity or paternity leave

As of 31 December 2018

Our history

1992

First three grocery stores opened in Vilnius

1994

New stores with a common standard opened under the name "Vilniaus prekyba"

1998

First MAXIMA store opened in Vilnius. Launch of the MINIMA, MEDIA, MAXIMA chain

2000

First TAUPA store began operating in Vilnius

2000-2001

T-MARKET, MAXIMA, mini-MAXIMA retail chain launched in Latvia and Estonia

2002

TAUPA stores renamed T-MARKET

2003

T-MARKET stores renamed SAULUTĖ

2005

T-MARKET retail chain began operating in Bulgaria

2005-2006

All stores in the Baltics were combined into the unified chain:

2007

MAXIMA GRUPĖ established

2010

Group companies began to use franchising, which is now provided by FRANMAX

2011

New T-MARKER EXPRESS store format introduced in Bulgaria

2012

ALDIK retail chain acquired in Poland

2016

Expansion in Bulgaria: 12 stores acquired

2017

MAXIMA GRUPĖ acquired the online grocer BARBORA

MAXIMA LT turns 25

2018

MAXIMA GRUPĖ became the main shareholder of Poland's EMPERIA HOLDING S.A. which operates the STOKROTKA retail chain

BARBORA started its operations in Latvia and Estonia

MAXIMA GRUPĖ placed a EUR 300 million issue of 5 year bonds

SANO retail chain acquired in Poland

2019

MAXIMA GRUPĖ has approved an operating strategy through 2025

MAXIMA INTERNATIONAL SOURCING, where centralized purchasing competences are concentrated, was established

2018 Q1

Dalius Misiūnas appointed as the new CEO and Chairman of the Board of MAXIMA GRUPĖ.

The Supervisory Board was established in order to strengthen the company's corporate governance.

2018 Q2

Polish company Emperia Holding, which operates the Stokrotka retail chain, acquired for more than EUR 280 million. Having completed this deal, MAXIMA GRUPĖ became the largest Lithuanian capital investor in Poland.

E-grocery store Barbora started operations in Latvia.

2018 Q3

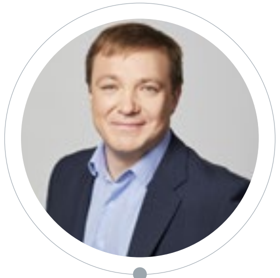
To strengthen corporate governance at MAXIMA GRUPĖ, the Audit committee was established.

MAXIMA GRUPĖ started the integration of retail chains owned in Poland. 30 Aldik stores, acquired in 2012, were integrated into Stokrotka. Merger was successfully completed in the autumn of 2018.

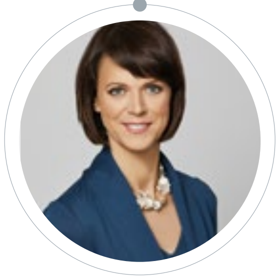
The company received a solid BB+ credit rating from Standard & Poor's with a stable perspective. MAXIMA GRUPĖ has become the first private company in the Baltics and one of the few retailers in the Central and Eastern European region, which received and publicly announced an international credit rating. This rating was the highest among European retail companies of similar size.

MAXIMA GRUPĖ successfully placed a EUR 300 million issue of 5-year bonds. The bonds were purchased by more than 60 investors from 14 countries: one third of them – from Baltic and Scandinavian region, the rest – from other European countries.

2018 Q4



A Member of the Board at MAXIMA GRUPĖ Arūnas Zimnickas became the new CEO of Emperia Holding in Poland.



Eglė Šimė appointed as the new CEO of Franmax.

BARBORA

E-grocery store Barbora started operating in Estonia.

The company announced that it plans to open 120-140 new stores in markets it operates during 2019. Many of the stores will be opened in Poland. MAXIMA GRUPĖ plans to invest at least EUR 100 million altogether in 2019 in the expansion and renewal of its stores.

stokrotka sano

Retail chain Stokrotka from related shareholders acquired Sano, another retail chain operating in the Polish market. The merger of the companies was completed in the beginning of 2019. It was also announced that retail chains owned in Poland will operate under Stokrotka name. Sano stores' name change will be implemented in stages, with completion planned during the first half of 2019.

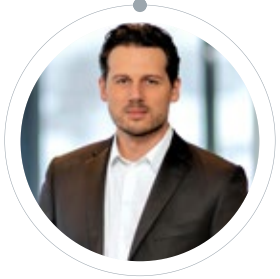
MAXIMA INTERNATIONAL SOURCING

MAXIMA GRUPĖ announced the decision to establish the new company Maxima International Sourcing in which it would concentrate centralized purchasing competencies.

2019 Q1

Marko Põder appointed as the new CEO of Maxima in Estonia.

MAXIMA GRUPĖ has created a position of Chief Customer Officer, which has been taken by Tomas Kibildis, former CEO of e-grocery store Barbora.



Maxima International Sourcing began operations. The company is responsible for providing agency services to the retail chains owned by MAXIMA GRUPĖ, developing private label brands and engaging in wholesale activities. Tomas Palevičius was appointed as the CEO of the company.

TO BE APPRECIATED CHOICE FOR EVERYDAY

MAXIMA GRUPĖ approved an operating strategy through 2025 outlining long-term vision, its main goals and priorities.

Maxima International Sourcing Poland established – a unit of the subsidiary Maxima International Sourcing. The goal of the new company is to work closely with suppliers that operate in Poland, both Polish companies and local representations of international companies. The newly established company will be headed by Maxima International Sourcing Member of the Board Gintaras Jasinskas.

Our strategy

In 2019, MAXIMA GRUPĖ has approved an operating strategy through 2025 outlining long-term vision, its main goals and priorities for the future development.

The most important priority in the strategy is transformation focused on improving customer experience and creating better work environment for employees. The main goal set out in the strategy is to be appreciated choice for everyday. Value for customers will be created through a more convenient shopping experience in stores, integrated digital channels, a wide assortment, and a good price-quality ratio. The latter will be ensured by increasing group's operational efficiency, thus reducing costs and, consequently, prices. The strategy foresees saving 500 million euros over 7 years thanks to more efficient business management solutions.

The strategy also envisions rapid international expansion, with investments of nearly 100 million euros a year until 2025 – at least 600 million euros in total. These investments will go into strengthening the network of stores in existing and new markets and to developing new sales channels. The group's aim is to grow its turnover by 7 percent every year.

MAXIMA GRUPĖ 2025: Transform For Growth

GOAL

TO BE **APPRECIATED CHOICE** FOR EVERYDAY

CHALLENGE

GROWTH

VALUE

CULTURE

INITIATIVES

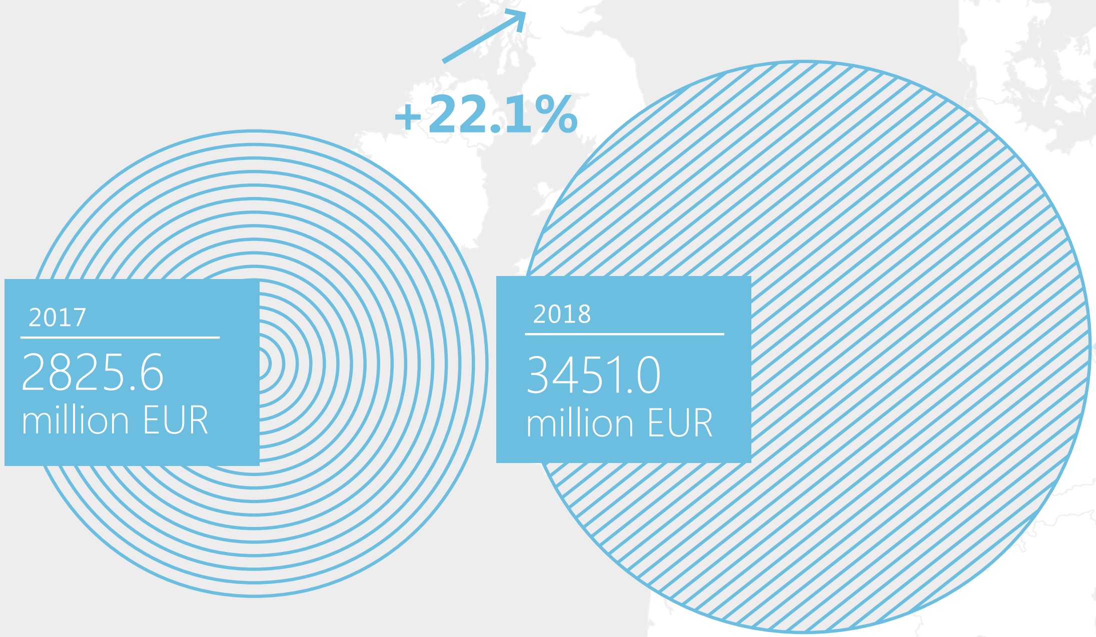
- MAKE **MAXIMA A GREAT SHOPPING EXPERIENCE FOR EVERYONE**
- FORM **WIDE-RIGHT ASSORTMENT FOR EVERY DAY NEEDS**
- ENSURE **BEST PRICES, DRIVEN BY EFFICIENCY**
- CREATE **DAILY EXCELLENCE AND SUSTAINABILITY**
- BUILD **ONE ORGANIZATION**

COMMITMENTS

- +7% GROWTH Revenue CAGR
- >600MLN INVESTMENTS EUR, Capex
- >500MLN EFFICIENCY EUR, accumulated savings
- +5% CUSTOMER Annual NPS growth
- +2% EMPLOYEE Annual EEI growth

Consolidated

Revenue



2018 revenue of retailer operators by country / growth compared to 2017:

ESTONIA
481.8 million EUR (+3.8%)

LATVIA
776.6 million EUR (+6.4%)

LITHUANIA
1638.4 million EUR (+5.9%)

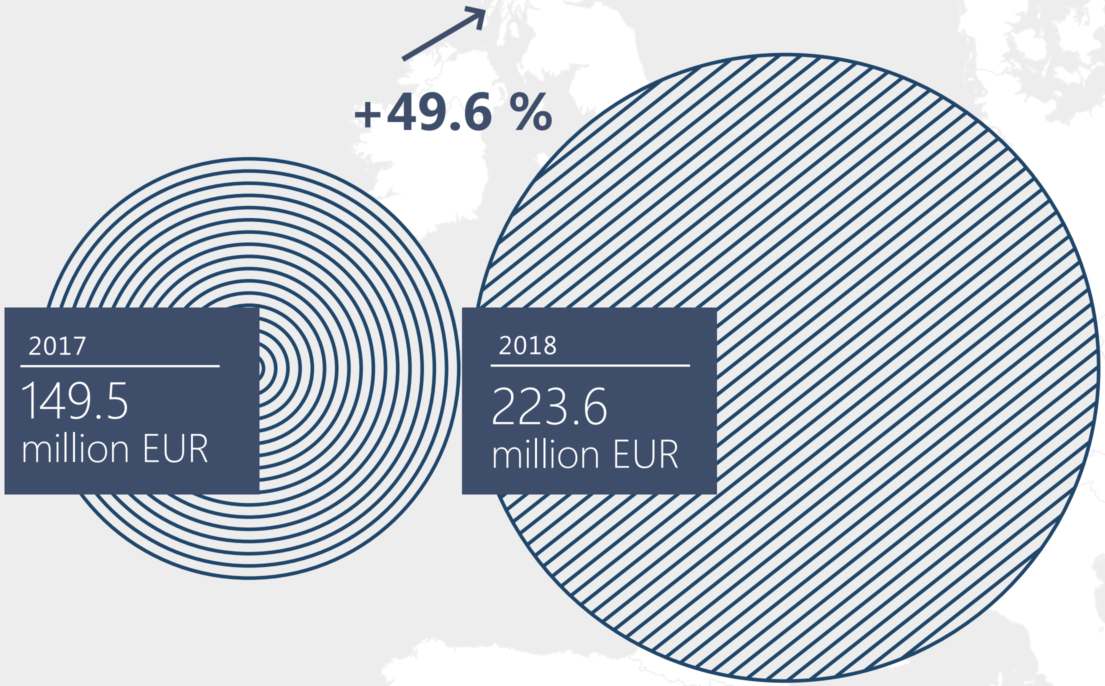
POLAND
500.8 million EUR (+863.6%*)

BULGARIA
132.8 million EUR (+19.4%)

* The change in the number was influenced by the addition of new companies – Stokrotka and Sano – to the MAXIMA GRUPĖ structure during 2018.

Consolidated

EBITDA



2018 EBITDA of retailer operators and Franmax, UAB by country:

ESTONIA
11.7 million EUR

LATVIA
32.9 million EUR

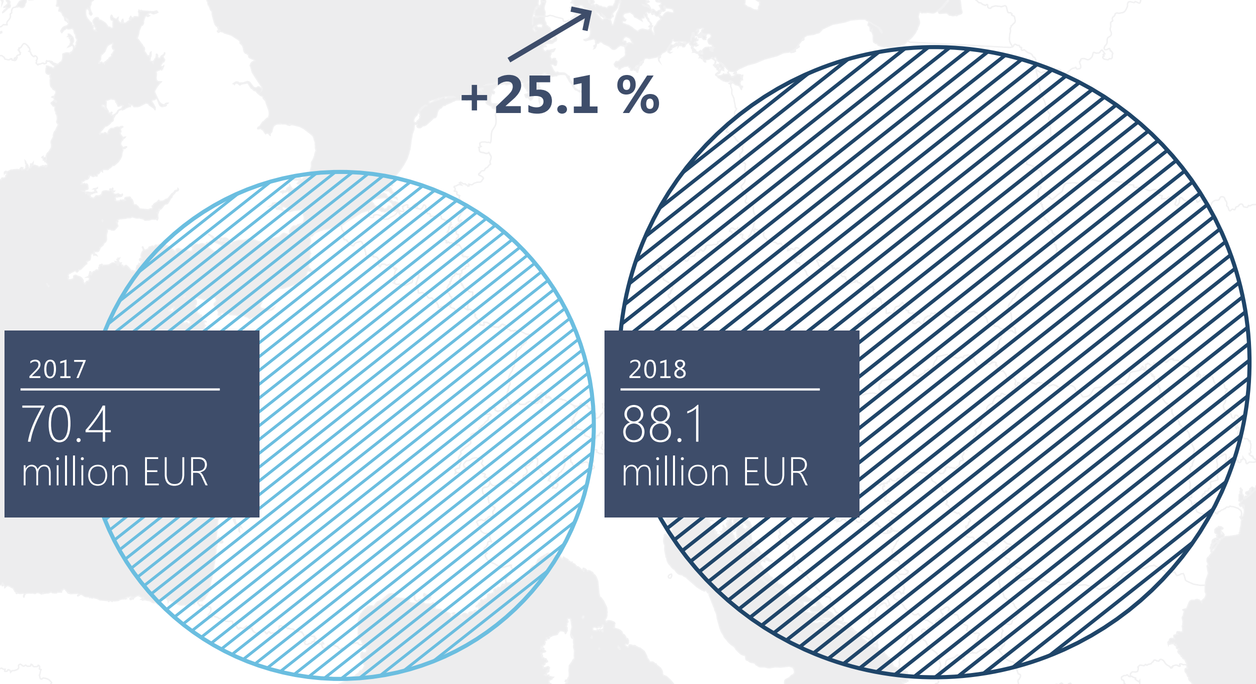
LITHUANIA
83.1 million EUR

POLAND
3.2 million EUR

BULGARIA
0.8 million EUR

FRANMAX 48.4 million EUR

Investments in fixed assets

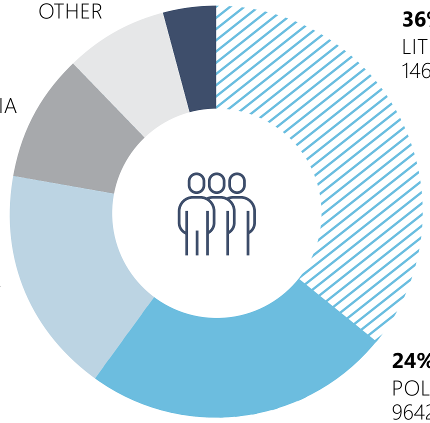


Number of employees

2017 **30 970**

2018 **40 345*** **+30 %**

2018 number of employees of retail operators by country / share in the total number:**



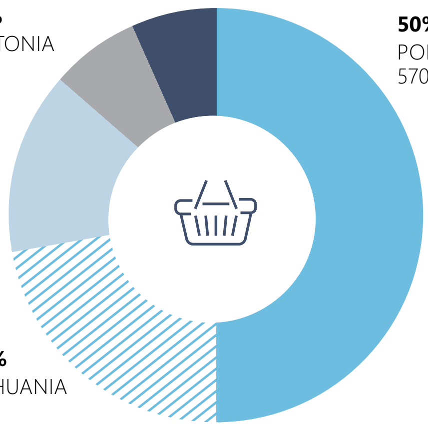
*The change in the number was influenced by the addition of new companies – Stokrotka, Sano,– to the MAXIMA GRUPĖ structure during 2018.
**Number of employees: active and on maternity or paternity leave.

Number of stores

2017 **568**

2018 **1129*** **+99 %**

2018 number of stores by country / share in the total number:



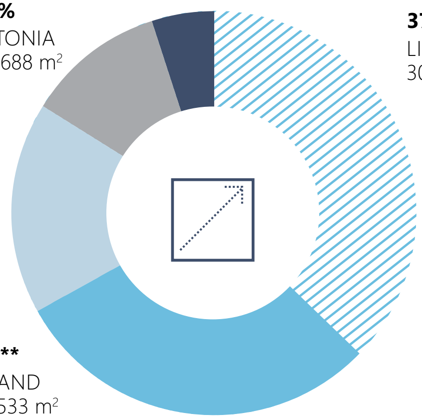
*The change in the number was influenced by the addition of new companies – Stokrotka and Sano – to the MAXIMA GRUPĖ structure during 2018.
**Including 72 franchise stores.

Trading area

2017 **573 839 m²**

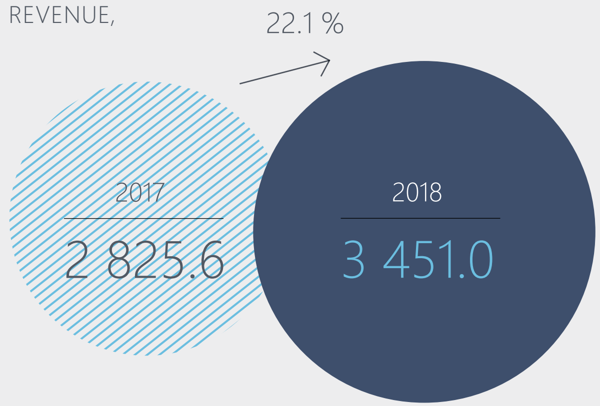
2018 **818 838* m²** **+43 %**

2018 trading area by country / share in the total number:



*The change in the number was influenced by the addition of new companies – Stokrotka and Sano – to the MAXIMA GRUPĖ structure during 2018.
**Including trading area of 72 franchise stores (20 733 m²).

MAXIMA GRUPĖ REVENUE,
million EUR



For MAXIMA GRUPĖ 2018 was a year of growth and integration.

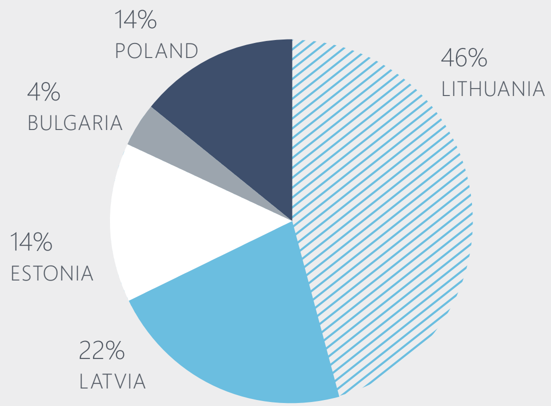
This is reflected by the company's financial results: 22.1% revenue growth was mainly attributable to the acquisition of Polish retail chain Stokrotka. At the same time growth in the Baltics was solid as well: in Lithuania and Latvia revenue grew by 5.9% and 6.4% respectively, while Estonia showed a more modest growth of 3.8% mostly impacted by a slower overall retail market growth. In Bulgaria revenue grew by 19.4%, which was made possible by new stores and double-digit market growth. Like for like sales grew by 1.6% on a consolidated level, while the Baltics markets like-for-like grew by 1.7% and Poland combined with Bulgaria – by 1.2%. Sales of goods through e-commerce channel grew by 50% in the Baltics due to expansion of e-grocery brand Barbora to Kaunas and Klaipeda in Lithuania. Barbora was also introduced in Latvia and Estonia which helped to grow e-trade channel sales of MAXIMA GRUPĖ.

The group's EBITDA grew to 223.6 mEUR in 2018 from 149.5 mEUR in 2017 (49.6% increase year over year). Major part of EBITDA increase came from FRANMAX which became a part of MAXIMA GRUPĖ at the end of 2017 as a contribution in kind from Vilniaus Prekyba. FRANMAX added 48.4 mEUR EBITDA to MAXIMA GRUPĖ'S result in 2018. The remaining growth in EBITDA is attributable to growth of sales and increased efficiency in existing businesses as well as acquisition of Stokrotka.

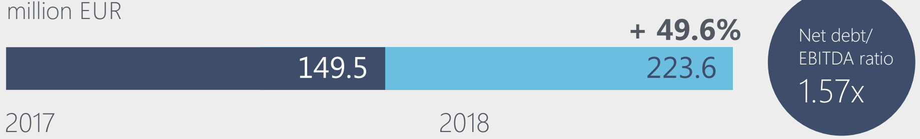
Net debt amounted to 351.2 mEUR on the reporting date (compared with 278.1 mEUR on December 31, 2017). The group's financial structure remained healthy with a net debt/EBITDA ratio of 1.57x.

RETAIL REVENUE SHARE BY COUNTRY*

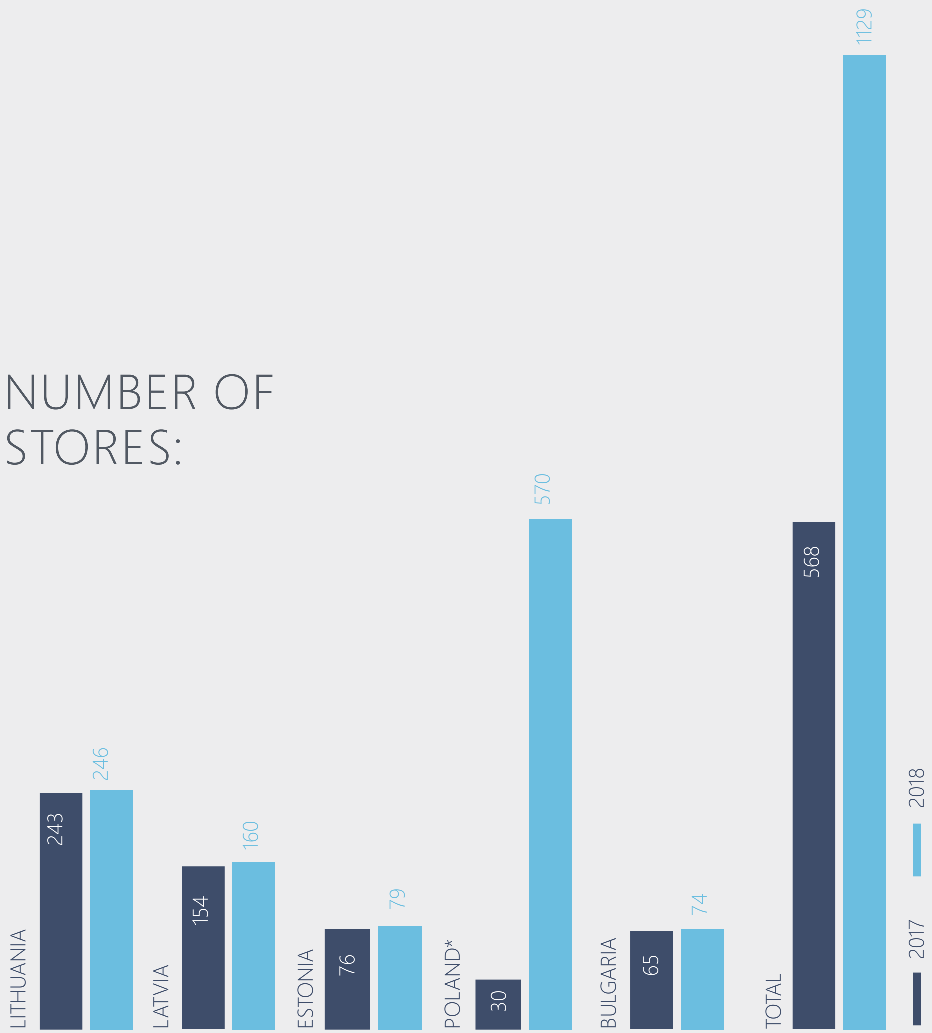
*-incl. intercompany sales



MAXIMA GRUPĖ EBITDA,
million EUR



NUMBER OF STORES:



Investments into fixed assets

88.1 million EUR

5%

average salary growth

107 new stores

192 stores

with self-service checkout capabilities

* Poland store number in 2017 includes Aldik only, while number for 2018 includes all stores, including Stokrotka franchise stores (number of franchise stores: 72).

In 2018, MAXIMA GRUPĖ companies invested 88.1 mEUR into fixed assets – up from 70.4 mEUR in 2017. The investments were directed into opening new stores, reconstructing existing stores as well as strategic investment projects, such as increasing the number of self-service checkouts. In the Baltics investments into self-service checkout counters reached 3.5 mEUR. By the end of 2018 there were 192 stores with self-service checkout capabilities (out of total of 485 stores operating in the Baltics), compared to 126 in 2017.

During 2018 a total of 107 new stores were opened, 84 of them – by Stokrotka in Poland after MAXIMA GRUPĖ acquired Emperia Holding. Another 39 stores were reconstructed in all markets. Additionally, 30 stores in Poland were converted from Aldik to Stokrotka.

During the year 2018, the average salary in MAXIMA GRUPĖ's companies grew by 5%.

LITHUANIA

In 2018, revenue of MAXIMA LT increased by 5.9%. This allowed to reach market share of 33.6%. A solid country's overall retail market growth of 5.6% provided favorable conditions for growing revenue. In 2018, Maxima LT EBITDA reached 83.1 mEUR, up from 74.6 mEUR a year before. Growth of EBITDA was fueled by the increase in revenue coupled with improvement in gross profitability, which came from more efficient purchasing. These improvements and increase in operating efficiency (that was helped by self-service checkout counters) fully offset rising prices of electricity and transportation, allowing EBITDA margin to reach 5.1% (up from 4.8% in 2017).

INCREASE OF REVENUE	↑ 5.9%
MARKET SHARE	33.6%
RETAIL MARKET GROWTH	↑ 5.6%
EBITDA	83.1 million EUR

LATVIA

MAXIMA Latvija grew its revenue by 6.4% in 2018. The growth was sufficient to maintain a stable market share of 24.8% despite a specialized grocery retail stores (mostly alcohol shops) continuing to increase their share in the country. Latvian grocery retail market (including specialized market) grew by 5.7% in 2018. Competitive environment had an effect on gross profitability which together with unfavorable changes in electricity and transportation costs reduced EBITDA to 32.9 mEUR (down from 36.4 mEUR in 2017).

INCREASE OF REVENUE	↑ 6.4%
MARKET SHARE	24.8%
RETAIL MARKET GROWTH	↑ 5.7%
EBITDA	32.9 million EUR

ESTONIA

MAXIMA EESTI reached total revenue of 481.8 million EUR (+3.8% year over year). The slower growth was mainly caused by a modest overall Estonian market growth of 2.7%. Despite of this, gross profitability increased and operational expenses were successfully managed in the background of increasing salaries, electricity and transportation prices. EBITDA reached 11.7 mEUR in 2018, up from 8.5 mEUR in 2017 (after adjustment for a significant gain from sale of fixed assets in 2017).

INCREASE OF REVENUE	↑ 3.8%
RETAIL MARKET GROWTH	↑ 2.7%
EBITDA	11.7 million EUR

POLAND

In 2018, MAXIMA GRUPĖ acquired Emperia Holding that owns Polish retail chain Stokrotka. The acquisition took place in April 2018 thus increasing group's revenue in Poland to 500.8 mEUR, up from 52 mEUR in 2017. Polish retail business generated 3.2 mEUR EBITDA (which includes Stokrotka after it became a subsidiary of MAXIMA GRUPĖ and Aldik before merger with Stokrotka). During the period in 2018 after being acquired by MAXIMA GRUPĖ, consolidated Emperia Holding (including real estate and other companies) EBITDA reached 12.6 mEUR and net profit was 0.2 mEUR.

INCREASE OF REVENUE	↑ 863.6%
EBITDA	3.2 million EUR

BULGARIA

MAXIMA BULGARIA demonstrated a strong revenue growth and delivered positive EBITDA result in 2018 for the first time. Total revenue of the company increased by 19.4%. Overall grocery retail market in Bulgaria grew by 10.2% in 2018, allowing such outstanding results. Increasing sales, good promotion management and operational efficiency improvements driven by increasing economies of scale led to a first positive EBITDA result in MAXIMA BULGARIA history.

INCREASE OF REVENUE	↑ 19.4%
RETAIL MARKET GROWTH	↑ 10.2%
EBITDA	0.8 mln EUR

VILNIAUS PREKYBA UAB

- EUROAPOTHECA UAB
- MAXIMA GRUPĖ UAB*
  - MAXIMA LT UAB
  - MAXIMA LATVIJA SIA
  - MAXIMA EESTI OÜ
  - MAXIMA BULGARIA EOOD
  - BARBORA UAB
  - STOKROTKA SP.Z.O.O
  - FRANMAX UAB
  - MAXIMA INTERNATIONAL SOURCING UAB**
- ERMI GROUP UAB
- AKROPOLIS GROUP UAB

MAXIMA GRUPĖ is the largest Lithuanian-owned group of companies in the Baltics. It is the owner of the Maxima retail chain in Lithuania, Latvia and Estonia, the Stokrotka chain in Poland, the T-Market chain in Bulgaria and e-grocer Barbora that operates in the Baltic countries. MAXIMA GRUPĖ also owns Franmax, that that provides franchise and support services, and Maxima International Sourcing that provides central sourcing, purchasing and negotiation services to MAXIMA GRUPĖ's owned retail chains.

One of the largest trading companies in the Baltics and Central and Eastern Europe. The company oversees, controls and manages the group of subsidiary companies operating the chains of retail stores, pharmacies and real estate development and management companies in the Baltic States, Sweden, Poland and Bulgaria. Responsible for analyzing and controlling the activities of group companies, setting operational guidance and strategic objectives for them, coordinating their activities and representing them. The ultimate beneficial owners of Vilniaus Prekyba are Nerijus Numavičius (77 percent), Mindaugas Marcinkevičius (11 percent), Vladas Numavičius (9 percent) and Ignas Staškevičius (3 percent).

* Lists the MAXIMA GRUPĖ companies engaged in retail trade and related activities.

** Established in 2019.

Corporate governance

Transparent and effective corporate governance that keeps up with international best practices is the basis for the success and sustainability of the company's activities.

MAXIMA GRUPĖ has a three-tier management system, comprised of the Board of Directors (or "Board"), the Supervisory Board and the General Manager of the company (the "Manager" or "CEO"). The Board of Directors is responsible for the strategic management and adopts decisions on approval of the core transactions to be concluded by the company, while its Supervisory Board is the body that oversees the activities of the Board of Directors and the CEO. The CEO is a one-person executive management body that manages the company's day-to-day operations and represents the company in its dealings with third parties.

Board of Directors

The Board of Directors is a collegial management body which, according to the Articles of Association, consists of 6 members elected for 4 years term. The Board members are elected and removed by the Supervisory Board of the Company. The Board elects the chairman from among its members. The Board of Directors currently consists of five members, their term of office started in 2017.

The main functions of the Board are the following: adoption of the strategic decisions of the company, appointment and removal of the CEO, calling general meetings of the shareholders, approval of certain transactions and decisions of the CEO, adoption of other corporate decisions within its competence. The competence of the Board is the same as prescribed by the Law on Companies, except that the Board adopts decision to issue the bonds. During the year 2018 there were 17 Board meetings held.

On 9th of April 2019, the Board of Directors comprised of the following members:

					
MEMBER	**Dr. Dalius Misiūnas**	**Kristina Meidė**	**Andris Vilcmeiers**	**Arūnas Zimnickas**	**Tomas Kibildis**
POSITION	Chairman of the Board and CEO	Member of the Board	Member of the Board	Member of the Board	Member of the Board
DATE OF APPOINTMENT	February 2018	August 2017	August 2017	September 2017	August 2017
OTHER POSITIONS	– Chairman of Supervisory Board at Emperia Holding S.A. – Chairman of Supervisory Board at Maxima Eesti OÜ – Chairman of Supervisory Board at MAXIMA Latvija, SIA – Chairman of Board at Maxima LT, UAB – Chairman of the Board of FRANMAX, UAB – Chairman of the Council of Kaunas University of Technology	– CEO and Member of the Board at MAXIMA LT, UAB – Member of the Board of FRANMAX, UAB	– CEO of Maxima Latvija, SIA – Member of the Board of FRANMAX, UAB	– President of management board at Emperia Holding S.A. – President of management board at Stokrotka Sp. z o.o. – Member of the Board of FRANMAX, UAB	– Chief Customer Officer at MAXIMA GRUPĖ, UAB – Member of the Board at Radas, UAB – Member of the Board of FRANMAX, UAB
EXPERIENCE	– 2010-2017 // Leading positions at Lietuvos Energija UAB and other related companies – 2008-2010 // Senior manager at Ernst&Young Baltic UAB	– 2015-2017 // Chairwoman of the Board and CEO at EUROAPOTHECA UAB – 2013-2015 // Chairwoman of the Board at EUROVAISTINĖ, UAB – 2008-2013 // Head of Region at Swedbank AB	– 2008-2010 // Deputy Chairman of the Council at Latvijas Kugniecіba JSC – 2009-2010 // Member of the Management Board at Ventspils Nafta JSC – 2006-2009 // Deputy Chairman of the Council at Ventspils Nafta JSC	– 2011-2014 // CEO at Maxima LT, UAB – 2008-2011 // CEO at Maxima Latvija SIA	– 2014-2019 // CEO at Barbora UAB – 2017-2019 // CEO at RADAS, UAB – 2008-2014 // Head of Marketing at AKROPOLIS LT UAB
EDUCATION	– Technology Sciences (PhD), Lund University – Electrical engineering, Kaunas University of Technology	– Economics, Vilnius University	– Management and finance, University of Latvia	– Economics and International business, Vilnius University	– Industrial and product design, Vilnius Academy of Arts

During the reporting period, the following people were members of the Board: Gintaras Jasinskas (Member of the Board until 08/02/2018), Robertas Čipkus (Member of the Board until 08/02/2018), Petras Jašinskas (Member of the Board until 08/03/2018) and Vygintas Šapokas (member of the Board until 30/09/2018).

Supervisory Board

MAXIMA GRUPĖ's governance structure was renewed in 2018 and a new body was introduced – the Supervisory Board. This has strengthened the company's corporate governance structure, separating operational governance functions, which is the responsibility of the Board, from strategic oversight, which is ensured by the Supervisory Board. These changes have helped MAXIMA GRUPĖ make key decisions faster and more effectively as the company seeks to implement its ambitious expansion and transformation plans.

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

ESTABLISHMENT OF SUPERVISORY BOARD HAS HELPED MAXIMA GRUPĖ MAKE KEY DECISIONS FASTER AND MORE EFFECTIVELY

All members of the Supervisory Board are elected by the General Meeting for a term of 4 years. The term of office of the current Supervisory Board started on March 2018. The Chairman of the Supervisory Board is elected from the members of the Supervisory Board. There is no limitation on the number of terms of office a member of the Supervisory Board may serve.

In 2018 there were 8 meetings of the Supervisory Board. All members of the Supervisory Board participated in each of the meetings. Main matters discussed during the meetings included the following: approval of the work regulation of the Supervisory Board; election of the Chairman of the Supervisory Board; review of the financial statements of the Company and consolidated financial statements of the Company, as well as the annual report and submission of them to the shareholder; formation of the Audit Committee and approval of the regulations of the Audit Committee; approval of the agreement of the activities of the Board member of the Company and others.

On 9th of April 2019, the Supervisory Board comprised the following members:

				
MEMBER	**Jurgita Šlekytė**	**Jolanta Bivainytė**	**Raimonda Kižienė**	**Ignas Staškevičius**
POSITION	Chairwoman of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board	Member of the Supervisory Board
DATE OF APPOINTMENT	June 2018	March 2018	March 2018	March 2018
OTHER POSITIONS	– Member of the Board and Head of Legal at UAB "Vilniaus prekyba"	– Member of the Board at UAB "Vilniaus Prekyba" – Director of PATRIA HOLDINGS, UAB, – Member of the Board at UAB "Vilniaus Prekyba" support fund "DABAR"	– CEO and Chairwoman of the Board at EUROAPOTHECA, UAB – Chairwoman of the Board at EUROAPOTHECA HOLDING SWE, AB – Chairwoman of the Board at Apoteksgruppen i Sverige Holding AB, – Chairwoman of the Board at Apoteksgruppen Detaljist AB – Chairwoman of the Board at Apoteksgruppen i Sverige AB	– Head of Lithuania division at Bertona Holdings Limited – Member of the Board at PADME INVEST, UAB – Member of the Board at public enterprise "Tarptautinis maratonas"
EXPERIENCE	– Head of legal at Maxima Grupė, UAB – CEO at FRANMAX UAB – Director at Lincoln Land Erste B.V. – Head of the legal department at Omnitel, UAB (currently Telia, AB)	– Diverse management and administrative positions at UAB "Vilniaus prekyba" and other related companies	– CEO and Member of the Board at UAB "Vilniaus prekyba" – CEO and Member of the Board at EUROAPOTHECA, UAB – Chairwoman of the Board at EUROVAISTINĖ, UAB	– Administrative and management experience at diverse companies
EDUCATION	– Law, Vilnius University – Business management, Baltic Management Institute	– Finance, Vilnius University	– Economics, Vilnius University	– Medicine, Vilnius University

During the reporting period, the following people were members of the Supervisory Board: Petras Jašinskas (member of the Supervisory Board until 03/21/2018) and Marius Čatrauskas (member of the Supervisory Board until 11/11/2018).

Audit Committee

In July 2018, another corporate governance body was established – an audit committee. Establishment of an audit committee has helped MAXIMA GRUPĖ's Supervisory Board to ensure an effective and reliable process for auditing the company's financial statements. Members of the committee are appointed by the Supervisory Board. The main functions of MAXIMA GRUPĖ's audit committee include oversight of the process of preparing and auditing the annual financial statements, review and monitoring of the independence of the external auditor as well as monitoring internal quality control and internal audit at the company.

On 9th of April 2019, the audit committee is comprised of the following members: **Irena Petruškevičienė** (Chairwoman of the committee, independent member), **Jurgita Kirvaitienė** (independent member) and **Rytis Jezepčikas** (member of the Board at Vilniaus Prekyba). On 01/02/2019 I. Petruškevičienė replaced Kasparas Žebrauskas, who previously held the position of the Chairman of the committee. Audit committee held 8 sessions in 2018. During the year, the activities of the audit committee covered the following areas:

-overview of main activities and organisational structure of the Company and its subsidiaries;

-acquaintance with organisation of internal audit processes, internal audit work program and activities of the internal audit;

-monitoring of financial audit process conducted by the independent auditor, overview of the work program of the independent auditor;

-assessment and approval of the Company's preapproval policy regarding acquisition of non-audit services from the Company's auditor;

-assessment of the candidates to be selected as the independent auditor of the Company and its subsidiaries; monitoring the procedure of selection of the external auditor;

-submission of a recommendation for the appointment of the auditor of the Company and its subsidiaries;

-assessment of remuneration of the independent auditor for the audit services;

-monitoring the provision of non-audit services by the Company's auditor and scope of such services, approval or disapproval of specific non-audit services to be acquired from the Company's auditor.

Irena Petruškevičienė, Chairwoman and an independent member of the committee, has more than 25 years of experience in the field of auditing. She gained experience at international institutions including the European Court of Auditors, the European Commission and the UN World Food Programme. She also worked at PwC for 10 years.

Jurgita Kirvaitienė, an independent member of the committee, worked for more than 17 years at the consulting firm PwC where she was director of the Assurance Department and a member of the management board. She also served for four years as president of the Lithuanian Chamber of Auditors.

Rytis Jezepčikas, member of the Board at Vilniaus Prekyba, has more than 10 years of experience in the position of the director of finance. Previously he has also worked at the audit department at consulting firm Ernst&Young.

MAXIMA GRUPĖ also has an internal audit department, which reports to the CEO and the Board of Directors. The internal audit team is responsible for the auditing procedures of the company's consolidated subsidiaries.

Risk management

Control framework

As every business, we face different types of risks that might cause unexpected situations at our companies. In order to operate successfully, we strive to foresee and react to such risks rapidly, so that they would not interfere with our primary goals, outlined in our strategy. We seek to cherish work culture that would maintain proactive approach to risk management and let us fulfill our stakeholders' expectations.

Appetite for significant risks

We identify three principal risk categories. For each risk, we apply different means to manage underlying causes and minimize potential consequences. The key risk drives and means for mitigation are subsequently defined for **financial, business and compliance risks.**

	RISK	KEY RISK DRIVERS	MITIGATION
Financial risks	Credit risk	- Cash and cash equivalents - Trade and other receivables	- Monitoring creditworthiness of debtors by using controls that include credit approvals, limits, prepayment requirements and other monitoring procedures - Exposure spread over a number of counterparties and customers - Funds in banks have no concentration because the counterparties are large number of banks or subsidiaries of the banks with investment grade ratings assigned by international credit-ratings agencies - Successful long-term co-operation supported by signed contracts where terms, conditions and responsibilities of both parties are described
	Funding and liquidity risk	- Different maturity profiles of receivables and payables - Liquidity surplus	- The ability to use undrawn committed borrowing facilities as an instrument of liquidity risk management - Sufficient level of available cash and cash equivalents - Arranging funding ahead of requirements
	Foreign currency exchange rate	- Purchasing of goods in foreign currencies while income is mostly denominated in euro	- The Group is using derivative financial instruments to be able to hedge its risks arising from foreign currency fluctuations ("forwards")
	Interest rate	- Floating rate facilities	- Entering to borrowing contracts with fixed interest rate - Application of derivative financial instruments

	RISK	KEY RISK DRIVERS	MITIGATION
Business risks	Strategy risk	- Revenue - EBITDA	- Focus of management of the Group - Business continuity strategic guidelines and tactical policy - Business continuity management plans
	Reputation risk	- Revenues	- Permanent improvement of internal control system - Training employees and developing the corporate culture to make sure unethical behaviour is seen as unacceptable
	Country risk	- Presence in countries with political, financial, social or economic instability	- The Group is present in different countries with different specific risks - Knowledge and awareness of countries where the Group is present - Monitoring, reviewing and reporting on changes of the political, financial, social or economic situation in countries' where the Group is present
	Regulatory risk	- Revenue - Environmental regulation	- The Group is present in different countries with different regulatory framework, which enables risks' diversification - Knowledge and awareness of regulations in countries where the Group is present - Monitoring, reviewing and reporting on changes of regulations in countries where Group is present
	Competitive environment and economic conditions risk	- Group's business - Results of operations - Financial condition	- Research and monitoring of consumer behaviour - Analysis of economic development - Price benchmarking competition - Approved strategies - Strengthening own brands - Building more personalized consumer relationship - Permanent improvement of internal control system - Managing the product mix and pricing policy - Multi-format model that enables to meet changing customer needs
	Growth, expansion and lack of cost-efficient locations risks	- Number of stores - Revenue - Results of operations - Financial condition	- Research and monitoring of separate regions - Maintaining M&A and property management competencies - Approved strategies - Due diligence reviews
	Risk related to information technologies performance, Data Security and Data Privacy	- Revenue - Operational costs	- Permanent improvement of internal control system - Engaging the best internal IT experts - Using effective outsourcing practices with SLA and monitor compliance - Ensuring sufficient reliability of centralised IT infrastructure - Implementing policies and procedures to ensure cybersecurity - Use of information systems to detect atypical behaviour in the corporate network - Use of special hardware and software for protection against malicious software, spam, external and internal cyberattacks, data leaks
	Retail operations, supply and inventory management risks	- Gross Profit - Operation Cost - Levels of service - Financial position	- Optimal level of decentralisation for operational business processes and supply chain - Logistics strategy, to manage supply chains within the existing network - Efficient managing inventory stocks - Increased direct global sourcing, as well as reduced shrinkage and efficiency improvements
	Human resources	- Labour costs - Financial performance	- Monitoring the labour market and providing employee benefits in line with the market - Processes ready for employee onboarding, training, and development - Developing the corporate culture

	RISK	KEY RISK DRIVERS	MITIGATION
Compliance risks	Compliance with current legislation	- Internal governance and business process	- Permanent improvement of internal control system - Monitoring of draft laws, timely initiation of internal projects to prepare for legislative changes - Legal support, audit of contracts, development and use of contract templates
	Product safety and liability risks	- Revenues - Safety regulation	- Product safety policies - Control standards for food and non-food products - Standard operating procedures - Monitoring of performance in the business - Tracing of product origins and conditions of production - Third-party certification - Insurance program - Carrying out laboratory tests of product samples - Complying with approved rules for product transportation, storage and sale - Complying with sanitation rules - Providing training for employees including quality assurance
	Environment and sustainability risk	- Operations and reputation	- Reducing packaging - Implementing new methods to increase energy efficiency across stores and warehouses - Implementing methods to reduce waste throughout the whole value chain
	Occupational health and safety risk	Financial position, results of operations, reputation	- Safe and comfortable working environment - Compliance with employees' working hours and holiday schedule - Regular medical examinations for employees and health screening

Ethics

We are striving to conduct any business related activities in an ethically responsible and transparent manner, follow high standards of business ethics in all the countries where we operate. At MAXIMA GRUPĖ and its companies our actions are based on our values and ethical culture outlined in the *Code of Business Ethics.* The Code covers our relations with employees, customers, business partners, competitors, state authorities and representatives of governing bodies, it also defines our conduct in the community and relationship with shareholders.

Preventing corruption

MAXIMA GRUPĖ and its retail chains are committed to act according to law in all countries in which we operate. One of the most significant commitments are anti-corruption practices. The *MAXIMA GRUPĖ's Anti-Corruption Policy* involves all actions and procedures that are forbidden in our business. We act with responsibility, transparency and follow the principle of zero tolerance for corruption. In 2019, we have established a position of Prevention officer, who is responsible for assuring the compliance with the main principles of the document.

Control framework over the preparation of consolidated financial statements

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

All MAXIMA GRUPĖ entities, except for Emperia Holding S.A. group entities acquired in 2018, use SAP ERP for financial accounting and reporting. Common system ensures consistent accounting and reporting and data comparability. Specialised SAP consolidation module is used as a tool for preparation of consolidated financial statements.

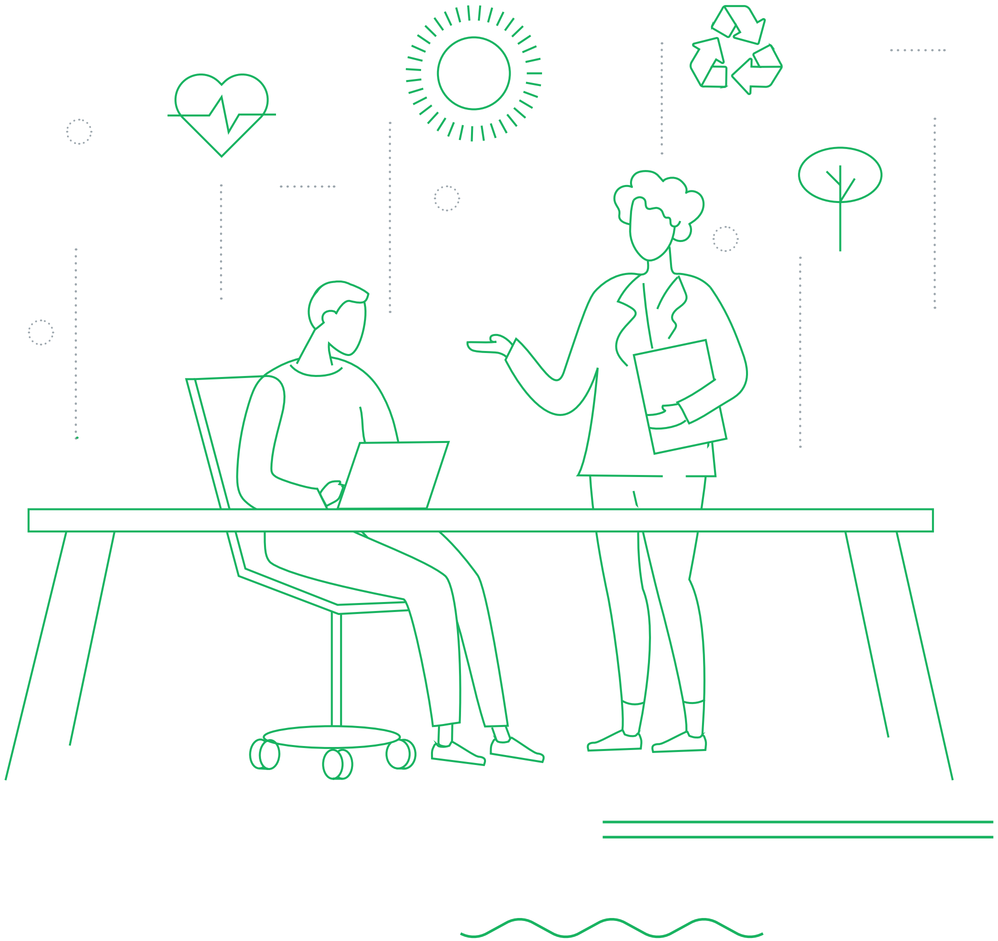
All changes in International Financial Reporting Standards (IFRS) are followed by MAXIMA GRUPĖ. Company evaluates potential impact on consolidated and stand-alone financial statements, prepares plan for implementation of new standards and controls the implementation ensuring that new standards are appropriately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

Corporate social responsibility

We look after the welfare of our employees and customers and strive to build solid trust-based partnerships. We believe in working together to create environment where everyone is happy to grow and prosper in.

At MAXIMA GRUPĖ we strive that sustainability would become an integral part of our every operation. It is what's right for our customers, employees, partners, communities and the environment. As retail leader and one of the biggest taxpayers in the Baltics with gradually expanding the operations in Poland and Bulgaria, it is important for us to act in a responsible way and respond to the global challenges and trends that society faces. Being part of a tight network of local and international suppliers, MAXIMA GRUPĖ is aware of multiple challenges it has to respond to regarding its social and environmental performance. The main challenges that we consider of a primary importance concern the supply of high-quality products, well-being of our employees and customers, more circular processes and lower environmental impacts throughout the whole value chain.

MAXIMA GRUPĖ has a track record of consistent social initiatives. Nonetheless, along with the new developments we are building a stronger sense of responsibility over the impact of our operations. 2018 for MAXIMA GRUPĖ marks the year of valuable commitments and increased responsibilities. Together with the development of the new company strategy until 2025, MAXIMA GRUPĖ has approved its new long-term Corporate Social Responsibility (CSR) strategy to 2025 aligned with company's goals. With this strategy we are looking for ways to improve the sustainability of our business model while making an even higher contribution to the environment and society, adding to the well-being of our key stakeholders. Creating a meaningful CSR 2025 strategy additionally ensures transparency before our stakeholders and adds value to our business.



MAXIMA GRUPĖ has built a strong vision to be a responsible leading retailer and create a shared value for our customers, employees, suppliers, societies and environment. Therefore, we have set a focus on six key CSR directions.

CUSTOMERS

Customers are one of the most important stakeholders that we focus on. Doing our everyday work, we want to ensure the best shopping experience for our customers that would create value for them. In 2018 we've worked on better prices, revised our assortment, invested in new stores and renovated existing ones, developed new convenient store formats and concepts, invested in home deliveries and introduced in-store solutions. Also, we strive to offer our customers more sustainable practices, creating cleaner environment and ensuring choices for healthier lifestyle.

EMPLOYEES

As one of the biggest employers in the Baltic countries we understand that more than 40 thousand employees are the ambassadors of the company and our most valuable asset. Therefore, we put great effort to ensure engagement, motivation and professional improvement of our colleagues. We also seek to create the internal organizational culture where each team member from the top management to the operational level is appreciated, respected and empowered to reach their full potential; where equal opportunities, good working conditions and feedback are the foundation of daily work.

PARTNERS

Close cooperation with our strategic partners – suppliers and producers – lets us create our success story. Long years of great partnerships have given rise to Lithuanian businesses that have established themselves in foreign markets together with MAXIMA GRUPĖ. We pursued to develop even closer collaboration with local businesses, and work hand-in-hand with our long-standing partners to achieve the best results together. We want to encourage sustainable business practices and be a trusted long-term partner that helps companies to reach their customers in a transparent and merit-based way.

COMMUNITIES

As a business with wide regional coverage, we are working to make a positive impact for communities and especially families in need. Therefore, our company wants to continue active and responsible efforts to support our communities, contribute to the general wellbeing and help solve problems that matter in the countries we work in.

ENVIRONMENT

MAXIMA GRUPĖ'S approach is to take care of the environment by reducing impact on it. In the long term, we strive for clean and sustainable business practices that would have as little as possible impact on the environment. We are committed to find more circular systems for packaging and implement new renewable energy solutions to meet climate targets, accelerate emission reduction and manage food waste.

CSR GOVERNANCE

In order to ensure a successful pursuit of our commitments and efficiently manage risks, MAXIMA GRUPĖ has established a CSR governance. Starting from 2019, CSR is an independent function that is directly subordinate to the top management of the company. CSR is a horizontal function that navigates through the actions of all company's business units, ensuring effective CSR initiatives' implementation and results.

Who we are
Highlights
Our strategy
Business overview
Governance
Corporate social responsibility

Creating value for stakeholders in a sustainable and responsible way

Other information
Independent auditor's report and consolidated financial statements

Creating value for stakeholders in a sustainable and responsible way

In 2018, MAXIMA GRUPĖ focused on increasing efficiency, ensuring good shopping experience and operating according to the global retail trends as well as changes of our customer behavior in addition to conducting social initiatives and innovating within the energy field. Our companies have launched a variety of initiatives to ensure better prices, implement the highest quality standards, and offer a wide range of products, while at the same time focusing on employee growth, development, motivational systems and improvement of the workplace environment. During 2018, our companies have also contributed to the social initiatives that are important to the society, in addition to supporting local communities, paying greater attention to environmental sustainability and energy efficiency. Furthermore, in every market we aim to conduct our operations in a transparent and fair way while withstanding high business ethics standards and policy in order to prevent corruption.* Lastly, due to the international nature of the company, we have identified the key risks that we face and measures to mitigate them.**

*More information about Business Ethics and Preventing Corruption can be found at p. 36

** More information about MAXIMA GRUPĖ risks management can be found at p. 33

For Customers

"THANK YOU" LOYALTY PROGRAMME HELPED CUSTOMERS IN THE BALTICS TO SAVE MORE THAN EUR 24 MILLION IN 2018

BETTER PRICES

During the year a range of initiatives to ensure higher affordability was launched so that our customers could find goods for the best prices according to their needs. Maxima Latvia reduced regular prices on more than a thousand items of daily use. In Lithuania prices were checked in the other major retail chains of the country and reduced in the Maxima stores if a higher price was noticed. Maxima made a promise that if any item in other retail chains costs less, we will reduce our price. Owing to the "Lowest price guarantee" programme alone, our customers in Lithuania saved EUR 10 million in 2018. Furthermore, the "Thank you" loyalty programme helped customers in the Baltics to save more than EUR 24 million in 2018: more than EUR 14 million in Lithuania, nearly EUR 7 million in Latvia and over EUR 3 million in Estonia.

WIDER ASSORTMENT

Having a goal to offer our customers everything they are looking for in our stores, we revised and expanded our assortment. Number of products offered at Maxima stores of X format increased in all Baltic countries. For example, in 2018 customers of the smallest stores in Estonia could choose from more than 12 thousand products daily. Overall changes in customers' needs and the global tendencies were taken into account, thus we accelerated development of ecological products, started to remove palm oil from our products and decrease sugar level in the products for kids. During 2018 we introduced more than 300 private label products.

TECHNOLOGIES FOR BETTER EXPERIENCE

In order to ensure convenient shopping experience for our customers, we invested into the introduction of advanced in-store solutions and development of the existing ones. The number of self-service checkout counters steadily increased in the Baltics while the first self-service cash zones were installed in Bulgaria. Consequently, T-Market was acknowledged by the Bulgarian Association of Information Technologies and awarded as Innovative Company. Also, Scan&Go technology has been introduced in Lithuania. Further development of the innovative service is foreseen in 2019.

For Customers

NEW STORE CONCEPTS

Paying attention to the changing habits and needs of customers as well as global retail trends, our retail chains introduced new store formats and concepts. The first Maxima Express convenience stores in the Baltics were opened. Stores of the new format in Latvia offer relevant range of products with a focus on a new line of food-to-go meals, including fresh and organic foods for a healthier choice. New concept store was also opened in Bulgaria, offering its customers bio and organic food, fresh juices, convenience zone and 24/7 working time.

E-GROCERY PICK-UP

As sustainable ways of shopping, including e-shopping, are becoming more popular choice among customers, Barbora introduced *Click&Collect* service in Vilnius. Now customers can pick up their orders from two temperature-controlled lockers. At the same time, delivery area also increased as Barbora was launched both in Latvia and in Estonia. During 2018, we delivered almost one million orders in the Baltics while e-trade sales increasing from EUR 25 million in 2017 to EUR 38 million in 2018.

NEW AND RENOVATED STORES

We continued to invest in new stores and refurbish the existing ones according to the highest quality standards. During 2018 a total of 107 new stores and 39 reconstructed ones were opened. 84 out of all new stores opened their doors in Poland after the acquisition of Emperia Holding. MAXIMA GRUPĖ seeks to maintain the fast pace of growth – we announced the plan to open 120-140 new stores in all markets during 2019, many of them in Poland.

QUALITY WITHOUT COMPROMISE

We continued to strengthen quality control at the stores of our retail chains in 2018. A new methodology for the evaluation of fruit and vegetable quality was launched. As a result, the quality checks in the stores became more frequent. To add, we strengthened self-monitoring procedures, thus the number of audits conducted before shipment from suppliers was increased.

BARBORA INTRODUCED CLICK&COLLECT SERVICE IN VILNIUS. NOW CUSTOMERS CAN PICK UP THEIR ORDERS FROM TWO TEMPERATURE-CONTROLLED LOCKERS

For Employees

CREATING OPPORTUNITIES

We sought to create opportunities for everyone who want to become the members of our team, including people who haven't had the chance to gain experience in the field. In Lithuania, vocational training centers for food production were established, where individuals without any experience were trained by professional Maxima employees. Additionally, Maxima in Estonia employed the highest number of young people in the whole country among other retailers to work at the company during the summer time of 2018.

EQUAL OPPORTUNITIES

In MAXIMA GRUPĖ companies we value diversity both in selecting employees and candidates to the positions of management. For example, we are open to people of different ages: our youngest employee is 16 years old, while the oldest is 85. Besides, almost 44 percent of MAXIMA GRUPĖ's top-management positions were held by women who lead departments such as commerce, communication, organization development and other. Respect is the foundation of both interpersonal and business relations. We strive to create work environment where people would be respected despite individual differences, and their work assessed according to the results and value-based behavior.

BETTER WORKING ENVIRONMENT

We strive to make our employees' everyday work more convenient, the companies in the group continued investing in the automation and optimization of processes in the stores. Additionally, LEAN principles are now used in the Baltics and Bulgaria. Processes in stores and warehouses were reorganized and purchasing processes automated. Additionally, the employee work environment and facilities were improved when opening new and reconstructing existing stores.

INCENTIVES

In order to increase the satisfaction of our employees in Lithuania, we continued developing motivational systems for Maxima workers. All store employees – from cashiers to administrators – could have earned extra pay on top of their salary. In 2018 alone bonuses of EUR 6.8 million were paid to Maxima LT employees (including employer and employee taxes).

BIGGEST EMPLOYER

Maxima was acknowledged for being one of the largest employers in the Baltic States. The Investors' Forum, which unites the largest and most active investors in Lithuania, awarded Maxima in Lithuania for being the biggest company for job creation in the country and recognized our business as Enterprise of the Centenary.

For Partners

LOCAL COOPERATION

In 2018, partnerships with the local producers and farmers were strengthened in order to support local economy and ensure the range of locally produced and sourced products as well as provide more customer favorites. For instance, seasonally-grown and fresh products sourced locally in Latvia made a significant part of Maxima's business volume – up to 80 percent of the overall fresh grocery product category in Latvian Maxima stores were produced by local manufacturers, while in other categories such as bread and in-season vegetables, the proportion was more than 90 percent. In Lithuania, 80 percent of fresh food is Lithuanian, while local products in total comprise more than a half of all goods offered to our customers. In Bulgaria, the sales growth of products supplied by local manufacturers was significant, increasing by 20 percent comparing to 2017.

GROWING TOGETHER

Together with our partners, in 2018 we continued successful development of our private label products. During the year number of producers developing our private label products rose to 570. These products also are more and more appreciated by the customers – in 2018, 18.6 percent of all goods sold in the Baltics were private labels.

STRENGTHENING VALUABLE PARTNERSHIPS

Maxima LT organized the Conference of Lithuanian Producers and Suppliers for the second time in Vilnius. More than 600 Lithuanian business executives as well as commerce, procurement and marketing experts took part in the event. CEO of Maxima presented seven commitments that we follow in cooperation with our suppliers. These include transparency, honesty, openness, goodwill, sustainability, dialogue and locality.

SEVEN COMMITMENTS THAT WE FOLLOW IN COOPERATION WITH OUR SUPPLIERS: TRANSPARENCY, HONESTY, OPENNESS, GOODWILL, SUSTAINABILITY, DIALOGUE AND LOCALITY

For Communities

SUPPORTING COMMUNITIES

In Lithuania Maxima organized "We are Community" program where a EUR 70 thousand fund was set up to support the implementation of community initiatives that have a potential to promote inter-generational communication. There were 40 original community ideas that competed for the victory. In Latvia, Maxima continued to actively support local communities and organizations outside of Riga, providing regular support to various social groups - families with multiple children, disabled and senior citizen organizations, as well as the NGO sector and child and youth organizations. In 2018, total financial support of EUR 20 thousand was provided to more than 100 initiatives in Latvia.

INVESTING IN CHILDREN'S HEALTH

In Latvia, Maxima has played a pivotal role in supporting children's health and rehabilitation at the Poga rehabilitation center and the Children's Hospital Fund directing EUR 80 thousand towards initiatives assisting with the recovery of young patients. Similarly, with the support of customers and suppliers, amounting more than EUR 134 thousand was collected in donations in Maxima Latvia stores to help provide rehabilitation for children from all around the country.

ADRESSING PRESSING ISSUES

In 2018, Maxima in Lithuania responded to the emergent call of Vilnius Municipality to support it at the national song festival by preparing and delivering food sets to the participants of the event who were left without their daily meal due to the unplanned circumstances. Maxima mobilized its efforts in a day and delivered 24 thousand food portions to the participants of the festival.

IN THE SPIRIT OF CHRISTMAS

In Estonia, Maxima initiated the "Angel tree" project, which united both employees and customers to make dreams of children from disadvantaged families come true. More than 1300 children were surprised with gifts. A similar initiative was delivered by MAXIMA GRUPĖ and Franmax as companies' employees actively took part in selecting and fulfilling 100 children's dreams from all over Lithuania. The employees themselves visited the families and delivered Christmas presents. In Bulgaria, Maxima also took part in supporting the International Day for the Elderly and the initiative of the Ombudsman of Republic of Bulgaria for winter social kitchen. All the products needed for the preparation of the foods have been provided free of charge by T-MARKET. Over 5 thousand hot soups were prepared with the products the company donated to the cause. The charity initiative helped dozens of people in need to get a warm lunch during winter.

INVESTING INTO EDUCATION

Understanding that education is a key pillar of every society, in 2018 MAXIMA GRUPĖ put a strong focus on educational initiatives to support students, teachers and the society as a whole. We have initiated a "Teachers for Lithuania" project in order to encourage Lithuanian educators learn from the well-developed Finnish education system. 15 teachers were selected to visit Finnish schools; once back in Lithuania they have taken part in more than 100 knowledge sharing sessions with other teachers. Additionally, to boost the excitement of learning Maxima LT sponsored an exceptional national event for schoolchildren and their teachers - "The Best Lesson Ever". It was attended by 12 thousand participants and a number of well-known personalities from different fields of expertise who inspired youth to learn and think about their future careers in unconventional ways. Furthermore, Maxima continued with its campaign "Lithuanian Maximalists" where it awarded 74 pupils with grants to pursue activities in the fields of science, music, arts, sports, ecology, innovation and more.

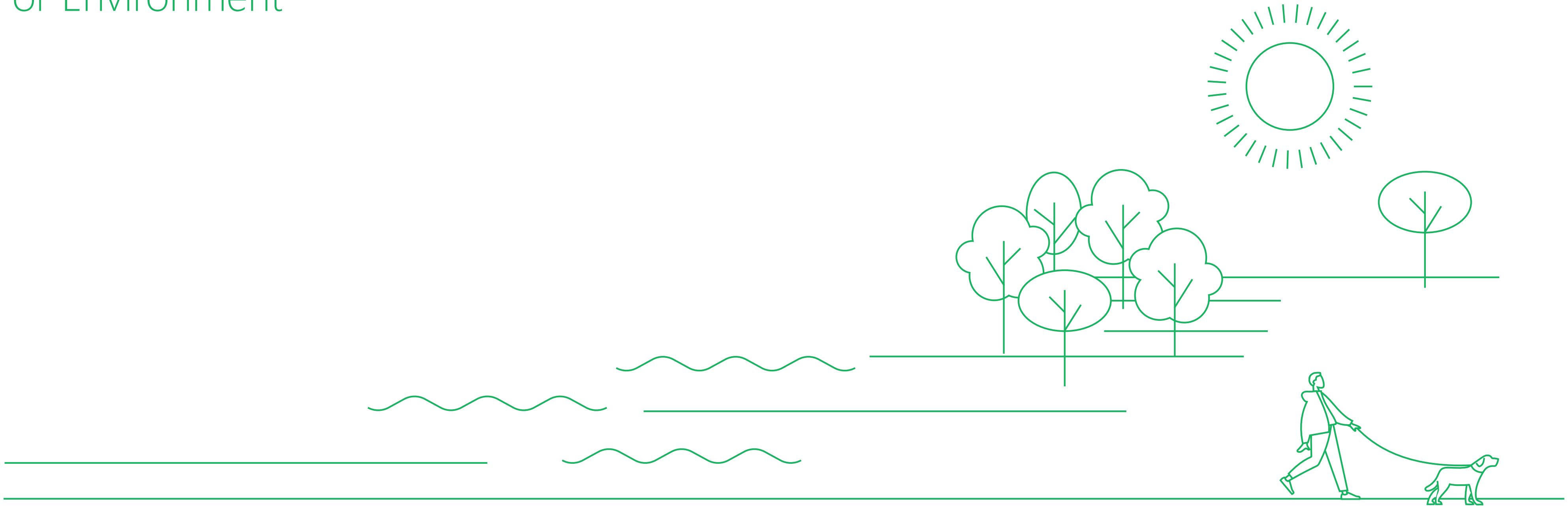
PROMOTING GENDER EQUALITY

Gender equality is a valuable pillar of every thriving business and strong civil society. That is why we took a step to support girls from vulnerable families to pursue their careers in the fields they wish, yet have limited resources, to enter. MAXIMA in Lithuania became a partner of Go Forward platform and conference series which for a third year in a row present inspirational stories of women in business, science and culture. Additionally, in 2019, we provided financial support to the Go Forward Academy with scholarships for 20 girls to enter leadership, public speaking, management and marketing courses and become the leaders of tomorrow.

PROMOTING HEALTHY HABITS & LIFESTYLE

Maxima wants to enable everyone to live healthier lives. In 2018, a big focus at MAXIMA GRUPĖ companies was devoted to youth sports. For example, Maxima became Latvia's largest private supporter of children's and youth hockey, track and field athletics, starting a collaboration with the Latvian Track and field Athletics Association and the Latvian Ice Hockey Federation. Additionally, a range of sporting events for young people throughout Latvia was organized along with the Ghetto Games - Latvia's largest youth street sports movement. The investment of more than EUR 240 thousand in children's and youth athletics allows to transform the infrastructure and training processes for children's and youth athletics to become more interesting, innovative, accessible and attractive. In Bulgaria Maxima supported a wide range of athletic events such as Marathon Plovdiv, the Jam Basketball Youth Camp, Female Football Tournament, a public workouts "Forever Healthy" and many more.

For Environment



Considering the scale of MAXIMA GRUPĖ'S business operations, in 2018, our company implemented various sustainability initiatives to reduce the environmental footprint. Recognizing that the effective use of energy resources is a building block in the sustainability of each business, MAXIMA GRUPĖ has been working to improve its energy efficiency when opening new and reconstructing existing stores. Last year, the total investment volume into environmentally-friendly CO_2 refrigeration systems was EUR 3 million. Additionally, the total investment volume into energy saving LED lighting – EUR 1 million.

Maxima will continue to increase the energy efficiency across business operations in order to minimize the impact on environment through use of renewable energy solutions, improved logistics and other efforts. In close cooperation with developers, planning engineers and construction companies, we are constantly developing innovative solutions for the reduction of environmental impacts of our stores, distribution centers, and administration buildings. Total investment into innovative and environmentally-friendly solutions in the upcoming years is planned to exceed EUR 51 million.

For Environment

EFFECTIVE ENERGY MANAGEMENT

One of the most significant steps was made in Latvia where modernization of the Abras logistics center was implemented, making it the most modern logistics center of its size in the Baltics and Northern Europe. While preserving resources, increasing efficiency Maxima LV already has reduced the electricity use by up to 30 percent. Additionally, when developing and expanding the store and warehouses network, MAXIMA GRUPĖ companies continue to carefully evaluate the solutions necessary to increase the energy-efficiency of the premises by installing LED lighting and environmentally-friendly, energy-efficient cooling systems.

RECYCLING & FOOD WASTE

In 2018, in collaboration with its partners in the waste management industry, Maxima LV increased recycling opportunities in the stores. Specially designed containers for the collection of used batteries and electrical equipment have been installed respectively. Regarding food waste Maxima LT has collected donations in food and other products of nearly EUR 600 thousand value. Maxima in Latvia has also started pilot project to reduce food waste: so far product validation controls have been manual, during the project smart solutions – software and technology – were introduced in some stores that send notifications for employees about the expiration of products. This helps employees to check all the goods in a timely manner and thus reduce the amounts of food waste. The new technology is planned to be introduced in other Maxima Latvia stores after evaluating the results of the pilot.

LESS CONGESTION

In order to reduce traffic congestion and emissions, Maxima BG replaced the company's diesel cars with hybrid vehicles. Additionally, according to Barbora's estimations, every day round-trip to the stores of approximately 40 customers is replaced by one Barbora's car. As Barbora's delivery cars go to clients following the most optimal routes chosen by advanced routing system to carry multiple orders on one go, it has been assessed that Barbora has saved a few thousand kilometers from shops to customers' homes, while also reducing the traffic load in the city and the amount of CO2 entering the atmosphere.

ANIMAL PROTECTION

MAXIMA GRUPĖ made a commitment to stop selling eggs of caged egg-laying hens. The decision will be phased out gradually throughout the Baltics by 2025, making every effort to ensure that neither customers, nor suppliers are affected adversely, and the transitioning is managed effectively. Increase of demand and supply of eggs from non-caged hens, educational campaign and close cooperation with manufacturers, public authorities and other groups of interest are seen as the main priorities.

Information On Securities

In September 2018, MAXIMA GRUPĖ has successfully placed a EUR 300 million issue of 5-year bonds. Bonds there listed on the Euronext Dublin and Nasdaq Vilnius securities exchanges. The amount of bond programme is EUR 1 billion.

Name	Nominal value	Issue value	ISIN code	Buy-out date
MAXIMA GRUPĖ, UAB	EUR 100 000	EUR 300 million	XS1878323499	2023 09 13

UAB “Vilniaus prekyba” is the only shareholder of the Company. Competencies of the General Meeting of Shareholders do not differ from these indicated in Law on Companies. There is only one shareholder that has the rights provided in Law on Companies. There are no shareholders owning special rights. There are no voting rights limitations applied.

The Company does not have and own its own shares (neither parent company itself nor its subsidiaries have any shares in the Company). During the period the Company did not purchase or disposed of its own shares.

Information About Material Subsidiaries

Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2018	2017	
MAXIMA GRUPĖ, UAB	Lithuania			Holding company
MAXIMA LT, UAB	Lithuania	100%	100%	Retail in food and consumables
BARBORA, UAB	Lithuania	100%	100%	E-trade
FRANMAX, UAB	Lithuania	100%	100%	Franchise and agency services
MAXIMA Latvia 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%	-	Retail in food and consumables

The Company does not have branches or representative offices.

Positions Of The Members Of The Board Of Directors And Supervisory Board

Member of the Board of Directors	Position	Legal entity's code	Address
Dalius Misiūnas	Chairman of the Board at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Chairman of supervisory board at Emperia Holding S.A.	0000034566	ul. Puławska 2B, Poland, 02-566 Warszawa, Poland
	Chairman of Supervisory Board at Maxima Eesti OÜ	10765896	Peterburi tee 47, Tallinn, Harju county, Estonia
	Chairman of Supervisory Board at MAXIMA Latvija, SIA	40003520643	"Abras", Krustkalni, Kekavas pag., Kekavas nov., Latvia
	Chairman of Board at Maxima LT, UAB	123033512	Naugarduko str. 84, Vilnius, Lithuania
	Chairman of the Board of FRANMAX, UAB	302670810	Savanorių ave. 247, Vilnius, Lithuania
	Chairman of the Council of Kaunas University of Technology	111950581	K. Donelaičio str. 73, Kaunas, Lithuania
Kristina Meidė	CEO and Member of the Board at MAXIMA LT, UAB	123033512	Naugarduko str. 84, Vilnius, Lithuania
	Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board of FRANMAX, UAB	302670810	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board of LIETUVOS PREKYBOS ĮMONIŲ ASOCIACIJA	124081271	J. Jasinskio str. 10, Vilnius, Lithuania
	Director of AMAGERAS, UAB	302907394	Naugarduko str. 84, Vilnius, Lithuania
	Director of ANEGADA, UAB*	302907387	Naugarduko str. 84, Vilnius, Lithuania
	Director of BIRULIŠKIŲ GAMA, UAB*	301098826	Naugarduko str. 84, Vilnius, Lithuania
	Director of BORNHOLMAS, UAB*	302906303	Naugarduko str. 84, Vilnius, Lithuania
	Director of CEILONAS, UAB *	302906171	Naugarduko str. 84, Vilnius, Lithuania
	Director of DIVERTA, UAB*	302567422	Naugarduko str. 84, Vilnius, Lithuania
	Director of EDISTAS, UAB*	303370417	Naugarduko str. 84, Vilnius, Lithuania
	Director of EUROCOM PLIUS, UAB*	125458768	Naugarduko str. 84, Vilnius, Lithuania
	Director of FOLEGANDRA, UAB*	302906367	Naugarduko str. 84, Vilnius, Lithuania

Director of FORMENTERA, UAB*	302858933	Naugarduko str. 84, Vilnius, Lithuania
Director of GOTLANDAS, UAB*	302909712	Naugarduko str. 84, Vilnius, Lithuania
Director of GOZAS, UAB*	301695839	Naugarduko str. 84, Vilnius, Lithuania
Director of GRENADINAS, UAB*	302907362	Naugarduko str. 84, Vilnius, Lithuania
Director of G-26, UAB*	301695967	Naugarduko str. 84, Vilnius, Lithuania
Director of INVIDENTUS, UAB*	302567486	Naugarduko str. 84, Vilnius, Lithuania
Director of JAMDENA, UAB*	302906189	Naugarduko str. 84, Vilnius, Lithuania
Director of LABARUM, UAB*	302567479	Naugarduko str. 84, Vilnius, Lithuania
Director of LAMPEDUSA, UAB*	302869050	Naugarduko str. 84, Vilnius, Lithuania
Director of LANIGERA, UAB*	302567447	Naugarduko str. 84, Vilnius, Lithuania
Director of LARGAS, UAB*	302906748	Naugarduko str. 84, Vilnius, Lithuania
Director of LATER, UAB*	302568257	Naugarduko str. 84, Vilnius, Lithuania
Director of LEMNAS, UAB*	302906374	Naugarduko str. 84, Vilnius, Lithuania
Director of LERAS, UAB*	302799520	Naugarduko str. 84, Vilnius, Lithuania
Director of LIPARIS, UAB*	302869011	Naugarduko str. 84, Vilnius, Lithuania
Director of LOMBOKAS, UAB*	302906513	Naugarduko str. 84, Vilnius, Lithuania
Director of LORKA, UAB*	301695910	Naugarduko str. 84, Vilnius, Lithuania
Director of MALPENSA, UAB*	302568218	Naugarduko str. 84, Vilnius, Lithuania
Director of MARSALA, UAB*	302869036	Naugarduko str. 84, Vilnius, Lithuania
Director of MELLA, UAB*	302567461	Naugarduko str. 84, Vilnius, Lithuania
Director of MENORKA, UAB*	302858926	Naugarduko str. 84, Vilnius, Lithuania
Director of MILOSAS, UAB*	302906381	Naugarduko str. 84, Vilnius, Lithuania
Director of MODURA, UAB*	302906118	Naugarduko str. 84, Vilnius, Lithuania
Director of MONSERATAS, UAB*	302907355	Naugarduko str. 84, Vilnius, Lithuania
Director of NOTITIA, UAB*	302568289	Naugarduko str. 84, Vilnius, Lithuania
Director of OLERONAS, UAB*	302906310	Naugarduko str. 84, Vilnius, Lithuania
Director of ORUSTAS, UAB*	302906730	Naugarduko str. 84, Vilnius, Lithuania
Director of PASTORALIS, UAB*	302567415	Naugarduko str. 84, Vilnius, Lithuania
Director of PROKIDA, UAB*	302868991	Naugarduko str. 84, Vilnius, Lithuania
Director of SANTORINIS, UAB*	302906399	Naugarduko str. 84, Vilnius, Lithuania
Director of SELATANAS, UAB*	302906164	Naugarduko str. 84, Vilnius, Lithuania
Director of SERAMAS, UAB*	302908418	Naugarduko str. 84, Vilnius, Lithuania
Director of SKANDA, UAB*	302567397	Naugarduko str. 84, Vilnius, Lithuania

	Director of SKOPELAS, UAB*	302906335	Naugarduko str. 84, Vilnius, Lithuania
	Director of SULAVESIS, UAB*	302906157	Naugarduko str. 84, Vilnius, Lithuania
	Director of SUMATERA, UAB*	302906545	Naugarduko str. 84, Vilnius, Lithuania
	Director of SUMBA, UAB*	302906214	Naugarduko str. 84, Vilnius, Lithuania
	Director of TENGARA, UAB*	302906239	Naugarduko str. 84, Vilnius, Lithuania
	Director of TERCEIRA, UAB*	302906328	Naugarduko str. 84, Vilnius, Lithuania
	Director of TRINIDADAS, UAB*	302907405	Naugarduko str. 84, Vilnius, Lithuania
	Director of UAB "KEPIMO TECHNOLOGIJA"	124990191	Naugarduko str. 84, Vilnius, Lithuania
	Director of UAB "Maxima"	132477256	Naugarduko str. 84, Vilnius, Lithuania
	Director of VATUBELA, UAB	302908076	Naugarduko str. 84, Vilnius, Lithuania
	Director of VELVETA, UAB	302568175	Naugarduko str. 84, Vilnius, Lithuania
	Director of VOLENTIS, UAB	302567454	Naugarduko str. 84, Vilnius, Lithuania
Arūnas Zimnickas	President of management board at Emperia Holding S.A.	0000034566	02-566 Warszawa, ul. Puławska 2B, Poland
	President of management board at Stokrotka Sp. z o.o.	0000016977	20-209 Lublin, ul. Projektowa 1, Poland
	Supervisory board member at Elpro Development S.A.	0000509157	02-566 Warszawa, ul. Puławska 2B, Poland
	Management Board member at Eldorado Sp. z o.o.	0000400637	20-209 Lublin, ul. Projektowa 1, Poland
	Board member at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board of FRANMAX, UAB	302670810	Savanorių ave. 247, Vilnius, Lithuania
Andris Vilcmeiers	CEO of Maxima Latvija, SIA	40003520643	"Abras", Krustkalni, Kekavas pag., Kekavas nov., Latvia
	Member of the Board of FRANMAX, UAB	302670810	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
Tomas Kibildis	Member of the Board of RADAS, UAB	303053737	Ozo str. 25, Vilnius, Lithuania
	Member of the Board at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Chief Customer Officer at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board at FRANMAX, UAB	302670810	Savanorių ave. 247, Vilnius, Lithuania

*Companies engaged in real estate and related activities.

Member of the Supervisory Board	Position	Legal entity's code	Address
Jurgita Šlekytė (Chairwoman of the Supervisory Board)	Chairwoman of Supervisory Board at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board and Head of legal services at UAB "Vilniaus Prekyba"	302608755	Ozo str. 25, Vilnius, Lithuania
	Director of NVP PROJEKTAS, UAB	302642871	Ozo str. 25, Vilnius, Lithuania
Jolanta Bivainytė	Member of Supervisory Board at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	Member of the Board at UAB "Vilniaus Prekyba"	302608755	Ozo str. 25, Vilnius, Lithuania
	Director of PATRIA HOLDINGS, UAB	302642953	Ozo str. 25, Vilnius, Lithuania
	Member of the Board at "Vilniaus Prekybos" support fund „DABAR"	125786380	Ozo str. 25, Vilnius, Lithuania
	Member of the Board at Stichting Trivialis	58595988	Naritaweg 165, Telestone 8, 1043BW Amsterdam, the Netherlands
	Member of the Board at Stichting Novitus	60599499	Naritaweg 165, Telestone 8, 1043BW Amsterdam, the Netherlands
Raimonda Kižienė	Member of Supervisory Board at MAXIMA GRUPĖ, UAB	301066547	Savanorių ave. 247, Vilnius, Lithuania
	CEO and Chairwoman of the Board at EUROAPOTHECA, UAB	300854822	Ozo str. 25, Vilnius, Lithuania
	Chairwoman of the Board at EUROAPOTHECA HOLDING SWE, AB	559143-4526	BOX 7264, 103 89 Stockholm, Sweden
	Chairwoman of the Board at Apoteksgruppen i Sverige Holding AB	556481-5966	BOX 7264, 103 89 Stockholm, Sweden
	Chairwoman of the Board at Apoteksgruppen Detaljist AB	556773-4727	BOX 7264, 103 89 Stockholm, Sweden
	Chairwoman of the Board at Apoteksgruppen i Sverige AB	556773-4156	BOX 7264, 103 89 Stockholm, Sweden
Ignas Staškevičius	Head of Lithuania division of Bertona Holdings Limited	HE 247717	Nicolaou Pentadromos Centre, Corner A. Zonis / Thessalonikis str., 3026 Limassol, Cyprus
	Member of the Board at PADME INVEST, UAB	302426311	Odminių str. 8, Vilnius, Lithuania
	Member of the Board at public enterprise "Tarptautinis maratonas"	300561278	Odminių str. 8, Vilnius, Lithuania

Information On Remuneration

	Wages attributed for Jan.-Dec.	Bonuses, supplements, termination benefits attributed for Jan.-Dec.	TOTAL wage-related amounts attributed for Jan.-Dec.
General Director* *The information about remuneration of all persons in position of the General Director during the period January-December 2018	200 295,63	60 810,81	261 106,44

	Wages attributed for Jan.-Dec.	Bonuses and supplements attributed for Jan.-Dec.	Termination benefits attributed for Jan.-Dec.	TOTAL wage-related amounts attributed for Jan.-Dec.	Remuneration of board service attributed for Jan.-Dec.
Total for all members of the board of directors* *Excluding the wages, bonuses, supplements, and termination benefits attributed to the General Director for Jan.-Dec. (those amounts are shown in the table above)	75 503,23	138 437,00	132 000,00	345 940,23	48 676,77
Average per individual board member	12 583,87	23 072,83	22 000,00	57 656,71	8 112,80

Members of the Board of directors were not paid tantièmes.

Members of the Supervisory Board were not paid wages, tantièmes or other benefits.

Information On Non-Audit Services

In 2018 remuneration to the Group’s auditors for non-audit services amounted to 259 keur.

Nasdaq Structured Table For Disclosure

MAXIMA GRUPĖ, UAB, acting in compliance with paragraph 24.5 of the Listing Rules of AB Nasdaq Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

Summary of the Corporate Governance Report

The Company's governing bodies, as per its articles of association, are the general meeting of shareholders, the supervisory board, the board of directors, and the chief executive officer as a one-person management body. The general meeting of shareholders elects the supervisory board, which is composed of five members elected for a term of four years. The board of directors is a collegial management body with six members whom the supervisory board elects for a four-year period.

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

Additional information about the Company's governance, shareholders' rights, board and audit committee activities, the composition of the supervisory board and the board of directors, internal control and risk management systems, and other essential matters related to the Company's governance is provided in the Company's consolidated annual report for the financial year ended 31 December 2018.

Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO/ NOT APPLICABLE	COMMENTS

Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights

The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.

1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Not applicable	The Company has sole shareholder.
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	All the Company's shares provide the same voting, ownership, dividend and other rights.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Not applicable	The Company publicly offers only bonds.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	The Company's general meeting of the shareholders has the competence envisaged in the Law on Companies. The Company's articles of association do not require shareholders' approval for transactions that are conducted.

		Given that the Company has one sole shareholder, granting such competence to the shareholders meeting is not relevant.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Not applicable	The Company has one sole shareholder.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Not applicable	The Company has one sole shareholder and there are no shareholders living abroad.
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company has one sole shareholder who is able to exercise the right to vote at the general meeting of shareholders through a proxy who is duly authorized or with whom an agreement on the transfer of voting rights has been concluded in the manner established by law.

1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	Not applicable	As the Company has one sole shareholder, there is no need to provide shareholders with possibility to participate and vote in general meetings of shareholders via electronic means of communication.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	Every candidate to a collegial body must declare what positions they hold where, and how their other activities are related to the Company and to other persons associated with the Company.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	When needed, members of the Company's collegial body, heads of the administration, and other competent persons related to the Company who can provide information related to the agenda of the general meeting of shareholders participate in the general meeting of the shareholders.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

Principle 2: Supervisory Board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Yes	To the best of the Company's knowledge, all the members of the supervisory board act in good faith and with care and responsibility on behalf of the Company and its shareholders, and represent their interests, having regard also for employees' interests and the public welfare.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Yes	The Company's shareholder is properly informed about such matters.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Yes	To the best of the Company's knowledge, the supervisory board acts impartially in taking decisions that are significant for the Company's operations and strategy, and the work and decisions of its members are not influenced by the persons who elected them. The regulations for the supervisory board's work establish the procedure for adopting decisions and the obligations of members of the supervisory board.

2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Yes	The regulations for the supervisory board's work establish the duty of the members of supervisory board to act for the benefit of the Company and their right to vote against proposed decisions. There is no requirement for the Company to have independent supervisory board members.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Yes	The supervisory board oversees the work of the board of directors and the CEO and approves the Company's strategy. These functions also include the oversight of tax planning strategies and the assessment of potential risks.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Yes	The supervisory board is provided with sufficient resources.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

2.2. Formation of the supervisory board

The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.

2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the supervisory board collectively ensure an appropriate diversity of qualifications, professional experience and competences (in areas of law, finance and management), with multifaceted expertise, and include persons of both sexes. More detailed information about supervisory board members' experience, qualifications and positions held is provided in the Company's annual report.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Yes	Members of the supervisory board are appointed for a term of four years and can be re-elected.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Yes	The supervisory board elects a chair from among its members. The current chairwoman of the supervisory board is a member of the board of the Company's sole shareholder and has not been the Company's CEO or a member of its board of directors.

2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Yes	The members of the Company's supervisory board have devoted due attention to performing their duties. Every meeting has been attended by all of the supervisory board's members.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	There is no requirement for the Company to have independent supervisory board members.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Yes	Remuneration to members of the supervisory board for their activities falls within the competence of the Company's general meeting of shareholders, if such remuneration would be provided.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	No	It is not the practice of the Company for the supervisory board to assess its own activities.

Principle 3: Management Board

3.1. Functions and liability of the management board

The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.

3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes	The supervisory board of the Company approved the Company's strategy on 29 January 2019. Its implementation is ensured by the board of directors and the CEO of the Company.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs inter alia the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	The Company's board of directors performs the functions assigned to it by the law and by the Company's articles of association. The board of directors takes into account the needs of the company's shareholders, employees and other interest groups, striving to achieve sustainable business development.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes	The Company's board ensures compliance with the applicable laws and its own internal policy, and also establishes risk management and control measures to ensure the regular and direct accountability of managers.

3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes	The Company has adopted and abides by a Corruption Prevention Policy.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	In appointing the head of the Company, the balance of the person's qualifications, experience and competence is taken into account.

3.2. Formation of the management board

3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The members of the Company's board of directors collectively have broad experience, qualifications, knowledge and competencies. The representation of both sexes on the board of directors is ensured. More detailed information about the experience and qualifications of the members of the board of directors is provided in the Company's annual report.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the	Yes	Information about candidates to the board of directors is provided to the supervisory board in advance without violating personal data protection requirements. Information about the members of the board of directors is provided in the Company's annual report.

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.		
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	New members of the Company's board of directors are acquainted with the most important information about the Company, including their duties and the structure and operations of the Company.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	Members of the Company's board of directors are elected for a four-year term and can be re-elected.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The current and past positions held by the chairman of the board of directors are no obstacle to his acting impartially. Information about other positions held by the chairman of the board of directors is included in the Company's annual report.
3.2.6. Each member should devote sufficient time and attention to perform his duties as a member of the management board. Should a member of the management board attend less than a half of the meetings of the management board throughout the financial year of the company, the supervisory board of the company or, if the supervisory board is not formed at the company, the general meeting of shareholders should be notified thereof.	Yes	Every member of the Company's board of directors devotes sufficient time to the performance of their duties.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed	Not applicable	The supervisory board is formed at the company.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.		
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	No	The amount of remuneration to members of the board of directors for their work thereon is set by the supervisory board, which is composed of representatives appointed by the sole shareholder.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes	To the Company's knowledge, all the members of the board of directors act in good faith, with care and responsibly, for the benefit of the Company and its shareholders, and represent their interests with due regard to other stakeholders. The members of the board of directors are subject to confidentiality and non-compete agreements.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	It is not the practice of the Company for the board of directors to assess its own activities. The supervisory board, within the limits of its competence, oversees the work of the board of directors.

Principle 4: Rules of procedure of the supervisory board and the management board of the company

The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.

4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform the supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Yes	The Company's board of directors and supervisory board work in close cooperation and regularly hold meetings.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes	Meetings of the Company's board of directors and of its supervisory board are held regularly and at intervals which ensure the uninterrupted resolution of essential matters.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such	Yes	Members of the Company's collegial bodies are informed in advance about meetings that are convened and are acquainted with the relevant materials.

change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.		
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Yes	As needed, the chairs of the supervisory board and the board of directors coordinate meeting dates and agendas and work together closely.

Principle 5: Nomination, remuneration and audit committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Yes/No	An audit committee was formed in the Company in 2018. Nomination and remuneration committees are not formed as the supervisory board itself performs those functions.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	The Company's supervisory board itself performs the functions which are assigned to nomination and remuneration committees.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes	The audit committee comprises three members, of whom two are independent.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the	Yes	The audit committee's regulations are approved by the supervisory board. The audit committee submits activity reports to the supervisory board. Information about the composition, activities and functions of the audit committee is published in the Company's annual report.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.		
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	The audit committee may invite selected persons to its meetings. The chair of the audit committee has the possibility to directly communicate with the shareholder if necessary.

5.2. Nomination committee

5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Not applicable	This committee is not formed in the Company. These functions are performed by the supervisory board.

5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Not applicable	This committee is not formed in the Company. These functions are performed by the supervisory board.

5.3. Remuneration committee

5.3.1. The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Not applicable	This committee is not formed in the Company. These functions are performed by the supervisory board.

5.4. Audit committee

5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	The audit committee performs the functions in the Company that legal acts envisage for it.
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The representatives of the Company's administration regularly participate in meetings of the audit committee and provide it with all significant information.
5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The audit committee, as needed, can and does invite any representative of the Company and external auditors to its meetings.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Yes	The audit committee meets with the internal auditors and receives information about internal audit results, recommendations and their implementation, as well as the work program. The committee also regularly holds the meetings with external auditors and receives information about audit status and results, and about any relationships between the Company and the external auditor.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	No	This function is not currently envisaged in the regulations of the Company's audit committee, but inclusion of the function in the regulations is planned.
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	Yes	The Company's audit committee began to function in July 2018. Before the approval of the annual financial statements, the audit committee has approved its activity report to be submitted to the supervisory board.

Principle 6: Prevention and disclosure of conflicts of interest

The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.

Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	The members of the Company's supervisory and management bodies have the duty to avoid conflict of interest situations.

Principle 7: Remuneration policy of the company

The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	No	It is planned to post the Company's remuneration policy on an internal website, once it is finalised, so that it would be accessible to all employees. At this stage the Company does not announce its remuneration policy publicly.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The remuneration policy covers all forms of remuneration.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	The members of the supervisory board are not remunerated for their work on the supervisory board.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	No	Termination payments are made on the basis and according to the provisions of the labour code. The remuneration policy does not separately establish any specific rules for termination payments.

7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	No financial incentive system is used in the Company.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	No	The Company does not currently publish information regarding the implementation of its remuneration policy.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	No	The Company's remuneration policy is not approved at the meeting of shareholders as it does not include a financial incentive system.

Principle 8: Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept “stakeholders” includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	Stakeholders’ rights are respected in the Company.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company’s authorized capital, involvement of creditors in corporate governance in the cases of the company’s insolvency, etc.	Yes	Stakeholders participate in the corporate governance of the Company in the manner established by the law.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	Stakeholders are provided with information in the manner established by the law.
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	Yes/No	The Company has set up an internal channel for submitting information about violations, but it is not set up for reporting to supervisory board

Principle 9: Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:		
9.1.1. operating and financial results of the company;	Yes	This information is published in the Company's consolidated financial statements.
9.1.2. objectives and non-financial information of the company;	Yes	This information is published in the Company's consolidated annual report.
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	This information is published in the Company's consolidated financial statements.
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	This information is published in the Company's consolidated annual report.
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes	This information is published in the Company's consolidated annual report.

9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	This information is published in the Company's consolidated annual report.
9.1.7. the company's transactions with related parties;	Yes	This information is published in the Company's consolidated financial statements.
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes	This information is published in the Company's consolidated annual report.
9.1.9. structure and strategy of corporate governance;	Yes	This information is published in the Company's consolidated annual report.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	This information is published in a social responsibility report which is part of consolidated annual report.
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	Consolidated information is disclosed.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of	Yes	This information is disclosed.

the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.		
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	Information is disclosed through securities exchanges in Lithuania and Ireland.

Principle 10: Selection of the company's audit firm

The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.

10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	The Company's and the Group's annual financial statements are audited.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	No	The Company's auditor was selected before the Company issued bonds. But the Company intends to abide by this principle in choosing the auditor for future periods.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Yes	The Company disclose information about amounts it has paid the auditor for non-audit services in its consolidated annual report.

Consolidated 2018 Annual Report signed on 9 April 2019 by

Dalius Misiūnas

Chief Executive Officer

Independent auditor's report and consolidated financial statements

MAXIMA GRUPĖ, UAB

Consolidated financial statements
for the year ended 31 December 2018
together with independent auditor’s report

CONTENTS

Building a better working world

UAB „Ernst & Young Baltic“
Subačiaus g. 7
LT-01302 Vilnius
Lietuva
Tel.: (8 5) 274 2200
Faks.: (8 5) 274 2333
Vilnius@lt.ey.com
www.ey.com
Juridinio asmens kodas 110878442
PVM mokėtojo kodas LT108784411
Juridinių asmenų registras

Ernst & Young Baltic UAB
Subačiaus St. 7
LT-01302 Vilnius
Lithuania
Tel.: +370 5 274 2200
Fax: +370 5 274 2333
Vilnius@lt.ey.com
www.ey.com
Code of legal entity 110878442
VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholder of MAXIMA GRUPĖ, UAB

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of MAXIMA GRUPĖ, UAB and its subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial perforamance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). 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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in the audit
Goodwill impairment assessment	
As described in Note 8 of the financial statements, the Group had EUR 216.248 thousand of goodwill as at 31 December 2018, allocated to more than one cash generating unit (CGU). Goodwill represents around 14% of the total assets of the Group as this date.	We obtained an understanding of management's process over the impairment assessment. We evaluated management's identification of the Group's CGUs, preparation of cash flow forecasts and determination of appropriate discount rates.
As disclosed in Note 8 of the financial statements, the Group tests its CGUs containing goodwill for impairment	Among other procedures, with the support of our valuation specialist we assessed management's

Key audit matter	How the matter was addressed in the audit
annually or more frequently, if there is an indication that the CGU may be impaired. The recoverable amounts of CGUs with impairment indications are based on the value-in-use estimates. 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. We considered this to be a key audit matter due to the magnitude of the goodwill balance in the financial statements and the significant management judgment involved in estimating the recoverable amounts of CGUs.	assumptions used in determining the future cash flow forecasts for the individual CGUs. We assessed the management assumptions by comparing key market related assumptions with external data, historical performance, where possible, including comparison of the business results of the year under review with the forecasted results from the prior year. We also tested the mathematical accuracy of management's valuation models and reviewed relevant underlying data, including assumptions on timing and future capital and operating expenditures. Further, we performed sensitivity analysis of the key assumptions. Finally, we have reviewed the adequacy of the Group's disclosures included in Note 8 about the assumptions used in the impairment test and the outcome of the test.
Property, plant and equipment impairment assessment	
Property, plant and equipment (PPE) amounted to EUR 597.686 thousand in the statement of financial position of the Group as at 31 December 2018. As disclosed in Note 5 to the financial statements, management of the Group performed an annual impairment test of these assets as at 31 December 2018 based on the recoverable amount estimations of the Group's CGUs. The annual impairment test was significant to our audit as it involves management judgment regarding the assumptions used in the underlying cash flows forecasts and review of external valuation reports. Furthermore, the property, plant and equipment represents around 40% of the total assets of the Group as at 31 December 2018. Therefore, we consider it to be a key audit matter.	We obtained understanding of management's procedures in relation to the impairment assessment of the property, plant and equipment. 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 CGU 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 included in Note 5 about the assumptions used in the impairment test and the outcome of the test.
Business combination accounting	
The Group has made several acquisitions during the year	Our procedures included the following, amongst others:

Key audit matter	How the matter was addressed in the audit
as follows (Note 24): – Emperia Holding S. A. – Sano Sp.z.o.o.o. (provisional accounting) – Sano Marketing Sp.z.o.o.o. The Group has also completed the purchase price allocation for FRANMAX, UAB (Note 24), for which provisional amounts were recognised at 31 December 2017. Management used significant estimates, when utilising the Group's valuation methodologies. In order to determine the fair value of the separately identifiable intangible assets acquired in the business combination, as well as evaluate the fair value of the property, plant and equipment acquired, the valuation methodologies require input based on assumptions about the future and use discounted cash flows and free cash flow forecasts, market prices, royalty rates, etc. For business combination under common control the management used significant judgement in determining if the transaction has substance. As part of the purchase price allocations several significant intangible assets have been identified, including brand names, private labels, favorable lease contracts and others. These intangible assets have been valued using various methods in which a number of significant assumptions were applied: the discount rate, growth rate, sales volumes in business plan, market royalty rates, brand maintenance cost levels, and other. Given the significance of the acquisition transactions and the complexity of accounting for business combinations, including the significant management assumptions used in the valuation of the intangible assets identified, we consider this to be a key audit matter.	– Assessing whether the acquisitions met the criteria of a business combination in accordance with the relevant accounting standard, including whether the transaction has substance for business combinations involving entities under common control; – Determining whether the date of acquisition was correctly determined by reading the key transaction documents to understand key terms and conditions; – Assessing the assets and liabilities identified for individual recognition in accordance with IFRS requirements and guidance; – Assessing the fair value of assets and liabilities recorded in the purchase price allocation. In the performance of this, we involved our internal valuation specialist to assist us to assess the cash flow and other forecasts used to determine the value of intangible assets recognised on the date of acquisition. We assessed the key assumptions used to determine the value of intangible assets, including those relating to growth rates, market royalty rates, brand maintenance cost levels and discount rates; and – Finally, we have reviewed the adequacy of the Group's disclosures included in Note 24 about business combinations with reference to the IFRS requirements.

Other information

Other information consists of the information included in the Group's 2018 Annual Report, including Corporate Governance Report and Corporate Social Responsibility Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection to our audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed,

we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
We also have to evaluate, if the consolidated financial information included in the Group's Annual Report, including Corporate Governance Report, corresponds to the consolidated financial statements for the same financial year and if the Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of the consolidated financial statements, in all material respects:

- The financial information included in the Group's Annual Report, including Corporate Governance Report, corresponds to the financial information included in the consolidated financial statements for the same year; and
- The Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. 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 and fair presentation of the consolidated financial statements 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 the 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 skepticism 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by the General Meeting of Shareholders we have been appointed to carry out the audit of the Group's consolidated financial statements the first time in 2015. Our appointment to carry out the audit of the Group's consolidated financial statements in accordance with the decision made by General Meeting of Shareholders has been renewed every two years and the period of total uninterrupted engagement is 4 years.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report, which we have submitted to the Group and the Audit Committee.

Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in the Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

We have provided the services that were disclosed in the Group's Annual Report.

The partner in charge of the audit resulting in this independent auditor's report is Jonas Akelis.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Jonas Akelis
Auditor's licence
No. 000003

9 April 2019

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

Consolidated statement of financial position

	Notes	At 31 December 2018	At 31 December 2017 *(restated)**	At 1 January 2017 *(restated)**
ASSETS				
Non-current assets				
Property, plant and equipment	5	625,777	443,299	425,610
Investment properties	6	13,796	-	-
Intangible assets (except for goodwill)	7	90,237	32,712	6,054
Goodwill	8	216,246	146,135	139,088
Non-current receivables and prepayments		9,045	3,001	2,950
Deferred tax assets	9	5,320	2,154	3,891
		960,422	**627,302**	**577,593**
Current assets				
Inventories	10	311,232	231,065	212,455
Trade and other receivables, prepayments and other short-term financial assets	11	69,287	238,123	44,221
Cash and cash equivalents	12	222,067	146,220	160,134
		602,586	**615,408**	**416,810**
TOTAL ASSETS		**1,563,008**	**1,242,709**	**994,403**
EQUITY AND LIABILITIES				
Equity				
Share capital	13	1,019,263	1,019,263	968,963
Share premium	13	41,352	41,352	41,352
Legal reserve	14	30,720	25,749	13,327
Reverse acquisition reserve	14	(1,430,271)	(1,430,271)	(1,430,271)
Other reserves		382	61	-
Foreign currency translation reserve	2.20	(12,900)	(2,243)	(4,415)
Retained earnings		644,333	622,571	660,125
Total equity		**292,879**	**276,482**	**249,081**
Non-current liabilities				
Borrowings	15	515,366	220,105	200,223
Deferred tax liabilities	9	23,665	4,182	2,624
Other non-current liabilities		3,946	3,778	574
		542,977	**228,065**	**203,421**
Current liabilities				
Borrowings	15	57,922	204,218	59,286
Current income tax liabilities		421	1,696	1,744
Trade and other payables	16	668,807	532,249	480,871
		727,151	**738,163**	**541,901**
Total liabilities		**1,270,128**	**966,227**	**745,322**
TOTAL EQUITY AND LIABILITIES		**1,563,008**	**1,242,709**	**994,403**

**See Note 29 for details about restatement for changes in accounting policies and completed accounting for business combination*

Dalius Misiūnas
Chief Executive Officer

Vitalij Rakovski
Chief Financial Officer

The consolidated financial statements have been approved and signed on 9 April 2019.

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 2018	2017 (restated)*
Revenue	4, 17	3,450,953	2,825,560
Cost of sales		(3,169,140)	(2,642,153)
Operating expenses	18	(130,887)	(89,830)
Other gains (losses)		(13)	61
Profit from operations		**150,914**	**93,638**
Finance income	19	159	157
Finance costs	19	(10,178)	(3,788)
Finance costs, net		(10,019)	(3,631)
Profit before tax		**140,895**	**90,007**
Income tax expense	20	(24,162)	(15,139)
Net profit	4	**116,734**	**74,868**
Net profit attributable to:			
Equity holders of the parent		116,734	74,868
		116,734	**74,868**
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss		-	-
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(10,657)	2,172
Net gain (loss) on cash flow hedges		321	61
Other comprehensive income		**(10,336)**	**2,233**
Total comprehensive income		**106,398**	**77,101**
Total comprehensive income attributable to:			
Equity holders of the parent		106,398	77,101
		106,398	**77,101**
Earnings per share for profit attributable to ordinary equity holders of the parent (EUR)			
Basic/diluted	21	0.03	0.02

**See Note 29 for details about restatement for changes in accounting policies*

Dalius Misiūnas
Chief Executive Officer

Vitalij Rakovski
Chief Financial Officer

The consolidated financial statements have been approved and signed on 9 April 2019.

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 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 2016		**968,963**	**41,352**	**13,327**	**(1,430,271)**	**-**	**(4,415)**	**660,125**	**249,081**
Profit for the year		-	-	-	-	-	-	74,868	74,868
Other comprehensive income		-	-	-	-	61	2,172	-	2,233
Total comprehensive income for the year		-	-	-	-	61	2,172	74,868	77,101
Transfer to legal reserve	14	-	-	12,422	-	-	-	(12,422)	-
Increase in share capital	13	50,300	-	-	-	-	-	-	50,300
Dividends	22	-	-	-	-	-	-	(100,000)	(100,000)
At 31 December 2017		**1,019,263**	**41,352**	**25,749**	**(1,430,271)**	**61**	**(2,243)**	**622,571**	**276,482**
Profit for the year		-	-	-	-	-	-	116,734	116,734
Other comprehensive income		-	-	-	-	321	(10,657)	-	(10,336)
Total comprehensive income for the year		-	-	-	-	*321*	*(10,657)*	*116,734*	*106,398*
Transfer to legal reserve	14	-	-	4,971	-	-	-	(4,971)	-
Dividends	22	-	-	-	-	-	-	(90,000)	(90,000)
At 31 December 2018		**1,019,263**	**41,352**	**30,720**	**(1,430,271)**	**382**	**(12,900)**	**644,333**	**292,880**

Dalius Misiūnas
Chief Executive Officer

Vitalij Rakovski
Chief Financial Officer

The consolidated financial statements have been approved and signed on 9 April 2019.

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 cash flows

	Notes	Year ended 31 December 2018	2017 *(restated)**
OPERATING ACTIVITIES			
Net profit		116,733	74,868
Adjustments for:			
Depreciation	5, 6	61,971	52,303
Amortisation	7	934	1,886
Property, plant & equipment and intangible assets write-offs		421	979
Property, plant & equipment impairment charge (reversal)	5	(1,777)	734
Loss / (profit) on disposal of property, plant and equipment		236	(61)
Income tax expense	20	24,162	15,139
Interest expenses	19	9,304	2,554
Interest income	19	(159)	(60)
Fair value (gains) losses on derivative financial instruments		321	61
Changes in working capital			
- trade and other receivables		(2,740)	882
- inventories		(20,951)	(16,680)
- trade and other payables		31,154	45,692
Cash generated from operations		**219,608**	**178,297**
Income tax paid		(21,181)	(19,939)
Net cash generated from operating activities		**198,427**	**158,358**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment, intangible assets and investment properties		(81,218)	(62,909)
Proceeds from disposal of property, plant and equipment		1,390	2,475
Acquisition of subsidiaries, net of cash acquired	24	(91,107)	7,032
Loans granted		(218)	(1,250)
Proceeds from repayment of loans granted		1,501	
Interest received		159	53
Increase in time deposits (over 3 months)		(109)	(49)
Increase in cash security deposits at banks	11	-	(185,000)
Net cash (used in) investing activities		**(169,601)**	**(239,648)**
FINANCING ACTIVITIES			
Proceeds from borrowings		657,859	246,476
Repayment of borrowings		(514,504)	(76,825)
Dividends paid	22	(90,000)	(100,000)
Interest paid		(6,173)	(2,274)
Net cash generated from (used in) financing activities		**47,182**	**67,377**
Net increase (decrease) in cash and cash equivalents		**76,008**	**(13,913)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	12	**146,220**	**160,134**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**222,067**	**146,220**

**See Note 29 for details about restatement for changes in accounting policies*

Dalius Misiūnas
Chief Executive Officer

Vitalij Rakovski
Chief Financial Officer

The consolidated financial statements have been approved and signed on 9 April 2019.
The accompanying notes are an integral part of these consolidated financial statements.

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. 247, Vilnius, Lithuania. The Company's legal status - private limited liability company.

The sole shareholder of the Company is Uzdaroji Akcine Bendrove 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 2018 and 2017, 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.

Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2018	2017	
MAXIMA GRUPĖ, UAB	Lithuania			Holding company
MAXIMA LT, UAB	Lithuania	100%	100%	Retail in food and consumables
MAXIMA Latvia 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%	-	Retail in food and consumables
Sano Sp.z.o.o.*	Poland	100%	-	Retail in food and consumables
Aldik Nova Sp.z o.o.* (merged with Stokrotka Sp.z.o.o. in 2018)	Poland	-	100%	Retail in food and consumables
BARBORA, UAB*	Lithuania	100%	100%	E-trade
SIA PATRIKA*	Latvia	100%	100%	E-trade
SUPERSA OU*	Estonia	100%	100%	E-trade
FRANMAX, UAB	Lithuania	100%	100%	Franchise and agency services

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

As of 31 December 2018, the Group employed 40.3 thousand employees (total remuneration related costs EUR 365 million) (31 December 2017: 31.0 thousand, remuneration related costs EUR 281 million).

The Group's bonds are traded at Euronext Dublin (Ireland) and Nasdaq Vilnius (Lithuania) stock exchanges (Note 15).

The Company's management authorized these consolidated financial statements on 9 April 2019. 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. Adoption of new and revised standards and interpretations

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless stated otherwise.

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 financial statements are presented in euros, the functional and presentation currency of the Group, and they have been rounded to the nearest thousand (in thousand EUR), unless otherwise stated.

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

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

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 2018 and changes in accounting policies as described in Note 29.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments,* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 were insignificant, therefore no adjustment was recorded to the opening equity as of 1 January 2018. No practical expedients were used.

(a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. Trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment
The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as was the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value over comprehensive income (hereinafter "FVOCI"), contract assets under IFRS 15 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts. An increase in the loss allowance for trade debtors as of 1 January 2018 was insignificant, therefore no adjustment was recorded to the opening equity.

(c) Hedge accounting
The Group determined that all existing hedge relationships previously designated in effective hedging relationships continue to qualify for hedge accounting under IFRS 9.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient. The Group did not apply any of the other available optional practical expedients. The impact of the adoption of IFRS 15 on the Group's consolidated financial statements is disclosed in Note 29.

IAS 40 *Investment property: Transfers to Investment Property (Amendments)*
The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The Group adopted the amendment. Adoption had no impact on the consolidated financial statements.

IFRIC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*
The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recogniszes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The Group has adopted the interpretation. Adoption had no impact on the 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 2019, yet not applied in preparing these consolidated financial statements:

IFRS 16 *Leases* *(*effective for annual periods beginning on or after 1 January 2019)
IFRS 16 replaces IAS 17 *Leases* and specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged.

The Group plans to adopt IFRS 16 by modified retrospective transition method. The Group has preliminary evaluated the impact of the implementation of this standard. The Group expects to recognise right-of-use assets of approximately EUR 600 million and lease liabilities of approximately EUR 600 million on 1 January 2019. Right-of-use assets and related lease liabilities mainly relate to the leased retail store buildings.

IFRS 9: Prepayment features with negative compensation (Amendments) (effective for annual periods beginning on or after 1 January 2019)
The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The Group has preliminary evaluated the impact of the implementation of this amendment and has not identified any impact to its consolidated financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments) (effective for annual periods beginning on or after 1 January 2019)
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The Group has not yet evaluated the impact of the implementation of this amendment.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Group has preliminary evaluated the impact of the implementation of this interpretation and has not identified any impact to its consolidated financial statements

IFRS 3 *Business Combinations* (Amendments) (effective for annual periods beginning on or after 1 January 2020)
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, with earlier application permitted. These Amendments have not yet been endorsed by the EU. These amendments will affect future business combinations from time the amendments become effective.

IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of 'material' (Amendments) (effective for annual periods beginning on or after 1 January 2020)
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 Standards. These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

The IASB has issued the **Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Group has not yet evaluated the impact of the implementation of these improvements.

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements*: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes*: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits has been recognised.
- IAS 23 *Borrowing Costs*: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

Conceptual Framework in IFRS standards
The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. 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. It's 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. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

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.

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	8 – 40 years
Equipment and other assets	2 – 10 years
Vehicles	4 – 7 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.

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.

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

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 – 40 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 and operating lease 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
Land lease rights	17 - 50 years
Customer contracts	15 years
Operating lease contracts	Over the term of the lease
Other intangible assets	2 - 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 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.

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, contract assets, 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.

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.

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

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 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 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.

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

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.

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.

2.12. 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.

Before 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Beginning 1 January 2018, 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:

- 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:

<u>Cash flow hedges</u>

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.

b) Commission income

For certain products and services, e.g. lottery tickets, prepaid telephone cards, resale of utilities services to tenants, 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.

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.

Supplier discounts are allocated to the ending balance of inventory based on the amount of inventory sold and remaining in inventory as at the year end.

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 2018; 2017: approximately 80.5 per cent), employee remuneration costs (accounting for approximately 10 per cent of the total cost of sales for the year ended 31 December 2018; 2017: approximately 9 per cent) and other costs including expenses relating to logistics, store rent, utilities, depreciation and amortisation and repair and maintenance (accounting for approximately 10 per cent of the total cost of sales for the year ended 31 December 2018; 2017: approximately 10.5 per cent).

2.17. Income tax

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

a) Current income tax

The current income tax expenses are based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax rate is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The income tax rate for the Group companies in Lithuania comprises 15% (2017 – 15%). The income tax for the Group companies, which operate in foreign countries, are calculated according to the laws of these foreign countries.

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

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

	2018	2017
Latvia*	20/80	15%
Estonia*	20/80	20/80
Bulgaria	10%	10%
Poland	19%	19%

* the taxation of income of subsidiaries operating in Estonia and Latvia (since 1 January 2018) 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 (starting from 1 January 2018) and Estonia is dividends, not profit, there are no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. In the consolidated financial statements the Group makes provision for the taxes payable on the estimated dividend to be distributed in the foreseeable future from the retained earnings of Latvian and Estonian subsidiaries.

2.18. Employee benefits

a) Social security contributions

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

b) Termination benefits

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

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

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 using market interest rate.

2.19. Leasing

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the relevant lease. Rental income are recorded under revenue in the statement of comprehensive income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense to the statement of comprehensive income.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

2.20. 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 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.

2.21. 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.

2.22. 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.

2.23. 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.

2.24. 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.

2.25. Rounding

Due to rounding the numbers in these consolidated financial statements may not sum up.

3. Critical accounting judgements and key sources of estimation uncertainty

3.1. Critical judgments in applying the accounting policy

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 16 for contract liabilities as at the year end.

Critical judgement applied in accounting for business combination with FRANMAX, UAB

The Group applies acquisition method of accounting for the common control business combinations, where it assesses that the transaction has substance from the perspective of the Group. As disclosed in Note 24, in December 2017 the Group acquired FRANMAX, UAB from a related party. The value of the acquired 100% shares of FRANMAX, UAB was established by an independent valuator. FRANMAX, UAB provides franchise and agency services for the Group companies. Group companies are the major clients of FRANMAX, UAB. FRANMAX, UAB was acquired in order to integrate to the Group retail business know-how developed in FRANMAX, UAB and benefit through the expected synergies as FRANMAX, UAB provides services primarily to the operations of the Group. Based on the above, the management firmly believes that business combination with FRANMAX, UAB has business substance and acquisition method of accounting can be applied to the transaction.

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

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

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

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 6 for disclosures of investment properties.

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 and growth rates. 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. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market. The increase in discount rates by 0.5 percent and decrease in terminal growth rates by 0.5 percent would result in goodwill impairment of EUR 16 million. Further information is disclosed in Note 8.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible 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. Further information is disclosed in Note 5.

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

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 28) 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, e-commerce operations and unit providing franchise and agency services (acquired in December 2017 (Note 24).
- 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 and intangible assets. 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:

	2018												
	Retail												
	Lithuania	**Latvia**	**Estonia**	**Bulgaria**	**Poland**	**E-commerce**	**Franchise and agency services**	**Real estate**	**Other segments**	**Total reported segments**	**Other**	**Consolidation adjustments**	**Total**
Revenue	1,638,384	776,556	481,785	132,795	500,819	11,001	59,832	54,945	18,839	3,674,957	4,149	(228,153)	3,450,953
incl. revenue from external customers	*1,551,203*	*776,123*	*481,597*	*132,795*	*496,955*	*1,804*	*71*	*3,409*	*5,963*	3,449,921	*1,032*	-	*3,450,953*
incl. inter-segment revenue	*87,181*	*433*	*187*	-	*3,864*	*9,197*	*59,761*	*51,536*	*12,876*	*225,036*	*3,117*	*(228,153)*	*(0)*
Interest expenses	2,146	11	4	302	474	131	-	2,463	12	5,544	8,277	(4,517)	9,304
EBITDA	83,067	32,950	11,727	780	3,181	(2,748)	48,425	49,423	1,877	228,682	(5,115)	71	223,637
Depreciation and amortisation	14,219	9,737	5,329	3,345	7,828	1,153	2,019	29,291	227	73,147	259	809	74,215
Net profit (loss)	**106,461**	**21,915**	**7,421**	**(2,875)**	**(6,311)**	**(3,651)**	**40,048**	**15,418**	**2,064**	**180,488**	**177,806**	**(241,560)**	**116,734**

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

	2017												
	Retail							Real estate	Other segments	Total reported segments	Other	Consolidation adjustments	Total
	Lithuania	Latvia	Estonia	Bulgaria	Poland	E-commerce	Franchise and agency services						
Revenue *(restated)**	1,546,879	730,121	463,979	111,241	51,973	8,064	-	42,199	8,872	2,963,328	2,049	(139,818)	2,825,560
incl. revenue from external customers	*1,466,642*	*729,736*	*463,826*	*111,241*	*51,962*	*1,531*	-	*594*	*1*	2,825,532	*28*	-	*2,825,560*
incl. inter-segment revenue	*80,237*	*386*	*153*	*1*	*12*	*6,532*	-	*41,604*	*8,871*	*137,796*	*2,022*	*(139,818)*	*(0)*
Interest expenses	1,785	56	103	158	212	80	-	1,937	7	4,338	2,308	(4,092)	2,554
EBITDA	74,633	36,381	14,238	(1,948)	(2,238)	(1,423)	-	38,607	329	158,579	(4,836)	(4,204)	149,539
Depreciation and amortisation	12,640	8,553	6,198	2,825	1,245	847		25,274	4	57,587	8	(3,406)	54,189
Net profit (loss)	**54,106**	**23,224**	**8,230**	**(4,837)**	**(4,101)**	**(2,047)**	**-**	**9,775**	**228**	**84,579**	**144,080**	**(153,791)**	**74,868**

Column "Other segments" above include segments that are not reportable in accordance with IFRS. Other segments derive revenue from provision of security and IT services. In column "Other" above are included results of corporate headquarters and other intermediary holdings in the Group.

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

	2018	2017 *(restated)**
Lithuania	1,553,247	1,468,444
Latvia	776,213	729,772
Estonia	481,669	463,865
Bulgaria	132,795	111,239
Poland	506,716	52,240
Other	313	-
	3,450,953	**2,825,560**

* *See Note 29 for details about restatement for changes in accounting policies*

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

	2018	2017 *(restated)**
Lithuania	220,576	208,418
Latvia	256,582	236,265
Estonia	119,973	110,293
Bulgaria	32,574	30,658
Poland	316,341	36,510
Other	12	3
	946,058	**622,147**

**See Note 24 for details about restatement for completed accounting for business combination*

(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 2017	723,596	280,324	113	22,667	1,026,700
Additions	8,591	35,540	746	25,524	70,401
Acquisition of subsidiaries *(restated)** (Note 24)	8	1,400	1,150	-	2,558
Disposals and write-offs	(600)	(18,632)	(62)	(2,882)	(22,177)
Exchange differences	1,246	759	4	4	2,013
Reclassifications to other assets	6	(17)	-	(355)	(366)
Reclassifications	23,201	6,527	-	(29,728)	-
At 31 December 2017	756,048	305,901	1,951	15,229	1,079,129
Additions	13,880	39,439	1,802	32,966	88,087
Acquisition of subsidiaries (Note 24)	119,548	36,228	2,182	1,663	159,621
Disposals and write-offs	(1,966)	(16,396)	(717)	(629)	(19,708)
Exchange differences	445	(2,246)	(91)	(49)	(1,941)
Reclassifications (to) from other assets	(206)	566	0	(103)	257
Reclassifications	20,377	10,943	1	(31,322)	(0)
At 31 December 2018	908,126	374,435	5,129	17,755	1,305,445
Accumulated depreciation and impairment					
At 1 January 2017	395,300	198,377	104	7,309	601,090
Depreciation	25,220	26,612	471	-	52,303
Impairment charge (reversal)	421	313	-	-	734
Disposals and write-offs	(31)	(18,220)	(58)	(502)	(18,812)
Reclassifications to other assets	-	1	-	-	1
Exchange differences	103	409	3	-	515
Reclassifications	1,215	-	-	(1,215)	-
At 31 December 2017	422,227	207,492	520	5,592	635,830
Depreciation	22,896	37,636	1,173	-	61,705
Impairment charge (reversal)	(1,733)	(44)	-	-	(1,777)
Disposals and write-offs	(842)	(15,711)	(597)	(43)	(17,194)
Reclassifications to other assets	(14)	(159)	0	-	(173)
Exchange differences	2,451	(1,115)	(46)	(13)	1,277
At 31 December 2018	444,985	228,098	1,050	5,536	679,668
Carrying amount					
At 31 December 2018	463,141	146,337	4,079	12,220	625,777
At 31 December 2017 *(restated)**	333,821	98,410	1,431	9,636	443,299

**The amount of property, plant and equipment is restated and does not correspond to the figures in 2017 consolidated financial statements since adjustments due to the final accounting of acquisition of FRANMAX, UAB were made, as detailed in Note 24.*

In 2018, major part of depreciation of property, plant and equipment was accounted for as cost of sales – EUR 56,304 thousand (2017: EUR 49,597 thousand). Remaining part is accounted for as operating expenses.

Impairment of property, plant and equipment

The Group has determined that for the purposes of impairment testing, each store is a cash-generating unit. Cash-generating units are tested for impairment if there are indications of impairment at the reporting date.

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

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

The post-tax discount rates used to calculate value in use range from 6.7 to 8.4 percent (2017: 7.2 – 8.5 percent) and terminal growth rates range from 1.4 to 1.9 percent (2017: 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 7.3 to 8.9 percent.

Finance leases

The carrying value of vehicles held under finance leases as of 31 December 2018 was EUR 1,708 thousand (2017: EUR 1,410 thousand). Leased assets are pledged as security for the related finance lease liabilities.

Pledged property, plant and equipment

The Group has pledged property, plant and equipment with the total carrying value of EUR 228,397 thousand (2017: EUR 153,788 thousand) to secure banking facilities granted to the Group (Note 15).

6. Investment properties

	Land and buildings
Cost	
At 1 January 2017	-
At 31 December 2017	-
Acquisition of a subsidiaries (Note 24)	14,348
Exchange differences	(286)
At 31 December 2018	14,062
Accumulated depreciation	
At 1 January 2017	-
At 31 December 2017	-
Depreciation	266
At 31 December 2018	266
Carrying amount	
At 31 December 2018	13,796
At 31 December 2017	-

As of 31 December 2018, the fair value of investment properties amounted to EUR 14,348 thousand. It was determined by independent valuators using discounted cash flow method (hierarchy level 3). Net operating income were estimated for a period of rent contracts signed and together with estimated terminal value discounted by applying 7 – 14.9 percent discount rates.

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

7. Intangible assets (except for goodwill)

	Software	Brands and trademarks	Contracts with customers and lease contracts	Other intangible assets	Total
Cost					
At 1 January 2017	5,302	-	-	6,498	11,800
Additions	527	-	-	224	752
Disposals and write-offs	(133)	-	-	(5)	(138)
Acquisition of subsidiaries *(restated)** (Note 24)	3,471	23,518	-	687	27,676
Exchange differences	20	-	-	89	109
Reclassifications from (to) other assets	17	-	-	-	17
At 31 December 2017	9,204	23,518	-	7,494	40,216
Additions	1,244	-	-	383	1,627
Disposals and write-offs	(284)	-	-	(4)	(288)
Acquisition of subsidiaries (Note 24)	1,066	39,798	23,158	4,943	68,965
Exchange differences	(474)	-	-	(187)	(660)
Reclassifications	62	-	-	(62)	0
Reclassifications from (to) other assets	648	-	-	302	951
At 31 December 2018	11,467	63,316	23,158	12,869	110,810
Accumulated amortisation					
At 1 January 2017	3,824	-	-	1,922	5,746
Amortisation	1,047	369	-	470	1,886
Disposals and write-offs	(132)	-	-	(4)	(136)
Exchange differences	7	-	-	-	7
At 31 December 2017	4,746	369	-	2,388	7,503
Amortisation	2,600	6,448	2,263	934	12,245
Disposals and write-offs	(276)	-	-	(6)	(282)
Exchange differences	(312)	-	-	1,134	822
Reclassifications from (to) other assets	262	-	-	22	284
Reclassifications	61	-	-	(61)	-
At 31 December 2018	7,081	6,817	2,263	4,411	20,572
Carrying amount					
At 31 December 2018	4,385	56,499	20,895	8,458	90,238
At 31 December 2017 *(restated)**	4,458	23,149	-	5,105	32,713

**The amount of intangible assets is restated and does not correspond to the figures in 2017 consolidated financial statements since adjustments due to the final accounting of acquisition of FRANMAX, UAB were made, as detailed in Note 24.*

Part of amortisation of intangible assets is accounted for as costs of sales – EUR 454 thousand in 2018 (2017: EUR 350 thousand). Remaining part is accounted for as operating expenses.

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

8. Goodwill

	Goodwill
Cost	
At 1 January 2017	139,955
Exchange differences	465
Acquisition of subsidiaries (Note 24) *(restated*)*	6,582
At 31 December 2017	147,002
Exchange differences	(1,440)
Acquisition of subsidiaries (Note 24)	71,553
At 31 December 2018	217,115
Impairment	
At 1 January 2017	867
At 31 December 2017	867
At 31 December 2018	867
Carrying amount	
At 31 December 2018	**216,248**
At 31 December 2017	**146,135**

For the purpose of impairment testing, the goodwill as of 31 December 2018 and 2017 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.

	2018	**2017** *(restated)**
Retail - Lithuania	21,164	4,405
Retail - Latvia	134,735	126,460
Retail - Estonia	12,688	6,461
Retail - Bulgaria	153	153
Retail - Poland	47,507	8,656
	216,248	**146,135**

**The amount of goodwill is restated and does not correspond to the figures in 2017 consolidated financial statements since adjustments due to the final accounting of acquisition of FRANMAX, UAB were made, as detailed in Note 24.*

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.

Recoverable amounts for cash-generating units are based on value in use. Value in use is calculated from cash flow projections for five years using data from the Group's latest internal forecasts. The key assumptions for the value in use calculations are those regarding discount rates and terminal growth rates. Management estimates discount rates using rates that reflect the current market assessment of the time value of money and the risks specific to the cash-generating units.

The discount rates ranged from 6.7 to 8.4 percent (2017: 7.2 – 8.5 percent) terminal growth rate from 1.4 to 1.9 percent (2017: 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.

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

9. 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**	**Other**	**Total**
At 1 January 2017	(1,749)	(616)	(507)	(14)	(1,005)	(3,891)
Charged (credited) to statement of comprehensive income	(277)	(23)	505	(9)	(370)	(174)
Effect of changes in tax laws - charged (credited) to statement of comprehensive income	-	192		-	1,316	1,508
Acquisition of subsidiaries	-	-	(71)	-	-	(71)
Other	474	-	-	-	-	474
At 31 December 2017	**(1,552)**	**(447)**	**(73)**	**(23)**	**(59)**	**(2,154)**
Charged (credited) to statement of comprehensive income	(128)	(26)	1,110	(610)	(1,063)	(717)
Acquisition of subsidiaries (Note 24)	(455)	(40)	(1,530)	(669)	(2,103)	(4,798)
Exchange differences	9	1	30	14	36	90
At 31 December 2018	**(2,126)**	**(512)**	**(463)**	**(1,288)**	**(3,189)**	**(7,579)**

Deferred tax liabilities	**Accelerated depreciation**	**Fair value adjustments**	**Taxable temporary differences on investments in subsidiaries**	**Total**
At 1 January 2017	2,624	-	-	2,624
Charged (credited) to statement of comprehensive income	-	(65)	-	(65)
Effect of changes in tax laws - charged (credited) to statement of comprehensive income	(2,423)	-	-	(2,423)
Acquisition of subsidiaries *(restated*)* (Note 24)	-	3,769	-	3,769
Exchange differences	25	-	-	25
Other	252	-	-	252
At 31 December 2017 *(restated)*	**478**	**3,704**	**-**	**4,182**
Charged (credited) to statement of comprehensive income	750	(2,005)	4,300	3,045
Acquisition of subsidiaries (Note 24)	1,736	17,184		18,920
Exchange differences	(26)	(198)		(224)
At 31 December 2018	**2,938**	**18,685**	**4,300**	**25,924**

**The amount of deferred tax is restated and does not correspond to the figures in 2017 consolidated financial statements since adjustments due to the final accounting of acquisition of FRANMAX, UAB were made, as detailed in Note 24.*

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.

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

Effect of changes in tax laws

Starting from 1 January 2018, entities in Latvia do not pay corporate income tax on taxable profits earned in accordance with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid on distributed profits and deemed profit distributions. Consequently, in the consolidated financial statements for the year ended 31 December 2017 deferred tax assets amounting to EUR 1,508 thousand and deferred tax liabilities amounting to EUR 2,423 thousand that were recognised in previous reporting periods have been reversed through the statement of comprehensive income.

Taxable temporary differences on investments in subsidiaries

As of 31 December 2018 the Group recognised deferred tax liability of EUR 4,300 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 41,175 thousand as of 31 December 2018 (2017: EUR 5,759 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 2018 the Group did not recognise deferred income tax assets of EUR 5,362 thousand (2017: EUR 3,722 thousand) in respect of tax losses amounting to EUR 39,312 thousand (2017: EUR 26,629 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:

	2018	**2017**
Within 1 year	2,677	5,024
Within 2 years	2,681	4,040
Within 3 years	1,805	4,245
Within 4 years	2,520	3,973
Within 5 years	21,984	4,649
Indefinitely	7,646	4,698
Total	**39,312**	**26,629**

10. Inventories

	2018	**2017** *(restated)**
Goods for resale	287,644	215,351
Goods in transit	21,233	13,952
Materials	2,355	1,762
	311,232	**231,065**

**See Note 29 for details about restatement for changes in accounting policies*

The allowances for net realisable value of inventories, goods for resale, comprise EUR 11,986 thousand (2017: EUR 7,480 thousand). The change in allowance for inventory is accounted for in cost of sales. In 2018, increase in allowance amounting to EUR 938 thousand was included in cost of sales (2017: decrease of EUR 203 thousand).

Inventories amounting to EUR 22,660 thousand (2017: nil) were pledged to the banks as security for credit facilities granted (Note 15).

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

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

	2018	**2017** *(restated)**
Trade receivables	12,102	10,340
Other receivables	39,811	27,530
Trade receivables from related parties (Note 26)	859	964
Less: allowances for trade and other receivables	(3,044)	(374)
Trade and other receivables, net	49,728	38,460
Contract assets	3,821	3,014
Time deposits (over 3 months)	-	109
Short term loans granted	246	1,257
Cash security deposits at banks	-	185,000
	53,796	227,840
Deferred charges	3,540	2,084
Prepayments	2,807	2,892
Prepaid profit tax	3,789	4,939
VAT receivable	4,958	79
Other prepaid taxes	397	288
	69,287	**238,123**

**The amount of prepaid tax is restated and does not correspond to the figures in 2017 consolidated financial statements since adjustments due to the final accounting of acquisition of FRANMAX, UAB were made, as detailed in Note 24.*

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 90 days.

As of 31 December 2017, cash security deposits at banks comprised of security deposit at bank securing guarantee issued by that bank to the third party. Guarantee was issued to secure the Group's commitment to purchase up to 100 % of Emperia Holding S.A. shares and pay for them (Note 24).

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

	2018	**2017**
At 1 January	374	315
Acquisition of subsidiaries	2,176	-
Impairment losses	1,104	102
Write-off of impairment loss due to receivables write-off	(554)	(22)
Other adjustments	(57)	(21)
At 31 December	**3,044**	**374**

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

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

12. Cash and cash equivalents

	2018	**2017**
Time deposits (up to 3 months)	88	1,242
Cash on hand and in transit	47,858	54,206
Cash at bank	174,120	90,773
	222,067	**146,220**

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 51,377 thousand (2017:EUR 28,056 thousand) were pledged to the banks as security for credit facilities granted (Note 15).

13. Share capital and share premium

	2018	**2017**
Number of shares (in thousands)	3,514,699	3,514,699
Par value of one share	0,29	0,29
Total share capital	**1,019,263**	**1,019,263**

In 2018 there were no changes in the Company’s share capital. In December 2017, the share capital of the Company was increased by EUR 50,300 thousand by issuing 173,448,275 ordinary shares with 0.29 par value each. Newly issued shares were paid by contribution in kind. The sole shareholder of the Company contributed 100 % of ordinary shares of FRANMAX, UAB to the share capital of the Company. The market value of FRANMAX, UAB shares was determined by independent valuers (Note 24).

Share premium

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

14. 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 2018, legal reserve amounted to EUR 30,720 thousand (2017: EUR 25,749 thousand).

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

Reverse acquisition reserve

In 2007, in the course of the Group's restructuring MAXIMA MGN, UAB, the newly incorporated subsidiary of the Company, acquired 100 per cent of shares of MAXIMA LT, UAB from the Company's sole shareholder Uzdaroji Akcine Bendrove Vilniaus Prekyba, for a total consideration of EUR 1,667,292 thousand. Before and after the restructuring the ultimate parent of the Group was Uzdaroji Akcine Bendrove Vilniaus Prekyba. 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.

15. Borrowings

	2018	2017
Non-current		
Bank loans	178,095	177,920
Bonds	294,930	-
Borrowings from related parties (Note 26)	41,000	41,000
Other borrowings	109	130
Finance lease liabilities	1,232	1,055
	515,366	220,105
Current		
Bank loans	54,226	53,572
Bonds	2,909	-
Other borrowings	8	-
Borrowings from related parties (Note 26)	56	150,113
Finance lease liabilities	722	533
	57,922	204,218
	573,287	**424,323**

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 295,617 thousand as of 31 December 2018.

The bank loans as of 31 December 2018 and 2017 are secured by cash in certain bank accounts (Note 12) and property, plant and equipment (Note 5). Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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

	2018	2017
EUR	570,774	424,193
PLN	2,514	130
	573,287	**424,323**

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

	2018	2017
Bank loans	1.16%	0.8%
Bonds	3.65%	-
Other borrowings	0.8%	0.5%

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

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

	2018	2017
In the second year	81,681	45,849
In the third to fifth years (inclusive)	406,368	129,051
After five years	26,085	44,150
	514,134	**219,050**

For undiscounted contractual future cash outflows see Note 25.1.

The undrawn borrowing facilities were as follows:

	2018	2017
Expiring within one year	46,365	63,247
Expiring beyond one year	6,610	4,400
	52,975	**67,647**

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 2018 and 2017 the Group complied with all of them.

16. Trade and other payables

	2018	2017 *(restated)**
Trade payables	507,941	404,117
Amounts payable to related parties (Note 26)	4,577	5,650
Other amounts payable for services, property, plant and equipment and intangible assets	47,924	40,516
Accrued expenses	6,931	4,528
	567,374	454,811
Remuneration, social security and other related taxes	59,420	40,770
Payable taxes, other than corporate income tax	28,111	25,541
Contract liabilities	11,480	9,371
Advances received	2,423	1,755
	668,807	**532,249**

**See Note 29 for details about restatement for changes in accounting policies*

Contract liabilities represent the Group's liability to customers to transfer goods or services for the loyalty points received and gift cards. In 2018, the Group recognised EUR 9,371 thousand revenue that was included in the contract liability balance as of 31 December 2017.

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

17. Revenue

The Group's revenue comprise of the following:

	2018	2017 *(restated)**
Revenue from contracts with customers		
Retail revenue	3,367,377	2,773,663
Commission income	9,836	9,087
Wholesale revenue	26,831	5,377
Other	18,775	14,881
	3,422,820	2,803,007
Other income		
Rental income	28,134	22,553
	28,134	22,553
	3,450,953	**2,825,560**

**See Note 29 for details about restatement for changes in accounting policies*

18. Operating expenses

	2018	2017 *(restated)**
Employee remuneration and related taxes	53,851	34,850
Long-term employee benefits	(1,177)	3,304
Transportation services	3,038	2,248
Property, plant and equipment impairment charge	(1,777)	734
Depreciation and amortisation	17,192	4,242
Advertising	23,093	20,043
Rental expenses	4,534	3,162
Utilities	2,349	2,050
Taxes (except for income tax)	4,187	3,211
Repair and maintenance	3,128	2,460
Other	22,468	13,524
	130,887	**89,830**

**See Note 29 for details about restatement for changes in accounting policies*

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

19. Finance costs, net

	2018	2017
Finance costs:		
Interest expenses		
– Bank borrowings	(5,425)	(2,079)
– Bonds	(3,207)	-
– Finance lease	(33)	(21)
– Other borrowings	(640)	(455)
	(9,304)	(2,554)
Other finance costs	(489)	-
Net foreign exchange gain/(loss)	(385)	(1,234)
	(10,178)	**(3,788)**
Finance income:		
Interest income	159	60
Other finance income	-	97
	159	**157**
Finance costs, net	**(10,019)**	**(3,631)**

20. Income tax expense

	2018	2017
Current tax	21,831	16,293
Deferred tax (Note 9)	2,331	(1,154)
Income tax expense	**24,162**	**15,139**

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

	2018	2017
Profit before income tax	140,895	90,007
Tax at domestic tax rate of 15% (2017: 15%)	21,134	13,501
Income not subject to tax	(1,453)	(2,554)
Expenses not deductible for tax purposes	5,222	5,375
Tax losses for which no deferred income tax was recognised	3,082	1,574
Utilisation of previously unrecognised tax losses	(75)	(2)
Tax incentives (charity, etc)	(467)	(1,292)
Adjustments in respect of prior year	790	(54)
Effect of different tax rates of foreign subsidiaries	(4,057)	(1,461)
Other	(13)	52
Income tax expense	**24,162**	**15,139**
Effective income tax rate	17%	17%

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

21. 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:

	2018	2017
Profit attributable to ordinary equity holders of the parent (EUR thousand)	116,734	74,868
Weighted average number of ordinary shares (in thousands)	3,514,699	3,346,002
Basic/diluted earnings per share (EUR/share)	**0.03**	**0.02**

22. Dividends per share

Dividends declared in 2018 and 2017 amounted to EUR 90,000 thousand (EUR 0.03 per share) and EUR 100,000 thousand (EUR 0.03 per share), respectively.

23. Operating lease arrangements

a) The Group as lessee

The future aggregate minimum lease payments under operating leases are as follows:

	2018	2017
Not later than 1 year	97,116	55,864
Later than 1 year and no later than 5 years	290,694	182,646
Later than 5 years	367,618	137,962
	755,428	**376,473**

Operating leases represent rentals payable by the Group for certain of its premises, mainly stores and warehouses, vehicles and equipment. The leases have varying terms, escalation clauses and renewal rights.

b) The Group as lessor

The Group has contracted with tenants for the following future minimum lease payments under operating leases:

	2018	2017
Not later than 1 year	24,320	18,376
Later than 1 year and no later than 5 years	50,248	33,039
Later than 5 years	26,421	6,753
	100,990	**58,168**

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

24. Business combinations

Acquisitions in 2018

Emperia Holding S.A.

In April 2018, the Group acquired 94% of shares of Emperia Holding S.A., a company listed in the Warsaw stock exchange (Poland) (3% of Emperia Holding S.A. shares were owned by its wholly owned subsidiary). In May 2018, the Group acquired the remaining 3% of shares from minority shareholders. The right to buy out the remaining shares from minority shareholders is provided in the relevant Polish legislation that regulates both the procedure and the pricing rules. In August 2018, shares of Emperia Holding S.A. were delisted from the Warsaw stock exchange.

Emperia Holding S.A. major subsidiaries are Stokrotka Sp.z.o.o. which operates "Stokrotka" retail chain in Poland, Elpro Development S.A., a property company that develops its own facilities for retail operations, which are leased to Stokrotka and external tenants, and Infinite Sp.z.o.o., an IT company responsible for a substantial part of the Emperia Group's IT solutions, providing IT services and delivering IT equipment for the Emperia Group. Infinite Sp. z o.o. also develops IT solutions for external entities in industries. The Group acquired Emperia Holding S.A. in order to increase its exposure to the Polish retail market as part of its strategic plan.

The fair value of purchase consideration and fair value of acquired identifiable assets and liabilities of Emperia Holding S.A. are provided below:

Purchase consideration	
Cash	282,578
Total purchase consideration	**282,578**
Recognised amounts of identifiable assets acquired and liabilities assumed (at fair value)	
Property, plant and equipment (Note 5)	146,736
Investment properties (Note 6)	14,348
Intangible assets (Note 7)	68,933
Non-current receivables and prepayments	6,823
Deferred tax assets (Note 9)	4,754
Inventories	54,343
Trade receivables	9,407
Other receivables	5,997
Cash and cash equivalents	31,864
Other non-current liabilities	(1,971)
Deferred tax liabilities (Note 9)	(18,180)
Trade payables and other current liabilities	(97,573)
Total identifiable net assets	**225,481**
Goodwill	**57,097**

The goodwill is made up of expected synergies from combining retail operations in Poland and Baltics and going concern element of the acquired business, e.g. assembled workforce, know-how, etc. Goodwill will not be deductible for tax purposes. Acquisition costs amounted to EUR 3,189 thousand.

The fair value of acquired receivables amounted to EUR 9,407 thousand, the gross amount was EUR 11,567 thousand and it was expected that amounts equal to fair value will be collected.

Emperia Holding S.A. group was consolidated since 1 May 2018 and contributed EUR 466,101 thousand revenue and EUR 4,819 thousand net profit to the consolidated financial statements of the Group since acquisition.

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

Sano Sp.z.o.o.

In December 2018, the Group acquired 100% of shares of Sano Sp.z.o.o., a retail operator in Poland. Shares were acquired from related party for the purchase consideration that was determined by independent valuers. Sano Sp.z.o.o. was acquired in order to further strengthen the Group's operations in Poland.

As business combination with Sano Sp.z.o.o. occurred only in December 2018, the initial accounting for a business combination is incomplete and the amounts recognised in these consolidated financial statements thus have been determined only provisionally.

The following table summarises provisional amounts included in these consolidated financial statements:

Purchase consideration	
Cash	15,400
Total purchase consideration	**15,400**
Recognised provisional amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (Note 5)	3,165
Intangible assets (Note 7)	32
Deferred tax assets (Note 9)	44
Inventories	5,584
Trade and other receivables	619
Other receivables	234
Cash and cash equivalents	467
Borrowings	(1,272)
Deferred tax liability (Note 9)	(28)
Trade payables and other current liabilities	(7,901)
Total identifiable net assets	**944**
Goodwill (provisional)	**14,456**

SANO Sp.z.o.o. was consolidated since 1 December 2018. Since acquisition it contributed revenue of EUR 6,975 thousand and incurred net loss of EUR 248 thousand which was included in the consolidated financial statements of the Group.

Sano Marketing Sp.z.o.o

In December 2018, the Group acquired 100% of shares of Sano Marketing Sp.z.o.o., an entity involved in development and management of real estate for retail operations in Poland. Shares were acquired from related party for the purchase consideration that was determined by independent valuers. The Group acquired Sano Marketing Sp.z.o.o. in order to obtain ownership of real estate in which Sano Sp.z.o.o. retail stores were operating.

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

The fair value of purchase consideration and fair value of acquired identifiable assets and liabilities of Sano Marketing Sp.z.o.o. are provided below:

Purchase consideration	
Cash	7,157
Total purchase consideration	**7,157**
Recognised amounts of identifiable assets acquired and liabilities assumed (at fair value)	
Property, plant and equipment (Note 5)	9,720
Trade receivables	340
Other receivables	33
Cash and cash equivalents	241
Borrowings	(2,092)
Deferred tax liability (Note 9)	(712)
Trade payables and other current liabilities	(150)
Total identifiable net assets	**7,380**
(Gain) from bargain purchase	**(223)**

Gain from bargain purchase was recognised in other gains (losses) in the statement of comprehensive income. Transaction resulted in a gain mainly because of repayment of loan to the bank before the transaction.

The fair value of acquired receivables amounted to EUR 340 thousand, the gross amount was EUR 344 thousand and it was expected that amounts equal to fair value will be collected.

SANO Marketing Sp.z.o.o. was consolidated since 1 December 2018. Since acquisition it contributed EUR 3 thousand revenue and incurred net loss of EUR 194 thousand which was included in the consolidated financial statements of the Group.

If the above business combinations had taken place at the beginning of the year, the Group’s revenue would have been increased by EUR 280,210 thousand and net profit for the Group would have been decreased by EUR 1,347 thousand for the year ended 31 December 2018.

Acquisitions in 2017

RADAS, UAB

In January 2017, the Group acquired 100% of the share capital of RADAS, UAB from related parties for EUR 1,400 thousand which owned 100% of the share capital of BARBORA, UAB. RADAS, UAB group is involved in e-trade of food and other consumer goods in Lithuania. The goodwill of EUR 1,132 thousand arising from the acquisition is attributable to the acquired customer base and synergies expected from combining retail operations of the Group and e-trade business of acquired entities. The customer base cannot be legally separated, therefore it does not meet the criteria for recognition as an intangible asset.

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

The following table summarises the consideration paid for RADAS, UAB shares and the fair value of assets acquired and liabilities assumed:

Purchase consideration	
Cash	1,400
Total purchase consideration	**1,400**
Recognised amounts of identifiable assets acquired and liabilities assumed (at fair value)	
Property, plant and equipment (Note 5)	1,293
Intangible assets (Note 7)	3,599
Deferred tax assets (Note 9)	71
Inventories	111
Trade and other receivables	496
Cash and cash equivalents	1,022
Borrowings	(3,263)
Deferred tax liabilities (Note 9)	(490)
Trade payables and other current liabilities	(2,571)
Total identifiable net assets	**268**
Goodwill	**1,132**

The fair value of trade and other receivables amounts to EUR 108 thousand. It represents the gross contractual amount and the whole amount is expected to be collected.

Revenue included in the consolidated statement of comprehensive income for the year ended 31 December 2017 contributed by RADAS, UAB group since 1 January 2017 was EUR 929 thousand. RADAS, UAB group also contributed loss of EUR 1,758 thousand over the same period.

FRANMAX, UAB

In December 2017, the Group acquired 100% of the share capital of FRANMAX, UAB from related party for EUR 50,300 thousand which was determined based on independent valuation. As a consideration for the acquired shares the Company issued 173,448,275 ordinary shares with 0.29 par value each (Note 13). FRANMAX, UAB provides franchise and agency services to the Group entities. The shares of FRANMAX, UAB were acquired in order the franchise and agency services to the retail operators be provided within the Group.

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

The net assets recognised in 31 December 2017 consolidated financial statements were based on a provisional assessment. The following table summarises provisional amounts recognised in 31 December 2017 consolidated financial statements and final amounts included in these consolidated financial statements:

	As per originally presented	Fair value adjustments	Restated
Purchase consideration			
Shares issued	50,300	-	50,300
Total purchase consideration	**50,300**	**-**	**50,300**
Recognised amounts of identifiable assets acquired and liabilities assumed			
Property, plant and equipment (Note 5)	1,117	148	1,265
Intangible assets (Note 7)	2,366	21,711	24,077
Loans granted	10,000	-	10,000
Trade receivables	6,135	-	6,135
Other receivables	756	779	1,535
Cash and cash equivalents	7,410	-	7,410
Deferred tax liability (Note 9)	-	(3,279)	(3,279)
Trade payables and other current liabilities	(2,294)	-	(2,294)
Total identifiable net assets	**25,490**	**19,360**	**44,850**
Goodwill	**24,810**	**(19,360)**	**5,450**

The fair value of trade receivables amounted to EUR 6,135 thousand. It represents the gross contractual amount and the whole amount is expected to be collected.

FRANMAX, UAB was consolidated since 31 December 2017. Had FRANMAX, UAB been consolidated from 1 January 2017, it would not have contributed any revenue to the consolidated statement of comprehensive income as all its revenue are to the Group entities; its contribution to net profit would have amounted to EUR 37,826 thousand.

25. Financial risk management

25.1. Financial risk factors

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

a) Market risk

Foreign currency exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to USD due to purchasing of goods in foreign countries while income is mostly denominated in 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. In 2018 and 2017, the Group was using derivative financial instruments to be able to hedge its risks arising from foreign currency fluctuations ("forwards").

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

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 82,552 thousand as of 31 December 2018 (2017: EUR 249,917 thousand) with repricing periods between 1 - 6 months (2017: 1 - 6 months). The Group estimates that the increase / decrease of variable interest rates by 50 basis points, applied to exposed amounts as of 31 December 2018 and with all other variables held constant, would result in an increase / decrease in interest expense of EUR 207 thousand and nil, respectively (2017: EUR 539 thousand and nil, respectively).

b) Credit risk

The Group's credit risk arises from its trade and other receivable, contract assets, cash and cash equivalents, cash security deposits at banks, 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.

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 if 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. The Group's accounts receivable secured by collateral amounted to EUR 9,569 thousand as of 31 December 2018 (2017: nil). A loss allowance has not been recognised for the amount of accounts receivable covered by collateral. Collateral obtained by the Group resulted in a decrease in the expected credit losses of EUR 195 thousand as of 31 December 2018 (2017: nil).

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

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

31 December 2018

	Current	1-30 days past due	31-90 days past due	>90 days past due	Total
Expected credit loss rate	0.1%-5%	0.5%-8%	0.5%-50%	100%	
Gross carrying amount-receivables from non-related parties	45,163	3,519	534	2,695	51,912
Gross carrying amount-receivables from related parties	594	257	0	9	859
Expected credit loss	(45)	(140)	(164)	(2,695)	(3,044)
	45,712	**3,636**	**370**	**9**	**49,728**

31 December 2017

	Current	1-30 days past due	31-90 days past due	>90 days past due	Total
Expected credit loss rate	0.1%	0.5%	7%	100%	
Gross carrying amount-receivables from non-related parties	30,390	7,051	238	192	37,870
Gross carrying amount-receivables from related parties	465	420	-	79	964
Expected credit loss	(30)	(35)	(117)	(192)	(374)
	30,825	**7,436**	**121**	**79**	**38,460**

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 have defined credit terms of 7 - 125 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 15).

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.

	2018			
	Borrowings from banks, bonds and finance lease liabilities	**Borrowings from related and other companies**	**Other financial liabilities**	**Total**
In the first year	66,191	341	567,374	633,905
In the second year	52,906	41,202	235	94,343
In the third year	43,459	8	9	43,476
In the fourth year	60,385	8	53	60,447
In the fifth year	341,292	8	264	341,564
After five years	26,204	75	444	26,723
	590,437	**41,642**	**568,379**	**1,200,458**

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

	2017 *(restated)**			
	Borrowings from banks, bonds and finance lease liabilities	**Borrowings from related and other companies**	**Other financial liabilities**	**Total**
In the first year	54,605	150,587	454,811	660,003
In the second year	47,619	344	56	48,019
In the third year	33,977	41,204	162	75,343
In the fourth year	24,930	11	-	24,941
In the fifth year	32,378	11	256	32,645
After five years	44,332	118	-	44,450
	237,841	**192,275**	**455,285**	**885,400**

**See Note 29 for details about restatement for changes in accounting policies*

25.2. 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, EBITDA and equity 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.

25.3. 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 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.

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

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, cash and cash equivalents, time deposits at banks, cash security deposits at banks, 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 15).

26. Related party transactions

Relates 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. Numavičius.

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

The following transactions were carried out with related parties:

	2018	2017
Sales of goods and services:		
Sales of goods to other related parties	1,498	1,583
Sales of services to other related parties	9,097	10,186
	10,595	**11,769**

Sales of services to related parties include mostly rent services, commission income.

	2018	2017
Purchases of goods and services:		
Purchases of goods from other related parties	3,249	3,386
Purchases of services from parent company	1,197	865
Purchases of services from other related parties	15,756	71,972
	20,202	**76,223**

Purchases of goods and services from related parties include mostly purchased goods for resale, consulting services, franchise fee (in 2017), rental and utilities services. Franchise fee paid to Franmax, UAB in 2017, covers the licence to use trademarks and centralised business solutions and support in such areas as retail, procurement, logistics, sales and marketing and IT. Franchise fee is included in purchases of services from other related parties in the table above.

	2018	2017
Purchases of property, plant and equipment from:		
Other related parties	449	574
	449	**574**

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

b) Year-end balances arising from sales/purchases of goods/services

	2018	2017
Trade receivables from:		
Other related parties	859	964
	859	**964**

	2018	2017
Trade payables to:		
Parent company	139	79
Other related parties	4,252	5,405
	4,391	**5,484**
Other amounts payable to:		
Other related parties	187	166
	187	**166**
	4,577	**5,650**

c) Borrowings

	2018	2017
Current borrowings from:		
Other related parties	56	150,113
	56	**150,113**
Non-current borrowings from:		
Other related parties	41,000	41,000
	41,000	**41,000**
	41,056	**191,113**

	2018	2017
Interest expenses to:		
Other related parties	582	449
	582	**449**

Loans borrowed from related parties are unsecured and their weighted average interest rate as of 31 December 2018 was 0.8% (2017: 0.5%).

d) Key management compensation

	2018	2017
Salaries including related taxes	902	534
Termination benefits	-	53
Long-term benefits	(1,177)	3,304

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

27. Cash flow information

27.1. Non-cash investing and financing activities

Non-cash investing and financing activities in 2018 are provided below:

- In 2018 the Group used 185,000 thousand cash security deposit held at bank as at 31 December 2017 for the partly payment for shares of Emperia Holding S.A. (Note 24).

Non-cash investing and financing activities in 2017 are provided below:

- In 2017 the Company's share capital was increased by EUR 50,300 thousand. Newly issued shares were paid by contributing 100 % of ordinary shares of FRANMAX, UAB (Note 13).
- In 2017 the Group acquired property, plant and equipment amounting to EUR 1,830 thousand under finance lease.

27.2. Changes in liabilities arising from financing activities

The below table summarises changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes during the year ended 31 December 2018 and 2017:

	2018									
	Balance at 31 December 2017	Dividends declared	Cash received	Cash paid	Acquisition of subsidiary	Increase in finance lease liabilities	Interest expenses	Interest paid	Other	Balance at 31 December 2018
Interest bearing borrowings	424,323	-	657,860	(514,504)	3,364	1,116	9,304	(6,173)	(2,000)	573,290
Dividend payable	-	90,000	-	(90,000)	-		-		-	-
Total liabilities arising from financing activities	**424,323**	**90,000**	**657,860**	**(604,504)**	**3,364**	**1,116**	**9,304**	**(6,173)**	**(2,000)**	**573,290**

	2017								
	Balance at 31 December 2016	Dividends declared	Cash received	Cash paid	Acquisition of subsidiary	Increase in finance lease liabilities	Interest expenses	Other	Balance at 31 December 2017
Interest bearing borrowings	259,509	-	246,476	(79,099)	(6,737)	1,830	2,554	(210)	424,323
Dividend payable	-	100,000	-	(100,000)	-	-	-	-	-
Total liabilities arising from financing activities	**259,509**	**100,000**	**246,476**	**(179,099)**	**(6,737)**	**1,830**	**2,554**	**(210)**	**424,323**

28. Contingent liabilities

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

Maxima Latvija SIA is involved in legal proceedings relating to the collapse of parts of the roof of the trade centre "Maxima XX", located in Priedaines iela 20, Riga, which occurred on 21 November 2013. Since the date of the incident, Maxima Latvija SIA and its co-defendants have entered into a number of mutual agreements in respect of claims associated with the incident in amounts ranging from EUR 2 thousand to EUR 100 thousand, depending on the severity and circumstances of each particular case.

As of 31 December 2018, the total quantum of claims in respect of the incident was EUR 72 million (2017: EUR 142 million) and accrued expenses for the agreed or proposed voluntary compensation amounted to EUR 1,327 thousand (2017: EUR 1,327 thousand).

As at the date these consolidated financial statements, Maxima Latvia SIA remains involved in four legal proceedings relating to four civil claims (comprising three personal injury/emotional distress claims and one civil manslaughter claim) with a total aggregate claim amount of EUR 71 million (the "Current Cases"). Three of the four Current Cases are yet to be heard in court of first instance. The fourth case, which is subject of the civil manslaughter allegations, has been heard by the Latvian court of first instance, which awarded compensation of EUR 75,000 to two of the claimants joined in the proceedings and rejected the claim of the third claimant, however, the judgment has subsequently been appealed by two of the claimants (by one whose claim was rejected and by one who was awarded with compensation).

Separately, an employee of Maxima Latvija SIA (who was responsible for labour safety in Maxima Latvija SIA Priedaine store) is 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 is due to inadequate design and not due to employee violations, and therefore, in the view of Maxima Latvija SIA management, there is no causal relationship between the collapse of the roof and the alleged violations of the Maxima Latvija SIA employee.

Based on the outcome of legal proceedings that have been concluded to date, compensation awards granted in previous comparable cases and settlement agreements that have already been reached or are expected to be reached with claimants, 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 2018.

Corporate income tax case in Poland

The Group is involved in an ongoing tax dispute with the Polish tax authorities relating to Emperia Holding S.A. corporate income tax liability for the fiscal year ended 31 December 2011. In 2010, Emperia Holding S.A. 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 "Emperia Subsidiaries") (which was treated as tax neutral step by Emperia Holding S.A.). At the end of 2011, Emperia Holding S.A. disposed of its shares in the Emperia Subsidiaries for a lower price than the valuation assigned to the shares at the time of the contribution in kind.

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 S.A. received remuneration for the redemption of its P1 shares which was treated as tax exempt dividend-type income since Emperia Holding S.A. 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 S.A. 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 S.A. 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. Management believes that this is beneficial for Emperia Holding in the context of the eventual outcome of the case. On 28 November 2018, the Director of the Tax Administration Chamber in Warsaw filed a cassation complaint with the Supreme Administrative Court.

Whilst resolution of the matter is pending, Emperia Holding S.A. 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 2018.

Pollution tax

The Environment Protection Department of Vilnius region ("EPDVR") has cancelled packaging waste management certificates for the years 2013 - 2015 issued by Metrail UAB for the organisation of producers and importers VŠĮ „Žaliasis taškas" and also the certificates issued by VŠĮ „Žaliasis taškas" to its producers and importers. These certificates were cancelled because an investigation performed by the environmental authorities found that Metrail UAB improperly managed the metal and plastic packaging and issued faulty certificates. These certificates were issued to importers and producers and on the basis of these certificates the importers and producers were exempted from a pollution tax.

Moreover, EPDVR executed a tax audit and on 27 February 2019 issued a tax audit act according to which MAXIMA LT, UAB has to pay the pollution tax in the amount of EUR 1,906 thousand (for years 2013 – 2015 in total). MAXIMA LT, UAB disagrees with this and on 26 March 2019 submitted a claim to court regarding this tax audit act.

Certain business organisations, including VŠĮ „Žaliasis taškas" are conducting negotiations with EPDVR and Ministry of Environment of the Republic of Lithuania and are seeking to conclude a settlement.

If the parties do not reach a settlement agreement, Maxima LT, UAB intends to dispute the duty to pay the pollution tax in court. The obligation to pay the pollution tax will be suspended while the court procedures are ongoing.

Based on management judgement, it is more likely than not, that MAXIMA LT, UAB will not have to pay pollution tax or other payments related to the above described issue. Therefore, no provision is recognised by the Group in these consolidated financial statements for the years ended 31 December 2018.

Mutual agreement procedure between the Latvian and Lithuanian tax authorities

Maxima Latvija SIA was subject of a tax audit in 2014 and 2015 which covered an examination of franchise transactions between Maxima Latvija SIA, FRANMAX, UAB and MAXIMA GRUPĖ, UAB during the course of 2011 and 2012. Upon completion of the audit, the Latvian State Revenue Service imposed additional tax liabilities on Maxima Latvija SIA in the amount of EUR 2,366 thousand. Maxima Latvija SIA refuted the basis of the decision and on 24 November 2015 filed an application with the Latvian State Revenue Service requesting the initiation of a cross-border mutual agreement procedure with the Lithuanian tax authorities (the "MAP"). The MAP was subsequently initiated and was closed in November 2018 by Latvian and Lithuanian tax authorities reaching agreement on the franchise fee charged by FRANMAX, UAB and MAXIMA GRUPĖ, UAB to Maxima Latvija SIA in 2011-2012. Maxima Latvija SIA recovered tax liabilities of EUR 774 thousand that had already been paid to Latvian tax authorities as a result of the tax audit. FRANMAX, UAB and MAXIMA GRUPĖ, UAB recovered overpaid corporate income tax of the same amount.

The Latvian State Revenue Service refused to refund Maxima Latvija SIA penalty and interest on late payment amounting to EUR 172 thousand, therefore Maxima Latvija SIA submitted to the court application against it. The court decision to initiate legal proceedings against State Revenue Service has been taken on 22 March 2019.

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

29. Changes in accounting policies

As a result of the adoption of new standards and the resulting changes in the Group's accounting policies, prior year financial statements were restated. Summary of restatements is provided below.

Adoption of IFRS 9 Financial Instruments

As explained in Note 2.2, IFRS 9 was adopted without restating comparative information.

Adoption of IFRS 15 Revenue from contracts with customers

IFRS 15 was adopted using the full retrospective method of adoption by restating comparative information. The nature of the adjustments is provided below:

- Slotting fees – the Group receives slotting fees for the product placements in stores 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. The product placement 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. As a result, the Group reclassified EUR 13,520 thousand from other income to cost of sales for the year ended 31 December 2017.

- Advertising income – the Group receives advertising income from its suppliers when the retailer and the supplier have entered into written agreement that it will be paid for promotional activities, including various advertising and market development efforts. As advertising services cannot be sold without the supply of goods, the Group concluded that such income should be recognised as reduction of cost of sales. For the year ended 31 December 2017 the Group reclassified EUR 19,684 thousand from other income to cost of sales.

- Fines and penalties – the Group receives various fines and penalties from suppliers related to the late delivery of goods, poor quality of goods and other reasons. In accordance with IFRS 15 fines and penalties are not considered to be a distinct service, but rather variable consideration and must be included in the transaction price and recognised only when their receipt is highly probable. For the year ended 31 December 2017 the Group reclassified EUR 3,876 thousand of fines and penalties from other income to cost of sales.

- Principal versus agent consideration – based on the analysis of the Group's agency arrangements, the Group changed treatment of some of them (sale of instant lottery tickets, press, prepaid telephone cards, sale of utilities services, sale of transportation services). Before the adoption of IFRS 15, the Group concluded that it has exposure to the significant risks and rewards associated with the sale of goods and services to its customers, and accounted for the contracts as if it is a principle. Upon the adoption of IFRS 15, the Group determined that in sale of goods arrangements it does not control the goods before they are transferred to customers, and in case of services the Group is not primarily responsible for the fulling the promise to provide services to its customers, therefore it is an agent. This change resulted in decrease in sales by EUR 27,452 thousand, decrease in other income by EUR 10,462 thousand, decrease in cost of sales by EUR 25,188 thousand and decrease in operating expenses by EUR 12,726 thousand for the year ended 31 December 2017. Inventories and trade and other payables were decreased by EUR 2,355 thousand and EUR 1,819 thousand as of 31 December 2017 and 1 January 2017, respectively.

- In its consolidated statement of comprehensive income the Group combined sales and other income (not in scope of IFRS 15), previously reported separately, under a single line item under revenue.

Reclassification of expenses

In 2018, the Group reviewed the presentation of its financial statements and decided to reclassify expenses relating to handling and sale of inventories, i.e. warehousing, logistics costs, and depreciation of retail stores, from operating expenses to cost of sales in the consolidated statement of comprehensive income. The Group believes that amended presentation provides information that is more relevant to the users of the financial statements and is consistent with the industry practice. For the year ended 31 December 2017 the Group reclassified EUR 111,982 thousand from operating expenses to cost of sales. Comparative information has been reclassified respectively, see below for more details.

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

The below disclosures show the adjustments recognised for each individual line item in statement of financial position and statement of comprehensive income. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)

	31 December 2017 As originally presented	IFRS 15	Completed accounting for business combination	31 December 2017 (restated)	31 December 2016 As originally presented	IFRS 15	1 January 2017 (restated)
ASSETS			(Note 24)				
Non-current assets							
Property, plant and equipment	443,151		148	443,299	425,610		425,610
Intangible assets (except for goodwill)	11,001		21,711	32,712	6,054		6,054
Goodwill	165,495		(19,360)	146,135	139,088		139,088
Total non-current assets	**624,802**	**-**	**2,500**	**627,302**	**577,593**	**-**	**577,593**
Current assets							
Inventories	233,420	(2,355)		231,065	214,274	(1,819)	212,455
Trade and other receivables, prepayments and other short-term financial assets	237,344		779	238,123	44,221		44,221
Total current assets	**616,984**	**(2,355)**	**779**	**615,408**	**418,629**	**(1,819)**	**416,810**
TOTAL ASSETS	**1,241,786**	**(2,355)**	**3,279**	**1,242,709**	**996,222**	**(1,819)**	**994,403**
EQUITY AND LIABILITIES							
Total equity	**276,482**	**-**	**-**	**276,482**	**249,081**	**-**	**249,081**
Non-current liabilities							
Deferred tax liabilities	903		3,279	4,182	2,624		2,624
Total non-current liabilities	**224,786**	**-**	**3,279**	**228,065**	**203,421**	**-**	**203,421**
Current liabilities							
Trade and other payables	534,604	(2,355)		532,249	482,690	(1,819)	480,871
Total current liabilities	**740,518**	**(2,355)**	**-**	**738,163**	**543,720**	**(1,819)**	**541,901**
Total liabilities	**965,304**	**(2,355)**	**3,279**	**966,227**	**747,141**	**(1,819)**	**745,322**
TOTAL EQUITY AND LIABILITIES	**1,241,786**	**(2,355)**	**3,279**	**1,242,709**	**996,222**	**(1,819)**	**994,403**

Consolidated statement of comprehensive income for the year ended 31 December 2017 (extract)

	As originally presented	IFRS 15	Reclassifications	Restated
Sales	2,806,490	(27,452)		2,779,038
Other income	94,064	(47,542)		46,522
Revenue	**2,900,554**	**(74,994)**	**-**	**2,825,560**
Cost of sales	(2,592,439)	62,268	(111,982)	(2,642,153)
Operating expenses	(214,538)	12,726	111,982	(89,830)
Other gains (losses)	61			61
Profit from operations	**93,638**	**0**	**-**	**93,638**
Profit before tax	**90,007**	**0**	**-**	**90,007**
Income tax expense	(15,139)			(15,139)
Net profit	**74,868**	**0**	**-**	**74,868**

30. Events after the reporting period

There have been no significant events after the reporting period.

9 April 2019

Responsibility statement of responsible persons

Hereby we confirm that, to the best of our knowledge and belief, the consolidated financial statements of MAXIMA GRUPĖ, UAB (hereinafter "the Company") and its subsidiaries (hereinafter together "the Group") for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the consolidated financial position of the Group as of 31 December 2018 and its consolidated financial performance and cash flows for the year then ended.

In addition, we confirm that the consolidated annual report includes a fair view of the development and performance of the business of the Group, financial position of the Group together with a description of the principle risks and uncertainties the Group faces.

Dalius Misiūnas

Chief Executive Officer

Vitalij Rakovski

Chief Financial Officer

AČIŪ / PALDIES / AITÄH / DZIĘKUJĘ / БЛАГОДАРЯ

MAXIMA GRUPĖ

2019