

## IMPORTANT NOTICE

**THIS BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”)) LOCATED OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (“REGULATION S”).**

**IMPORTANT: You must read the following before continuing.** The following applies to the Base Prospectus following this page whether received by email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Base Prospectus. In reading, accessing or making any other use of the Base Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Base Prospectus, including any modifications to them from time to time each time you receive any information from the Issuer, the Arrangers or the Dealers (each as defined in the Base Prospectus) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE NOTES DESCRIBED IN THE BASE PROSPECTUS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (THE “REGULATION S”)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE ATTACHED BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

**Confirmation of your representation:** In order to be eligible to view the attached Base Prospectus or make an investment decision with respect to the securities that may be offered, prospective investors must be non U.S. persons (as defined in Regulation S) located outside the United States. This Base Prospectus is being sent to you at your request, and by accessing this Base Prospectus you shall be deemed to have represented to the Issuer and the Arrangers that (1) (a) you are not a U.S. Person and (b) the electronic mail address that you gave us and to which this email has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of such Base Prospectus by electronic transmission. You are reminded that this Base Prospectus has been delivered to you on the basis that you are a person into whose possession this Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Base Prospectus to any other person. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) and (iii) to high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as “relevant persons”). This Base Prospectus is only available to and is only directed at relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

**Prohibition of sales to EEA retail investors:** The Notes described in the Base Prospectus (the “Notes”) are not intended to be offered, sold or otherwise made available to and, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a “retail investor” means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”) or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor

in the EEA may be unlawful under the PRIIPs Regulation.

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

The attached Base Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Arrangers, the Dealers nor any person who controls them nor any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version.

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

## BASE PROSPECTUS



## MAXIMA GRUPĖ, UAB

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

**€1,000,000,000**

### **Euro Medium Term Note Programme**

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

This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange Plc (trading as Euronext Dublin) ("**Euronext Dublin**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and trading on its main securities market (the "**Market**"). This Base Prospectus constitutes a "**Prospectus**" for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**"). References in this Base Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2014/65/EU (as amended "**MiFID II**"). The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange) which may include the Nasdaq Vilnius Stock Exchange, a regulated market for the purposes of MiFID II). Application has been made for a certificate of approval to be issued by the Central Bank of Ireland to the competent authority in the Republic of Lithuania.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "**Terms and Conditions of the Notes**" and collectively, the "**Conditions**") of Notes will be set forth in a Final Terms document ("**Final Terms**"). Each Final Terms, with respect to Notes to be listed on Euronext Dublin, will be delivered to the Central Bank of Ireland and Euronext Dublin. Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and, together with the temporary Global Note, the "Global Note"). If the Global Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Registered Notes issued in global form will be represented by registered global certificates ("**Global Certificates**"). If a Global Certificate is held under the New Safekeeping Structure (the "**NSS**") the Global Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg.

Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The Issuer has been rated BB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). S&P is each established in the European Union and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**"). Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Amounts payable under the Notes may be calculated by reference to LIBOR, EURIBOR and the U.S. Treasury Rate, which are provided by ICE Benchmark Administration Limited and the European Money Markets Institute respectively. As at the date of this Base Prospectus, ICE Benchmark Administration Limited appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the BMR apply, such that the European Money Markets Institute is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence). Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Base Prospectus.

#### **Arrangers for the Programme**

**BNP PARIBAS**

**DEUTSCHE BANK**

#### **DEALERS**

**BNP PARIBAS**

**DEUTSCHE BANK**

**SEB**

The date of this Base Prospectus is 29 August 2018

*This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer and its subsidiaries and affiliates taken as a whole (the "Group") and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.*

*The Issuer (the "Responsible Person") accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.*

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

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

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

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".**

**This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.**

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

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the

Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

**IMPORTANT – EEA RETAIL INVESTORS** –The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**To the fullest extent permitted by law, none of the Dealers, the Arranger or the Trustee accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger, a Dealer or the Trustee or on its behalf in connection with the Issuer on the issue and offering of the Notes. The Arranger, each Dealer and the Trustee accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger, the Dealers or the Trustee that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers, the Arranger or the Trustee undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers, the Arranger or the Trustee.**

In connection with the issue of any Tranche (as defined in "*Overview of the Programme – Method of Issue*"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to a "member state" are references to a member state of the European Economic Area, references to "EUR", "€" and "euro" are to the currency introduced at the start of the third stage of the European Economic and monetary union, and as defined in Article 2 of the Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended.

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which it expects to operate in the future. Important factors that could cause their actual results, performance or achievements to differ materially from

**those in the forward-looking statements include, among other factors described in this Base Prospectus:**

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

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

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

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

The Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

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

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.*

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

*It cannot be excluded that over time the list of the risks specified below will no longer be complete or comprehensive. Consequently, these risks cannot be considered as the only risks to which the Issuer is exposed as at the date of the Base Prospectus. The order of the risk factors described below is not an indication of the probability of their occurrence, intensity or importance. The Issuer may be exposed to additional risks and adverse factors of which the Issuer is unaware or which are believed to be immaterial as at the date of the Prospectus.*

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

### **Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with Notes issued under the Programme**

#### **MAXIMA GRUPE – BUSINESS RISK FACTORS**

***General or macro-economic factors, both domestically and internationally, may materially adversely affect the Group's financial performance***

General economic conditions and other economic factors, globally or in one or more of the markets which the business operates, may adversely affect the Group's financial performance. Higher interest rates, lower or higher prices of petroleum products, including crude oil, natural gas, gasoline, and diesel fuel, higher costs for electricity and other energy, weakness in the housing market, inflation, deflation, increased costs of essential services, such as medical care and utilities, higher levels of unemployment, decreases in consumer disposable income, unavailability of consumer credit, higher consumer debt levels, changes in consumer spending and shopping patterns, fluctuations in currency exchange rates, higher tax rates, imposition of new taxes or other changes in tax laws, changes in healthcare laws, other regulatory changes, the imposition of measures that create barriers to or increase the costs associated with international trade, overall economic slowdown and other economic factors in the markets in which the business operates or elsewhere could adversely affect consumer demand, change the mix of products sold to one with a lower average gross margin, cause a slowdown in discretionary purchases of goods, adversely affect the Group's sales and result in slower inventory turnover and greater markdowns of inventory, or otherwise materially adversely affect its operations and operating results.

In addition to the economic factors listed above, any other economic factors or circumstances resulting in higher transportation, labour, insurance or healthcare costs or commodity prices, and other economic factors in the countries in which the business operates can increase the cost of sales and operating, selling, general and administrative expenses and otherwise materially adversely affect the Group's operations and operating results.

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

***Poor economic performance in Lithuania and the Baltic states could have a material adverse effect on the Group's results of operations and financial condition***

The Group's sales and other income are particularly sensitive to the performance of the Lithuanian economy. Approximately 50 per cent. of its sales and other income (excluding VAT) for the year ended 31 December 2017 were derived from Lithuania. Changes in economic, regulatory, administrative or other policies of the Government, as well as political or economic developments in Lithuania and the other jurisdictions in which the Group operates (including potential changes in sovereign credit ratings) over which the Group has no control, could have a significant effect on the Lithuanian economy, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition.

***Political developments in the E.U. and in other countries where the Group has or plans to have a business presence could have a material adverse effect on its results of operations and financial condition***

Any political developments in the European Union ("E.U."), including any future integration or withdrawal of European countries in the E.U. or changes in the economic policy, executive authority or composition of the E.U. and its institutions, may have an adverse effect on the overall economic stability of the E.U. and the European countries in which the Group's assets and operations are located. Any changes in the political or economic stability of any of the countries in which the Group operates, as well as any political, economic, regulatory or administrative developments in these countries, over which it has no control, could have a material adverse effect on its business, results of operations and financial condition.

Any political or other developments affecting the integration, integrity or stability of the E.U., developments in the regulation of food and other consumer products and the performance of financial markets in the E.U. and elsewhere could have a material adverse effect on the state of the Lithuanian economy and on the Group's business, results of operations and financial condition.

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

There is a risk that the Group may be unable to execute its strategy, or that such plans do not deliver the expected benefits or prove to be ineffective. There are a number of factors which could impede the delivery of the Group's key strategic priorities set out in "*Description of the Group – Strategy*", including but not limited to, a prolonged and unexpected decline in macroeconomic conditions, a failure to grow online sales through its Barbora platform, operational challenges relating to the expansion of its store network (see – "*There are Risks Associated with the Management and Development of the Group's Property Portfolio*"), the capacity to execute its strategic agenda ahead of competitors, the amplification of reputational damage as a result of social media activism and unanticipated changes in regulatory conditions.

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

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

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

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

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

In addition, any future acquisition of highly leveraged companies (and the funding of such acquisitions through debt finance) might result in worsening of the Group's financial condition and therefore, lead to rating downgrades in the future.

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

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

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

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

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

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

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

depends on its ability to maintain, promote and grow its brand image and reputation. The Group's results of operations could be adversely impacted if its brand is tarnished or receives negative publicity. In addition, adverse publicity about regulatory or legal action could damage its reputation and brand image, undermine consumer confidence in the Group and reduce long-term demand for its products, even if any such regulatory or legal action is unfounded or not material to the Group's operations, which would have a material adverse effect on the Group's business and results of operations.

Furthermore, the Group's reputation may be impacted by any negative publicity or allegations relating to its shareholders. For example, in 2018 UAB "Vilniaus prekyba" (as defined below) has been subject to investigation by the Lithuanian Parliamentary Committee on National Security and Defense in respect of its alleged unlawful influence on the domestic political process. Whilst the Group has not been implicated in such investigations, it could potentially suffer negative reputational damage by association as a result of its relationship with UAB "Vilniaus prekyba" or any other shareholders who are subjected to legal, political or public scrutiny.

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

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

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

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

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

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

***Location of suitable premises***

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

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

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

#### ***Product liability risk***

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

Further, as a retailer of products, the Group faces risks associated with faulty, defective products or mislabelled products. Breaches of the Group's obligations can give rise to prosecution or claims for damages and can adversely affect its profitability and/or market reputation.

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

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

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

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

### ***Inventory management risks***

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

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

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

### ***The Group may experience unforeseen increases in cost structure***

An ongoing focus for the Group is to maintain its cost of doing business at an appropriate level. If the Group is unable to do so on a sustainable basis or achieve the savings to the necessary extent, it may be unable to compete effectively in its markets and its trading results may be adversely affected.

In addition, the Group seeks to maintain an acceptable margin by improved buying practices, including benefits gained from increased direct global sourcing, as well as reduced shrinkage and efficiency improvements. Failure to achieve targets in these areas may adversely affect the Group' gross margin improvements.

### ***Failure to attract or retain key management and personnel***

The responsibility of overseeing day-to-day operations and the strategic management of the Group is concentrated among a number of key employees. There can be no assurance that there will not be a detrimental impact on the Group if one or more of these key employees were to cease employment with the Group, potentially as a result of lateral recruitment by existing or new competitors.

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

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

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

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

Any significant failure of the Group's information infrastructure or key IT systems could result in a loss of information, inability to operate effectively, financial or regulatory penalties and a negative impact on the reputation and financial performance of the Group. The Group's customers and colleagues are increasingly sensitive to matters of data usage and storage and security. As a result, the inherent reputational risks of the IT control environment have increased in conjunction with the financial and regulatory risks.

### ***Data Security and Data Privacy***

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

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

### ***Crime and Security Risks***

Due to the nature of the Group's retail operations, it is exposed to potential crime and security risks including (but not limited to):

- an unexpected increase in shrinkage;
- a rise in store thefts including break ins and armed hold ups/assaults;

- an inability to provide a safe and secure environment for customers, employees and contractors;
- financial loss as a result of customer, vendor or employee fraud in store, at distribution centres and/or support functions;
- corporate fraud or corruption; and
- supply chain fraud.

Any one or more of these risks could have a materially adverse impact on the Group's reputation, financial results and operations.

***Funding and liquidity risk***

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

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

***Interest and exchange rate risk***

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

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

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

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

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

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

The agreements that govern the Group's long-term debt contain certain restrictive covenants, including among others "negative-pledge" clauses, "no disposal of assets" clauses and "restrictions on financial indebtedness" clauses and "net leverage ratio/net interest cover ratio" clauses, which may restrict its ability to acquire or dispose of assets or incur new debt. The Group's failure to comply with any of these covenants could constitute an event of default, which could result in the immediate or accelerated repayment of its debt, lead to cross-default under its other credit agreements or limit or reduce its ability to implement and execute its key strategies, which could in turn have a material adverse effect on its business, results of operations and financial condition.

***Operating lease commitments***

From 1 January 2019, the Group will adopt International Financial Reporting Standard ("IFRS") 16 "Leases", which requires lessees to recognise assets and liabilities relating to all of their leases, including operating leases, in their statement of financial position. The Group has not yet evaluated the impact of IFRS 16 however, the Group considers it likely that the implementation of IFRS 16 would materially increase the book value of the Group's assets and liabilities from 1 January 2019. As at 31 December 2017, the future aggregate minimum lease payments under operating leases amounted to EUR 376 million.

***Natural disasters, changes in climate, and geo-political events could materially adversely affect the Group's financial performance***

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

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

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

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

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

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

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

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

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

In addition, safety hazards may arise for employees, contractors and the public on the Group's premises, such as the collapse of the roof of the trade centre "Maxima XX", located in Priedaines iela 20, Rīga, which occurred on 21 November 2013 (see "*Description of the Issuer – Legal and Regulatory Proceedings*").

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

***The Group's insurance coverage may not be adequate***

The Group has property insurance for its significant assets. The Group cannot give any assurance, however, that its business will not be adversely affected by the costs of accidents or other unexpected occurrences at its facilities for which insurance coverage is not available, has not been obtained by it or is not sufficient, which could have a material adverse effect on the Group's business, results of operations and financial condition.

***Environment and sustainability***

The Group faces risks relating to reducing the environmental impact of its business, in particular with regard to reducing packaging and implementing new methods of reducing waste and energy usage across stores, depots and offices. Failure to implement these measures successfully could lead to fines or other penalties and could have a significant impact on the operations and reputation of the Group.

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

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

***Regulatory, compliance and political risk***

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

In each country in which it operates, the Group may be impacted by legal and regulatory changes, increased scrutiny by the competition authorities and political developments relevant to the retail market. For example, changes to regulations concerning alcohol advertising in Lithuania and Estonia, selling hours of alcohol in Lithuania and Poland, and taxation across the markets in which the Group operates generally have either been implemented in 2018 or are expected to take effect over the course of the next year, potentially resulting in increased costs, decreased sales and other income and decreased profitability.

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

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

### ***Litigation***

From time to time, the Group may be a party to litigation claims and legal proceedings, including personal injury and other claims and proceedings arising in the ordinary course of its business. The Group evaluates any litigation claims and legal proceedings to which it is a party to assess the likelihood of unfavourable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, if any, the Group establishes reserves and/or discloses the relevant litigation claims or legal proceedings as appropriate. These assessments and estimates are based on the information available to management at the time and involve significant management judgement.

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

### ***Holding company risks***

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

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

### ***The Group's main shareholder can exert considerable control over the Issuer***

The Issuer is a subsidiary of UAB "Vilniaus prekyba", with ultimate ownership held by an individual investor, Nerijus Numavicius (the "**Major Shareholder**"), who indirectly owns 77.2 per cent. of the Issuer's share capital. As a result of the ownership structure, the Major Shareholder is able to significantly influence any matter requiring shareholder's approval, including the election of the Group's directors and approval of significant corporate transactions. The Major Shareholder may also engage in activities that may conflict

with the Group's interests or the interests of the holders of the Notes and, in such events, Noteholders could be disadvantaged by these actions.

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

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

***Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme***

**Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features.

***Notes subject to optional redemption by the Issuer***

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

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

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

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

***Fixed/Floating Rate Notes***

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

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

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices

for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

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

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates or other types of rates and indices which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("benchmarks") are the subject of ongoing national and international regulatory scrutiny. This has resulted in regulatory reform and changes to existing benchmarks, with further changes anticipated. These reforms and changes may affect the manner of administration of benchmarks, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced its intention to no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR in its current form cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes, or result in other consequences.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

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

***In respect of any Notes issued as Green Bonds, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor.***

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically for projects and activities that promote climate-friendly and other environmental purposes ("**Eligible Projects**"). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer that the use of such proceeds for any Eligible Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made

available in connection with the issue of any Notes and in particular with any Eligible Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified for Eligible Projects in, or substantially in, the manner described by the Issuer, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Eligible Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally.

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

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

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

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

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

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

***Notes may be redeemed prior to their stated maturity.***

Under current Lithuanian laws and regulations, interest payments under any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to individuals (non-tax residents of Lithuania) are subject to Lithuanian withholding tax, until 1 January 2019, at a rate of 15 per cent. (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate) and, as of 1 January 2019, at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, if calculated according to the data of the 1st quarter of 2018 only, this figure would be EUR 107,424) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year, exceeding the aforementioned threshold (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate). Under current Lithuanian laws and regulations, interest payments under any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to entities residing outside of the EEA or in countries which do not benefit from a double tax treaty with the Republic of Lithuania are subject to Lithuanian withholding tax at a rate of 10 per cent. – see further "*Taxation*". The Issuer has undertaken to pay additional amounts such that Noteholders receive the amount of interest they would have received had there been no such withholding. If the Issuer has or will become obliged to pay any other additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Lithuania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes (other than a change resulting from the implementation of the Lithuanian Law No. XIII-1335, dated 28 June 2018, amending articles 2, 6, 16, 20, 21 and 27 of the Law on Personal Income Tax of the Republic of Lithuania, No. IX-1007 (in Lithuanian – *Lietuvos Respublikos gyventojų pajamų mokesčio įstatymo Nr. IX-1007 2, 6, 16, 20, 21 ir 27 straipsnių pakeitimo įstatymas, Nr. XIII-1335, data 2018 m. birželio 28 d.*) that was adopted by the Parliament of the Republic of Lithuania on 28 June 2018), the Issuer may redeem all outstanding Notes in accordance with the Conditions.

***The Notes will constitute unsecured obligations of the Issuer***

The Issuer's obligations under the Notes will be unsecured. Accordingly, any claims against the Issuer under the Notes would be unsecured claims. The Issuer's ability to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and its ability and that of the Group's subsidiaries to

generate cash flows, which could be affected by, inter alia, the circumstances described in these risk factors. Any such factors could affect the Issuer's ability to make payment of interest and principal under the Notes.

#### ***Modification, waivers and substitution***

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

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

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

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

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders or Couponholders, agree to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable. In addition, the Trust Deed contains provisions which allow, without the consent of the Noteholders or Couponholders, certain legal entities to assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes, in the circumstances described in Condition 11 (*Meetings of Noteholders, Modification, Waiver and Substitution*) of the Notes.

#### ***Notes where denominations involve integral multiples***

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

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

#### ***Change of law***

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

#### ***Eligibility of the Notes for Eurosystem Monetary Policy***

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

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

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

While the Notes are represented by one or more Global Notes or Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to (in the case of CGN or a Note that is not to be held under the NSS) the common depository for Euroclear and Clearstream, Luxembourg, or (in the case of NGN or a Note that is to be held under the NSS) Euroclear and Clearstream, Luxembourg as common safekeeper for distribution to their account holders. A holder of a beneficial interest in a Global Note or a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or the Global Registered Notes.

#### **Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

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

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

### ***The secondary market generally***

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

### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

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

### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the relevant rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

### ***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

### ***Inflation risk***

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

### ***Taxation***

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

### ***Legal investment considerations may restrict certain investments***

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

## OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

<b>Issuer:</b>	Maxima Grupė, UAB
<b>Description:</b>	Euro Medium Term Note Programme
<b>Size:</b>	Up to €1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arrangers:</b>	BNP Paribas and Deutsche Bank Aktiengesellschaft
<b>Dealers:</b>	BNP Paribas, Deutsche Bank Aktiengesellschaft and AB SEB bankas

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

<b>Trustee:</b>	BNY Mellon Corporate Trustee Services Limited ( <b>Important note:</b> the Trustee is not a trustee of the owners of Notes for the purposes of Article 55 Part 6 of the Law on Companies of the Republic of Lithuania and of the Law on the Protection of Interests of Owners of Bonds issued by Public and Private Companies of the Republic of Lithuania ( <i>in Lithuanian - Lietuvos Respublikos akcinių bendrovių ir uždarytų akcinių bendrovių obligacijų savininkų interesų gynimo įstatymas</i> ) and, accordingly, its role does not include activities required by aforementioned laws).
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<b>Issuing and Paying Agent:</b>	The Bank of New York Mellon, London Branch
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<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a " <b>Series</b> ") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a " <b>Tranche</b> ") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the " <b>Final Terms</b> ").
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<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
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<b>Form of Notes:</b>	The Notes may be issued in bearer form (" <b>Bearer Notes</b> ") or in registered form (" <b>Registered Notes</b> ") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the TEFRA D (as defined in " <i>Selling Restrictions</i> " below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing
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Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "*Global Certificates*".

**Clearing Systems:** Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent and the relevant Dealer.

**Initial Delivery of Notes:** On or before the issue date for each Tranche, if the relevant Global Note is a NGN or the relevant Global Certificate is held under the NSS, the Global Note or Global Certificate will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, if the relevant Global Note is a CGN or the relevant Global Certificate is not held under the NSS, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:** Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.

**Maturities:** The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.

**Specified Denomination:** Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

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

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

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

- (ii) on the basis of the reference rate set out in the applicable Final Terms

Interest periods will be specified in the relevant Final Terms.

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

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

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

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

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

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

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

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

- (i) limits on making certain restricted payments;
- (ii) restrictions on incurring indebtedness and issuing preferred stock;
- (iii) limitations on mergers or consolidation with other entities
- (iv) restrictions on making certain asset sales; and
- (v) restrictions on entering into transactions with affiliates,

all as further described in Condition 4 (*Covenants*).

**Ratings:** The Issuer has been rated BB+ by S&P.

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

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

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

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

Under current Lithuanian laws and regulations, interest payments under any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to individuals (non-tax residents of Lithuania) are subject to Lithuanian withholding tax, until 1 January 2019, at a rate of 15 per cent. (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate) and, as of 1 January 2019, at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, if calculated according to the data of the 1st quarter of 2018 only, this figure would be EUR 107,424) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year, exceeding the aforementioned threshold (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate). Under current Lithuanian laws and regulations, interest payments under any Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to entities residing outside of the EEA or in countries which do not benefit from a double tax treaty with the Republic of Lithuania are subject to Lithuanian withholding tax at a rate of 10 per cent. – see further "*Taxation*". The Issuer will pay additional amounts in respect of this withholding so that Noteholders receive the full amount they would have received had there been no withholding. For so long as the Notes are held in global form, the Issuer will pay such additional amounts on the entire principal amount of the Notes represented by such Global Note.

**Governing Law:** English.

**Listing and Admission to Trading:** Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Market and/or the Nasdaq Vilnius Stock Exchange or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted. Application has been made for a certificate of approval to be issued by the Central Bank of Ireland to the competent authority in the Republic of Lithuania.

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

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

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such

rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") ("**TEFRA D**") unless the Notes are issued other than in compliance with TEFRA D but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## TERMS AND CONDITIONS OF THE NOTES

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

The Notes are constituted by an amended and restated Trust Deed (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Trust Deed**") dated 29 August 2018 between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. An Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 25 July 2018 has been entered into in relation to the Notes between the Issuer, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent and the other agents named in it. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection during usual business hours at the principal office of the Trustee (presently at One Canada Square, London, E14 5AL, United Kingdom) and at the specified offices of the Paying Agents and the Transfer Agents.

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

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

### 1. **Form, Denomination and Title**

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

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

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

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

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

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

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

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

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

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

### 3. **Status**

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

### 4. **Covenants**

#### 4.1 **Negative Pledge**

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

#### 4.2 **Restricted Payments**

(a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

- (i) declare or pay any dividend or make any other payment or distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment or distribution made in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Issuer's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such other than: (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer or in warrants, options other rights to purchase Equity Interests; or (B) dividends and distributions by a Restricted Subsidiary so long as, in the case of any dividend, payment or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its *pro rata* share of such dividend, payment or distribution in accordance with its Equity Interests in such class or series of securities;
- (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, any such purchase, redemption, acquisition or retirement made in connection with any merger or consolidation involving the Issuer) any Equity Interests of the Issuer or any direct or indirect parent of the Issuer;
- (iii) make any principal payment on or with respect to, or redeem, repurchase defease or otherwise acquire or retire for value, any Indebtedness of the Issuer that is expressly contractually subordinated in right of payment to the Notes (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries and Indebtedness permitted under Condition 4.3(b)(iv) and (v)) except (i) a payment of interest or principal at the stated maturity thereof or (ii) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal instalment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement; or
- (iv) make any Restricted Investment;

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

(b) The conditions referred to in Condition 4.2(a) are that at the relevant time:

- (i) No Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;
- (ii) the Issuer would, at the time of such Restricted Payment and after giving *pro forma* effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least EUR1.00 of additional Indebtedness pursuant to the Consolidated Net Leverage Ratio set forth in Condition 4.3(a); and
- (iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries since the date of the first issuance of Notes under the Programme (including Restricted Payments permitted by paragraphs (vi) and (xiv) of Condition 4.2(c) (furthermore, in the case of Restricted Payments permitted pursuant to paragraphs (vi) and (xiv) of Condition 4.2(c), such payments shall be fully or partially excluded, as applicable, to the extent that the amount available for Restricted Payments under this Condition 4.2(b)(iii) would be reduced to less than zero as a result of

payments made under paragraphs (vi) and (xiv) of Condition 4.2(c)) is equal to or less than the sum, without duplication, of:

- (A) 50 per cent. of the Consolidated Net Income of the Issuer for the period (taken as one accounting period) from 1 January 2018 to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); *plus*
- (B) 100 per cent. of the aggregate Net Proceeds received and the Fair Market Value of marketable securities or other property received by the Issuer since the date of the first issuance of Notes under the Programme from the issue or sale of (i) Equity Interests or Subordinated Shareholder Funding of the Issuer but excluding cash proceeds and the Fair Market Value of: (x) Equity Interests or Subordinated Shareholder Funding to any future, present or former employees, directors, officers, managers or consultants of the Issuer or any of the Issuer's Subsidiaries after the date of the first issuance of Notes under the Programme to the extent such amounts have been applied to Restricted Payments made in accordance with Condition 4.2(c)(v); and (y) Designated Preferred Stock; or (ii) Indebtedness of the Issuer or a Restricted Subsidiary that has been converted into or exchanged for such Equity Interests or Subordinated Shareholder Funding of the Issuer; *provided*, that this Condition 4.2(b)(iii)(B) shall not include the proceeds from (W) Refunding Capital Stock (as defined below) applied in accordance with Condition 4.2(c)(xv), (X) Equity Interests or convertible debt securities of the Issuer sold to a Restricted Subsidiary, (Y) Disqualified Stock or debt securities that have been converted into Disqualified Stock or (Z) Excluded Contributions; *plus*
- (C) 100 per cent. of the aggregate amount of cash and the Fair Market Value of marketable securities or other property contributed to the capital of the Issuer following the date of the first issuance of Notes under the Programme (other than (i) net cash proceeds to the extent such net cash proceeds have been used to incur Indebtedness or issue Disqualified Stock or preferred stock pursuant to Condition 4.3(b)(xi), (ii) contributions by a Restricted Subsidiary and (iii) any Excluded Contributions); *plus*
- (D) 100 per cent. of the aggregate amount received in cash and the Fair Market Value of marketable securities or other property received by the Issuer or any Restricted Subsidiary by means of: (i) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary) of, or other returns on Investments from, Restricted Investments made by the Issuer or its Restricted Subsidiaries and repurchases and redemptions of such Restricted Investments from the Issuer or its Restricted Subsidiaries and repayments of loans or advances, and releases of guarantees, which constitute Restricted Investments made by the Issuer or its Restricted Subsidiaries, in each case after the date of the first issuance of Notes under the Programme; or (ii) the sale (other than to the Issuer or a Restricted Subsidiary) of the stock of an Unrestricted Subsidiary or a dividend or distribution (other than an Excluded Contribution) from an Unrestricted Subsidiary; *plus*
- (E) to the extent that any Unrestricted Subsidiary of the Issuer designated as such after the date of the first issuance of Notes under the Programme is re-designated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary of the Issuer, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary of the Issuer, 100 per cent. of the Fair Market Value of the

property received by the Issuer or such Restricted Subsidiary or the Issuer's Restricted Investment in such Subsidiary as of the date of such re-designation, merger, consolidation or transfer of assets, to the extent such Investment reduced the Restricted Payments capacity under this Condition 4.2 and was not previously repaid or otherwise reduced.

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

- (c) the amount of any Restricted Payments previously made with the cash proceeds described in clauses (a) and (b) of this Condition 4.2(c)(v);

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

- (vi) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, the declaration and payment by the Issuer of dividends on the Capital Stock of the Issuer following an IPO Event, by any IPO Entity, in an amount not to exceed the greater of (a) five per cent. per calendar year of the Net Proceeds received by or contributed to the Issuer in or from any public offering; and (b) an aggregate amount per calendar year not to exceed the greater of (x) five per cent. of the Market Capitalisation and (y) five per cent. of the IPO Capitalisation; *provided* that, in the case of (x) and (y), after giving *pro forma* effect to such payment, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries shall be equal to or *less* than 2.5 to 1.0;
- (vii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Restricted Payments in an aggregate amount outstanding at any time not to exceed EUR35.0 million;
- (viii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, payment of any management fees not to exceed in aggregate EUR2.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years);
- (ix) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries or any class or series of preferred stock of any Restricted Subsidiary issued in accordance with Condition 4.3;
- (x) Restricted Payments that are made (a) in an amount equal to the amount of Excluded Contributions previously received or (b) without duplication with clause (a), from the Net Proceeds from an Asset Sale in respect of property or assets acquired after the date of the first issuance of Notes under the Programme, if the acquisition of such property or assets was financed with Excluded Contributions;
- (xi) the repurchase, redemption or other acquisition for value of Capital Stock of the Issuer representing fractional shares of such Capital Stock in connection with a merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary or any other transaction permitted by the Trust Deed;
- (xii) repurchases of Equity Interests deemed to occur upon the exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price thereof;
- (xiii) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash in lieu of the issuance of fractional shares upon (x) the exercise of options or warrants or (y) the conversion or exchange of Capital Stock of any such Person;

- (xiv) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio on a *pro forma* basis after giving effect to such Restricted Payment does not exceed 2.5 to 1.0;
  - (xv) (a) the redemption, repurchase, defeasance, retirement or other acquisition of any Equity Interests, including any accrued and unpaid dividends thereon ("**Treasury Capital Stock**") or Subordinated Shareholder Funding of the Issuer or any Restricted Subsidiary, in exchange for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Restricted Subsidiary) of, Equity Interests or Subordinated Shareholder Funding of the Issuer to the extent contributed to the Issuer (in each case, other than any Disqualified Stock or Excluded Contributions) ("**Refunding Capital Stock**"); and (b) the declaration and payment of dividends on Treasury Capital Stock out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer or to an employee stock ownership plan or any trust established by the Issuer or any of its Subsidiaries) of Refunding Capital Stock;
  - (xvi) payments made or expected to be made by the Issuer or any Restricted Subsidiary in respect of withholding or similar taxes payable upon exercise of Equity Interests by any future, present or former employee, director, officer, member of management or consultant (or their Immediate Family Members) of the Issuer or any Restricted Subsidiary and any repurchases of Equity Interests deemed to occur upon exercise of stock options, warrants or other equity-based awards if such Equity Interests represent a portion of the exercise price of such options, warrants or awards; and
  - (xvii) the distribution, by dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary by, Unrestricted Subsidiaries (other than Unrestricted Subsidiaries, the primary assets of which are cash and/or Cash Equivalents).
- (d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment.
  - (e) For purposes of determining compliance with this Condition 4.2, in the event that a proposed Restricted Payment (or a portion thereof) meets the criteria of clauses (i) through (xvii) of (c) of this Condition 4.2 or is entitled to be made pursuant to (b) of this Condition 4.2, the Issuer will be entitled to classify or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment (or a portion thereof) between clauses (i) through (xvii) of (c) of this Condition 4.2 and (b) of this Condition 4.2 in any manner that otherwise complies with this Condition 4.2.

#### 4.3 **Incurrence of Indebtedness and Issuance of Preferred Stock**

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, (collectively, incur) with respect to any Indebtedness (including Acquired Debt) or issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock; *provided, however*, that the Issuer may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock, if the Consolidated Net Leverage Ratio for the Issuer's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been equal to or less than 3.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom) as if the additional Indebtedness had been incurred or the Disqualified Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

- (b) Condition 4.3(a) will not prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):
- (i) the incurrence by the Issuer of Indebtedness represented by the Notes to be issued on the date of the first issuance of Notes under the Programme;
  - (ii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Existing Indebtedness;
  - (iii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness, in exchange for or to replace (including, for the avoidance of doubt, any Indebtedness that may be incurred from time to time to replace other Indebtedness that has already been repaid, terminated, discharged or cancelled), or the net proceeds of which are used to extend, renew, refund, refinance, replace, defease or discharge, other Indebtedness (other than intercompany Indebtedness) that was permitted by the Trust Deed;
  - (iv) the incurrence by the Issuer or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries; *provided, however*, that:
    - (A) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and
    - (B) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary of the Issuer,will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer or such Restricted Subsidiary, as the case may be, that was not permitted by this paragraph (iv);
  - (v) the issuance by any of the Issuer's Restricted Subsidiaries to the Issuer or to any of its Restricted Subsidiaries of shares of preferred stock; *provided, however*, that:
    - (A) any subsequent issuance or transfer of Equity Interests that results in any such preferred stock being held by a Person other than the Issuer or a Restricted Subsidiary of the Issuer; and
    - (B) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer or a Restricted Subsidiary,will be deemed, in each case, to constitute an issuance of such preferred stock by such Restricted Subsidiary that was not permitted by this paragraph (v);
  - (vi) the incurrence by the Issuer or any of its Restricted Subsidiaries of Hedging Obligations not for speculative purposes (as determined in good faith by a responsible financial or accounting officer of the Issuer);
  - (vii) the guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or a Restricted Subsidiary of the Issuer that was permitted to be incurred by another provision of this Condition 4.3; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;
  - (viii) the incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness:
    - (A) arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business;

- (B) owed on a short-term basis of no longer than 30 Business Days to banks and other financial institutions incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;
  - (C) in connection with the bankers' acceptances, discounted bills of exchange or the discounting or factoring (or reverse factoring) of receivables (or similar instruments), in each case incurred or undertaken consistent with past practice or in the ordinary course of business on arm's length commercial terms;
  - (D) consisting of (a) the financing of insurance premiums or (b) take or pay obligations contained in supply arrangements, in each case incurred in the ordinary course of business;
  - (E) to the extent constituting Indebtedness, customer deposits and advance payments (including progress premiums) received in the ordinary course of business from customers for goods purchased in the ordinary course of business; and
  - (F) undertaken in connection with cash management, cash pooling and related activities with respect to any Subsidiary or joint venture in the ordinary course of business;
- (ix) Indebtedness of a Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is acquired by the Issuer or a Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or a Restricted Subsidiary of the Issuer in accordance with the Trust Deed; *provided, however*, with respect to this paragraph (ix) that at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (A) the Issuer would have been able to incur EUR1.00 of additional Indebtedness pursuant to Condition 4.3(a) after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this paragraph (ix) or (B) the Issuer's Consolidated Net Leverage Ratio would not be higher than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this paragraph (ix);
  - (x) the incurrence by the Issuer of Indebtedness pursuant to any Credit Facility or similar instrument in an aggregate principal amount at any time outstanding not to exceed the greater of (i) EUR85.0 million and (ii) 6.8 per cent. of Total Assets;
  - (xi) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Permitted Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness incurred pursuant to this paragraph (xi) and then outstanding, will not exceed 100 per cent. of the Net Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Capital Stock (other than Disqualified Stock, preferred stock or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Subordinated Shareholder Funding, preferred stock or an Excluded Contribution) of the Issuer, in each case, subsequent to the date of the first issuance of Notes under the Programme; *provided, however*, that (x) any such Net Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Condition 4.2(b) and paragraphs (ii), (v), (vi), (vii), (x), (xi), and (xii) of Condition 4.2(c) to the extent the Issuer and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (y) any Net Proceeds that are so received or contributed shall be excluded for purposes of incurring Indebtedness pursuant to this paragraph (xi) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under

Condition 4.2(b) and paragraphs (ii), (v), (vi), (vii), (x), (xi) and (xii) of Condition 4.2(c) in reliance thereon;

- (xii) Indebtedness (a) of the Issuer incurred or issued to finance an acquisition (including an acquisition of assets) ("**Acquisition Debt**") or (b) of Persons that are, or secured by assets that are, acquired by the Issuer or any Restricted Subsidiary or merged into, amalgamated or consolidated with the Issuer or a Restricted Subsidiary in accordance with the terms of the Trust Deed; *provided* that Indebtedness incurred pursuant to this Condition 4.3(b)(xii) is in an aggregate amount not to exceed the greater of (i) EUR37.0 million and (ii) 3.0 per cent. of Total Assets;
  - (xiii) the incurrence by any Restricted Subsidiary of Indebtedness or any issuance by a Restricted Subsidiary of preferred stock and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed EUR180.0 million;
  - (xiv) the incurrence by the Issuer of Indebtedness or the issuance of Disqualified Stock by the Issuer and any Permitted Refinancing Indebtedness in respect thereof in an aggregate principal amount at any time outstanding not to exceed the greater of (i) EUR50.0 million and (ii) 4.0 per cent. of Total Assets;
  - (xv) Indebtedness arising from agreements of the Issuer or its Restricted Subsidiaries providing for indemnification, adjustment of purchase price, earnouts or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than guarantees of Indebtedness incurred by any person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition;
  - (xvi) Indebtedness consisting of Indebtedness issued by the Issuer or any of its Restricted Subsidiaries to future, present or former employees, directors, officers, managers and consultants thereof, their respective Immediate Family Members, in each case to finance the purchase or redemption of Equity Interests of the Issuer to the extent described in Condition 4.2(c)(v); and
  - (xvii) Indebtedness of the Issuer supported by a letter of credit issued pursuant to a Credit Facility that is incurred pursuant to another clause in this Condition 4.3, in a principal amount not in excess of the stated amount of such letter of credit.
- (c) For purposes of determining compliance with, and the outstanding principal amount of, any particular Indebtedness incurred pursuant to and in compliance with this Condition 4.3:
- (i) in the event that an item or portion of an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in Condition 4.3(b), or is entitled to be incurred pursuant to Condition 4.3(a), the Issuer, in its sole discretion, will be permitted to classify such item or portion of an item of Indebtedness on the date of its incurrence and only be required to include the amount and type of such Indebtedness in one of such paragraphs although the Issuer may divide and classify an item of Indebtedness in one or more of the types of Indebtedness and may later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this Condition 4.3; and
  - (ii) guarantees of, or obligations in respect of letters of credit relating to, Indebtedness which is otherwise included in the determination of a particular amount of Indebtedness shall not be included.
- (d) The amount of any Indebtedness outstanding as of any date will be:
- (i) in the case of any Indebtedness issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

- (ii) in the case of any Indebtedness owed to any export credit agency, adjusted to exclude the effect of the increase in the principal amount of such Indebtedness in accordance with IFRS resulting solely from the effect of the amortisation of the insurance premium initially applied to reduce the principal of the Indebtedness;
  - (iii) the principal amount of the Indebtedness, in the case of any other Indebtedness;
  - (iv) in respect of Indebtedness of another Person secured by a Security Interest on the assets of the specified Person, the lesser of:
    - (A) the Fair Market Value of such assets at the date of determination; and
    - (B) the amount of the Indebtedness of the other Person, and
  - (v) in the case of Hedging Obligations, the net amount payable if such Hedging Obligations were terminated at that time due to default by such Person (after giving effect to any contractually permitted set-off).
- (e) Accrual of interest, accrual of dividends, the accretion or amortisation of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness, the reclassification of preferred stock as Indebtedness due to a change in accounting principles and the payment of dividends in the form of additional shares of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness or an issuance of preferred stock or Disqualified Stock for purposes of this Condition 4.3.
- (f) Notwithstanding any other provision of this Condition 4.3 (including pursuant to any Permitted Refinancing Indebtedness permitted pursuant to this Condition 4.3), the maximum amount of Indebtedness that the Issuer or any Restricted Subsidiary may incur pursuant to this Condition 4.3 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.
- (g) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary of the Issuer, any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under this Condition 4.3, the Issuer shall be in Default of this Condition 4.3).
- (h) For purposes of determining compliance with any euro denominated restriction on the incurrence of Indebtedness, the euro equivalent principal amount of Indebtedness denominated in a different currency shall be utilised, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred; *provided however*, the principal amount of any refinancing Indebtedness incurred in the same currency as the Indebtedness being refinanced will be the euro equivalent of the Indebtedness refinanced determined on the date such Indebtedness was originally incurred, except that to the extent that:
- (i) the principal amount of the refinancing Indebtedness exceeds the principal amount of the Indebtedness being refinanced, in which case the euro equivalent of such excess will be determined on the date such refinancing Indebtedness is being incurred; and
  - (ii) the principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Permitted Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

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

- (a) The Issuer will not, directly or indirectly (i) consolidate, amalgamate or merge with or into another Person (whether or not the Issuer is the surviving corporation) or (ii) sell, assign,

transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

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

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

#### 4.5 **Asset Sales**

- (a) The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:
  - (i) the Issuer (or the Restricted Subsidiary, as the case may be) receives consideration in connection with the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
  - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Issuer or such Restricted Subsidiary is in the form of cash or Cash Equivalents; *provided* that:
    - (A) any Capital Stock or assets of the kind referred to in Conditions 4.5(b)(i)(C) or 4.5(b)(i)(E) (or any combination thereof);
    - (B) the amount of any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the footnotes thereto or, if incurred or increased subsequent to the date of such balance sheet, such liabilities that would have been shown on the Issuer's or such Restricted Subsidiary's balance sheet or in the footnotes thereto if such incurrence or increase had taken place on or prior to the date of such balance sheet, as determined by the Issuer) of the Issuer or such Restricted Subsidiary, other than liabilities that are by their terms subordinated to the Notes, that are assumed by the transferee of any such assets pursuant to a written agreement which releases or indemnifies the Issuer or such Restricted Subsidiary from such liabilities;
    - (C) the amount of any securities, notes or other obligations or assets received by the Issuer or such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into Cash Equivalents (to the extent of the Cash Equivalents received) within 270 days following the closing of such Asset Sale; and
    - (D) the amount of any Designated Non-cash Consideration received by the Issuer or such Restricted Subsidiary in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (d) that is at that time outstanding, not to exceed (at the time of the receipt of such Designated Non-cash Consideration or, at the Issuer's option, at the time of contractually agreeing to such Asset Sale) the greater of (i) EUR30.0 million and (ii) 2.5 per cent. of Total Assets,

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

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

in cash. If any Net Proceeds remain after consummation of an Asset Sale Offer, the Issuer and its Restricted Subsidiaries may use those Net Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Notes and other *pari passu* Indebtedness tendered into (or to be prepaid or redeemed in connection with) such Asset Sale Offer exceeds the amount of Excess Proceeds or if the aggregate principal amount of Notes tendered pursuant to a Notes Offer exceeds the amount of the Net Proceeds so applied, the Issuer will select the Notes and such other *pari passu* Indebtedness, if applicable, to be purchased on a *pro rata* basis (or, in the case of Notes issued in global form, based on a method that most nearly approximates a *pro rata* selection as is fair and appropriate in the circumstances) unless otherwise required by applicable law or applicable stock exchange or depositary requirements, based on the amounts tendered or required to be prepaid or redeemed. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

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

#### 4.6 **Reporting**

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

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

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

The Issuer will also make available copies of all reports required by this Condition 4.6 (i) on the Issuer's website and (ii) for so long as the Notes are listed and admitted to trading, in accordance with the rules of the relevant stock exchange. The Trustee's receipt of any financial statement or other document required to be provided to it under this Condition 4.6 shall be without liability to the Trustee and receipt of such financial statements or other documents shall not be deemed to give the Trustee notice of any breach of these Conditions by the Issuer or its Restricted Subsidiaries or any Event of Default or Default in respect of the Issuer or its Restricted Subsidiaries. The Trustee shall not be required to review any such financial statements or other documents nor shall the Trustee be bound to enquire as to whether any such breach of these Conditions or any Event of Default or Default has occurred or may occur on the basis of receipt of such financial statements or other documents.

For purposes of this Condition 4.6, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 10.0% of the Issuer's (a) total

revenue or Consolidated EBITDA for the most recently ended four full fiscal quarters for which internal financial statements are available; or (b) consolidated assets as of the last day of the most recently ended fiscal quarter for which internal financial statements are available.

#### 4.7 Transactions with Affiliates

- (a) The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) which has a value in excess of EUR10.0 million with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, disposals or acquisitions, unless:
- (i) in the good faith determination by a responsible Officer of the Issuer, the terms of such Affiliate Transaction are no less favourable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefor) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Issuer or such Restricted Subsidiary, as the case may be; and
  - (ii) in the event such Affiliate Transaction involves an aggregate value in excess of EUR15.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Issuer.
- (b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions of Condition 4.7(a):
- (i) any employment, management, consulting, monitoring or advisory agreement (including any termination fees), collective bargaining agreement, employee benefit plan, officer or director indemnification agreement, including any stock option, stock appreciation rights, stock incentive or similar plans or any similar arrangement entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business or consistent with past practice and payments or other transactions pursuant thereto;
  - (ii) transactions (including a merger) between or among the Issuer and/or any of its Restricted Subsidiaries;
  - (iii) payment of fees to, reimbursements of expenses and indemnity provided on behalf of, officers, directors, employees or consultants of the Issuer or any of its Restricted Subsidiaries;
  - (iv) the issuance or transfer of Equity Interests (other than Disqualified Stock) or Subordinated Shareholder Funding of the Issuer to any Affiliate or to any Permitted Holder or to any employee, director, officer, manager or consultant (or their respective Immediate Family Members) of the Issuer or any of its Restricted Subsidiaries;
  - (v) Restricted Payments and Permitted Investments that do not violate Condition 4.2;
  - (vi) transactions effected pursuant to or contemplated by agreements or arrangements in effect or entered into on the date of the first issuance of Notes under the Programme (or any subsequent amendment thereto (so long as any such amendment is not more disadvantageous in any material respect in the good faith judgment of the Issuer to the Noteholders when taken as a whole as compared to the applicable agreement or arrangement as in effect on the date of the first issuance of Notes under the Programme));

- (vii) Hedging Obligations entered into from time to time for *bona fide* hedging purposes and not for speculative purposes of the Issuer and the Restricted Subsidiaries and the unwinding of any Hedging Obligations;
- (viii) execution, delivery and performance of any consolidated group arrangements for tax or accounting purposes, *provided* that any payments to be made pursuant to such arrangements are made in compliance with Condition 4.2;
- (ix) transactions in which the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Trustee a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favourable, when taken as a whole, to the Issuer or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person on an arm's-length basis;
- (x) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, any shareholders agreement to which it (or any parent company of the Issuer) is a party as of the date of the first issuance of Notes under the Programme and any similar agreements which it (or any parent company of the Issuer) may enter into thereafter; *provided*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries (or such parent company) of obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the date of the first issuance of Notes under the Programme shall only be permitted by this paragraph to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous in any material respect in the good faith judgment of the Issuer to the Noteholders when taken as a whole;
- (xi) transactions with customers, clients, suppliers, contractors, joint venture partners or purchasers or sellers of goods or services or providers of employees or other labour that are Affiliates, in each case in the ordinary course of business or that are consistent with past practice and otherwise in compliance with the terms of the Trust Deed which are fair to the Issuer and its Restricted Subsidiaries, in the reasonable determination of the Issuer, or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated party;
- (xii) any transaction with a joint venture which would constitute an Affiliate Transaction solely because the Issuer or its Restricted Subsidiary owns an equity interest or otherwise controls such joint venture or similar entity;
- (xiii) payments and Indebtedness and Disqualified Stock (and cancellation of any thereof) of the Issuer and its Restricted Subsidiaries and preferred stock (and cancellation of any thereof) of any Restricted Subsidiary to any future, current or former employee, director, officer, manager or consultant (or their respective Immediate Family Members) of the Issuer, any of its Subsidiaries pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or agreement or any stock subscription or shareholder agreement that are, in each case, approved by the Issuer in good faith; and any employment agreements, stock option plans and other compensatory arrangements (and any successor plans thereto) and any supplemental executive retirement benefit plans or arrangements with any such employees, directors, officers, managers or consultants (or their respective permitted transferees) that are, in each case, approved by the Issuer in good faith;
- (xiv) payments to or from, and transactions with, any joint venture in the ordinary course of business or consistent with past practice (including, without limitation, any cash management activities related thereto);
- (xv) the pledge of Equity Interests of any Unrestricted Subsidiary to lenders to support the Indebtedness of such Unrestricted Subsidiary owed to such lenders;

- (xvi) any lease entered into between the Issuer or any Restricted Subsidiary, as lessee, and any Affiliate of the Issuer, as lessor, *provided* such lease (i) is entered into in the ordinary course of business or consistent with past practice and (ii) is approved by the Issuer in good faith; and
- (xvii) intellectual property licenses in the ordinary course of business.

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

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

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

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

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

"The Issuer shall not, and shall ensure that none of its Restricted Subsidiaries will, create, incur, assume or permit to subsist any Security Interest to secure any Indebtedness which is in the form of, or represented or evidenced by, bonds, notes, or other debt securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) without at the same time or prior thereto (x) securing all amounts payable by it under the Notes and Coupons equally and rateably therewith; or (y) providing such other Security Interest for the payment of amounts payable by it as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders."

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

be permitted pursuant to Condition 4.7(a)(vi). Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

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

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

#### 4.9 **Anti-Layering**

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

#### 4.10 **Additional Guarantees**

- (a) If any Restricted Subsidiary guarantees any Indebtedness of the Issuer, the Notes must be guaranteed on an equal and rateable basis (or, if such Indebtedness of the Issuer is subordinated in right of payment, the Notes will be guaranteed on a priority basis).
- (b) Any guarantee of the Notes by a Restricted Subsidiary will be limited as necessary to recognise certain defences generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, thin capitalisation, distributable reserves, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally) or other considerations under applicable law. The Issuer and the relevant Restricted Subsidiaries will use reasonable efforts to overcome any such limitations and to assist in demonstrating the accrual of adequate corporate benefit as required. If any such limitations apply (notwithstanding such reasonable efforts by the Issuer and the relevant Restricted Subsidiaries), the relevant guarantee will be limited to the maximum amount that such Restricted Subsidiary may provide under applicable law.
- (c) Notwithstanding the foregoing, the Issuer shall not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent and for so long as the incurrence of such guarantee of the Notes could reasonably be expected to give rise to or result in: (1) any violation (or any material risk of any such violation) of applicable law or regulation; (2) any liability (or any material risk of any such liability) for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); (3) any cost, expense, liability or obligation which is disproportionate to the benefit accruing to the Noteholders as a result of such guarantee other than reasonable out-of-pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (1) of this paragraph undertaken in connection with, such guarantee of the Notes, which in any case under any of clauses (1), (2) and (3) of this paragraph cannot be avoided through measures reasonably available to the Issuer or a Restricted Subsidiary.

In these Conditions:

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

- (i) Indebtedness of any other Person existing at the time such other Person is merged with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of,

such other Person merging with or into, or becoming a Restricted Subsidiary of, such specified Person; and

- (ii) Indebtedness secured by Permitted Security acquired by such specified Person.

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

"**Asset Sale**" means:

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

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

- (iii) any disposition of Capital Stock, properties or assets in a single transaction or series of related transactions with, in aggregate, a Fair Market Value (as determined in good faith by the Issuer) of less than EUR15.0 million;
- (iv) any disposition of property or assets or issuance of securities by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (v) sales or dispositions in connection with any factoring (or reverse factoring) transaction or in the ordinary course of business;
- (vi) the sale or lease of products, services, equipment, accounts receivable or other assets in the ordinary course of business;
- (vii) any sale or other disposition of damaged, unserviceable, worn-out or obsolete property or assets in the ordinary course of business or any disposition of inventory or goods (or other assets) held for sale or no longer used or useful in the ordinary course of business;
- (viii) the sale or other disposition of cash or Cash Equivalents or Investment Grade Securities in the ordinary course of business;
- (ix) the lease, assignment, sub-lease, license or sub-license of any real or personal property in the ordinary course of business;
- (x) granting of Permitted Security Interests;
- (xi) any issuance or sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;
- (xii) a surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind in the ordinary course of business;

- (xiii) transactions permitted by Condition 4.2 or any Permitted Investment or the proceeds of which are used to fund a Restricted Payment and/or Permitted Investment;
- (xiv) sale or discounting of accounts receivable in the ordinary course of business, dispositions of receivables in the ordinary course of business or in bankruptcy or similar proceedings;
- (xv) foreclosure, condemnation or any similar action with respect to any property or other assets and any sale of assets received by the Issuer or any of its Restricted Subsidiaries upon the foreclosure of any Security Interest;
- (xvi) unwinding of Hedging Obligations;
- (xvii) any financing transaction with respect to property built or acquired by the Issuer or any Restricted Subsidiary after the first issuance of Notes under the Programme, including Sale and Lease-Back Transactions;
- (xviii) the disposition of all or substantially all of the assets of the Issuer in a manner permitted pursuant to the provisions described in Condition 4.4 or any disposition that constitutes a Change of Control pursuant to the Trust Deed;
- (xix) any exchange of like property or assets for use in a Permitted Business;
- (xx) sales, transfers and other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding arrangements;
- (xxi) the abandonment of intellectual property rights in the ordinary course of business, which in the reasonable good faith determination of the Issuer are not material to the conduct of the business of the Issuer and its Restricted Subsidiaries taken as a whole;
- (xxii) the issuance by a Restricted Subsidiary of preferred stock or Disqualified Stock that is permitted by Condition 4.3;
- (xxiii) the issuance of directors' qualifying shares and shares issued to foreign nationals as required by applicable law; and
- (xxiv) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person.

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

**"Board of Directors"** means:

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

- (iv) with respect to any other Person, the board or committee of such Person serving a similar function.

**"Capital Lease Obligation"** means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalised on a balance sheet prepared in accordance with IFRS, *provided*, that any obligations of the Issuer or its Restricted Subsidiaries either existing on the date of the first issuance of Notes under the Programme or created prior to any recharacterization described below (i) that were not included on the consolidated balance sheet of the Issuer as capital or finance lease obligations and (ii) that are subsequently recharacterized as capital or finance lease obligations or indebtedness due to a change in accounting treatment or otherwise, shall for all purposes under the Trust Deed (including, without limitation, the calculation of Consolidated Net Income and Consolidated EBITDA) not be treated as capital or finance lease obligations, Capital Lease Obligations or Indebtedness.

**"Capital Stock"** means:

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

**"Cash Equivalents"** means:

- (i) United States dollars;
- (ii) (a) Canadian dollars, pounds sterling, yen, euros or any national currency of any participating member state of the EMU; or (b) in such local currencies held by the Issuer or any Restricted Subsidiary from time to time in the ordinary course of business;
- (iii) securities issued or directly and fully guaranteed or insured by the government of the United States of America, a member state of the European Union, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be the payment of which is backed by the full faith and credit of the United States, the relevant member state of the European Union, Switzerland or Canada, as the case may be, having maturities of not more than 24 months from the date of acquisition;
- (iv) certificates of deposit, time deposits, euro-dollar time deposits, money market deposits, overnight bank deposits or bankers' acceptances (and similar instruments) having maturities of not more than 24 months from the date of acquisition thereof issued by any commercial bank having capital and surplus of not less than EUR250.0 million;
- (v) repurchase obligations for underlying securities of the types described in paragraphs (iii), (iv), (vii) and (viii) entered into with any financial institution meeting the qualifications specified in paragraph (iv) above;
- (vi) commercial paper and variable or fixed rate notes rated at least P-2 by Moody's or at least A-2 by S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) and in each case maturing within 24 months after the date of creation thereof;

- (vii) marketable short-term money market and similar funds having a rating of at least P-2 or A-2 from either Moody's or S&P, respectively (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency);
- (viii) readily marketable direct obligations issued by any state, commonwealth or territory of the United States or the European Union or any political subdivision or taxing authority thereof having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;
- (ix) readily marketable direct obligations issued by any foreign government or any political subdivision or public instrumentality thereof, in each case having an Investment Grade Rating from either Moody's or S&P (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency) with maturities of 24 months or less from the date of acquisition;
- (x) Investments with average maturities of 12 months or less from the date of acquisition in money market funds rated AAA- (or the equivalent thereof) or better by S&P or Aaa3 (or the equivalent thereof) or better by Moody's (or, if at any time neither Moody's nor S&P shall be rating such obligations, an equivalent rating from another Rating Agency);
- (xi) securities with maturities of 12 months or less from the date of acquisition backed by standby letters of credit issued by any financial institution or recognized securities dealer meeting the qualifications specified in clause (iv) above;
- (xii) Indebtedness or preferred stock issued by Persons with a rating of "A" or higher from S&P or "A2" or higher from Moody's with maturities of 24 months or less from the date of acquisition; and
- (xiii) interests in any investment company or money market fund which invests 85 per cent. or more of its assets in instruments of the type specified in paragraphs (i) through (xii) above.

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

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

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

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

- (i) provision for all taxes based on income, profits or capital of the Issuer or a Restricted Subsidiary; *plus*
- (ii) Consolidated Interest Expense for such period (including (x) net losses or Hedging Obligations or other derivative instruments entered into for the purpose

of hedging interest rate risk, (y) bank fees and other financing fees and (z) costs of surety bonds in connection with financing activities); *plus*

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

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

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

an annualised basis), plus or including (without duplication) any interest, costs and charges consisting of:

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

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

- (i) the net income (*loss*) for such period of any Person that is not a Subsidiary, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting shall be excluded; *provided*, that Consolidated Net Income of such Person shall be increased by the amount of dividends or distributions or other payments (other than Excluded Contributions) that are actually paid in cash (or to the extent converted into cash) or that could, in the reasonable determination of management, have been distributed to such Person or a Restricted Subsidiary thereof in respect of such period;
- (ii) solely for the purpose of determining the amount available for Restricted Payments under Condition 4.2(b)(iii) any net income of any Restricted Subsidiary will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Trust Deed, (c) contractual restrictions in effect on the date of the first issuance of Notes under the Programme with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that taken as a whole, are not materially less favourable to the holders of the Notes than such restrictions in effect on the date of the first issuance of Notes under the Programme or (d) restrictions pursuant to applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit), except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this paragraph);
- (iii) any net gain (*loss*) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries which is not sold

- or otherwise disposed of in the ordinary course of business (as determined in good faith by the Issuer) will be excluded;
- (iv) any one-time non-cash charges or any amortisation or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;
  - (v) the cumulative effect of a change in accounting principles and changes as a result of the adoption or modification of accounting policies during such period will be excluded;
  - (vi) any extraordinary, exceptional or nonrecurring gains or losses or any charges in respect of any restructuring, redundancy or severance (in each case as determined in good faith by the Issuer) will be excluded;
  - (vii) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;
  - (viii) any non-cash compensation charge or expenses arising from any grant of stock, stock options or other equity-based awards will be excluded;
  - (ix) any goodwill or other intangible asset impairment charges will be excluded;
  - (x) all deferred financing costs written off and premium paid in connection with any early extinguishment of Indebtedness and any net gain or loss from any write-off or forgiveness of Indebtedness will be excluded;
  - (xi) any after-tax effect of extraordinary, non-recurring or unusual gains or losses (*less* all fees and expenses relating thereto), charges or expenses (including relating to any multi-year strategic initiatives), transaction expenses, restructuring and duplicative running costs, relocation costs, integration costs, facility consolidation and closing costs, severance costs and expenses, one-time compensation charges, costs relating to pre-opening and opening costs for facilities, signing, retention and completion bonuses, costs incurred in connection with any strategic initiatives, transition costs, costs incurred in connection with acquisitions and non-recurring product and intellectual property development, other business optimization expenses (including costs and expenses relating to business optimization programs and new systems design, retention charges, system establishment costs and implementation costs) and operating expenses attributable to the implementation of cost-savings initiatives, and curtailments or modifications to pension and post-retirement employee benefit plans will be excluded;
  - (xii) effects of adjustments (including the effects of such adjustments pushed down to such Person and its Restricted Subsidiaries) in such Person's consolidated financial statements pursuant to IFRS (including in the inventory (including any impact of changes to inventory valuation policy methods, including changes in capitalisation of variances), property and equipment, software, goodwill, intangible assets, in-process research and development, deferred revenue and debt line items thereof) resulting from the application of recapitalisation accounting or purchase accounting, as the case may be, in relation to any consummated acquisition or joint venture investment or the amortisation or write-off or write-down of any amounts thereof, net of taxes, will be excluded;

- (xiii) any after-tax effect of income (loss) from the early extinguishment or conversion of (i) Indebtedness, (ii) Hedging Obligations or (iii) other derivative instruments will be excluded;
- (xiv) any impairment charge or asset write-off or write-down, including impairment charges or asset write-offs or write-downs related to intangible assets, long-lived assets, investments in debt and equity securities and investments recorded using the equity method or as a result of a change in law or regulation, in each case, pursuant to IFRS, and the amortisation of intangibles arising pursuant to IFRS will be excluded;
- (xv) any equity-based or non-cash compensation charge or expense including any such charge or expense arising from grants of stock appreciation or similar rights, stock options, restricted stock or other rights or equity incentive programs, and any cash charges associated with the rollover acceleration, or pay-out of Equity Interests by management, other employees or business partners of the Issuer will be excluded;
- (xvi) any fees, expenses, premiums (including tender premiums) or charges incurred during such period, or any amortisation thereof for such period, in connection with any acquisition, recapitalisation, Investment, Asset Sale, disposition, incurrence or repayment of Indebtedness (including such fees, expenses or charges related to the offering and issuance of the Notes and the syndication and incurrence of any Credit Facilities), issuance of Equity Interests, refinancing transaction or amendment or modification of any debt instrument (including any amendment or other modification of the Notes and other securities and any Credit Facilities) and including, in each case, any such transaction consummated on or prior to the date of the first issuance of Notes under the Programme and any such transaction undertaken but not completed, and any charges or non-recurring merger costs incurred during such period as a result of any such transaction, in each case whether or not successful or consummated, will be excluded;
- (xvii) any expenses, charges or losses to the extent covered by insurance or indemnity and actually reimbursed, or, so long as such Person has made a determination that there exists reasonable evidence that such amount will in fact be reimbursed by the insurer or indemnifying party and only to the extent that such amount is in fact reimbursed within 365 days of the date of the insurable or indemnifiable event (net of any amount so added back in any prior period to the extent not so reimbursed within the applicable 365-day period), will be excluded;
- (xviii) any noncash compensation expense resulting from the application of accounting principles relating to the expensing of stock-related compensation will be excluded;
- (xix) the impact of capitalised, accrued or accreting on pay-in-kind interest or principal on Subordinated Shareholder Funding will be excluded; and
- (xx) all fair value adjustments on investment properties will be excluded.

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

**"Consolidated Net Leverage"** means as of any date of determination, the sum of the total amount of Indebtedness (excluding (i) Hedging Obligations and (ii) for the avoidance of doubt, any other Indebtedness of the type specified in sub-paragraph (iv) of the definition of Permitted Debt), reflected on the consolidated balance sheet of the Issuer and its Restricted Subsidiaries as of such date (excluding the notes thereto), calculated on a consolidated basis on the basis of IFRS, *less*

cash, Cash Equivalents of the Issuer and its Restricted Subsidiaries on a consolidated basis on the basis of IFRS (other than cash, Cash Equivalents which are the proceeds of Indebtedness incurred on the date of determination in respect of which the calculation of the Consolidated Net Leverage Ratio is to be made).

"**Consolidated Net Leverage Ratio**" means as of any date of determination, the ratio of (a) the Consolidated Net Leverage of the Issuer on such date to (b) the Consolidated EBITDA of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available.

In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary course working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (for the purposes of this definition, the "**Calculation Date**"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in Condition 4.3(b).

In addition, for purposes of calculating Consolidated EBITDA or Consolidated Interest Expense for such period, if, as of such date of determination:

- (i) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; and (b) the Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);
- (ii) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect thereto, as if such Purchase occurred on the first day of such period; and
- (iii) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary

since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect thereto, as if such Sale or Purchase occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

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

**"Consolidated Secured Leverage Ratio"** means as of any date of determination the ratio of (a) the Consolidated Secured Leverage on such date to (b) the Consolidated EBITDA of the Issuer for the most recently ended four fiscal quarters for which internal financial statements are available.

In addition, for purposes of calculating Consolidated EBITDA or Consolidated Interest Expense for such period, if, as of such date of determination:

- (i) since the beginning of such period the Issuer or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business or site (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is such a Sale, (a) Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; *provided* that if any such sale constitutes "discontinued operations" in accordance with IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period; and (b) the Consolidated Interest Expense for such period shall be reduced by an amount equal to the Consolidated Interest Expense directly attributable to any Indebtedness of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Interest Expense for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such Sale);
- (ii) since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business or site (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect thereto, as if such Purchase occurred on the first day of such period; and

- (iii) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Issuer or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the Issuer or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA and Consolidated Interest Expense for such period will be calculated after giving *pro forma* effect thereto, as if such Sale or Purchase occurred on the first day of such period.

If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness for a period equal to the remaining term of such Indebtedness).

For the purposes of this definition, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

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

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

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

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

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

less the amount of Cash Equivalents received in connection with a subsequent sale, redemption or repurchase of or collection or payment on such Designated Non-cash Consideration.

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

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

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

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

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

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

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

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

**"Fair Market Value"** means the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving distress or necessity of either party, as determined in

good faith by a responsible accounting or financial officer of the Issuer or by the Board of Directors of the Issuer.

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

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

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

**"IFRS"** means the International Financial Reporting Standards, promulgated by the International Accounting Standards Board or any successor board or agency as endorsed by the European Union. Notwithstanding the foregoing, the impact of IFRS 16 Leases or any successor standard thereto shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to these Conditions and any lease, concession or license of property that would be considered an operating lease under IFRS as of the first issuance of Notes under the Programme shall be accounted for in accordance with IFRS as of the first issuance of Notes under the Programme (as determined in good faith by the chief financial officer of the Issuer); *provided* that at any date after the date of the first issuance of Notes under the Programme, the Issuer may make an irrevocable election, at its absolute discretion, to establish that, for the purposes of this last sentence "IFRS" shall mean IFRS as in effect from time to time (including IFRS 16 Leases).

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

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

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

Disqualified Stock or, with respect to any Subsidiary, any preferred stock (but excluding, in each case, any accrued dividends);

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

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

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

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

The term Indebtedness shall not include:

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

- (ix) in connection with the purchase by the Issuer or any Restricted Subsidiary of the Issuer of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 180 days thereafter; or
- (x) prepayments of deposits received from clients or customers in the ordinary course of business.

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

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

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

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

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

**"Investment Grade Securities"** means:

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

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

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

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

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

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

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

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

such Asset Sale, or by applicable law be repaid out of the proceeds from such Asset Sale;

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

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

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

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

**"Permitted Investments"** means:

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

with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Issuer or any such Restricted Subsidiary deems reasonable under the circumstances;

- (ix) surety and performance bonds and workers' compensation, utility, lease, tax, performance and similar deposits and prepaid expenses in the ordinary course of business;
- (x) guarantees of Indebtedness, keep-wells and similar arrangements permitted under Condition 4.3;
- (xi) Investments of a Restricted Subsidiary of the Issuer acquired after the date of the first issuance of Notes under the Programme or of any entity merged into the Issuer or merged into or consolidated or amalgamated with a Restricted Subsidiary of the Issuer in accordance with Condition 4.4 to the extent that such Investments were not made in contemplation of or in connection with such acquisition, merger, consolidation or amalgamation and were in existence on the date of such acquisition, merger or consolidation;
- (xii) Investments received as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment in default;
- (xiii) any Investment existing on the date of the first issuance of Notes under the Programme and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the date of the first issuance of Notes under the Programme; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the date of the first issuance of Notes under the Programme or (b) as otherwise permitted under the Trust Deed;
- (xiv) Investments in the Notes and any other Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer;
- (xv) loans and advances to employees, directors, officers, managers and consultants (a) for business related travel expenses, moving expenses and other similar expenses or payroll advances, in each case incurred in the ordinary course of business or consistent with past practices or (b) to fund such Person's purchase of Equity Interests of the Issuer or in any management equity vehicle so investing in such Equity Interests;
- (xvi) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or purchases of contract rights or licenses or leases of intellectual property, in each case in the ordinary course of business;
- (xvii) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, Investments in any businesses, services and activities that are related, complimentary or incidental to those engaged in by the Issuer or any of its Restricted Subsidiaries or are extensions or developments of any thereof whether by way of joint venture or a minority interest in a Subsidiary *provided* that the Investments made pursuant to this paragraph (xvii) at any one time do not exceed the greater of (i) EUR30.0 million and (ii) 2.5 per cent. of Total Assets;
- (xviii) prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and similar deposits made in the ordinary course of business by the Issuer or any Restricted Subsidiary of the Issuer;
- (xix) so long as no Default or Event of Default has occurred and is continuing or would be caused thereby, any *bona fide* Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with

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

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

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

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

- (i) the aggregate principal amount (or accreted value, if applicable, or if issued with original issue discount, aggregate issue price) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if

applicable, or if issued with original issue discount, aggregate issue price) of the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged (*plus* all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith);

- (ii) such Permitted Refinancing Indebtedness has (a) a final maturity date that is either (i) no earlier than the final maturity date of the Indebtedness being renewed, refunded, refinanced, replaced, exchanged, defeased or discharged or (ii) after the final maturity date of the Notes and (b) has a Weighted Average Life to Maturity that is greater than the Weighted Average Life to Maturity of the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged; and
- (iii) if the Indebtedness being extended, renewed, refunded, refinanced, replaced, defeased or discharged is expressly contractually subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favourable to the Noteholders as those contained in the documentation governing the Indebtedness being extended, renewed, refunded, refinanced, replaced, exchanged, defeased or discharged.

**"Permitted Security Interest"** means:

- (i) Security Interests existing on the date of the first issuance of Notes under the Programme;
- (ii) Security Interests existing on any property, income or assets of any person at the time such person becomes a member of the Group or such property, income or assets are acquired by any member of the Group, *provided* that such Security Interest was not created in contemplation of such event and that no such Security Interest shall extend to other property, income or assets of such person or the Group;
- (iii) Security Interests in favour of the Issuer or any other member of the Group;
- (iv) Security Interests securing Permitted Refinancing Indebtedness; *provided* that any such Security Interest is limited to all or part of the same property or assets that secured the Indebtedness being exchanged, replaced, extended, renewed, refunded, refinanced, defeased or discharged or is otherwise in respect of property or assets that is or could be the security for or subject to a Permitted Security Interest hereunder;
- (v) Security Interests on property or other assets at the time the Issuer or a Restricted Subsidiary acquired the property or such other assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries; *provided*, that such Security Interests are not created or incurred in connection with, or in contemplation of, such acquisition, amalgamation, merger or consolidation; *provided, further*, that the Security Interests may not extend to any other property owned by the Issuer or any of its Restricted Subsidiaries;
- (vi) Security Interests securing Indebtedness of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary permitted to be incurred in accordance with Condition 4.3;
- (vii) Security Interests on Capital Stock of an Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary; and
- (viii) other Security Interests, *provided* that the Consolidated Secured Leverage Ratio, on a *pro forma* basis, after giving effect the incurrence of the Secured Indebtedness and the application of proceeds therefrom, would not be more than 1.5 to 1.0.

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

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

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

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

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

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

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

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

- (i) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition);
- (ii) does not require, prior to the first anniversary of the maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross ups, or any similar cash amounts;
- (iii) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the maturity of the Notes;
- (iv) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (v) pursuant to its terms is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding.

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

**"Unrestricted Subsidiary"** means:

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

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

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

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

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

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

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

- (i) the sum of the products obtained by multiplying (a) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (ii) the then outstanding principal amount of such Indebtedness,

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

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

5. **Interest and other Calculations**

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f).

(b) **Interest on Floating Rate Notes:**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

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

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

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

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

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

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuer shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question (such offered quotations to be notified by the Issuer to the Calculation Agent). If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Issuer determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of)

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

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

- (iii) if the yield referred to in (ii) above is not published by 4:30 p.m. (New York City time) on such Interest Determination Date, the CMT Reference Dealer Rate on such Interest Determination Date; or
- (iv) if fewer than three CMT Reference Dealers selected by the Calculation Agent provide bid prices for the purposes of determining the CMT Reference Dealer Rate referred to in (iii) above as described in the definition of CMT Reference Dealer Rate, the CMT Rate applicable to the last preceding Interest Period,

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

(C) Linear Interpolation

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

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

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8 (*Taxation*)).

- (e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
  - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
  - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (*provided* that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.
- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as reasonably practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as reasonably practicable after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination *provided* that if the Calculation Agent is unable to notify the relevant stock exchange on which the relevant Notes are for the time being listed, the Issuer shall procure such notification. Where any Interest Payment Date

or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. All notifications, opinions, determinations, (including, without limitation, of any amount or of any state of affairs, circumstances, event or other matter), certificates, calculations and quotations given, expressed, made or obtained or permitted to be determined, decided, formed or exercised by the Calculation Agent, in each case, under or pursuant to the Agency Agreement and/or these Conditions, shall be final and binding upon all parties and no liability to any party will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

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

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

"**Auditors**" means UAB Ernst & Young Baltic.

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

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

"**Business Day**" means:

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

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

"**CMT Reference Dealer Rate**" means, on any Interest Determination Date, the rate calculated by the Calculation Agent as being a yield-to-maturity based on the arithmetic mean of the secondary market bid prices for U.S. Treasury Securities at approximately 4:30 p.m. (New York City time) on such Interest Determination Date, of leading primary U.S. government securities dealers in New York City (each, a "**CMT Reference Dealer**"). The Issuer will select five CMT Reference Dealers to provide such bid prices and the Calculation Agent will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest); *provided, however*, that, if fewer than five but more than two such bid prices are provided, then neither the highest nor the lowest of those quotations will be eliminated prior to calculating the arithmetic mean of such bid prices.

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

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

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30

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

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30

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

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30

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

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such

Determination Period and (y) the number of Determination Periods normally ending in any year; and

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

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

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

where:

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

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

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

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

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

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

**"Interest Amount"** means:

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

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

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

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

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

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

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

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

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of the historic LIBOR rules can be obtained from the designed distributor);

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

**"Lithuania"** means the Republic of Lithuania.

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

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

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

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

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

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

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount, the Make Whole Redemption Price and/or such other amount as may be specified in the relevant Final Terms and in each case the Optional Redemption Amount (Call) shall be specified in the Final Terms and may constitute different amounts which depend on the date of the Call Option Notice.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (iii) more than half of the votes of which is controlled by the by the first mentioned company or corporation; or
- (iv) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

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

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

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

## 6. **Redemption, Purchase and Options**

- (a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).
- (b) **Early Redemption:**
  - (i) *Zero Coupon Notes:*
    - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
    - (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
    - (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final

Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c).

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

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Republic of Lithuania or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes (other than a change resulting from the implementation of the Lithuanian Law No, XIII-1335, dated 28 June 2018, amending articles 2, 6, 16, 20, 21 and 27 of the Law on Personal Income Tax of the Republic of Lithuania, No. IX-1007 (in Lithuanian – *Lietuvos Respublikos gyventojų pajamų mokesčio įstatymo Nr. IX-1007 2, 6, 16, 20, 21 ir 27 straipsnių pakeitimo įstatymas, Nr. XIII-1335, data 2018 m. birželio 28 d.*) that was adopted by the Parliament of the Republic of Lithuania on 28 June 2018); and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (A) a certificate signed by the General Manager of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures and (B) an opinion of a nationally recognised law firm or other tax advisor in Lithuania experienced in such matters to the effect that the relevant requirement or circumstances referred to in (i) above applies and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.
- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so *provided*, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

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

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be

fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of the Issuer (Make Whole):** If Make Whole Amount is specified hereon as the Optional Redemption Amount, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period as may be specified hereon) to the Noteholders (which notice shall specify the date fixed for redemption, (the "**Make Whole Optional Redemption Date**")), redeem all, or, if so *provided*, some of the Notes at the Make Whole Redemption Price together with interest accrued to but excluding the Make Whole Optional Redemption Date.

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

In this Condition:

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

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

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

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

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

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

- (g) **Redemption at the Option of Noteholders (Change of Control):** If Change of Control Put Event is specified hereon and a Change of Control Put Event occurs, the holder of any such Note will have the option (a "**Change of Control Put Option**") (unless prior to the giving of the relevant Change of Control Put Event Notice the Issuer has given notice of redemption of all Notes under Condition 6(c), 6(d) or 6(e) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the

Change of Control Put Date (as defined below) at a price equal to 101 per cent. of its principal amount together with interest accrued to (but excluding) the Change of Control Put Date.

A "**Change of Control Put Event**" will be deemed to occur if a Change of Control occurs and on the Relevant Announcement Date the Notes have:

- (i) been assigned a credit rating by any Rating Agency and within the Change of Control Put Period any such Rating Agency downgrades by one rating notch or more and does not subsequently upgrade its credit rating to the rating assigned to the Notes prior to such downgrade by the end of the Change of Control Period, and the ratings report in relation to such downgrade states that the Notes have been downgraded as a result of such Change of Control; or
- (ii) not been assigned a credit rating by any Rating Agency and a Negative Rating Event occurs within the Change of Control Period;

Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 16 specifying the nature of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

To exercise the Change of Control Put Option, any Noteholder must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Change of Control Put Period**") of 90 days after a Change of Control Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Change of Control Put Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Change of Control Put Period (the "**Change of Control Put Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 14 at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Change of Control Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, on or after the Change of Control Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 6(g) shall be treated as if they were Notes.

To exercise the Change of Control Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Change of Control Put Notice obtainable from the Registrar or any Transfer Agent within the Change of Control Put Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified

a bank account in the Change of Control Put Notice to which payment is to be made, on the Change of Control Put Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

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

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

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

In this Condition:

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

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

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

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

a "**Negative Rating Event**" shall be deemed to have occurred at any time if at such time there is no credit rating assigned to the Notes by any Rating Agency at the invitation of

the Issuer and (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a credit rating of the Notes or (ii) if the Issuer does so seek and use such endeavours, it is unable to obtain such a credit rating that is at least equal to BB+ by the end of the Change of Control Period;

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

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

**"Rating Agency"** means Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), Fitch Ratings Limited ("**Fitch**") or Moody's Investors Service Limited ("**Moody's**"), or any of their respective successors, or any other rating agency of international standing;

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

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

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

## 7. **Payments and Talons**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank.
- (b) **Registered Notes:**
  - (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, *provided* that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having its specified offices in at least one major European city and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

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

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

- (f) **Unmatured Coupons and unexchanged Talons:**
  - (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, such Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the

payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
  - (iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
  - (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:
- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or
  - (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 8. **Taxation**

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

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Lithuania other than the mere holding of the Note or Coupon or

- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

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

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

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

*Under current Lithuanian laws and regulations, interest (which also includes as interest, if applicable, the difference between the redemption price and the issue price of the Notes) payments under the Notes to individuals (non-tax residents of Lithuania) are subject to withholding tax, until 1 January 2019, at a rate of 15 per cent. (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate) and, as of 1 January 2019, at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, if calculated according to the data of the 1st quarter of 2018 only, this figure would be EUR 107,424) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year, exceeding the aforementioned threshold (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate). Under current Lithuanian laws and regulations, interest payments under any Notes (which also includes as interest, if applicable, the difference between the redemption price and the issue price of the Notes) to entities residing outside of the EEA or in countries which do not benefit from a double tax treaty with the Republic of Lithuania are subject to Lithuanian withholding tax at a rate of 10 per cent.*

## 9. **Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the

case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

#### 10. **Events of Default**

- (a) If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to its being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:
- (i) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes or
  - (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee or
  - (iii) **Cross-Acceleration:** (A) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised *provided* that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph have occurred equals or exceeds EUR25.0 million or its equivalent or
  - (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries having an aggregate value of EUR25.0 million or more and is not discharged or stayed within 60 days or
  - (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Material Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) or
  - (vi) **Insolvency:** any of the Issuer or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, (b) stops, suspends or threatens to stop or suspend payment of all or any substantial part of (or of a particular type of) its debts, or (c) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts other than any assignment, arrangement or composition on a solvent basis in respect of debts not exceeding EUR20.0 million in the aggregate or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Material Subsidiaries or
  - (vii) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Material Subsidiaries, or the Issuer or any of its Material Subsidiaries

shall apply or petition for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors or other relevant body (as the case may be) threatens to cease to carry on all or any substantial part of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or another of its Material Subsidiaries, *provided* that this paragraph (vii) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement or

- (viii) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or, in the opinion of the Trustee, a material part of the assets of the Issuer or any of its Material Subsidiaries or
- (ix) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed or
- (x) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs

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

#### 11. **Meetings of Noteholders, Modification, Waiver and Substitution**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) to change the currency of payment of the Notes or the Coupons, (v) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (vi) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid

and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

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

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

- (b) **Modification of the Trust Deed:** The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.
- (c) **Substitution:** The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary as defined in the Trust Deed of the Issuer or its successor in business in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Notes. In the case of such a substitution the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Coupons, the Talons and/or the Trust Deed *provided* that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.
- (d) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

## 12. **Enforcement**

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

13. **Indemnification of the Trustee**

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

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

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

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

15. **Further Issues**

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

16. **Notices**

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

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

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

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

18. **Governing Law and Jurisdiction**

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

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1. Initial Issue of Notes

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

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

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

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

### 2. Relationship of Accountholders with Clearing Systems

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

### 3. Exchange

#### 3.1 Temporary Global Notes

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

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

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

### 3.2 **Permanent Global Notes**

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

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

### 3.3 **Global Certificates**

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

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

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

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

### 3.4 **Delivery of Notes**

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

### 3.5 **Exchange Date**

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

## 4. **Amendment to Conditions**

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

### 4.1 **Payments**

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

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

### 4.2 **Prescription**

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

### 4.3 **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

#### 4.4 **Cancellation**

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

#### 4.5 **Purchase**

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

#### 4.6 **Issuer's Option**

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

#### 4.7 **Noteholders' Options**

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

#### 4.8 **NGN nominal amount**

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

#### 4.9 **Trustee's Powers**

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

#### 4.10 **Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in

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

## 5. **Electronic Consent and Written Resolution**

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

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

## USE OF PROCEEDS

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

Notes may be issued as green bonds ("**Green Bonds**") and the relevant Final Terms will indicate whether or not the Notes are intended to constitute Green Bonds and will provide additional information in relation to the intended use of proceeds in respect of any Green Bonds.

## DESCRIPTION OF ISSUER

### Overview

The Issuer's legal and commercial name is MAXIMA GRUPĖ, UAB (also referred to as "**Maxima grupė**"). The Issuer is incorporated in Lithuania as a private company with limited liability and registered in the Register of Legal Entities of the Republic of Lithuania with registration number 301066547. The Issuer was registered on 27 August 2007 and operates under the Law on Companies of the Republic of Lithuania (the "**Law on Companies**") and other applicable laws. The Issuer's registered office is at Savanorių Ave. 247, Vilnius city, Vilnius city municipality, Lithuania, and the telephone number of its registered office is +370 5 219 6000.

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

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

The Group currently owns a number of retail chains operating under the names of "Maxima" in the Baltic countries, "Aldik" and "Stokrotka" in Poland and "T-Market" in Bulgaria, as well as the online shop "Barbora", Lithuania's leading online supplier of food and daily consumer goods (based on internal estimates), which also operates in Latvia and Estonia. The Group also owns real estate entities that operate the real estate assets used in the Group's retail businesses.

Maxima grupė is part of uždaroji akcinė bendrovė "Vilniaus Prekyba" ("**UAB "Vilniaus prekyba"**"), one of the largest retail groups in the Baltics and Central and Eastern Europe. The Group has grown significantly in recent years, through a mixture of organic growth and strategic acquisitions.

The Group's consolidated sales and other income for the year ended 31 December 2016 totalled EUR 2.78 billion, and for the year ended 31 December 2017 totalled EUR 2.9 billion. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR 54.9 million and EUR 136.2 million, respectively, and for the year ended 31 December 2017 were EUR 93.6 million and EUR 149.5 million, respectively. As at 31 December 2017, the Group had total assets of EUR 1.24 billion compared to EUR 996 million as at 31 December 2016. The Group's consolidated figures for the periods ended 31 December 2016 and 31 December 2017 do not include the results of Emperia Holding (as defined below) as this entity did not form part of the consolidated Group for these periods. Franmax (as defined below) was acquired by the Group in December 2017 and its results have been consolidated into the Group figures since 31 December 2017.

### History and Development

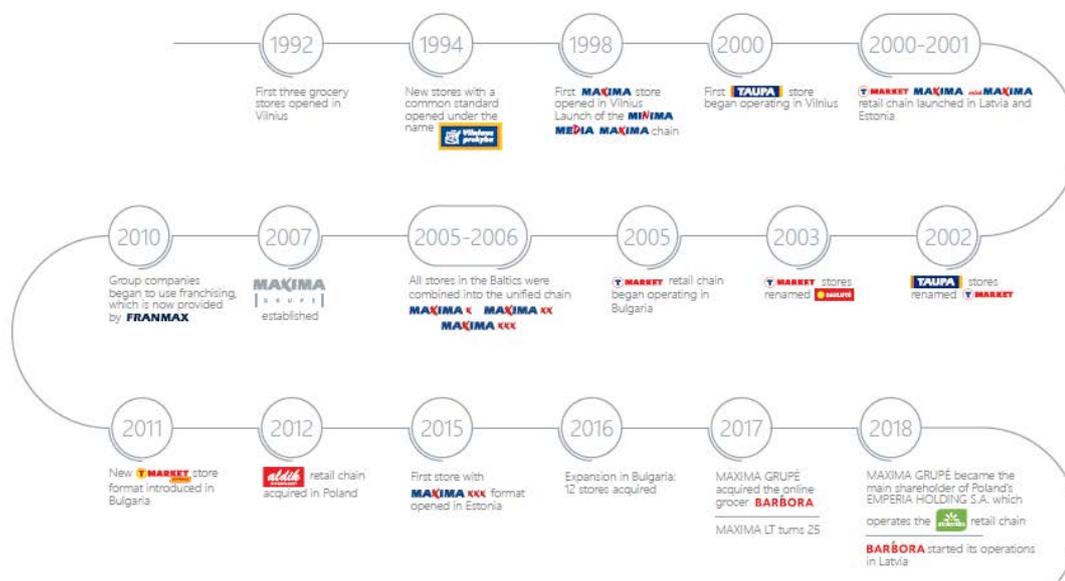
The Group has evolved over 26 years from three stores that were opened in Vilnius, Lithuania, in 1992. Since then the retail network of MAXIMA LT, UAB ("**Maxima Lithuania**") has expanded to every large town in Lithuania. The Group has also expanded its operations internationally, starting its activities in Estonia and Latvia in 2001 under both the "Maxima" and "T-Market" brands, and launching its first store in Bulgaria under the T-Market brand in 2005. Between 2005 and 2006 the Group's operations across the Baltic states were consolidated beneath the Maxima brand.

The Issuer was established as a holding company of the Group in Lithuania in 2007 and directly or indirectly controls its retail, real estate and other subsidiaries. Since May 2015, the Issuer has also provided business consulting services to its retail subsidiaries in various areas, such as human resources, accounting, legal advice, and asset management, based on the needs and requests of its subsidiaries.

Economic contraction in 2009 temporarily slowed the Group's expansion and even led to the closure of less profitable stores. However, following a brief downturn the Group recovered and started to expand again. From 2010 to 2017 the number of Maxima stores increased by 4.5 per cent. per annum on average. Overall, during the period from 2010 to 2017, the Group's total number of stores has increased by 31.5 per cent. By the end of the year ended 31 December 2017, the Group had 568 stores. At the end of 2017, the Group had

over 30,000 employees. During 2017 the Group also acquired e-commerce group, Radas UAB, which consolidates a number of e-commerce businesses (Barbora UAB in Lithuania, Patrika SIA in Latvia and Supersa OU in Estonia) (hereinafter together referred to as "**Barbora**"), see further "*Business of the Group – Lithuania*" below.

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



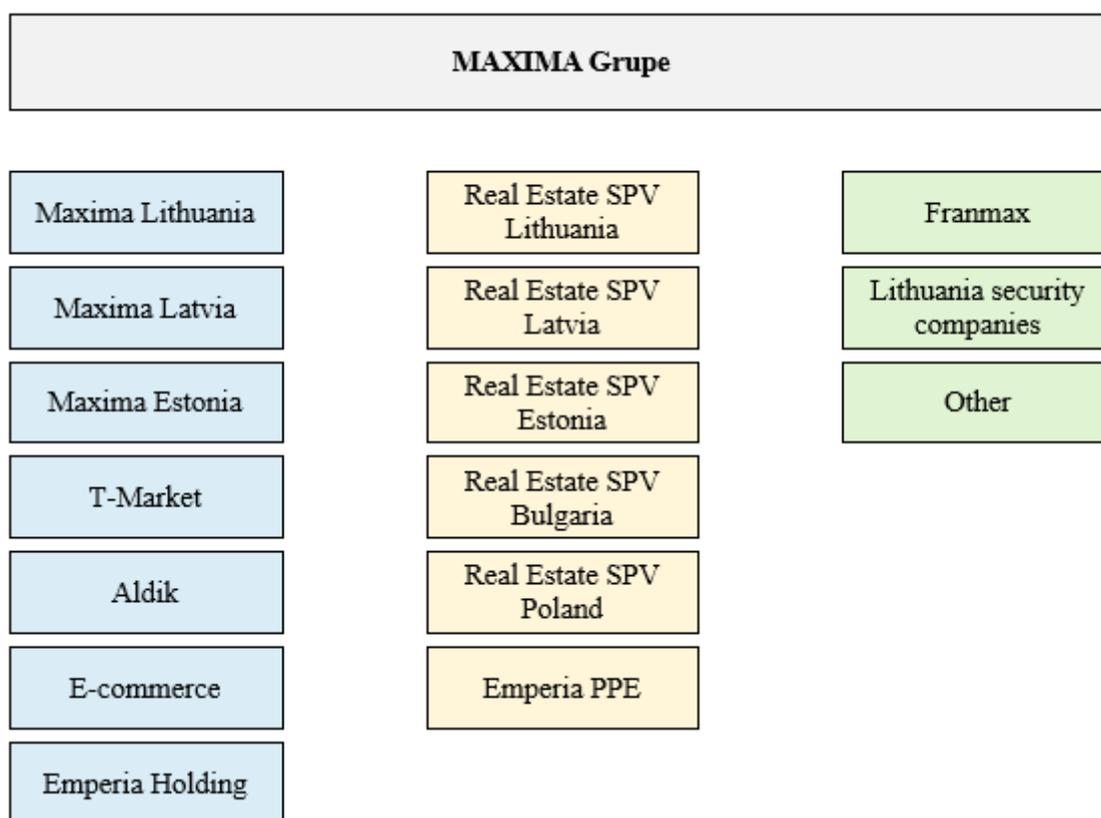
The number of stores owned by the Group (excluding those of Emperia Holding) is displayed in the table below.

Number of Stores	31 December	
	2016	2017
Lithuania (Maxima Lithuania) .....	238	243
Latvia (Maxima Latvia) .....	151	154
Estonia (Maxima Estonia) .....	75	76
Bulgaria (T-Market) .....	61	65
Poland (Aldik) .....	30	30
<b>Total</b> .....	<b>555</b>	<b>568</b>

## Organisational Structure

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

The Group also holds its real estate assets through separate subsidiaries of the Issuer, and owns other subsidiaries including the FRANMAX, UAB ("**Franmax**") centralised purchasing and franchising centre. A structure chart showing the key subsidiaries of the Issuer and their position within the Group is set out below:



### KEY



**Operators** - Entities in charge of managing the stores in respective countries.



**Real Estate** - Entities owning real estate assets in respective countries.



**Others** – Other companies including Franmax (a centralised purchasing and franchising centre owned by Vilniaus Prekyba until December 2017).

## Strengths and Strategy

### Strategy

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

#### 1. Strengthen leadership position in the Baltics

The Group intends to consolidate and develop its existing leadership position in the Lithuanian, Latvian and Estonian markets. It intends to achieve this through a mixture of: (i) like for like growth based on store upgrades and segmentation (ii) organic expansion (iii) the introduction of a

new small store format and (iv) acquisition activity, focussed on smaller competitors with potential synergies in respect of retailer size, format, geographies, growth history and ownership structure.

## 2. **International Expansion**

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

In April 2018 the Group acquired Emperia Holding S.A. ("**Emperia Holding**"), which operates the "Stokrotka" chain in Poland with 437 stores and revenue from sales and other operating revenue of PLN 2,588 million (equivalent to EUR 610 million translated using a foreign exchange rate of EUR/PLN=4.2447) for the year ended 31 December 2017. The Group will consider further organic expansion using Emperia Holding's existing capabilities, as well as further potential acquisitions with potential synergies in respect of retailer size, format, geographies, growth history and ownership structure.

## 3. **Growth of online sales in the Baltics**

In 2017 the Group acquired Barbora, an online store for groceries and daily products. Barbora remains the market leader in the fast-growing online markets for groceries and consumer goods in Lithuania and Latvia. Barbora is also establishing a presence in Tallinn, Estonia's capital. The Group's e-trade sales in the Baltics amounted to EUR 25.4 million in 2017.

Established in Vilnius, Lithuania, Barbora expanded its activities and began to provide services in Kaunas and Klaipėda in 2017. Currently, more than 1 million people in Lithuania already have access to Barbora's services.

In 2018 Barbora started operating in Riga, Latvia and plans to provide services in all three Baltic countries by the end of the current year.

Analysts predict significant growth over the next 3-5 years for online shopping for food and daily goods in the Baltics, and accordingly Barbora has ambitious goals.

## 4. **Competition with discount retailers**

The Group has implemented a number of initiatives in order to maintain and strengthen its market position and remain competitive against discount retailers, including the relatively new market entrant Lidl in Lithuania. For example, the Group has (i) instituted low price guarantees on certain key value items in order to support a positive consumer price perception, (ii) focussed on stocking a differentiated assortment of goods, including local and store exclusive products, (iii) improved customer service, particularly through an increase in on-shelf availability of goods and (iv) sought out additional revenue streams by capitalising on holidays and special occasions through promotional events.

Management expects that such initiatives, coupled with the Group's increasing focus on smaller store formats, should allow it to keep effectively managing its business in spite of the competition presented by Lidl and other discount retailers. Management believes that the effectiveness of these initiatives has already been demonstrated in Lithuania where, following Lidl's entry to the market in 2016 and Maxima Lithuania's resultant loss of market share, the subsequent implementation of such initiatives enabled Maxima Lithuania to recover market share during the course of 2017 (Maxima Lithuania's market share in the second half of 2017 reached 34.2 per cent. compared with 33.7 per cent. in the first half of 2017, based on the Group's internal calculations and data from the official Lithuanian Statistical Department).

## *Strengths*

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

### **1. Market leadership in the Baltic region with strong financial track record**

The Group's market position generates significant revenues and provide scale and operating efficiencies to its retail businesses.

The Group is one of the largest retailers in the Baltic region by trading area and sales, with an aggregate retail trading area of 521,775 square metres across Lithuania, Latvia and Estonia as at 31 December 2017 and sales and other income of EUR 2.9 billion for the year ended 31 December 2017. The Group remains approximately twice as big in terms of sales than its closest competitor (Rimi Baltic) as at 31 December 2017 and management estimates that the Group has a market share of approximately 28 per cent. across Lithuania, Latvia and Estonia (including a market share of approximately 34 per cent. in Lithuania).

### **2. Brand recognition**

The Group's well-recognised brand name allows it to generate customer loyalty, drive sales across diverse customer segments and shopping occasions and satisfy a broad range of customer needs. The recognition of the "Maxima" brand is an important aspect of the Group's success in the retail market. The Group believes that its wide range of store formats, variety of goods and presence in strategically convenient locations enables it to meet the needs of customers and promotes its brand across all potential target consumer groups.

The Group seeks to maintain its reputation as a price leader in respect of key value items ("**KVIs**") through initiatives such as its "low price guarantee" and through the adoption of a pricing policy which focuses on such items. It also looks to strengthen its relationship with consumers through the use of promotional events and its loyalty card programme (offering customers personalised discounts and cashback offers) which has a high engagement rate (95 per cent. of households in Lithuania possess a Maxima loyalty card).

### **3. Operates in stable and underpenetrated markets**

The regions in which the Group operates have strong macro-economic fundamentals and are projected to continue to enjoy steady growth. For example, in 2017 retail sales recorded growth of 4.6 per cent. in Lithuania, 4.3 per cent. in Latvia and 1.7 per cent. in Estonia, compared with 2.4 per cent. in the Eurozone. Furthermore, as a retailer of food and other basic necessities, the Group has traditionally had low sensitivity to economic cycles.

Only a limited number of chains operate in the retail industry with no significant presence from major Western retailers in the Baltic States.

### **4. Efficient operating model**

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

## 5. Supportive shareholders and experienced management team

The Group is owned by UAB "Vilniaus prekyba" and benefits from certain synergies arising from its relationship. For example, approximately 25 per cent. of Maxima grupė's rental income derives from associated companies including Euroapotheca. Maxima grupė has also received financing from related parties within the UAB "Vilniaus prekyba" group, including a loan of EUR150 million from GRN Investment DAC as at 31 December 2017 in order to fund the acquisition of Emperia Holding.

Additionally, the Group has an experienced management team comprised of individuals with a significant breadth and depth of experience who are well positioned to understand and capture the Group's strategic opportunities.

### Business of the Group

The Group's core business is the provision of retail stores selling food and daily groceries across the Baltics, Bulgaria and Poland. In Bulgaria and Poland where the Group's operations have (prior to the Emperia Holding acquisition described below under "*Poland*") historically been smaller in scale, the Group's stores are laid out on a single format for everyday shopping. In the Baltics, where the Group's operations are more widely established, the Group operates three formats of store, "X", "XX" and "XXX".

In addition, the Group is in the process of piloting a new format of convenience stores known as "Stokrotka Express" ("**Express**") in Poland. As at the date of this Base Prospectus, the Group is operating twelve Express stores on a trial basis. Management will decide whether Express will be established as a permanent format depending on the financial and operational results of the Express stores during the trial period (which is anticipated to be between six and nine months and is expected to finish by the end of 2018).

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

"Express"	These are grocery stores with an assortment of "take & go" food products and tend to be located in city centres or at rail or bus terminals. The stores are intended for convenient and quick customer shopping. These stores are built in areas with a population of at least 1,500 persons within a two to three minute walking radius, in densely populated areas of large cities. The stores generally have a trading area of up to 1,240 square metres with a product range varying between 2,000 and 3,000 items.
"X"	These are grocery stores with a limited assortment of everyday goods, and tend to be small supermarkets located near to customers' homes. The stores are intended for everyday shopping and are built in small towns with a population of at least 3,000 people within a 10 kilometre radius and densely populated areas of large cities. The stores generally have a trading area of up to 1,300 square metres with a product range varying between 1,000 and 12,000 items, depending on the size of store and the offering of local competition.
"XX"	These are stores with a wide food assortment and a strategically selected assortment of non-food items, intended for both everyday and weekly shopping. Typically, these stores are built in towns and areas with more than 15,000 people in a 2-3km radius, or passing traffic of at least 6,000 vehicles per day. The store footprint is typically between 1,300 and 3,500 square metres and the product range typically varies between 12,000 and 24,000 items, depending on the size of store and the offering of local competition.
"XXX"	These are the Group's largest stores with a wide assortment of both food and non-food items. These stores are intended for weekly shopping, and shopping for special occasions and holidays. These stores are located in towns with a population of at least 50,000 people, or in towns with populations in excess of 100,000 people they are located in centres of population of at least 50,000 in a 3-5km radius. The store footprint is typically between 3,500 and 6,500 square metres and the product range varies between 25,000 and 55,000 items depending on the size of store and the offering of local competition.

The contribution of each store format to total Group retail turnover is set out below, as per management accounts. Retail turnover is defined as sales through cash registers:

<b>Retail turnover</b>	<b>2016</b>	<b>2017</b>
	<i>Percentage of Group retail turnover</i>	
Maxima X .....	44%	44%
Maxima XX .....	37%	38%
Maxima XXX.....	18%	17%
E-commerce platforms (Barbora).....	1%	1%
<b>Total</b> .....	<b>100%</b>	<b>100%</b>

In response to changing consumer preferences, the Group anticipates a greater focus on smaller Maxima X (and potentially Express) stores in the medium term, coupled with an emphasis on growing sales from its Barbora platform. The vast majority of the Group's stores are profitable, validating the Group's choice of store formats and locations.

The store formats of the Group (other than in Poland) are set and supervised centrally by Franmax, which also carries out centralised purchasing activities on behalf of the Group. Centralised aspects of the planning process include the store category, total area, sales area, interior layout, equipment, marketing, the range of non-food items to be carried and appointment of management. Other aspects of the planning process are devolved by local country management, including the location of new stores, pricing, promotions and the assortment of food products to be carried. In Poland, store formats and concepts are all managed locally.

The Group's sales and other income and EBITDA for its operations in each jurisdiction over the last two financial years is set out in the table below:

<b>Sales and other income</b>	<b>2016</b>	<b>2017</b>
	<i>EUR millions</i>	
Lithuania (Maxima Lithuania) .....	1,565.0	1,593.7
Latvia (Maxima Latvia) .....	714.5	743.4
Estonia (Maxima Estonia).....	456.4	476.4
Bulgaria (T-Market).....	90.9	113.3
Poland (Aldik).....	47.8	52.1
Others (real estate and holdings, including consolidation adjustments)	(90.9)	(78.3)
<b>Total</b> .....	<b>2,783.7</b>	<b>2,900.6</b>

<b>EBITDA</b>	<b>2016</b>	<b>2017</b>
	<i>EUR millions</i>	
Lithuania (Maxima Lithuania) .....	73	75
Latvia (Maxima Latvia) .....	29	36
Estonia (Maxima Estonia).....	4	14
Bulgaria (T-Market).....	(2)	(2)
Poland (Aldik).....	(3)	(2)
Others (real estate and holdings, including consolidation adjustments)	35	29
<b>Total</b> .....	<b>136</b>	<b>150</b>

## Retail Market Overview

The regions in which the Group operates have strong macro-economic fundamentals and their retail markets are projected to continue to enjoy steady growth over the next five years. For example, in 2017 retail sales recorded growth of 4.6 per cent. in Lithuania, 4.3 per cent. in Latvia and 1.7 per cent. in Estonia, compared with 2.4 per cent. in the Eurozone. Furthermore, as a retailer of food and other basic necessities, the Group has traditionally had a low sensitivity to economic cycles as is typically the case in the grocery retail industry and has a proven track record of operating in weak market conditions. Furthermore, other than 2013-2015, sales of food and non-alcoholic drinks in the Baltic States have grown year on year since 2010 and the Baltic States and Poland have exhibited stronger growth than the rest of the EU.

Since 2010, the Baltic States and Poland have also experienced consistent GDP growth at levels above those experienced in the wider EU for the same period. Since 2010, average GDP growth has been 3.3 per cent. in Lithuania, 2.6 per cent. in Latvia, 3.4 per cent. in Estonia and 3.3 per cent. in Poland, compared to 1.5 per cent. for the EU as a whole. Excluding Russia and Ukraine, almost all CEE grocery retailers have

seen consistent revenue growth in the period between 2012 and 2017 with a move away from traditional independent formats to modern convenience formats and large scale and discount retail formats.

The Baltic States have only a limited number of chains that operate in the retail industry with no significant presence from major Western retailers in the Baltic States. Penetration of discount retailers in the Baltic States also remains low, with between 12 and 25 square metres of retail space per 1,000 inhabitants compared to an EU average of 47 square metres, and the penetration of convenience stores remains similarly low with 2-3 square metres of retail space per 1,000 inhabitants compared to an EU average of 10 square metres. Poland by contrast has greater penetration of discount retailers than the EU average, with approximately 75 square metres of discount retail space and 19 square metres of convenience retail space per 1,000 inhabitants.

The Group's management expects the development of convenience store formats to offer the greatest potential for future growth, in response to changing consumer habits.

The Group is the largest retailer in the Baltic region by trading area and sales, with an aggregate retail trading area of 521,775 square metres across Lithuania, Latvia and Estonia as at 31 December 2017 and sales and other income of EUR 2.9 billion for the year ended 31 December 2017. The Group remains approximately twice as big in terms of sales (based on published financial data) than its closest competitor (Rimi Baltic) as at 31 December 2017 and management estimates that the Group has an aggregate market share of approximately 28 per cent. across Lithuania, Latvia and Estonia (including a market share of approximately 34 per cent. in Lithuania). Rimi Baltic is the only major competitor with a presence in all three Baltic States, with the Group's other main competitors (including Norfa, Iki, Lidl and Coop) currently operating in only one of the Baltic markets.

#### *Competitive Landscape and Market Positioning*

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

The recent acquisition of the Stokrotka chain in Poland will enable the Group to become a more significant player in the comparatively large Polish market. In Bulgaria, T-Market's market share is still low, leaving significant potential for further growth.

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

<b>Yearly market share</b>	<b>2016</b>	<b>2017</b>
Lithuania (Maxima Lithuania) .....	35.0%	33.9%
Latvia (Maxima Latvia) .....	25.4%	24.7%
Estonia (Maxima Estonia) .....	17.6%	17.8%
Bulgaria (T-Market) .....	1.9%	2.3%
Poland (Aldik) .....	0.1%	0.1%

*Source: Own sales data combined with countries official Statistical Departments data.*

The Group also currently operates e-trade channels through its Barbora platform in the Baltics. In Lithuania and Latvia it has very little competition, as its domestic competitors are small or specialist players, with a limited product range, who do not offer the broad range of groceries and consumer goods offered by the Group. In Estonia, online competition is comparatively stronger, with three other significant players operating e-trade platforms (namely Selver, Coop and Prisma). Management believes that online trading offers potential for significant increases in revenue, based on the growth that the Group has experienced in recent years.

The Maxima brand in the Baltics is a mass market chain that aims to offer customers convenient shopping without over paying. In Bulgaria and Poland, where the Group's store formats are more limited, the focus is on providing a practical and convenient choice for everyday shopping. In all cases, the Group's focus is on combining a high quality offering with a competitive price, and the Group's main target market is mainstream family customers of working age with medium and higher incomes.

The Group is focussed on developing a range of store formats that best suits the needs of the Group's customers. In particular, the Group is focussed on maximising accessibility by choosing convenient locations for its customers and in 2017, 17 new stores were opened in Lithuania, Latvia, Estonia and Bulgaria. Within stores, the Group's objective is to ensure that customers are always able to find the products that they need, stocking the customers' favourite product lines and ensuring the availability of high quality fresh food. The Group is also committed to remaining a leader in the range of special offers that it makes available to its customers, through effective and understandable promotions, and the Group prioritises quick and efficient in-store service, including reducing queuing in its stores.

In the Baltics, the Group's main competitor is Rimi Baltic, which is the leader in Latvia in terms of market share and is targeting expansion in Estonia and Lithuania. The main discount retailer competing with the Group in the Baltics is Lidl, which entered the Lithuanian market in 2016. Lidl directly targeted its openings close to Maxima stores, but after an initial decline in Maxima's market share, the Group has started to recover lost ground. Management believes that the recovery in market share has resulted from initiatives such as the introduction of a low price guarantee and controlling KVIs against major competitors, effective communication to shoppers (including the promotion of a basket of lowest priced private labels), the implementation of efficiency strategies and the diminishing impact of the "Lidl effect" on consumers' purchasing habits (see "*Risk Factors - The Group faces strong competition from other retailers which could materially adversely affect its financial performance*"). Although discount retailers are also present in Bulgaria and Poland, their influence is currently less significant.

#### *Products*

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

In addition to sourcing products from third party suppliers, the Group produces its own private label goods and products which represent about 18 per cent. of total turnover in retail stores value with the greatest proportion of own brand turnover in retail stores being in Lithuania (21 per cent.), Latvia (16 per cent.) and Estonia (15 per cent.). In Bulgaria and Poland, where stores do not operate under the Maxima brand, sales of own label products are significantly lower. The Group offers own label items in almost all categories, save for a few exceptions in specialist items such as tobacco and baby food. Fresh food (21 per cent.) and industrial goods (39 per cent.) contribute the highest proportion of own label sales.

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

#### *Main types of revenue and income streams (sales and other income)*

The Group's principal types of revenue and income streams are as follows:

1. *Revenue from the sale of goods (retail turnover):* The client generally pays in cash or by credit card in a retail store at the moment of sale.
2. *Revenue from the sale of goods (wholesale turnover):* Revenue is recognised when all benefits and obligations of the sold goods have been transferred to the client in accordance with the terms of delivery.
3. *Advertising, marketing and sales promotion services income:* Income is earned from the provision of advertising, marketing and sales promotion services that are provided by the Group to clients in accordance with the terms of the relevant contracts. This income is recorded as 'other income' as the Group has a contractual obligation to advertise its suppliers and their products as part of certain promotional campaigns, and such advertising takes place in store, via joint events or through various media channels.
4. *Rental income:* Rental income is the income earned from the lease of premises owned by the Group or sub-lease of rented premises under operating lease contracts.
5. *Transportation services income:* The Group provides transportation services to its wholesale customers, e-trade customers and some suppliers.

6. *Commission income:* The Group earns commission income on the sale of lottery tickets, prepaid telephone cards and fee collection in respect of certain utilities payments.

The Group's cost of sales can be sub-divided into: the cost of goods sold (accounting for approximately 82 per cent. of the total cost of sales for the year ended 31 December 2017), employee remuneration costs (accounting for approximately 8 per cent. of the total cost of sales for the year ended 31 December 2017) and other costs including expenses relating to store rent, utilities, franchise fees, 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 2017).

#### *Lithuania*

In 2017, the Group generated approximately 50 per cent. (representing the largest portion) of its total sales and other income in the Lithuanian market. Maxima Lithuania's sales and other income for the year ended 31 December 2016 totalled EUR 1,565 million, and for the year ended 31 December 2017 totalled EUR 1,594 million. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR 61.2 million and EUR 73.1 million, respectively, and for the year ended 31 December 2017 were EUR 61.9 million and EUR 74.6 million, respectively. In 2017 the estimated market share of the Group in Lithuania was 33.9 per cent., based on the Group's internal calculations and data from the official Lithuanian Statistical Department, with its nearest competitor (Iki) estimated by the Group to have a 15.1 per cent. market share. In 2017, the Group's major competitors in Lithuania were Iki, Norfa, Rimi and Lidl. The Group also has its largest number of stores in Lithuania, having 243 stores across Lithuania in 2017.

Maxima Lithuania was established and started its business on 17 March 1995 and its principal address is at Naugarduko str. 84, Vilnius. The principal activity of the company is the retail sale of food and consumer goods and services through its network of stores. During 2017, 8 new shops were opened, 11 shops were reconstructed and 3 were closed. At the end of 2017, the Company had 243 shops in Lithuania. The Company has created different size shops to address different consumer needs: MAXIMA X (165), MAXIMA XX (64) and MAXIMA XXX (14). All shop formats are constructed in order to ensure that customers are able to orientate themselves easily and find the items that they are looking for. In the stores MAXIMA XX and MAXIMA XXX, part of the commercial area is rented to specialised retailers in order to ensure that customers can find all of their goods and services in one place.

Maxima Lithuania's stores are visited by more than 500,000 customers every day. Shops are easy to find as they operate in cities, smaller towns and regional centres. Maxima Lithuania also tries to provide a comprehensive assortment of everyday, wide usage goods and services, in order to be attractive to customers and to provide higher quality produce than other market participants. Maxima Lithuania is proud of its close relationship with Lithuanian suppliers. All suppliers are selected on the basis of high quality standards and locality to the Group's stores, as the Group strives to ensure that high quality and fresh products are available to its customers. In order to meet this objective and satisfy customer needs, Maxima Lithuania implements a continuous shop network development and modernization programme and work performance development and efficiency programmes. In addition, Maxima Lithuania runs a prominent loyalty programme, of which there are nearly two million loyalty card accountholders, representing 95 per cent. of households (Source: AC Nielsen Shopper trends 2017). According to AC Nielsen Shopper trends 2017, 60 per cent. of customers are of the opinion that Maxima Lithuania's loyalty program provides the best benefits amongst its peers. According to research conducted by Kantar Emor in April 2018, MAXIMA is the fourth most popular brand in Lithuania and the only Lithuanian brand within the top 10. These factors have helped contribute to Maxima Lithuania's sales and other income growth, which has increased by 1.8 per cent. between 2016 and 2017 and profit from operations, which increased by 1.15 per cent. during the same period. Profit before tax reduced by 2.42 per cent. in 2017 compared to 2016.

In 2017 the Issuer acquired RADAS, UAB with its subsidiary Barbora, for a cash consideration of EUR 1.4 million. Barbora is an e-commerce store for daily products. More than 9500 products that can be purchased in the retail stores operated by Maxima Lithuania can also be ordered online as well as some products picked exclusively for Barbora. During 2017, Barbora delivered over 500,000 orders. The current focus of Barbora is to expand services and build up a larger customer base. The main responsibilities of employees of Barbora are to maintain high quality service standards, completing orders and delivering goods to its customers' homes.

RADAS, UAB is the parent company of Barbora's operating entities in the Baltics and it owns e-trade IT solutions, which it continuously develops and updates. RADAS, UAB undertakes e-commerce marketing,

logistics, assortment solutions and services. The e-commerce platform is provided to Barbora's operations in the Baltics in a form of a franchise agreement.

In December 2017 the Group also acquired 100 per cent. of the share capital of Franmax from UAB "Vilniaus prekyba" for EUR 50.3 million, on the basis of a market value assessment of Franmax's share capital as determined by independent valuers. As consideration for the shares in Franmax, the Issuer issued 173.5 million ordinary shares of EUR 0.29 nominal value per share, equating to a EUR50.3 million in total nominal value of shares. Franmax was acquired in order to enable the franchise and agency services required by the Group's retail operators to be delivered within the Group. As a result of the acquisition, the Group recognised provisional goodwill of EUR 24.8 million as at 31 December 2017. The goodwill was recognised on a provisional basis because, due to the short period of time between the acquisition date and 2017 year-end, the fair values of net assets (primarily property, plant and equipment and intangible assets) acquired and consideration transferred have not yet been determined and the purchase price allocation has not yet been made. After the initial accounting for the acquisition is completed, each of the amount of goodwill recognised as a result of the acquisition of Franmax, the amounts of assets and liabilities acquired and the purchase consideration may change.

Franmax's sales and other operating income for the year ended 31 December 2016 totalled EUR 53.3 million, and for the year ended 31 December 2017 totalled EUR 55.7 million. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR 42.2 million and EUR 43.9 million, respectively, and for the year ended 31 December 2017 were EUR 44.5 million and EUR 46.4 million, respectively. All revenues of Franmax are derived from sales to other Group entities. Franmax was consolidated into the Group from 31 December 2017 and therefore the Group's financial results for the years ended 31 December 2016 and 31 December 2017 do not include Franmax's results. The Group's statement of financial position includes Franmax's assets and liabilities (determined on a provisional basis) as at 31 December 2017.

#### *Latvia*

MAXIMA Latvija SIA ("**Maxima Latvia**") is a retail chain that owns 154 stores in 46 towns in Latvia. 126 of those stores are "X" format stores, 24 "XX" format, and 4 "XXX" format stores. Maxima Latvia's sales and other income for the year ended 31 December 2016 totalled EUR 715 million, and for the year ended 31 December 2017 totalled EUR 743 million, representing approximately 26 per cent. of the sales and other income of the Group. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR 15.0 million and EUR 28.8 million, respectively, and for the year ended 31 December 2017 were EUR 27.6 million and EUR 36.4 million, respectively. In 2017, the Group had an estimated market share of 24.7 per cent. in the Latvian market, positioning it as the second largest retailer in Latvia, based on the Group's internal calculations and data from the official Latvian Statistical Department. Rimi, with a market share estimated by the Group to be 25.7 per cent. is the Group's largest competitor, followed by Top! with a market share estimated by the Group to be 11.9 per cent.

The Issuer started its activity in Latvia in 2001 by launching a T-Market store, analogous to Maxima's "X" format, with a limited range of products and low prices. At the same time the Group started launching "miniMaxima" shops. In 2002 the first Maxima store was opened in Riga and on the first day it was visited by 13,000 shoppers. By 2007, the 111 stores owned by Maxima covered all 26 regions of the country.

In 2006, the stores and stores operated by Maxima Latvia were united under the single name of "Maxima".

Between 2010 and 2017 the number of the Group's stores in Latvia has been increasing by 2.34 per cent. per annum on average. Maxima Latvia also operates a logistics centre "Abrás" which is one of the most advanced facilities of its type in Northern Europe.

Maxima Latvia is in the process of an ongoing transformation programme, with increased emphasis on making its business processes more effective and changing the corporate culture. For example, in 2017 the management structure of the company was consolidated and a new corporate body - the Council - was established with its principle functions including supervision of the activities of Maxima Latvia's Board of Directors and the approval of major transactions. Membership of the Maxima Latvia's Board of Directors was increased from one to four.

2017 was a stable year for the industry in general. Compared to 2016, growth in sales and other income was 4 per cent.; which was mainly achieved by improvement of internal business processes. In addition, in 2017, the Maxima Latvia retail chain was expanded through the opening of three new MAXIMA X stores.

Maxima Latvia has a long-term loyalty program called "Paldies" (which translates to "Thank you" in English) available to its customers. Ownership of a "Paldies" card allows customers to save money on daily purchases and exercise various other benefits, including the accumulation of money for future purchases, and the availability of special discounts and offers at Group stores and through various partner companies. Additionally, special offers are available to families with children, who register their "Paldies" cards in "Baby Club". As at the date of this Base Prospectus, over 900,000 customers are members of the "Paldies" programme. At the end of 2017, approximately 84 per cent. of Latvian households were in possession of a "Paldies" card.

At the end of 2017, Maxima Latvia employed more than 7,000 employees. Being the largest employer in Latvia, Maxima Latvia continues to increase focus on the training of employees and provision of better customer service. Employees of the company are among the key attributes of Maxima Latvia and Maxima Latvia is keen to remain an attractive and responsible employer.

### *Estonia*

MAXIMA Eesti OU's ("**Maxima Estonia**") sales and other operating income (excluding gains on the sale of property, plant and equipment) for the year ended 31 December 2016 totalled EUR 456 million, and for the year ended 31 December 2017 totalled EUR 476 million, representing approximately 16 per cent. of the sales and other income of the Group. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR -11.8 million and EUR 4.1 million, respectively, and for the year ended 31 December 2017 were EUR 8.0 million and EUR 14.2 million, respectively.

The Group operated 76 stores in Estonia and its estimated market share was 17.8 per cent., based on the Group's internal calculations and data from the official Estonian Statistical Department. The Group's major competitors in Estonia during this period were Coop, Selver, Rimi and Prisma. It believes that it has advantages over its competitors in the region with regard to its loyal client base, use of promotional offers and differentiated assortment of goods.

The Group commenced its activity in Estonia in 2001 by launching its first outlet in the city of Pärnu. Until 2007 the Group limited its investment in the Estonian retail market, and only T-Market stores were operating. In 2017, the Group had an estimated 17.8 per cent. of the market share in Estonia. For the same period, Coop had a market share of 20.2 per cent., Selver 16.6 per cent. and Rimi 14.5 per cent., in each case as estimated by the Group.

In the period between 2010 and 2017 the number of stores has been increasing by 4.86 per cent. per annum on average. At the end of 2017, Maxima Estonia had 76 stores (comprising 54 "X" stores, 19 "XX" stores and 3 "XXX" stores) and in terms of market share occupied second position among Estonian food retail chains. Maxima Estonia is among the top 10 Estonian companies measured by turnover, number of employees, taxes paid and brand recognition.

Regardless of the format, Maxima Estonia's stores are intended to create value by delivering the best prices, assortment and service to customers. Maxima Estonia stores cater for various needs of shoppers: from a small convenience shops close to home for minor daily purchases, to store-located hyperstores meeting the demands of the most sophisticated buyers. As a result, Maxima Estonia's stores are spread all over the country, offering and ensuring the ability to buy goods with guaranteed quality at best prices, both in Estonia's smaller and larger towns, as well as in villages and smaller localities.

Maxima Estonia is in the process of ongoing transformation, with additional emphasis on making the business processes more efficient and changing the corporate culture. One of the results of these activities was the introduction of a new management structure, establishing clearer business management and decision-making processes. As at the end of 2017 Maxima Estonia employed around 4,000 people. Being one of the largest employers in Estonia, the company invests heavily in efforts to train its employees and provide better customer service.

During 2017 Maxima Estonia continued installing self-service cash desks, offering more flexibility to shoppers and simplifying the work of store attendants. Now 40 per cent. of Maxima Estonia stores have self-service cash desks. Focus is also placed on effectiveness of Maxima Estonia's supply chain, including ordering, transportation and operating of its recently built logistics centre, which is one of the largest and most innovative in Estonia.

Maxima Estonia has issued almost 700,000 loyalty cards to date and over 80 per cent. of households in Estonia possess a Maxima Estonia loyalty card, resulting in extensive coverage for offers and advertising campaigns as well as the opportunity to collect consumer feedback on the effectiveness of different marketing strategies.

### *Bulgaria*

MAXIMA Bulgaria EOOD's ("**Maxima Bulgaria**") sales of goods and other operating income for the year ended 31 December 2016 totalled EUR 90.9 million, and for the year ended 31 December 2017 totalled EUR 113.3 million representing approximately 4 per cent. of the sales and other income of the Group. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR -6.0 million and EUR -2.2 million, respectively, and for the year ended 31 December 2017 were EUR -4.7 million and EUR -1.9 million, respectively.

The Group launched its first T-Market store, analogous to Maxima's "X" format, in Bulgaria in 2005. Ten T-Market stores were opened in 2005 and by the end of 2008 29 stores were operating throughout the country.

During 2015, the Group's former competitor REWE Group closed down all of its 49 Penny Market stores, 12 of which were purchased by the Group and converted into new T-Market stores. By the end of the year 2017, Maxima Bulgaria had 65 operating stores in Bulgaria, increasing its estimated market share from 1.9 per cent. in 2016 to 2.3 per cent. in 2017, based on the Group's internal calculations and data from the official Bulgarian Statistical Department. In 2017 The Group's major competitors in Bulgaria during this period were Lidl, Kaufland and Billa. Maxima's brand awareness in Bulgaria is high, at 92 per cent. (based on the results of the Group's annual eQ survey).

Overall modern trade, which reflects the share of retail spending in modern stores as opposed to marketplaces and traditional stores, is around 50 per cent. in Bulgaria, which the Group believes is an indication of significant potential for development.

### *Poland*

The Group acquired 21 Aldik Nova Sp. z.o.o. ("**Aldik**") retail stores in Poland in 2012. The number of Aldik stores has since increased by approximately 8 per cent. per annum and now stands at thirty. Aldik does not operate under the Maxima brand. Aldik's sales and other income for the year ended 31 December 2016 totalled EUR 47.8 million, and for the year ended 31 December 2017 totalled EUR 52.1 million representing approximately 2 per cent. of the sales and other income of the Group. Profit from operations and EBITDA for the year ended 31 December 2016 were EUR -5.7 million and EUR -3.2 million, respectively, and for the year ended 31 December 2017 were EUR -3.9 million and EUR -2.2 million, respectively.

The Group is in the process of merging the Aldik and Stokrotka business in Poland, with completion of the merger anticipated to take place in September 2018. Post-completion, the combined retail chain will operate under the Stokrotka brand name.

The Group has recently expanded its presence in Poland through the acquisition of Emperia Holding, details of which are set out below.

#### *Acquisition of Emperia Holding*

In April 2018, the Issuer completed the acquisition of Emperia Holding, the operator of Stokrotka, Poland's nationwide retail chain, acquiring 93.7 per cent. of the shares following a public tender on the Warsaw Stock Exchange. As of May 2018, after implementation of the squeeze-out, the Issuer directly or through subsidiaries owns 100 per cent. of Emperia Holding shares, and the shares were delisted from the Warsaw Stock Exchange on 21 August 2018. Total consideration for the acquired shares amounted to EUR 286 million. The acquisition was mainly financed with short-term external loans.

With 437 stores and more than 8,000 employees (in December 2017), the Group estimates that the Stokrotka retail chain represents approximately 20 per cent. of the Polish market in the proximity store sector. By acquiring Emperia, the Group increased its total market share from around 0.1 per cent. pre-acquisition to around 1.7 per cent. post-acquisition.

Certain profit and loss and balance sheet figures have been extracted from Emperia Holding's financial statements for the years ended 31 December 2016 and 31 December 2017 and are set out in the table below:

	2016		2017		Increase (decrease) 2017 vs 2016
	PLN millions	EUR millions*	PLN millions	EUR millions*	%
	Revenue from sales and other operating revenue	2,406.6	551.7	2,588.4	609.8
EBITDA	110.6	25.4	92.1	21.7	-14.5%
Interest expenses	0.6	0.1	0.9	0.2	50.1%
Net profit	50.6	11.6	34.9	8.2	-29.1%
Total assets	1,062.8	240.2	1,143.7	274.2	14.1%
Total equity	626.3	141.6	651.4	156.2	10.3%
Cash and cash equivalents	146.4	33.1	195.4	46.8	41.5%
Interest-bearing debt	1.1	0.3	0.6	0.1	-46.6%

\*Profit and loss items for the year ended 31 December 2016 and 31 December 2017 were translated from PLN to EUR using foreign exchange rates of EUR/PLN=4.3625 and EUR/PLN=4.2447, respectively. Balance sheet items as at 31 December 2016 and 31 December 2017 were translated from PLN to EUR using foreign exchange rates of EUR/PLN=4.4240 and EUR/PLN=4.1709, respectively.

Emperia Holding did not form part of the Group for the financial years ended 31 December 2016 and 31 December 2017 and its results are therefore not reflected in the consolidated Group accounts for those periods.

Emperia Holding's key subsidiaries are:

- Stokrotka Sp. z o.o. ("**Stokrotka**") – operates a chain of Stokrotka-branded stores in Poland, which sell Fast Moving Consumer Goods ("**FMCG**") products. Stokrotka has doubled the number of retail locations since 2013. The chain's development is supported by two subsidiaries focused on IT and properties. At the end of 2017, the company operated 437 Stokrotka stores, including 366 own stores and 71 franchise locations. The chain plans to open over 100 new stores in the current year. Stokrotka operates several store formats: supermarkets (stores with area of 400-800 square metres, located in large cities, small stores and galleries throughout the country), markets (smaller stores with area of 200-400 square metres, catering to neighbourhoods or smaller towns and rural areas) and convenience stores with area of 100-200 square metres under the "Stokrotka Express" brand. Stokrotka offers its clients between 4,000 and 10,000 assorted items, including food products, cosmetics, household cleaning supplies, alcoholic beverages and fresh products: bread, cold cuts, fruit and vegetables. The offering is supplemented with local products, produced in the regions in which the chain's stores are located, as well as own-brand products. In 2013, Stokrotka launched its in-house logistics network, which provides the stores' clients with wide access to attractively priced high-quality fresh products. This effective and extensive logistics system facilitates timely and frequent deliveries from two distribution centres: the main hub in Teresin near Warsaw, with area of 27,000 square metres, and a distribution centre in Lublin, with area of 11,500 square metres, opened at the beginning of 2016, along with eight regional warehouses.
- Elpro Development S.A. is a property company that develops its own facilities for retail operations, which are leased to Stokrotka and external tenants. The company manages properties, acquires new locations and conducts property development activities. Elpro Development S.A. focuses on facilities in the form of retail pavilions, mini shopping galleries and retail parks. At the end of 2017, the company held 85 operating properties and six properties under construction.
- Infinite Sp. z o.o. is 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 such as FMCG, automotive, heavy industry, logistics, finance, telecommunications and DIY. In the Romanian market, the company provides IT services through its subsidiary "Infinite IT Solutions" SRL.

Stokrotka's main competitors in the proximity supermarkets sector are al expend Dion, Delicatesy centrum, Polomarket and Mila. The Group believes that its main advantages over competitors include its

differentiated selection of produce (including meat, cold cuts, fruits and vegetables), the accessibility and convenience of its store locations, and its emphasis on customer service.

The acquisition of Stokrotka will increase the Group's total number of stores from 568 to 1,005 and the total retail area from 573,840 square metres to 764,798 square metres. Following the acquisition, approximately 20 per cent. of the Group's combined revenues will be generated in Poland.

### ***Current trading and prospects***

The Emperia Holding acquisition in April 2018 is expected to increase the Group's operating cash flows, EBITDA and operating profits in line with management expectations. Currently, the integration of the Emperia Holding business is progressing as planned.

The Group has also continued to implement projects to further develop operational efficiencies, with a view to capitalising on acquisition synergies resulting from Emperia Holding's consolidation into the Group. These initiatives are expected to further increase the Group's operating profits.

### **Suppliers and Sourcing**

The Group's supply chain is not heavily concentrated; the Group's top 20 suppliers contribute 26 per cent. of total company purchases in 2017. The largest supplier, UAB "Sanitex" (which supplies a wide range of products, the largest proportion being dry and frozen goods, alcohol and soft beverages), contributes four per cent. of total purchases with only two other suppliers contributing more than two per cent. Typically, the Group's supply contracts have a duration of one or two years, with a maximum term of four years in certain limited cases. The Group's supplier agreements regulate delivery methods, price, marketing budget and payment terms (which vary between 30 and 90 days depending on the nature of the product) and the Group attempts to standardise supply terms whenever possible.

The Group's supply chain is built on a centralised delivery model. The Group manages and operates owned and rented warehouses in the regions in which it operates, and it aims to increase the proportion of products supplied to stores through such warehouses pursuant to the centralised delivery model to up to 90 per cent. The Group's key objective is to have one supply centre delivering the goods to its shops, thereby increasing operational efficiency and allowing the Group to control the quality of its products and service.

In Lithuania, the Group has seven warehouse locations in Vilnius, providing a total of 108,000 square metres, and two third party logistics partners in Kaunas with 9,000 square metres. In Latvia the Group has two warehouses in Riga covering 62,000 square metres, and in Estonia it has one warehouse in Tallinn covering 45,000 square metres. In Poland, the Group has rented warehouses covering 53,000 square metres, and in Bulgaria it has rented warehouses in covering 7,000 square metres.

### **Property**

As at the end of 2017, the Group owned 43 per cent. of its trading space, with 46 per cent. rented from third parties and the remainder rented from associated companies. Information provided hereinafter in this section reflects the position prior to the Emperia Holding acquisition. The proportion of stores that are owned and leased is broadly consistent across the Group's countries of operation, with marginally higher levels of ownership in Lithuania and Poland. The Group is comfortable with its current mix of own and leased retail space and does not currently have plans to materially alter these proportions. The development of new stores is broadly based on these same proportions, but in small towns where the rental market is less competitive, there is a preference for the development of rented stores. The Group's lease agreements typically require payment of a deposit (customarily of three times the average monthly base rent), provide for terms of between ten and fifteen years' duration (usually comprising a guaranteed minimum rental period of five years after which parties have a right to unilaterally terminate) and have a variety of rent review clauses and renewal provisions.

The proportion of rented to owned trading area is leveraged in order to reduce the risk of the loss of stores due to a competitor's actions and to minimise the risk of an increase in rental prices in a scenario where a competitor attempts to drive the Group out of a property by offering a higher price to a landlord.

The Group also sub-contracts certain of its property assets to third parties.

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

Stores trade area (sq. m)	31 December	
	2016	2017
Lithuania (Maxima Lithuania) .....	287,416	300,941
Latvia (Maxima Latvia) .....	129,276	134,922
Estonia (Maxima Estonia).....	81,384	85,912
Bulgaria (T-Market).....	31,268	34,276
Poland (Aldik).....	18,574	17,788
<b>Total</b> .....	<b>547,918</b>	<b>573,840</b>

## Information Technology

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

## Capital Expenditure

The Group's capital expenditure (additions to property, plant and equipment) was EUR 70 million in 2017 and EUR 65 million in 2016.

For 2018-2019, the Group expects capex spending to be approximately EUR 90 million to EUR 100 million per annum on average.

## Trend Information

There has been no material, adverse change in the Issuer's prospects since 31 December 2017, the date of its latest audited financial statements.

## Management of the Issuer

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

In August 2017, Board of Directors underwent a full restructuring in which all incumbent members were replaced and the number of Board members was increased from three to six in order to enable representation from each of the main operational companies in the Group. In September 2017, the number of Board members was further increased to eight.

The Issuer's main retail subsidiaries also have their own management and supervisory boards (in Latvia and Estonia) and management board and CEO (in Lithuania), whereas the Issuer's real estate subsidiaries more typically have solely a single person management board in Latvia and Estonia and a single person CEO in Lithuania. The CEOs of Maxima Lithuania, Maxima Latvia and Maxima Estonia have seats on the Issuer's Board of Directors.

The Supervisory Board is a collegial supervisory body provided for in the Issuer's Articles of Association (the "**Articles of Association**"), which is responsible for supervising the activities of the Issuer and its management bodies, including the appointment and removal of the members of the Board of Directors, submitting its comments and proposals to the General Meeting of Shareholders of the Issuer (the "**General**

**Meeting**") on the Issuer's operating strategy, sets of financial statements and other reports and the activities of the Board of Directors and the CEO.

The Board of Directors is a collegial management body provided for in the Articles of Association. The Board of Directors does not have executive powers and its main function is adopting the strategic decisions of the Issuer, and it is also responsible for the appointment and removal of the CEO, calling General Meetings, and adoption of other corporate decisions which are economically feasible for the Issuer. The powers and responsibilities of the Board of Directors are set forth in detail in the Law on Companies.

The Issuer's Board of Directors currently consists of six members, and the Issuer's Supervisory Board consists of five members.

The CEO is appointed by the Board of Directors but is not necessarily a member of the Board of Directors. The CEO manages daily operations of the Issuer and acts on its behalf. For certain transactions with a high value (i.e. the value of which exceeds 1/20 of the authorised capital of the Issuer) and important strategic decisions (such as decisions to incorporate or take up a shareholding in other entities) the CEO needs to get the prior approval of the Board of Directors.

#### *Board of Directors*

The members of the Board of Directors are elected and removed by the Supervisory Board. The term of office of the Board of Directors is four years. According to the Articles of Association, the Board of Directors consists of eight members. Currently six of eight Directors of the Board have been elected and two positions are vacant, although there are no current plans to fill these roles. The Board of Directors elects the Chairman of the Board of Directors from among its members. The term of office of the current Board of Directors started in August 2017. The term of office shall not last longer than the date of the annual General Meeting convened in the last year of the tenure of the respective Board of Directors. There is no limitation on the number of terms of office that a member of the Board of Directors may serve.

The Board of Directors makes decisions by a simple majority of the votes of all its members. In the event of a tie, the vote of the chairman of the Board shall be a casting vote. A quorum is present when at least two thirds of members of the Board of Directors is present at a meeting. Each member of the Board of Directors has one vote. When necessary in matters of urgency, a decision may be made by the Board of Directors without holding a meeting. The Board of Directors has discretion to invite to its meetings members of the Supervisory Board, employees, or other persons. Under the Law of Companies, the CEO has to be invited into all meetings of the Board of Directors and provided with the opportunity to familiarise himself with the agenda items, if he is not also the member of the Board of Directors.

A total of 25 meetings of the Board took place in 2017. So far in 2018, a total of 14 meetings of the Board have taken place.

The Directors, their positions and dates of appointment are as follows:

<b>Name</b>	<b>Position</b>	<b>Date of appointment as the member of the Board of Issuer</b>
Dalius Misiūnas .....	Chairman of the Board, CEO of the Issuer and Franmax Chairman of the Supervisory Board of Emperia Holding Supervisory Board member of Maxima Latvia (" <b>Maxima Latvia</b> "), Maxima Estonia OÜ (" <b>Maxima Estonia</b> ") Manager at Carson S.à r.l.	February 2018
Arūnas Zimnickas .....	CEO of Supersol Spain, S.L.U. Member of the Supervisory Board of Emperia Holding	September 2017
Tomas Kibildis .....	CEO of Barbora CEO and member of the Board of RADAS, UAB	August 2017
Kristina Meidė .....	CEO of Maxima Lithuania	August 2017
Vygintas Šapokas .....	CEO of Maxima Estonia Member of the Supervisory Board of Emperia Holding	August 2017
Andris Vilcmeiers .....	CEO of Maxima Latvia	August 2017

**Dalius Misiūnas** is Chairman of the Board and Chief Executive Officer of the Issuer and Franmax, Chairman of the Supervisory Board of Emperia Holding, Supervisory Board member of Maxima Latvia and Maxima Estonia, Manager at Carson S.à r.l.. He is also currently Chairman of the Council of Kaunas University of Technology, and previously served as Vice President for the SBA group of companies, Chairman and CEO of Lietuvos Energija and a member of the Board of Directors of Eurelectric, member of the Board and CEO of Lietuvos energijos gamyba, AB, Chairman of the Board of NT Valdosa, UAB as well as Chairman of the Supervisory Board of AB Energijos skirstymo operatorius (ESO), President of National Energy Association of Lithuania, member of the Board of UAB Visagino atominė elektrinė and Strategy and Development Director of AB LESTO. He also had a senior manager position at UAB Ernst & Young Baltic and a project manager position at UAB SWECO BKG LSPI. He also was an independent member of the Board at ISM University of Management and Economics and vice president at of Lithuanian Confederation of Industrialists. Mr Misiūnas has a PhD in industrial automation from the Faculty of Engineering at Lund University and a BSs in electrical engineering from Kaunas University of Technology.

**Arūnas Zimnickas** is Chief Executive Officer of Supersol Spain, S.L.U. and a member of the Supervisory Board of Emperia Holding. Previously he served as Chief Executive Officer of Maxima Lithuania, Maxima Latvia and Maxima Estonia and has held managerial positions in other Group companies. Mr Zimnickas has a bachelor's degree in economics from Vilnius University and master's degree in international business relations from International Business School at Vilnius University.

**Tomas Kibildis** is Chief Executive Officer and a member of the Board of RADAS, UAB and Chief Executive Officer of Barbora. Mr Kibildis was formerly the Manager of the Marketing Division at Akropolis LT, UAB. Mr Kibildis has a Masters degree in industrial production and design from the Vilnius Academy of Arts.

**Kristina Meidė** is Chief Executive Officer of Maxima Lithuania. She has previously held positions as Chairman of the Board and the Chief Executive Officer of Euroapotheca, UAB, Chairman of the Board of UAB EUROVAISTINĖ, and as a regional manager for Swedbank. Ms Meidė has a degree in economics and graduated from Vilnius University.

**Vygintas Šapokas** is Chief Executive Officer of Maxima Estonia and a member of the Supervisory Board of Emperia Holding. Mr Šapokas has previously served as a Chief Executive Officer of Maxima Bulgaria EOOD, Purchasing Director of Maxima Latvia and Senior Purchasing Manager at Maxima Lithuania. He holds a bachelor's degree from the Institute of Political Science and International Relations from Vilnius University.

**Andris Vilcmeiers** is the Chief Executive Officer of Maxima Latvia. He was previously Chairman of the Board of Putnu Fabrika Kekava AS, Deputy Chairman of the Council at Latvijas Kugnieciba AS, member of the Management Board and Deputy Chairman of the Council at Ventspils Nafta AS. Mr Vilcmeiers holds a master's degree in Social Science, Finance and a Bachelor's degree in Social Science, Management from University of Latvia.

#### *Supervisory Board*

All members of the Supervisory Board are elected by the General Meeting for a term of four years, and the term of office of the current Supervisory Board started on 12 March 2018. The Chairman of the Supervisory Board is elected from among the members of the Supervisory Board. In accordance with the Law on Companies, the tenure of the Supervisory Board is as provided by the Articles of Association. However, it shall not last longer than until the annual General Meeting convened in the last year of the tenure of the Supervisory Board. There is no limitation on the number of terms of office a member of the Supervisory Board may serve.

The Supervisory Board's competence includes, among other powers, the:

- approval of the business strategy of the Issuer;
- election and removal of members of the Board of Directors; and
- provision of comments and suggestions to the General Meeting covering the Issuer's sets of financial statements.

The Supervisory Board makes decisions by a simple majority of the participating members. Where equal votes are cast "for" and "against", the Chairman of the Supervisory Board shall have the casting vote. Decisions to remove a member of the Board of Directors from office may be adopted if at least two thirds of the Supervisory Board members present vote for such decision. The quorum for a meeting of the Supervisory Board is more than half of the members (i.e. at least 3 members must be present). Each Supervisory Board member has one vote.

According to the rules of procedures of the Supervisory Board, the meetings of the Supervisory Board shall be held at least once per quarter. When necessary in matters of urgency, a decision may be made by the Supervisory Board without holding a meeting. The meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board. The meetings of the Supervisory Board may also be convened by the decision taken by at least of one third of the Supervisory Board members. At its discretion, the Supervisory Board may invite members of the governing bodies, employees, or other persons to its meetings.

The members of the Supervisory Board, their positions and dates of appointment are as follows:

<b>Name</b>	<b>Position</b>	<b>Date of appointment as member of the Supervisory Board</b>
Marius Čatrauskas.....	Member of Supervisory Board of the Issuer UAB "Vilniaus Prekyba" – Member of the Board and CEO	March 2018
Jolanta Bivainytė.....	Member of Supervisory Board of the Issuer METODIKA B.V. – Director UAB "Vilniaus Prekyba" Chairwoman of the Board VISAS UAB – Director TEMA HOLDINGS UAB – Director	March 2018
Raimonda Kižienė.....	Member of Supervisory Board of the Issuer EUROAPOTHECA, UAB – Chairwoman of the Board and CEO Apoteksgruppen – Chairwoman of the Board	March 2018
Ignas Staškevičius.....	Member of Supervisory Board of the Issuer Bertona Holdings Limited – Head of Lithuania Division; Business consultant	March 2018
Jurgita Šlekytė.....	Chairwoman of the Supervisory Board of the Issuer Member of the Board of UAB "Vilniaus prekyba" Member of the Supervisory Board of Maxima Latvia Member of the Supervisory Board of Maxima Estonia Director of Relvit Ltd.	June 2018

**Marius Čatrauskas** has a degree in Management and business administration from Vilnius University. Since 2007 he has held diverse management positions at UAB "Vilniaus Prekyba" and other related companies and was previously a Senior Auditor at PricewaterhouseCoopers UAB.

**Jolanta Bivainytė** has a degree in Finance from Vilnius University. Since 1992 she has held diverse management and administrative positions at UAB "Vilniaus Prekyba" and other related companies.

**Raimonda Kižienė** has a degree in Economics from Vilnius University. She is currently Chairwoman of the Board at Apoteksgruppen and CEO and Member of the Board at EUROAPOTHECA, UAB, having previously served as CEO and Member of the Board at UAB "Vilniaus Prekyba" (2015-2017), CEO and Member of the Board at EUROAPOTHECA, UAB (2013-2015) and Chairwoman of the Board at UAB EUROVAISTINĖ (2008-2013).

**Ignas Staškevičius** has a degree in Medicine from Vilnius University and has administrative and management experience at diverse companies.

**Jurgita Šlekytė** has Masters degree in law from Vilnius University and Masters degree in business management from Baltic Management Institute. Ms Šlekytė has previously served as head of legal services

of Maxima grupė, the CEO of Franmax and the director of Lincoln Land Erste B.V. She was also previously a head of the legal department of Omnitel, UAB (current name Telia, AB).

#### *Chief Executive Officer*

Day-to-day activities of the Group are managed by the sole management body of the Issuer – the Chief Executive Officer (General Director) who is elected and revoked by the Board of Directors. The CEO organises day to day activities of the Issuer and hires and dismisses employees.

The CEO is supported by a senior executive team comprising the chief financial officer; chief commercial officer; head of corporate affairs; head of legal services; head of business advisory; head of personnel; head of organisation development, head of internal audit and head of asset management.

<b>Name</b>	<b>Position</b>	<b>Date of appointment</b>
Dalius Misiūnas .....	Chairman of the Board, CEO of the Issuer and Franmax Chairman of the Supervisory Board of Emperia Holding Supervisory Board member of Maxima Latvia and Maxima Estonia	February 2018

Details about Dalius Misiūnas are provided above.

#### *Conflicts of Interest*

No member of the Supervisory Board or of the Board of Directors or the CEO has any potential conflict of interest between their duties to the Issuer and their private interests or other duties.

The business address of each of the Board of Directors, Supervisory Board and CEO are provided below:

<b>Name, surname</b>	<b>Business address</b>
Dalius Misiūnas.....	Savanorių Ave. 247, Vilnius city, Vilnius, Lithuania
Arūnas Zimnickas .....	Paseo de John Lennon, 1, Getafe 28906, Madrid, Spain
Tomas Kibildis .....	Ozo St. 25, Vilnius, Lithuania
Kristina Meidė.....	Naugarduko g. 84, Vilnius, Lithuania
Vygintas Sapokas .....	Peterburi tee 47, Tallinn, Harju county, Estonia
Andris Vilcmeiers .....	"Abrās", Krustkalni, Kekavas pag., Kekavas nov., Latvia
Marius Čatrauskas .....	Ozo St. 25, Vilnius, Lithuania
Jolanta Bivainytė.....	Ozo St. 25, Vilnius, Lithuania
Raimonda Kižienė .....	Ozo St. 25, Vilnius, Lithuania
Ignas Staškevičius .....	Ozo St. 25, Vilnius, Lithuania
Jurgita Šlekytė.....	Ozo St. 25, Vilnius, Lithuania

#### *Audit Committee*

The Issuer's audit committee comprises Jurgita Kirvaitienė, Kasparas Žebrauskas (chairman) and Rytis Jezepčikas. The primary duties of the audit committee are:

- to monitor the financial reporting processes of the group;
- to monitor the effectiveness of its internal quality control and risk management systems;
- to monitor the audit of financial statements;
- to review and monitor the independence of the Issuer's auditors; and
- to be responsible for recommending the appointment of external auditors and assessing their levels of remuneration.

The Issuer 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 Issuer's consolidated subsidiaries.

The Issuer has no formal rotation policy for its external auditors, but in practice it rotates auditors approximately every four years.

### **Employees**

As at 31 December 2017, the Group employed over 30,000 employees and is the largest employer in the Baltic states. The Group pays social security contributions to the respective state social security funds in the relevant jurisdictions on behalf of its employees based on defined contribution plans. Social security contributions are recognised as expenses on an accrual basis, and the Group does not have any defined benefit obligations.

Aldik is currently in an ongoing dispute with its NSZZ "Solidarność" trade union organisation (the "Union"). An initial demand by the Union for, inter alia, the use of office space for union purposes was agreed to by Aldik and enshrined in an agreement dated 28 June 2018, however, the Union has made additional demands for increases in (i) employee salaries; and (ii) allowances for the laundering, maintenance and repair of workwear which Aldik has been unable to accommodate. The existence of the dispute has been notified to the State Labour Inspection and negotiations remain ongoing. The Group believes that liabilities relating to the ongoing dispute would not, individually or in the aggregate, have a material adverse effect on its results of operations or financial condition.

### **Licences**

The Group companies currently hold licences to engage in retail trade in alcoholic beverages and tobacco products that are obtained locally. Certain registrations and authorisations required for the operation of specific parts of business are also held, including in respect of food handling, compliance with cash register system software, payment card compliance and the sale of plant protection products. The need for such requirements is prescribed on a country by country basis.

### **Insurance**

The Group maintains a portfolio of insurance policies to help protect it against loss or damage incurred from a wide variety of insurable risks. Each year, the Group reviews with its professional insurance advisers whether the insurance policies and associated coverage that it maintains are sufficient to adequately protect it from the various types of risk to which it is exposed. Analysis takes into account various pertinent factors, such as the likelihood that it would incur a material loss from any given risk, as well as the cost of obtaining insurance coverage against any such risk.

Currently the Group holds property, business interruption, general liability, employer's liability, directors' and officers', cargo, health, accident, motor and travel insurance policies. The Group believes it maintains adequate insurance coverage for the Group's operations and that the scope of the coverage is in line with industry norms. However, there are certain risks (including cybercrime, employee criminal actions and political unrest) for which the Group is not insured, and it may not have sufficient insurance coverage for damages and liabilities that may arise in the course of the Group's business operations (see "*Risk Factors – The Group's insurance coverage may not be adequate*").

### **Risk Management**

The Group is managed on an integrated basis, with centralised financial reporting and controls. The Issuer, as holding company, seeks to standardise management and financial reporting across the Group in order to provide for clear comparability across its subsidiaries. The Group also adopts a centralised approach to investment management, a variety of financing arrangements and transactions between related companies.

In order to mitigate its exposure to risks described below, the Group conducts specific analysis, monitoring, management and control activities.

#### *Financial risk*

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

unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

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

#### *Credit risk*

The Group's credit risk arises from its trade and other receivables, 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 financial assets. 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. Each Group's entity is responsible for managing and analysing credit risk for each of its new and existing clients. An impairment analysis of outstanding trade and other receivables is performed regularly on an individual basis for major clients. Small balance receivables are grouped into groups based on ageing and assessed for impairment collectively in order to reflect incurred losses.

#### *Liquidity risk*

The Group is exposed to liquidity risk due to different maturity profiles of receivables and payables. The major amount of the Group's operating cash is collected from retail customers, therefore the Group does not have significant amount of trade receivables while payables to suppliers have defined credit terms generally not exceeding 60 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 available financing instruments.

#### *Compliance risks*

The Group is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies. Identified breaches of compliance will be remedied as soon as practicable. The Group has no appetite for deliberate or purposeful violations of legislative or regulatory requirements, moreover the Group adopted a strong and effective internal control system to avoid fraud and misleading representation on its financial reports. Any residual risk is managed using specific insurance policies to protect corporate assets and provide liability coverage in the event of harm caused to third parties by accidents.

Although the Group operates in a relatively stable regulatory environment, changes in laws regulating the advertising and sale of alcohol and tobacco products in the Baltic States and Poland will be introduced during 2018 and 2019 which may increase compliance costs and limit revenue growth from these products.

### **Capital Structure**

The Issuer's authorised share capital amounts to EUR 1,019,262,730, comprised of 3,514,699,070 ordinary shares of nominal value EUR 0.29. In December 2017 the share capital of the Issuer was increased by EUR 50.3 million through the issue of 173,448,275 shares of nominal value EUR 0.29. The sole shareholder of the Issuer contributed 100 per cent. of the ordinary shares of Franmax to the share capital of the Issuer, in exchange for the issue of the additional shares.

As at 31 December 2017, the Group's main long-term borrowings (excluding finance lease liabilities) consisted of EUR 177.9 million of bank loans, and EUR 41 million of borrowings from related parties. The Group's main short term borrowings consisted of EUR 53.6 million of bank loans, and EUR 150.1 million of borrowings from related parties.

The Group's bank loans are secured by cash in certain bank accounts and the Group's property, plant and equipment. The Group's finance leases are also effectively secured obligations, as the rights to the leased assets revert to the lessor in the event of a default. Loans borrowed from related parties are unsecured, and their weighted average interest rate as at 31 December 2017 was 0.5 per cent. As at 31 December 2017, approximately 55 per cent. of the Group's debt portfolio was secured and the remainder unsecured.

As at the end of the 2017 financial year, the Group had undrawn borrowing facilities of EUR 68 million. Approximately 51 per cent. of the Group's debt facilities carry a fixed rate of interest and approximately 49 per cent. variable rate. Of the Group's borrowings as at 31 December 2017, EUR 204 million fall due for repayment in 2018, with EUR 46 million falling due in 2019, EUR 74 million in 2020, EUR 24 million in 2021, and EUR 76 million from 2022 onwards (excluding the impact of any Notes issued under the Programme).

A detailed overview of the maturity profiles of the Group's non-derivative financial liabilities can be found at Note 22.1(c) of the Notes to the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2017.

Since 31 December 2017, the Group has also entered into a short term loan facility of EUR 300 million with SEB in order to fund the acquisition of Emperia Holding.

The Group manages its capital to ensure that the Group companies' capital resources comply fully with the requirements of local legislation and that the entities within the Group will be able to operate as a going concern to provide returns to shareholders and benefits to other stakeholders. Management's main focus is on achieving an optimal debt to equity balance.

### **Major Shareholders**

The Issuer's share capital is indirectly owned by four main investors, Nerijus Numavičius (77.2 per cent.), Ignas Staškevičius (2.7 per cent.), Vladas Numavičius (9.4 per cent.) and Mindaugas Marckinkevičius (10.7 per cent.) who indirectly hold their interests through a holding company, UAB "Vilniaus prekyba" which owns 100 per cent. of the Issuer's share capital.

The Group is part of the Metodika B.V. group, which owns retail, pharmacy, real estate and FMCG production businesses across the Baltics, Poland, Ukraine and Sweden. There are also other groups and companies related through the controlling shareholder Mr. N. Numavičius that are not part of the Metodika B.V. group, although to the best of the Issuer's knowledge, the Metodika B.V. group is the controlling shareholder's main asset. All agreements between related parties are aimed to be concluded on arm's length basis (see "*Related Party Transactions*") below.

As part of the future development of its business, the Group may consider acquiring complimentary businesses from other companies owned by the controlling shareholder Mr. N. Numavičius, if a better strategic alignment or more efficient operating strategy could be pursued within the Group's management structure. Any such acquisition would depend on being able to identify appropriate synergies, and on agreement being reached between the Group and its shareholders.

Day to day management decisions are taken independently by the Issuer's Board of Directors, without shareholder input, although the long-term strategies of the Group are discussed and agreed with UAB "Vilniaus prekyba". Members of the Board of Directors of UAB "Vilniaus prekyba" also hold positions on the Supervisory Board of the Issuer.

### **Dividend distribution policy**

The Issuer has a dividend distribution policy in place ensuring that a balanced and consistent policy is implemented pursuant to the applicable legislation in relation to the interests of the shareholders and the Issuer and maintaining a transparent policy towards the creditors and all stakeholders.

The Board recommends a dividend pay-out ratio based on a number of factors, including return on equity and leverage.

The dividends declared and paid by the Issuer in 2017 and 2016 amounted to EUR 100 million (EUR 0.03 per share) and EUR 110 million (EUR 0.03 per share), respectively.

## **Legal and Regulatory Proceedings**

### *Civil proceedings relating to collapse of store roof in Rīga, Latvia*

Maxima Latvia 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, Rīga, which occurred on 21 November 2013. Since the date of the incident, Maxima Latvia 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 5,000 to EUR 100,000, depending on the severity and circumstances of each particular case.

As at 31 December 2017, the total quantum of claims in respect of the incident was EUR 142 million and accrued expenses for the agreed or proposed voluntary compensation amounted to EUR 1 million. In April 2018 however, Maxima Latvia reached a mutual agreement with a claimant for EUR 100,000, thereby resulting in the decrease of total existing claims to EUR 72 million.

As at the date of this Base Prospectus, Maxima Latvia remains involved in six legal proceedings relating to nine civil claims (comprising eight personal injury/emotional distress claims and one civil manslaughter claim) with a total aggregate claim amount of EUR 72 million (the "**Current Cases**"). Five of the six Current Cases are yet to be heard in court of first instance. The sixth 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 Latvia (who was responsible for labour safety in Maxima Latvia's Priedaine store) is participating as defendant in a criminal case initiated based on breach of labour safety rules. Maxima Latvia 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 Latvia's 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 Latvia's management, there is no causal relationship between the collapse of the roof and the alleged violations of the Maxima Latvia employee.

Based on the outcome of legal proceedings that 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, have a material adverse effect on its results of operations or financial condition.

### *Corporate income tax case in Poland*

The Group is involved in an ongoing tax dispute with the Polish tax authorities relating to its corporate income tax liability for the fiscal year ended 31 December 2011. In 2010, Emperia Holding established P1 sp. z o.o. ("**P1**"), a 100 per cent. owned subsidiary and, in 2011, it made an in-kind contribution to P1 of the shares of certain of its distribution company subsidiaries (the "**Emperia Subsidiaries**") (which was treated as tax neutral step by Emperia Holding). At the end of 2011, Emperia Holding disposed of its shares in the Emperia Subsidiaries for a lower price than the valuation assigned to the shares at the time of the in-kind contribution.

In 2011, P1's share capital was reduced through the compulsory redemption of 13,200,000 shares with an aggregate nominal value of PLN 1,320,000,000 (the "**P1 Redemption**"). Emperia Holding received remuneration for the redemption of its P1 shares which was treated as tax exempt dividend-type income since Emperia Holding had held 100 per cent. of P1's shares for a period exceeding two years.

On 25 January 2017, the Head of the Tax Audit Office in Lublin (the "**authority of first instance**") determined that Emperia Holding's corporate income tax liability for the 2011 fiscal year was PLN

142,463,805 greater (excluding default interest) than the amount disclosed in its CIT-8 return for the year (the "**Shortfall**"). The authority of first instance concluded that the P1 Redemption was voluntary rather than compulsory in nature and, therefore, the tax payable in connection with the P1 Redemption should be assessed accordingly. Emperia Holding disagreed with the findings and legal assessment by the authority of first instance appealed to the authority of second instance (Dyrektor Izby Administracji Skarbowej w Warszawie) with a request to repeal the decision and discontinue proceedings, although the authority rejected such request and upheld the first instance findings on 8 August 2017.

Emperia Holding has subsequently filed a complaint to the Administrative Court in Warsaw (Wojewódzki Sąd Administracyjny w Warszawie), requesting the annulment of both first and second instance decisions. On 17 July 2018 the court of first instance annulled the decision of the second instance tax authority. The court held that the case should ultimately be resolved by the tax authority of the second instance, however, such tax authority must take into account certain considerations espoused by the court during its ruling. Management believes that this is beneficial for Emperia Holdings in the context of the eventual outcome of the case. The term for filing the appeal regarding the decision of the court of first instance is 30 days from delivery of the court ruling.

Whilst resolution of the matter is pending, Emperia Holding has provided the tax authorities with collateral securing the Shortfall, together with default interest, in the form of a bank guarantee up to a maximum of PLN 200 million.

#### *Pollution Tax*

The Environment Protection Department of Vilnius region ("**EPDVR**") has cancelled packaging waste management certificates for the years 2013 - 2015 issued by UAB "Metrail" 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 UAB "Metrail" 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. Consequently, Maxima Lithuania is required to pay a pollution tax in an amount of EUR 1.241 million for 2013, EUR 0.865 million for 2014 and EUR 0.127 million for 2015. As required by EPDVR the tax should have been declared and paid by 20 April 2018. Because Maxima Lithuania is disputing the cancellation of these certificates and its duty to pay the pollution tax, it was decided not to declare (and not to pay) the tax until the final court decision is issued. However, EPDVR is entitled to initiate a tax audit of Maxima Lithuania regarding the cancelled certificates, to calculate the tax and accrued interest due and subsequently issue a payment demand prior to the issuance of the final court decision.

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 Lithuania 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. As the final payable tax amount (if any at all) is not known, no provision has been recognised by the Group as at 31 December 2017.

#### *Ongoing mutual agreement procedure between the Latvian and Lithuanian tax authorities*

Maxima Latvia was the subject of a tax audit in 2014 and 2015 which covered an examination of franchise transactions between Maxima Latvia and Franmax during the course of 2011 and 2012. Upon completion of the audit, the Latvian State Revenue Service imposed additional tax liabilities on Maxima Latvia in the amount of EUR 2.366 million (the "**Additional Liabilities**"). Maxima Latvia refutes 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 remains ongoing as at the date of this Base Prospectus.

Management believes that the MAP will be resolved in Maxima Latvia's favour, and therefore expects a full recovery of the Additional Liabilities that have already been paid (being EUR 0.762 million as at 31 December 2017) and are scheduled for payment until 20 December 2019. In the event that a tax audit of franchise fees was undertaken by the Latvian State Revenue Service in respect of the period from 2013-2017, this would not have any material effect on the Group's consolidated results of operations or financial

condition as rules of eliminating double taxation in the European Union (i.e. Latvia and Lithuania) would apply.

*Claim by Maxima grupė and Franmax in respect of the unlawful misappropriation of information by Mart Inn Food*

In September 2015, Maxima grupė and Franmax (the "**Mart Inn claimants**") brought a claim against respondents Gintaras Marcinkevičius, Eglė Marcinkevičiūtė, Mindaugas Marcinkevičius and Mart Inn Food (together, the "**Mart Inn respondents**") concerning the activities of Mart Inn Food, a retail company registered in Belarus, for EUR 287.3 million. The Mart Inn claimants allege that the Mart Inn defendants held senior managing positions at companies related to the Group and, as a result, may have unlawfully misappropriated information constituting trade secrets, intellectual property and other highly sensitive data belonging to Maxima grupė and Franmax and used it unlawfully in establishing and developing the Mart Inn chain of shops in neighbouring Belarus. The Mart Inn claimants also allege that the Mart Inn defendants were passing off as acting for and on behalf of the Group in order to further their business development plans in Belarus. The Mart Inn claimants believe that passing off is evidenced by the fact that the layout of goods, visual design and appearance of Mart Inn shops is substantially identical and confusingly similar to stores operated by the Group and that the technical solutions employed and equipment and processes used for trade are very similar. The hearing of the case is currently ongoing in the court of first instance.

**Credit Rating**

The Issuer has been assigned a long-term senior unsecured credit rating of BB+ by S&P.

**Related Party Transactions**

The relationships between the Group and its related parties, identified according to the principles of International Accounting Standard 24 ("**IAS 24**"), primarily consist of financing and business transactions relating to the sale and purchase of goods and services. They fall within the activities carried out by the Group in the ordinary course of its business, and mostly comprise goods for resale, consulting services, franchise fees, rental and utilities services and borrowings from related parties.

The Group's transactions with its related parties are regulated by the Law on Companies and other applicable laws in the respective countries, where the Group companies are conducting business, Articles of Association and transfer pricing documents, which provide for comprehensive regulation of rules concerning related party transactions and conflicts of interest between a company and members of its Board of Directors or Supervisory Board (and persons close to such members).

All agreements with related parties are aimed to be conducted on an arm's length basis.

A detailed list of the related groups and companies and the Group's transactions with them is set out in the tables below.

**Metodika B.V. group companies**

<b>Company/group name</b>	<b>Countries of activity</b>	<b>Activity</b>
Metodika B.V. ....	Netherlands	Holding - ultimate parent company
UAB "Vilniaus prekyba" .....	Lithuania	Holding - parent company
EUROAPOTHECA UAB group ....	Lithuania, Latvia, Estonia, Poland, Sweden,	Pharmacy retail and wholesale
AKROPOLIS GROUP, UAB	Ukraine	Development and leasing of shopping centres
group .....	Lithuania, Latvia	Retail of construction and finishing materials, household goods
UAB "Ermitažas" .....	Lithuania	Production of preserved food, pet food, baby food
UAB "NDX Energija" group .....	Lithuania, Poland, Slovakia, Czech Republic, Sweden, Germany, Belarus	

## Other related companies

Company/group name	Countries of activity	Activity
UAB "M.M.M. projektai" group ....	Lithuania, Latvia, Belarus, Ukraine, Bulgaria, Romania	Development and leasing of real estate
Corebeta Ltd group.....	Cyprus, Latvia, Estonia	Leasing of real estate
Supersol Spain S.L.U. group .....	Spain	Grocery retail and cash & carry
Sano Sp. z o.o.....	Poland	Grocery retail
UAB "DELANO" group.....	Lithuania, Latvia	Restaurant chain
SOLLO, UAB group .....	Lithuania, Latvia	Payment services
EUROCASH1, UAB group.....	Lithuania, Latvia	Security services
Klarus Group Holdings OÜ group..	Estonia	Financing and investments
LEKSITA, UAB group.....	Lithuania, Cyprus, Ireland	Financing and investments

## Sales of goods and services to related parties

Counterparties	For the year ended 31 December 2017		
	Sales of goods	Sales of services	Amounts receivable
		<i>EUR millions</i>	
Metodika B.V. group companies .....	0.5	6.6	0.2
Other related companies .....	1.1	3.6	0.8
<b>Total</b> .....	<b>1.6</b>	<b>10.2</b>	<b>1.0</b>

## Purchases of goods and services from related parties

Counterparties	For the year ended 31 December 2017		
	Purchases of goods	Purchases of services*	Amounts payable
		<i>EUR millions</i>	
Metodika B.V. group companies .....	3.4	63.4	1.7
Other related companies .....	0.0	9.4	4.0
<b>Total</b> .....	<b>3.4</b>	<b>72.8</b>	<b>5.7</b>

\* includes franchise and procurement services from Franmax, which was acquired by the Group in December 2017, amounting to EUR 55.6 m

## Borrowings from related parties

Counterparties	For the year ended 31 December 2017	
	Interest expenses	Borrowings
	<i>EUR millions</i>	
Metodika B.V. group companies .....	0.4	191.1
<b>Total</b> .....	<b>0.4</b>	<b>191.1</b>

## Selected Financial Information relating to the Issuer

The following tables set out in summary form statement of financial position, and statement of comprehensive income information relating to the Issuer. Such information is derived from the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2017 and 31 December 2016. The financial statements of the Issuer are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. Such financial statements, together with the reports of UAB Ernst & Young Baltic, Independent Auditors, including the accompanying notes, appear elsewhere in this Base Prospectus. The financial information presented below should be read in conjunction with such financial statements, reports and the notes thereto.

## Consolidated statement of financial position

	At 31 December	
	2017	2016
	EUR (thousands)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment .....	443,151	425,610
Intangible assets (except for goodwill).....	11,001	6,054
Goodwill .....	165,495	139,088
Non-current receivables and prepayments .....	3,001	2,950
Deferred tax assets .....	2,154	3,891
	<b>624,802</b>	<b>577,593</b>
<b>Current assets</b>		
Inventories .....	233,420	214,274
Trade and other receivables, prepayments and other short term financial assets .....	237,344	44,221
Cash and cash equivalents.....	146,220	160,134
	<b>616,984</b>	<b>418,629</b>
<b>TOTAL ASSETS</b> .....	<b>1,241,786</b>	<b>996,222</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital.....	1,019,263	968,963
Share premium.....	41,352	41,352
Legal reserve.....	25,749	13,327
Reverse acquisition reserve.....	(1,430,271)	(1,430,271)
Other reserves .....	61	-
Foreign currency translation reserve .....	(2,243)	(4,415)
Retained earnings.....	622,571	660,125
<b>Total equity</b> .....	<b>276,482</b>	<b>249,081</b>
<b>Non-current liabilities</b>		
Borrowings .....	220,105	200,223
Deferred tax liabilities.....	903	2,624
Other non-current liabilities .....	3,778	574
	<b>224,786</b>	<b>203,421</b>
<b>Current liabilities</b>		
Borrowings .....	204,218	59,286
Current income tax liabilities .....	1,696	1,744
Trade and other payables .....	534,604	482,690
	<b>740,518</b>	<b>543,720</b>
<b>Total liabilities</b> .....	<b>965,304</b>	<b>747,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b> .....	<b>1,241,786</b>	<b>996,222</b>

## Consolidated statement of comprehensive income

	Year ended 31 December	
	2017	2016
	<i>EUR (thousands)</i>	
Sales.....	2,806,490	2,693,225
Other income .....	94,064	90,427
Cost of sales.....	(2,592,439)	(2,483,629)
Operating expenses .....	(214,538)	(244,700)
Other gains (losses).....	61	(380)
<b>Profit from operations .....</b>	<b>93,637</b>	<b>54,943</b>
Finance income .....	157	75
Finance costs.....	(3,788)	(1,655)
Finance costs, net.....	(3,631)	(1,580)
<b>Profit before tax .....</b>	<b>90,007</b>	<b>53,363</b>
Income tax expense .....	(15,139)	(17,005)
<b>Net profit .....</b>	<b>74,868</b>	<b>36,358</b>
<b>Net profit attributable to:</b>		
Equity holders of the parent .....	74,868	36,358
	<b>74,868</b>	<b>36,358</b>
<b>Other comprehensive income:</b>		
<b>Items that will not be reclassified to profit or loss</b>	-	-
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences .....	2,172	(1,515)
Cash flow hedges .....	61	-
<b>Other comprehensive income .....</b>	<b>2,233</b>	<b>(1,515)</b>
<b>Total comprehensive income .....</b>	<b>77,101</b>	<b>34,843</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent .....	77,101	34,843
	<b>77,101</b>	<b>34,843</b>

## Consolidated statement of cash flows

	Year ended 31 December	
	2017	2016
	<i>EUR (thousands)</i>	
<b>OPERATING ACTIVITIES</b>		
Net profit .....	74,868	36,358
Adjustments for:		
Depreciation .....	52,303	52,234
Amortisation.....	1,886	940
Property, plant & equipment and intangible assets write offs.....	979	6,012
Property, plant & equipment Impairment charge.....	734	22,100
Loss / (profit) on disposal of property, plant and equipment .....	(61)	380
Income tax expense .....	15,139	17,005
Interest expenses .....	2,554	1,740
Interest Income.....	(60)	(75)
Fair value (gains) losses on derivative financial Instruments.....	61	-
Changes in working capital.....		
- trade and other receivables .....	882	(2,920)
- inventories .....	(19,035)	9,666
- trade and other payables .....	48,047	(10,623)
<b>Cash generated from operations.....</b>	<b>178,296</b>	<b>132,817</b>
Income tax paid .....	(19,939)	(17,809)
<b>Net cash generated from operating activities.....</b>	<b>158,358</b>	<b>115,008</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment and intangible assets .....	(62,909)	(67,151)
Proceeds from disposal of property, plant and equipment.....	2,475	252
Acquisition of subsidiaries, net of cash acquired .....	7,032	-
Loans granted .....	(1,250)	-
Interest received.....	53	75
Increase in time deposits (over 3 months).....	(49)	-
Increase in cash security deposits at banks .....	(185,000)	-
<b>Net cash (used in) investing activities .....</b>	<b>(239,648)</b>	<b>(66,824)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from borrowings .....	246,476	106,934
Repayment of borrowings.....	(76,825)	(56,266)
Dividends paid.....	(100,000)	(110,000)
Interest paid .....	(2,274)	(1,958)
<b>Net cash generated from (used in) financing activities.....</b>	<b>67,377</b>	<b>(61,290)</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>(13,914)</b>	<b>(13,105)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR.....</b>	<b>160,134</b>	<b>173,240</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR .....</b>	<b>146,220</b>	<b>160,134</b>

## Alternative Performance Measures

This section provides further information relating to alternative performance measures ("APM"s) for the purposes of the guidelines published by the European Securities and Markets Authority. Certain of the financial measures included in "Description of the Issuer" can be characterised as APMs and set out below are clarifications as to the meaning of such measures.

This Base Prospectus includes EBITDA, EBITDA margin, net debt, net debt to equity and net debt to EBITDA, which are APMs:

	Unaudited	
	as of and for the year ended	
	31 December	
	2017	2016
	<i>(EUR in millions, except percentages and ratios)</i>	
EBITDA.....	150	136
EBITDA Margin .....	5.2%	4.9%
Net debt.....	93	99
Net debt to equity.....	0.34x	0.40x
Net debt to EBITDA .....	0.62x	0.73x

EBITDA, EBITDA margin, net debt, net debt to equity and net debt to EBITDA should not be used instead of, or considered as alternatives to, the Group's consolidated historical financial results based on IFRS. The non-IFRS measures relate to the reporting periods and are not meant to be predictive of future results. EBITDA, EBITDA margin, net debt, net debt to equity and net debt to EBITDA as presented in this Base Prospectus are not defined under, or presented in accordance with, IFRS. Management of the Group uses EBITDA, EBITDA margin, net debt, net debt to equity and net debt to EBITDA because the Issuer believes that these measures are commonly used by lenders, investors and analysts. The Group's use of these terms, and its method of calculating these figures, may vary from other companies' use and calculation of such terms.

These measures are presented for purposes of providing investors with a better understanding of the Issuer's financial performance, cash flows or financial position as they are used by the Issuer when managing its business.

## EBITDA

EBITDA should not be considered as an alternative to profit before tax as defined by IFRS or to cash flows from operating activities (or any other performance measure determined in accordance with IFRS) or as indicators of operating performance or as measures of the Group's liquidity. In particular, EBITDA should not be considered as measures of discretionary cash available to the Group to invest in the growth of the Group's businesses.

EBITDA has certain limitations as analytical tool, and should not be considered in isolation, or as a substitute for financial information as reported under IFRS. Investors should not place undue reliance on this data. EBITDA in this Base Prospectus is presented, for each period, as: profit/(loss) before tax, adjusted by financial income and financial costs, depreciation and amortisation, impairment and write-offs of property, plant and equipment and intangible assets.

No statement in this Base Prospectus is intended as a profit/EBITDA forecast and no statement in this Base Prospectus should be interpreted to mean that the earnings of the Group for the current or future years would necessarily match or exceed the historical published earnings of the Group.

The table below presents reconciliation of EBITDA to the net profit for the period of the Group for the years ended 31 December 2017 and 31 December 2016:

	<b>For the year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>(EUR in millions, except percentages)</i>	
Net profit.....	75	36
Income tax expense.....	15	17
Depreciation and amortisation.....	54	53
Finance income.....	-	-
Finance costs.....	4	2
Impairment and write-offs of property, plant and equipment and intangible assets.....	2	28
EBITDA.....	150	136
EBITDA Margin.....	5.2%	4.9%

## EBITDA Margin

EBITDA Margin consists of EBITDA divided by total sales and other income, expressed as a percentage.

The following table illustrates the methodology the Group uses to determine EBITDA margin for the year ended December 2017 and 31 December 2016:

	<b>For the year ended 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>(EUR in millions, except percentages)</i>	
EBITDA .....	150	136
Sales and other income .....	2,901	2,784
EBITDA Margin .....	5.2%	4.9%

### **Net Debt**

Net debt consists of borrowings less cash and cash equivalents less short-term investments and term deposits less a portion of non-current other financial assets representing investments in debt securities.

The following table illustrates the methodology the Group uses to determine its net debt as of 31 December 2017 and 31 December 2016:

	<b>As of 31 December</b>	
	<b>2017</b>	<b>2016</b>
	<i>(EUR in millions)</i>	
<b>Non-current borrowings</b> .....	<b>220</b>	<b>200</b>
Bank borrowings .....	178	159
Other borrowings .....	41	41
Finance lease liabilities .....	1	-
<b>Current borrowings</b> .....	<b>204</b>	<b>59</b>
Current portion of non-current borrowings .....	53	59
Current borrowings .....	150	-
Current portion of finance lease liabilities .....	1	-
<b>Total borrowings</b> .....	<b>424</b>	<b>259</b>
Cash security deposits at banks .....	(185)	-
Cash and cash equivalents .....	(146)	(160)
<b>Net Debt</b> .....	<b>93</b>	<b>99</b>

### **Net Debt to Equity**

Net debt to equity is the ratio of net debt to equity and is used as a measure of both indebtedness and borrowing capacity.

### **Net Debt to EBITDA**

Net debt to EBITDA is the ratio of net debt to EBITDA and is used as a measure of both indebtedness and borrowing capacity.

## TAXATION

*The following summaries do not purport to be a comprehensive description of all tax considerations that could be relevant for Noteholders. These summaries are intended as general information only and each prospective Noteholders should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes. These summaries are based on tax legislation and published case law in force as of the date of this document. They do not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.*

### **Lithuania Taxation**

The following is a summary of certain Lithuanian tax consequences of ownership and disposition of Notes to a resident individual or a non-resident individual acting through a fixed base in Lithuania or a resident entity or a non-resident entity acting through a permanent establishment in Lithuania (the "**Lithuanian Holder**") or a non-resident individual who is not acting through a fixed base in Lithuania or non-resident entity which is not acting through a permanent establishment in Lithuania that holds such Notes (the "**Non-Lithuanian Holder**"). The information contained within this section is limited to Lithuanian withholding and income tax issues and prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Notes.

As used in the preceding paragraph, a "**resident individual**" means an individual whose permanent place of residence is in Lithuania, or whose personal, social or economic interests are located in Lithuania or who is present in Lithuania for more than 183 days in the relevant tax period or more than 280 days in two consecutive tax periods, and a "**resident entity**" means an entity which is legally established in Lithuania, and a "**non-resident individual**" means an individual whose permanent place of residence is outside Lithuania, whose personal, social or economic interests are located outside Lithuania and who is present in Lithuania for less than 183 days in the relevant tax period and less than 280 days in two consecutive tax periods, and a "**non-resident entity**" means an entity which is not legally established in Lithuania. Taxation of interest income and capital gains received by non-resident entities acting through a permanent establishment in Lithuania is the same as that of resident entities defined above, therefore, it is not separately outlined in the further sections of this Base Prospectus. For relevant details on the taxation of Lithuanian permanent establishments as Noteholders, please refer to the taxation of resident entities.

On 28 June 2018, amendments to relevant tax laws of the Republic of Lithuania were passed by the Parliament of the Republic of Lithuania. These amendments shall apply as of 1 January 2019. Accordingly, the below information on certain Lithuanian taxes provides information on tax laws applicable until 1 January 2019 and to be applicable as of 1 January 2019.

### ***Withholding Tax, Income Tax***

#### *Taxation of interest*

#### *Payments to Lithuanian Holders*

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident individual, until 1 January 2019, will be subject to 15 per cent. personal income tax, and, as of 1 January 2019, will be subject to personal income tax at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment and dividends) received by a resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, if calculated according to the data of the 1st quarter of 2018 only, this figure would be EUR 107,424) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment and dividends) received by a resident individual during the calendar year, exceeding the aforementioned threshold. The total amount of interest (including interest on the Notes) received during the calendar year not exceeding EUR 500 will not be subject to personal income tax.

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to 15 per cent. corporate income tax.

### Payments to Non-Lithuanian Holders

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident individual, until 1 January 2019, will be subject to 15 per cent. withholding tax in Lithuania (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate) and as of 1 January 2019 at progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, if calculated according to the data of the 1st quarter of 2018 only, this figure would be EUR 107,424) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment and dividends) received by a non-tax resident individual during the calendar year, exceeding the aforementioned threshold (unless a double tax treaty with the Republic of Lithuania provides for a lower tax rate).

Payments in respect of interest on the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) to a non-resident entity which is registered or otherwise organised in a state of the European Economic Area or in a state with which the Republic of Lithuania has concluded and brought into effect double tax treaty, will not be subject to withholding tax in Lithuania. Payments in respect of interest on the Notes to a non-resident entity other than listed above will be subject to 10 per cent. withholding tax.

Accordingly, until 1 January 2019, if the Issuer is unable to identify the Holder of a Note and determine such Holder's eligibility for exemption from withholding tax, payments of interest in respect of the Notes (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) will be subject to 15 per cent. withholding tax to be withheld and paid to the budget of the Republic of Lithuania by the Issuer. Likewise, as of 1 January 2019, if the Issuer is unable to identify the Holder of a Note and determine such Holder's eligibility for lower tax rate or exemption from withholding tax, payments of interest in respect of the Notes to any such Holder of a Note (including, to the extent applicable, the difference between the redemption price and the issue price of the Notes) will be subject to 20 per cent. withholding tax to be withheld and paid to the budget of the Republic of Lithuania by the Issuer.

### Taxation on Disposition of Notes

#### Payments to Lithuanian Holders

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident individual, until 1 January 2019, will be subject to 15 per cent. personal income tax, and received as of 1 January 2019, will be subject to progressive tax rates of (i) 15 per cent., if the total amount of income (excluding income from employment, self-employment and dividends) received by a resident individual during the calendar year does not exceed the sum of 120 Lithuanian gross average salaries, which shall be determined on a basis of quarterly gross average salaries as published by Statistics Lithuania (for example, if calculated according to the data of the 1st quarter of 2018 only, this figure would be EUR 107,424) and (ii) 20 per cent., which shall be applied to any income (excluding income from employment, self-employment and dividends) received by a resident individual during the calendar year, exceeding the aforementioned threshold. Any capital gains received from the sale of securities (including the Notes) during the calendar year not exceeding EUR 500 will not be subject to personal income tax. The tax relief will not apply if the sale proceeds are received from entities established in a tax haven or from individuals whose permanent place of residence is in a tax haven.

Capital gains (i.e. the difference between the sale price and acquisition costs) on disposal of the Notes received by a resident entity will be included into calculation of its taxable profit. Taxable profit will be subject to 15 per cent. corporate income tax.

#### Payments to Non-Lithuanian Holders

The disposition of Notes by the Non-Lithuanian Holder will not be subject to any Lithuanian income or capital gains tax.

### **Registration and Stamp Duty**

Transfers of Notes will not be subject to any registration or stamp duty in Lithuania.

Prospective purchasers of Notes are advised to consult their own tax advisers concerning the overall Lithuanian tax consequences of the ownership of Notes.

### **The proposed financial transactions tax (the "FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### **FATCA**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Lithuania) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes that are characterised as debt (or which are not otherwise characterised as equity and have a defined term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are filed with the U.S. Federal Register generally would be "**grandfathered**" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 25 July 2018 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Dealers for their expenses incurred in connection with the establishment of the Programme and for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### United States

The Notes have not been and will not be registered under the Securities Act, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Issuing and Paying Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Lithuania**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy the Notes or distribute any draft or definite document in relation to any such offer, invitation or sale in Lithuania other than in compliance with the Law on Securities of the Republic of Lithuania and any other laws applicable in Lithuania governing the issue, offering and sale of Notes.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

**[MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**IMPORTANT - PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Final Terms dated [•]

### MAXIMA GRUPÉ, UAB

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the **€1,000,000,000 Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 29 August 2018 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended (the Prospectus Directive). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the Group ([www.maximagrupe.eu](http://www.maximagrupe.eu)) and the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)).]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement(s) to it dated [•]] which are incorporated by reference in the Prospectus dated [current date]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the Prospectus Directive) and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement(s) to it dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplement(s) to it dated [•]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus [and the supplement(s) dated [•]]. The Base Prospectus has been published on the website of the Group ([www.maximagrupe.eu](http://www.maximagrupe.eu)) and the website of Euronext Dublin ([www.ise.ie](http://www.ise.ie)).]

1	(i) Issuer:	Maxima Grupè, UAB
2	(i) Series Number:	[•]
	(ii) Tranche Number:	[•]
	(iii) Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the <i>[insert description of the Series]</i> on <i>[insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [insert date]]]</i> .]
3	Specified Currency or Currencies:	[•]
4	Aggregate Nominal Amount:	
	(i) Series:	[•]
	(ii) Tranche:	[•]
5	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from <i>[insert date]</i> (if applicable)]
6	(i) Specified Denominations:	[•]
	(ii) Calculation Amount:	[•]
7	(i) Issue Date:	[•]
	(ii) Interest Commencement Date	[Specify/Issue Date/Not Applicable]
8	Maturity Date:	[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9	Interest Basis:	[[•] per cent. Fixed Rate]  [[•] month [U.S. Treasury Rate/LIBOR/EURIBOR] +/- • per cent. Floating Rate]  [Zero Coupon]  (See paragraph [14/15/16] below)
10	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11	Change of Interest Basis:	[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable]

- 12 Put/Call Options: [Investor Put]  
 [Change of Control Put]  
 [Issuer Call]  
 See paragraph [17/18/19] below]
- 13 [Date [Board] approval for issuance of [•]  
 Notes obtained: [•]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- 14 Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date]
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [Actual/Actual] [Actual/Actual – ISDA]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30/360] [360/360] [Bond Basis]  
 [30E/360] [Eurobond Basis]  
 [30E/360 (ISDA)]  
 [Actual/Actual-ICMA]
- (vi) [Determination Dates: [•] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
- 15 Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

- (i) Interest Period(s): [[•] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (ii) Specified Interest Payment Dates: [[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (iii) Interest Period Date: [Not Applicable]/ [[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
- (iv) First Interest Payment Date: [•]
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (vi) Business Centre(s): [•]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [•]
- (ix) Screen Rate Determination:
- Reference Rate: [[•]month [LIBOR/EURIBOR]]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [•]
- (x) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
  - [– ISDA Definitions [2000/2006]]
- (xi) [Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xii) Margin(s): [+/-][ ] per cent. per annum

(xiii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiv)	Maximum Rate of Interest:	[•] per cent. per annum
(xv)	Day Count Fraction:	[Actual/Actual] [Actual/Actual – ISDA] [Actual/365 (Fixed)] [Actual/365 (Sterling)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [Actual/Actual-ICMA]
16	Zero Coupon Note Provisions	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Amortisation Yield:	[•] per cent. per annum
(ii)	[Day Count Fraction in relation to Early Redemption Amounts:	[Actual/Actual] [Actual/Actual – ISDA] / [Actual/365 (Fixed)] / [Actual/365 (Sterling)] / [Actual/360] / [30/360] [360/360] [Bond Basis] / [30E/360] [Eurobond Basis] / [30E/360 (ISDA)] / [Actual/Actual-ICMA]

#### **PROVISIONS RELATING TO REDEMPTION**

17	Call Option	[Applicable/Not Applicable]  <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Optional Redemption Date(s):	[•]
(ii)	Optional Redemption Amount(s) of each Note:	[[•] per Calculation Amount] / [Make Whole Redemption Amount]
(iii)	Reference Date:	[•]
(iv)	[Make-Whole Amount:	
	- Reference Bond	[•]
	- Determination Time:	[•]
	- Determination Date	[•]
	- Redemption Margin	[•] <i>(if Make-Whole Redemption Amount is not specified in paragraph 17(ii) above, this can be deleted)</i>
(v)	If redeemable in part:	

- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (vi) Notice period: [•] days
- 18 Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
- (iii) Notice period: [•] days
- 19 Change of Control Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
- (ii) Put Period: [•]
- (iii) Put Date: [•]
- 20 Final Redemption Amount of each Note [•][Par] per Calculation Amount
- 21 Early Redemption Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [•]/[Par] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22 Form of Notes: **Bearer Notes:**
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

**Registered Notes:**

[Regulation S Global Note (US\$/€) nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg]]

- 23 New Global Note: [Yes] [No]
- 24 New Safekeeping Structure: [Yes] [No]
- 25 Financial Centre(s): [Not Applicable/give details. Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which subparagraph 15(v) relates]
- 26 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.]

**THIRD PARTY INFORMATION**

[(Relevant third party information) has been extracted from (specify source). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (specify source), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of Maxima Grupè, UAB:

By: \_\_\_\_\_  
Duly authorised

## PART B – OTHER INFORMATION

### 1 LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of Euronext Dublin and listed on the official list of Euronext Dublin] [Nasdaq Vilnius Stock Exchange] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the regulated market of Euronext Dublin and listed on the official list of Euronext Dublin] [Nasdaq Vilnius Stock Exchange] with effect from [•].] [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading: [•]

### 2 RATINGS

Ratings: [[The Notes to be issued [have been/are expected to be/have not been] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[S & P: [•]]

[Moody's: [•]]

[[Fitch: [•]]

[[Other]: [•]]

[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] / [European Securities and Markets Authority].]

[[•] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[•] is not established in the EEA but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[•] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[•] is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### 3 **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

*(Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the statement below:)*

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business. *(Amend as appropriate if there are other interests)*]

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]*

4 **REASONS FOR THE OFFER** [See "*Use of Proceeds*" wording in Base Prospectus.] [The Notes are intended to be issued as Green Bonds, *[further particulars to be provided]*.]

### 5 **[Fixed Rate Notes only – YIELD**

Indication of yield: [•]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

### 6 **OPERATIONAL INFORMATION**

ISIN: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

[Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper)] [*include this text for registered notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper) [*include this text for registered notes*]]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

## 7 DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (A) Names of Managers: [Not Applicable/*give names*]
  - (B) Stabilisation Manager(s) (if any): [Not Applicable/*give names*]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/*give name*]
- (iv) US Selling Restrictions: [Reg. S Compliance Category 2]; TEFRA D/ TEFRA not applicable]

## GENERAL INFORMATION

1. This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. Application will also be made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and to trading on the Market. However, Notes may be issued pursuant to the Programme which will not be listed on Euronext Dublin or any other stock exchange or which will be listed on such stock exchange as the Issuer and the relevant Dealer(s) agree.
2. The Issuer has obtained all necessary consents, approvals and authorisations in Lithuania in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolutions of the Board of Directors and passed on 25 July 2018.
3. There has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2017 other than the acquisition of Emperia described on pages 112 to 114 of this Base Prospectus, and there has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2017.
4. Except as disclosed in "*Description of the Issuer – Legal and Regulatory Proceedings*" on pages 123 to 125 of this Base Prospectus, neither the Issuer nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
5. Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.
7. The Legal Entity Identifier (LEI) code for the Issuer is 259400Z5DFISQ00QN727.
8. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.
9. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.
10. Where information in this Base Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
11. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

12. For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:
- (i) the Trust Deed (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
  - (ii) the Agency Agreement;
  - (iii) the Articles of Association of the Issuer;
  - (iv) the published annual report and audited consolidated accounts of the Issuer for the years ended 31 December 2016 and 31 December 2017;
  - (v) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);
  - (vi) a copy of this Base Prospectus together with any Supplement to this Base Prospectus or further Prospectus; and
  - (vii) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Base Prospectus.

This Base Prospectus, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Central Bank at <http://www.centralbank.ie/regulation/securities-markets/prospectus/Pages/approvedprospectus.aspx> for a period of 12 months from the date of approval and the website of Euronext Dublin at [www.ise.ie](http://www.ise.ie).

13. Copies of the latest annual report and accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. The Issuer does not publish interim accounts.
14. The consolidated financial statements of Maxima Grupė, UAB as of 31 December 2017 and for the year then ended and as of 31 December 2016 and for the year then ended, included in the prospectus, have been audited by Ernst & Young Baltic UAB, independent auditors, as stated in their report appearing herein. Ernst & Young Baltic UAB of Subačiaus St. 7 LT-01302 Vilnius Lithuania is a member of Lithuanian Chambers of Auditors.
15. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and/or its affiliates in the ordinary course of business.
16. The Irish Listing Agent is The Bank of New York Mellon SA/NV, Dublin Branch and the address of its registered office is Riverside II Sir John Rogerson's Quay, Grand Canal Dock, 2, Dublin 2, Ireland. The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market of Euronext Dublin.

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# ***MAXIMA GRUPĒ, UAB***

**Consolidated financial statements  
for the year ended 31 December 2017  
together with consolidated annual report and  
independent auditor's report**

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**MAXIMA GRUPĖ, UAB**

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

**Consolidated financial statements  
for the year ended 31 December 2017**

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Register of Legal Entities

## INDEPENDENT AUDITOR'S REPORT

To the shareholder of MAXIMA GRUPĖ, UAB

### 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 2017, 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 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for opinion

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

### Other Information

Other information consists of the information included in the consolidated annual report for the year 2017, 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 consolidated annual report corresponds to the consolidated financial statements for the same financial year and if the consolidated annual 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 consolidated annual report corresponds to the financial information included in the consolidated financial statements for the same year; and
- The consolidated annual report was prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

### 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**

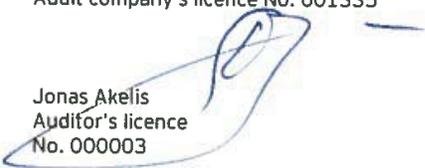
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not 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.

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



Jonas Akelis  
Auditor's licence  
No. 000003

11 April 2018

**MAXIMA GRUPĖ, UAB**

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

**Consolidated financial statements****for the year ended 31 December 2017***(All tabular amounts are in EUR thousands unless otherwise stated)***Consolidated statement of financial position**

	Notes	At 31 December	
		2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	443,151	425,610
Intangible assets (except for goodwill)	5	11,001	6,054
Goodwill	6	165,495	139,088
Non-current receivables and prepayments		3,001	2,950
Deferred tax assets	7	2,154	3,891
		<b>624,802</b>	<b>577,593</b>
<b>Current assets</b>			
Inventories	8	233,420	214,274
Trade and other receivables, prepayments and other short-term financial assets	9	237,344	44,221
Cash and cash equivalents	10	146,220	160,134
		<b>616,984</b>	<b>418,629</b>
<b>TOTAL ASSETS</b>		<b>1,241,786</b>	<b>996,222</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	1,019,263	968,963
Share premium	11	41,352	41,352
Legal reserve	12	25,749	13,327
Reverse acquisition reserve	12	(1,430,271)	(1,430,271)
Other reserves		61	-
Foreign currency translation reserve		(2,243)	(4,415)
Retained earnings		622,571	660,125
<b>Total equity</b>		<b>276,482</b>	<b>249,081</b>
<b>Non-current liabilities</b>			
Borrowings	13	220,105	200,223
Deferred tax liabilities	7	903	2,624
Other non-current liabilities		3,778	574
		<b>224,786</b>	<b>203,421</b>
<b>Current liabilities</b>			
Borrowings	13	204,218	59,286
Current income tax liabilities		1,696	1,744
Trade and other payables	14	534,604	482,690
		<b>740,518</b>	<b>543,720</b>
<b>Total liabilities</b>		<b>965,304</b>	<b>747,141</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,241,786</b>	<b>996,222</b>



Dalius Misiūnas  
General Director



Vitalij Rakovski  
Chief Financial Officer

The consolidated financial statements have been approved and signed on 11 April 2018.

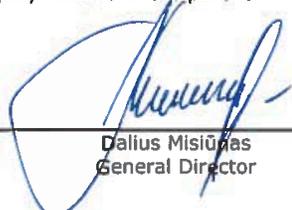
*The accompanying notes are an integral part of these consolidated financial statements.*

**MAXIMA GRUPĖ, UAB**

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

**Consolidated financial statements****for the year ended 31 December 2017***(All tabular amounts are in EUR thousands unless otherwise stated)***Consolidated statement of comprehensive income**

	Notes	Year ended 31 December	
		2017	2016
Sales		2,806,490	2,693,225
Other income	15	94,064	90,427
Cost of sales		(2,592,439)	(2,483,629)
Operating expenses	16	(214,538)	(244,700)
Other gains (losses)		61	(380)
<b>Profit from operations</b>		<b>93,637</b>	<b>54,943</b>
Finance income	17	157	75
Finance costs	17	(3,788)	(1,655)
Finance costs, net		(3,631)	(1,580)
<b>Profit before tax</b>		<b>90,007</b>	<b>53,363</b>
Income tax expense	18	(15,139)	(17,005)
<b>Net profit</b>		<b>74,868</b>	<b>36,358</b>
<b>Net profit attributable to:</b>			
Equity holders of the parent		74,868	36,358
		<b>74,868</b>	<b>36,358</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>		-	-
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences		2,172	(1,515)
Cash flow hedges		61	-
<b>Other comprehensive income</b>		<b>2,233</b>	<b>(1,515)</b>
<b>Total comprehensive income</b>		<b>77,101</b>	<b>34,843</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent		77,101	34,843
		<b>77,101</b>	<b>34,843</b>



Dalius Misiūnas  
General Director



Vitalij Rakovski  
Chief Financial Officer

The consolidated financial statements have been approved and signed on 11 April 2018.

*The accompanying notes are an integral part of these consolidated financial statements.*

**MAXIMA GRUPĖ, UAB**

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

**Consolidated financial statements  
for the year ended 31 December 2017***(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
<b>At 31 December 2015</b>	<b>968,963</b>	<b>41,352</b>	<b>10,353</b>	<b>(1,430,271)</b>	-	<b>(2,900)</b>	<b>736,741</b>	<b>324,238</b>
Profit for the year	-	-	-	-	-	-	36,358	36,358
Other comprehensive income	-	-	-	-	-	(1,515)	-	(1,515)
Total comprehensive income for the year	-	-	-	-	-	(1,515)	36,358	34,843
Transfer to legal reserve	12	-	2,974	-	-	-	(2,974)	-
Dividends	19	-	-	-	-	-	(110,000)	(110,000)
<b>At 31 December 2016</b>	<b>968,963</b>	<b>41,352</b>	<b>13,327</b>	<b>(1,430,271)</b>	-	<b>(4,415)</b>	<b>660,125</b>	<b>249,081</b>
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	12	-	12,422	-	-	-	(12,422)	-
Increase in share capital	11	50,300	-	-	-	-	-	50,300
Dividends	19	-	-	-	-	-	(100,000)	(100,000)
<b>At 31 December 2017</b>	<b>1,019,263</b>	<b>41,352</b>	<b>25,749</b>	<b>(1,430,271)</b>	<b>61</b>	<b>(2,243)</b>	<b>622,571</b>	<b>276,482</b>



Dalius Misiūnas  
General Director



Vitalij Rakovski  
Chief Financial Officer

The consolidated financial statements have been approved and signed on 11 April 2018.

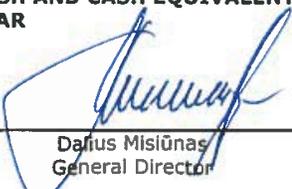
*The accompanying notes are an integral part of these consolidated financial statements.*

**MAXIMA GRUPĖ, UAB**

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

**Consolidated financial statements****for the year ended 31 December 2017***(All tabular amounts are in EUR thousands unless otherwise stated)***Consolidated statement of cash flows**

	Notes	Year ended 31 December	
		2017	2016
<b>OPERATING ACTIVITIES</b>			
Net profit		74,868	36,358
Adjustments for:			
Depreciation	4	52,303	52,234
Amortisation	5	1,886	940
Property, plant & equipment and intangible assets write-offs		979	6,012
Property, plant & equipment impairment charge	4	734	22,100
Loss / (profit) on disposal of property, plant and equipment		(61)	380
Income tax expense	18	15,139	17,005
Interest expenses	17	2,554	1,740
Interest income	17	(60)	(75)
Fair value (gains) losses on derivative financial instruments		61	-
<i>Changes in working capital</i>			
- trade and other receivables		882	(2,920)
- inventories		(19,035)	9,666
- trade and other payables		48,047	(10,623)
<b>Cash generated from operations</b>		<b>178,296</b>	<b>132,817</b>
Income tax paid		(19,939)	(17,809)
<b>Net cash generated from operating activities</b>		<b>158,358</b>	<b>115,008</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment and intangible assets		(62,909)	(67,151)
Proceeds from disposal of property, plant and equipment		2,475	252
Acquisition of subsidiaries, net of cash acquired		7,032	-
Loans granted		(1,250)	-
Interest received		53	75
Increase in time deposits (over 3 months)		(49)	-
Increase in cash security deposits at banks		(185,000)	-
<b>Net cash (used in) investing activities</b>		<b>(239,648)</b>	<b>(66,824)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		246,476	106,934
Repayment of borrowings		(76,825)	(56,266)
Dividends paid		(100,000)	(110,000)
Interest paid		(2,274)	(1,958)
<b>Net cash generated from (used in) financing activities</b>		<b>67,377</b>	<b>(61,290)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(13,914)</b>	<b>(13,105)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>			
	10	<b>160,134</b>	<b>173,240</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
	10	<b>146,220</b>	<b>160,134</b>



Darius Misiūnas  
General Director



Vitalij Rakowski  
Chief Financial Officer

The consolidated financial statements have been approved and signed on 11 April 2018.  
The accompanying notes are an integral part of these consolidated financial statements.

## MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

### Consolidated financial statements

for the year ended 31 December 2017

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

## Notes to the consolidated financial statements

### 1. General information

MAXIMA GRUPĖ, UAB (hereinafter "the Company") was incorporated and commenced its operations on 23 August 2007. The Company's registered address is Savanoriu av. 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 2017 and 2016, the Group consisted of the following entities:

Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2017	2016	
MAXIMA GRUPĖ, UAB	Lithuania			Holding company
MAXIMA LT, UAB	Lithuania	100%	100%	Retail in food and consumables
Kepimo Technologija UAB*	Lithuania	100%	100%	Real estate management
Maxima UAB*	Lithuania	100%	100%	No significant activities
EUROCOM PLIUS, UAB*	Lithuania	100%	100%	No significant activities
BIRULIŠKIŲ GAMA, UAB	Lithuania	100%	100%	No significant activities
LORKA, UAB	Lithuania	100%	100%	No significant activities
MENORKA UAB*	Lithuania	100%	100%	Real estate management
G-26, UAB*	Lithuania	100%	100%	Real estate management
VOLENTIS, UAB*	Lithuania	100%	100%	Real estate management
VELVETA, UAB*	Lithuania	100%	100%	Real estate management
SKANDA, UAB*	Lithuania	100%	100%	Real estate management
PASTORALIS, UAB*	Lithuania	100%	100%	Real estate management
NOTITIA, UAB*	Lithuania	100%	100%	Real estate management
MELLA, UAB*	Lithuania	100%	100%	Real estate management
MALPENSA, UAB*	Lithuania	100%	100%	Real estate management
LATER, UAB*	Lithuania	100%	100%	Real estate management
LANIGERA, UAB*	Lithuania	100%	100%	Real estate management
LABARUM, UAB*	Lithuania	100%	100%	Real estate management
INVIDENTUS, UAB*	Lithuania	100%	100%	Real estate management
DIVERTA, UAB*	Lithuania	100%	100%	Real estate management
GOZAS, UAB (renamed from MAXIMA FOOD, UAB)*	Lithuania	100%	100%	Real estate management
LERAS, UAB*	Lithuania	100%	100%	Real estate management
FORMENTERA UAB*	Lithuania	100%	100%	Real estate management
LAMPEDUSA UAB*	Lithuania	100%	100%	Real estate management
LIPARIS UAB*	Lithuania	100%	100%	Real estate management
MARSALA UAB*	Lithuania	100%	100%	Real estate management
PROKIDA UAB*	Lithuania	100%	100%	Real estate management
SANTORINIS UAB*	Lithuania	100%	100%	Real estate management
MILOSAS UAB*	Lithuania	100%	100%	Real estate management
LEMNAS UAB*	Lithuania	100%	100%	Real estate management
FOLEGANDRA UAB*	Lithuania	100%	100%	Real estate management
SKOPELAS UAB*	Lithuania	100%	100%	Real estate management
TERCEIRA UAB*	Lithuania	100%	100%	Real estate management
OLERONAS UAB*	Lithuania	100%	100%	Real estate management
BORNHOLMAS UAB*	Lithuania	100%	100%	Real estate management
ORUSTAS UAB*	Lithuania	100%	100%	Real estate management
LARGAS UAB*	Lithuania	100%	100%	Real estate management
SUMATERA UAB*	Lithuania	100%	100%	Real estate management
LOMBOKAS UAB*	Lithuania	100%	100%	Real estate management
MODURA UAB*	Lithuania	100%	100%	Real estate management
SULAVESIS UAB*	Lithuania	100%	100%	Real estate management
SELATANAS UAB*	Lithuania	100%	100%	Real estate management
CEILONAS UAB*	Lithuania	100%	100%	Real estate management
JAMDENA UAB*	Lithuania	100%	100%	Real estate management
SUMBA UAB*	Lithuania	100%	100%	Real estate management
TENGARA UAB*	Lithuania	100%	100%	Real estate management
AMAGERAS UAB*	Lithuania	100%	100%	Real estate management
MONSERATAS UAB*	Lithuania	100%	100%	Real estate management
GREPADINAS UAB*	Lithuania	100%	100%	Real estate management
ANEGADA UAB*	Lithuania	100%	100%	Real estate management

**MAXIMA GRUPĖ, UAB**

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

**Consolidated financial statements  
for the year ended 31 December 2017***(All tabular amounts are in EUR thousands unless otherwise stated)*

Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
TRINIDADAS UAB*	Lithuania	100%	100%	Real estate management
SERAMAS UAB*	Lithuania	100%	100%	Real estate management
VATUBELA UAB*	Lithuania	100%	100%	Real estate management
GOTLANDAS UAB*	Lithuania	100%	100%	Real estate management
EDISTAS UAB*	Lithuania	100%	100%	Real estate management
AKONKAGVA, UAB	Lithuania	100%	100%	Security services
EIGERIS, UAB	Lithuania	100%	100%	Security services
KAMETAS, UAB	Lithuania	100%	100%	Security services
LOGANAS, UAB	Lithuania	100%	100%	Security services
RADAS, UAB	Lithuania	100%	-	Consulting services
BARBORA, UAB*	Lithuania	100%	-	E-trade
FRANMAX, UAB	Lithuania	100%	-	Franchise and agency services
MAXIMA Latvia SIA*	Latvia	100%	100%	Retail in food and consumables
Skandi Krasts SIA*	Latvia	100%	100%	Real estate management
TC Mūsaka SIA*	Latvia	100%	100%	Real estate management
Mahrix SIA*	Latvia	-	100%	Liquidated in 2017
MS Investīcijas SIA*	Latvia	100%	100%	Real estate management
SIA ACCIPITER*	Latvia	100%	100%	Real estate management
SIA SEGĪNUS*	Latvia	100%	100%	Real estate management
SIA CRATER*	Latvia	100%	100%	Real estate management
SIA ARCTURUS*	Latvia	100%	100%	Real estate management
SIA GROMUS*	Latvia	100%	100%	Real estate management
SIA KORBELA*	Latvia	100%	100%	Real estate management
SIA SALTORA*	Latvia	100%	100%	Real estate management
SIA GRAJA*	Latvia	100%	100%	Real estate management
SIA PAVOS*	Latvia	100%	100%	Real estate management
SIA MENTONA*	Latvia	100%	100%	Real estate management
SIA NIOLO*	Latvia	100%	100%	Real estate management
SIA LEVANDER*	Latvia	100%	100%	Real estate management
SIA PATRIKA*	Latvia	100%	100%	E-trade
MAXIMA Eesti OU*	Estonia	100%	100%	Retail in food and consumables
RE Tegevus OU*	Estonia	100%	100%	Real estate management
BELLSTAR PROPERTIES OU*	Estonia	100%	100%	Real estate management
SMUULI KVP OU*	Estonia	100%	100%	Real estate management
NOBELA PROPERTIES OU*	Estonia	100%	100%	Real estate management
NODA PROPERTIES OU*	Estonia	100%	100%	Real estate management
TESTAMA PROPERTIES OU*	Estonia	100%	100%	Real estate management
SUPERSA OU*	Estonia	100%	100%	E-trade
ALLEGITOS OU*	Estonia	100%	100%	Real estate management
VOLTERRINA OU*	Estonia	100%	100%	Real estate management
Tahita Properties OU*	Estonia	100%	-	Real estate management, established in 2017
Arensburg Properties OU*	Estonia	100%	-	Real estate management, established in 2017
MAXIMA Bulgaria EOOD*	Bulgaria	100%	100%	Retail in food and consumables
DEVELOPER Bulgaria EOOD	Bulgaria	100%	100%	Real estate management
MMS Projects EOOD	Bulgaria	100%	100%	Real estate management
DC BG EOOD*	Bulgaria	100%	100%	Real estate management
MA Bulgaria EOOD*	Bulgaria	100%	-	Real estate management
Percepcija Sp.z o.o.*	Poland	100%	100%	Search for real estate objects, marketing
Aldik Nova Sp.z o.o.*	Poland	100%	100%	Retail in food and consumables
MN Polska Sp.z o.o.*	Poland	100%	100%	Real estate management
Grena Sp.z o.o.*	Poland	100%	100%	Real estate management
Manito Sp.z o.o.*	Poland	100%	100%	Real estate management
Kortona Sp.z o.o.*	Poland	100%	100%	Real estate management
Awelino Sp.z o.o.*	Poland	100%	100%	Real estate management
Bingo Sp.z o.o.*	Poland	100%	100%	Real estate management
Lincoln Land Erste B.V.**	Holland	100%	100%	Holding company
NEMELIA HOLDINGS LIMITED	Cyprus	100%	100%	Holding company

\* - held by intermediate subsidiary

\*\* - held by the Company and by intermediate subsidiary

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

As at 31 December 2017, the Group employed 31.0 thousand employees (total remuneration costs EUR 281 million) (31 December 2016: 30.9 thousand, remuneration costs EUR 255 million).

The Company's management authorized these consolidated financial statements on 11 April 2018. 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.

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**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 under the historical cost convention, as modified for certain financial assets and financial liabilities 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.

**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 following amended IFRSs which have been adopted by the Group as of 1 January 2017:

**IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**

The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 *Income Taxes*. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments were not applicable for the Group.

**IAS 7: Disclosure Initiative (Amendments)**

The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. In order to comply with the Amendments the Group added respective disclosures (Note 24).

**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 2018, yet not applied in preparing these consolidated financial statements:

**IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)**

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.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

The Group has performed a preliminary impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position, statement of comprehensive income and equity.

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**(a) Classification and measurement**

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

Loans as well as trade 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 does not expect significant impact on the accounting for financial liabilities that are designated at fair value through profit or loss.

The derecognition rules have been transferred from IAS 39 and have not been changed.

**(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 is 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. Based on the assessments undertaken to date, the Group expects a small increase in the loss allowance for trade debtors by approximately EUR 47 thousand as of 31 December 2017.

**(c) Hedge accounting**

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on the Group's financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

**IFRS 15 Revenue from Contracts with Customers and IFRS 15 Clarifications** (effective for annual periods beginning on or after 1 January 2018)

The IASB has issued a new standard for the recognition of revenue. It will replace IAS 18 *Revenue* which covers contracts for goods and services and IAS 11 *Construction Contracts* which covers construction contracts. 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 objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Management has preliminarily assessed the effects of applying the new revenue recognition standard on the Group's financial statements and has identified the following areas that will be affected:

- Slotting fees – the Group receives slotting fees for the product placements in stores from suppliers. 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 the product placement service is not distinct and slotting fees are not payments for satisfying a distinct performance obligation and should be recognised as a reduction of cost of goods sold. As a result, the Group estimates that for the year ended 31 December 2017 other income and cost of sales should be reduced by EUR 13,520 thousand.

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- 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. Under current IFRS the Group classifies fines and penalties as other income. The Group estimates that for the year ended 31 December 2017 fines and penalties that will be reclassified from other income to cost of sales will amount to EUR 3,876 thousand.

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's 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 recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 has not yet evaluated the impact of the implementation of this standard, however considers it likely that this would materially increase the book value of the Group's assets and liabilities in the year of implementation.

**Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

**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 amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

**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. These Amendments have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this amendment.

**IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration** (effective for annual periods beginning on or after 1 January 2018)

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 recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes 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. This Interpretation has not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this standard.

**IFRIC INTERPETATION 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. This Interpretation has not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this interpretation.

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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. These annual improvements have not yet been endorsed by the EU. 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 recognized according to where the past transactions or events that generated distributable profits has been recognized.
- 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.

**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 where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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, 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.

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

**2.6. Property, plant and equipment**

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

Buildings	5 – 25 years
Equipment and other assets	2 – 18 years
Vehicles	3 – 10 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.

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

**2.7. Intangible assets with finite useful lives (except for goodwill)**

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 as follows:

Software	2 - 10 years
Other intangible assets	2 - 17 years
Trademarks	8 years
Land lease rights	20 years – or over the term of the lease

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks 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. Land lease rights are classified as other intangible assets.

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**2.8. 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.

**2.9. 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. The proportion of the discounts applied to the value of inventories is determined based on the average volume of the discounts received proportionate to the cost of goods sold during the year and applied to the value of inventories as at the year end. Logistics costs incurred for transportation of inventory between different locations of retail operators are accounted as operating expenses in the relevant accounting period.

**2.10. Financial assets****2.10.1. Classification**

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.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. The Group determines the classification of its financial assets at initial recognition. Group financial assets are comprised of loans and receivables and financial assets at fair value through profit or loss in both 2017 and 2016 financial years.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group's loans and receivables comprise of trade and other receivables, cash and cash equivalents and cash security deposits at banks.

**a) Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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**b) Cash and cash equivalents**

The Group's cash consists of cash on hand, cash in transit, cash at bank and short-term bank deposits with a maturity of three months or less. Deposits with a term longer than 3 months (from the starting date) are classified as cash equivalents if the Group has the ability to cancel the deposits without incurring any losses, and the risk of changes in value is not significant.

**c) Cash security deposits at banks and time deposits**

Cash security deposits at banks and time deposits with maturities longer than 3 months are not included in cash and cash equivalents, but are recognised as other short-term financial assets.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. At initial recognition the Group measures its financial assets at fair value through profit or loss at their fair value and subsequently carries them at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss.

**2.10.2. Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

**2.10.3. Derecognition of financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

**2.11. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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**2.12. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in the statement of comprehensive income over the period of the borrowings, except for the capitalised part as described in Note 2.13 *Borrowing costs*.

**2.13. 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.

**2.14. 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 loan taken from a bank, 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.

**Cash flow hedges**

In relation to cash flow hedges, which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as other comprehensive income in the statement of comprehensive income and the ineffective portion is recognized in profit or loss in the statement of comprehensive income. The gains or losses on effective cash flow hedges recognized initially in other comprehensive income and equity are either transferred to the statement of comprehensive income (profit or loss) in the period in which the hedged transaction impacts the statement of comprehensive income or included in the initial measurement of the cost of the related asset or liability.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the statement of comprehensive income (profit or loss) for the period.

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 recognized 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 recognized in equity is transferred to the statement of comprehensive income (profit or loss).

**2.15. 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.

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*(All tabular amounts are in EUR thousands unless otherwise stated)***2.16. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided net of value-added tax, rebates and discounts. Revenues from sale of goods are recognised when goods are delivered and title has passed. Revenue from rendering of services is recognised in the accounting period when services are rendered.

**2.17. Customer loyalty programmes**

The Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for payment of part of next product, subject to a minimum number of points being obtained. Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

**2.18. Cost of sales**

Cost of sales consists of cost of inventory and other costs attributable to sales of goods, including logistics, retail operations and franchise fee.

**2.19. 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% (2016 – 15%). The income tax for the Group companies, which operate in foreign countries, are calculated according to the laws of these foreign countries.

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

	<u>2017</u>	<u>2016</u>
Latvia	15%	15%
Estonia*	21%	21%
Bulgaria	10%	10%
Poland	19%	19%

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

**b) Deferred income tax**

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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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.

**2.20. 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 plan in accordance with the local legal requirements in respective countries. A defined contribution plan is a plan under which the Group pays fixed contributions into the Fund and will have no legal or constructive obligations to pay further contributions if the Fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Social security contributions are recognised as expenses on an accrual basis in the statement of comprehensive income.

**b) Termination benefits**

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

**c) Bonus plans**

The group recognises a liability and an expense for employee bonuses when the Group is contractually obliged in accordance with the employment agreements or where there is a past practice that has created a constructive obligation. Long term liabilities are discounted using market interest rate.

**2.21. Leasing**

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.

**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.

**2.22. 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.

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**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 currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the 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 recognized in other comprehensive income and foreign currency translation reserve in equity. Such translation differences are recognized 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.

**2.23. Contingencies**

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**2.24. Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the 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.

**2.25. 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.

**2.26. 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.

**2.27. Subsequent events**

Subsequent events events that provide additional information about the Group's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

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**2.28. 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**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.

**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 financial statements and accompanying notes. Actual results could differ from those estimates.

The estimates and underlining assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, as well as in the future periods if the revision affects future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for five years using data from the Group's internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. 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. Further information is disclosed in Note 6.

Impairment of non-current assets (excluding goodwill)

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 4.

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.

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Significant areas of these consolidated financial statements where estimates and assumptions were also used are depreciation of fixed assets and amortisation of intangible assets.

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

**4. Property, plant and equipment**

	Land and buildings	Equipment and other assets	Vehicles	Construction in progress & prepayments	Total
<b>Cost</b>					
At 1 January 2016	703,417	261,065	201	20,376	985,059
Additions	6,653	28,808	21	29,205	64,687
Disposals and write-offs	(2,207)	(14,531)	(106)	(3,509)	(20,353)
Exchange differences	(764)	(546)	(3)	(4)	(1,317)
Reclassifications to other assets	-	(388)	-	(988)	(1,376)
Reclassifications	16,497	5,916	-	(22,413)	-
At 31 December 2016	723,596	280,324	113	22,667	1,026,700
Additions	8,591	35,540	746	25,524	70,401
Acquisition of subsidiaries (Note 21)	8	1,251	1,150	-	2,409
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	305,752	1,951	15,229	1,078,980
<b>Accumulated depreciation and impairment</b>					
At 1 January 2016	348,386	187,250	191	5,169	540,996
Depreciation	28,818	23,411	5	-	52,234
Impairment charge (reversal)	18,684	1,276	-	2,140	22,100
Disposals and write-offs	(579)	(13,044)	(88)	-	(13,711)
Reclassifications to other assets	1	(248)	-	-	(247)
Exchange differences	(56)	(222)	(4)	-	(282)
Reclassifications	46	(46)	-	-	-
At 31 December 2016	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
<b>Carrying amount</b>					
At 31 December 2017	333,821	98,261	1,431	9,636	443,150
At 31 December 2016	328,296	81,947	9	15,358	425,610

In 2017, major part of depreciation of property, plant and equipment was accounted for as cost of sales – EUR 30,940 thousand (2016: EUR 33,622 thousand). Remaining part is accounted for as operating expenses.

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***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.

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 (hierarchy level 3). 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 estimate 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.

The post-tax discount rates used to calculate value in use range from 7.2 to 8.5 percent (2016: 7.7 – 9.2 percent) and terminal growth rates range from 1.4 to 1.9 percent depending on the specific country conditions in which each store operates.

In 2017, as a result of impairment tests performed, the Group recognised impairment loss of 734 thousand (Note 16).

In 2016, the Group recognized an impairment loss of EUR 22,100 thousand which resulted mainly from the review of the recoverable amount of land and buildings, taking into account current condition on the real estate market and management decisions with respect to the plans of development. The market value was established by certified real estate valuers.

***Finance leases***

The carrying value of vehicles held under finance leases as at 31 December 2017 was EUR 1,410 thousand (2016: nil). 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 153,788 thousand (2016: EUR 173,294 thousand) to secure banking facilities granted to the Group (Note 13).

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	Software	Trademarks	Other intangible assets	Total
<b>Cost</b>				
At 1 January 2016	3,523	-	4,888	8,411
Additions	1,797	-	667	2,464
Disposals and write-offs	(45)	-	(1)	(46)
Exchange differences	(9)	-	(44)	(53)
Reclassifications from (to) other assets	36	-	988	1,024
At 31 December 2016	5,302	-	6,498	11,800
Additions	527	-	224	752
Disposals and write-offs	(133)	-	(5)	(138)
Acquisition of subsidiaries (Note 21)	2,680	2,950	335	5,965
Exchange differences	20	-	89	109
Reclassifications from (to) other assets	17	-	-	17
At 31 December 2017	8,414	2,950	7,141	18,505
<b>Accumulated amortisation</b>				
At 1 January 2016	3,320	-	1,536	4,856
Amortisation	552	-	388	940
Disposals and write-offs	(43)	-	(1)	(44)
Exchange differences	(5)	-	(1)	(6)
At 31 December 2016	3,824	-	1,922	5,746
Amortisation	1,047	369	470	1,886
Disposals and write-offs	(132)	-	(4)	(136)
Exchange differences	7	-	0	8
At 31 December 2017	4,746	369	2,388	7,504
<b>Carrying amount</b>				
At 31 December 2017	3,667	2,581	4,752	11,001
At 31 December 2016	1,478	-	4,576	6,054

Part of amortization of intangible assets is accounted for as costs of sales – EUR 349 thousand in 2017 (2016: EUR 213 thousand). Remaining part is accounted for as operating expenses.

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*(All tabular amounts are in EUR thousands unless otherwise stated)***6. Goodwill**

	<b>Goodwill</b>
<b>Cost</b>	
At 1 January 2016	140,291
Exchange differences	<u>(336)</u>
At 31 December 2016	<u>139,955</u>
Exchange differences	465
Acquisition of subsidiaries (Note 21)	<u>25,942</u>
At 31 December 2017	<u>166,362</u>
<b>Impairment</b>	
At 1 January 2016	<u>867</u>
At 31 December 2016	<u>867</u>
At 31 December 2017	<u>867</u>
<b>Carrying amount</b>	
At 31 December 2017	<u>165,495</u>
At 31 December 2016	<u>139,088</u>

For the purpose of impairment evaluation, the goodwill as of 31 December 2017 and 2016 was allocated to the following cash generating units:

<b>Cash generating unit</b>	<b>2017</b>	<b>2016</b>
MAXIMA Latvija SIA	124,417	124,417
MAXIMA Eesti OU	5,670	5,670
FRANMAX, UAB (provisional) (Note 21)	24,810	-
Other	<u>10,598</u>	<u>9,001</u>
	<u>165,495</u>	<u>139,088</u>

Goodwill is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated to groups of cash-generating units according to the level at which management monitors that goodwill.

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 (hierarchy level 3). The key assumptions for the value in use calculations are those regarding discount and 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 7.2 to 8.5 percent (2016: 7.7 – 9.2 percent) terminal growth rate from 1.4 to 1.9 percent (2016: 1 – 3 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.

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

<b>Deferred tax assets</b>	<b>Accrued expenses</b>	<b>Deferred revenue</b>	<b>Tax losses</b>	<b>Impairment of property, plant and equipment</b>	<b>Other</b>	<b>Total</b>
<b>At 1 January 2015</b>	(1,747)	(565)	(429)	(146)	-	(2,887)
Charged (credited) to statement of comprehensive income	(2)	(51)	(66)	(897)	-	(1,016)
Exchange differences	-	-	(12)	24	-	12
<b>At 31 December 2016</b>	<b>(1,749)</b>	<b>(616)</b>	<b>(507)</b>	<b>(1,019)</b>	<b>-</b>	<b>(3,891)</b>
Charged (credited) to statement of comprehensive income	(277)	(23)	505	(13)	(366)	(174)
Effect of changes in tax rates - charged (credited) to statement of comprehensive income	-	192	-	1,032	284	1,508
Acquisition of subsidiaries (Note 21)	-	-	(71)	-	-	(71)
Other	474	-	-	-	-	474
<b>At 31 December 2017</b>	<b>(1,552)</b>	<b>(447)</b>	<b>(73)</b>	<b>-</b>	<b>(82)</b>	<b>(2,154)</b>

<b>Deferred tax liabilities</b>	<b>Accelerated depreciation</b>	<b>Intangible assets</b>	<b>Total</b>
<b>At 1 January 2015</b>	2,911	-	2,911
Charged (credited) to statement of comprehensive income	(262)	-	(262)
Exchange differences	(25)	-	(25)
<b>At 31 December 2016</b>	<b>2,624</b>	<b>-</b>	<b>2,624</b>
Charged (credited) to statement of comprehensive income	-	(65)	(65)
Effect of changes in tax rates - charged (credited) to statement of comprehensive income	(2,423)	-	(2,423)
Acquisition of subsidiaries (Note 21)	-	490	490
Exchange differences	25	-	25
Other	252	-	252
<b>At 31 December 2017</b>	<b>478</b>	<b>425</b>	<b>903</b>

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.

*Effect of changes in tax rates*

Starting from 1 January 2018, entities in Latvia will 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 will be 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.

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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 2017 the Group did not recognise deferred income tax assets of EUR 3,722 thousand (2016: EUR 3,736 thousand) in respect of losses amounting to EUR 26,629 thousand (2016: EUR 26,495 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:

	<u>2017</u>	<u>2016</u>
Within 1 year	5,024	5,590
Within 2 years	4,040	6,185
Within 3 years	4,245	5,158
Within 4 years	3,973	5,822
Within 5 years	4,649	3,740
Indefinitely	4,698	-
<b>Total</b>	<b><u>26,629</u></b>	<b><u>26,495</u></b>

**8. Inventories**

	<u>2017</u>	<u>2016</u>
Goods for resale	217,706	202,724
Goods in transit	13,952	9,805
Materials	1,762	1,745
	<b><u>233,420</u></b>	<b><u>214,274</u></b>

The allowances for net realisable value of inventories comprise EUR 7,480 thousand (2016: EUR 7,683 thousand). The change in allowance for inventory is accounted for in cost of sales.

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

	<u>2017</u>	<u>2016</u>
Trade receivables	10,340	8,159
Other receivables	27,530	23,161
Amounts receivable from related parties (Note 23)	964	2,532
Less: allowances for trade and other receivables	(374)	(315)
Trade / other receivables, net	38,460	33,537
Time deposits (over 3 months)	109	60
Short term loans granted	1,257	-
Cash security deposits at banks	185,000	-
	<b><u>224,826</u></b>	<b><u>33,597</u></b>
Accrued income and deferred charges	5,098	7,430
Prepayments	2,892	2,674
Prepaid profit tax	4,159	102
VAT receivable	79	227
Other prepaid taxes	288	191
	<b><u>237,344</u></b>	<b><u>44,221</u></b>

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As of 31 December 2017, cash security deposits at banks comprise 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 26).

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

	<u>2017</u>	<u>2016</u>
At 1 January	315	250
Impairment losses	102	186
Write-off of impairment loss due to receivables write-off	(22)	(73)
Other adjustments	(21)	(47)
At 31 December	<u>374</u>	<u>315</u>

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

As of 31 December, the ageing analysis of trade and other receivables is as follows:

	Trade and other receivables, net	Neither past due nor impaired	Past due but not impaired, total	Past due but not impaired		
				up to 3 months	3 to 6 months	over 6 months
2017	37,496	29,421	8,075	7,917	146	12
2016	31,005	23,973	7,032	6,945	53	34

The Group monitors creditworthiness of debtors by using controls that include credit approvals, limits, prepayment requirements and other monitoring procedures.

**10. Cash and cash equivalents**

	<u>2017</u>	<u>2016</u>
Time deposits (up to 3 months)	1,242	3,466
Cash on hand and in transit	54,206	39,714
Cash at bank	90,773	116,954
	<u>146,220</u>	<u>160,134</u>

Cash in transit is comprised of cash in the cash registers of the stores not collected for encashment yet 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.

Cash in certain bank accounts and future cash inflows into these accounts amounting to EUR 28,056 thousand (2016:EUR 45,105 thousand) were pledged to the banks as security for credit facilities granted (Note 13).

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*(All tabular amounts are in EUR thousands unless otherwise stated)***11. Share capital and share premium**

	<u>2017</u>	<u>2016</u>
Number of shares (in thousands)	3,514,699	3,341,250
Par value of one share	0.29	0.29
Total share capital	<u>1,019,263</u>	<u>968,963</u>

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. In 2016 there were no changes in the Company's share capital.

*Share premium*

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

**12. 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 2017, legal reserve amounted to EUR 25,749 thousand (2016: EUR 13,327 thousand).

*Reverse acquisition reserve*

Reverse acquisition reserve is related to the reorganization that was held in 2007. In the course of the Group's restructuring MAXIMA MGN, UAB, the newly incorporated subsidiary of the Company, acquired 100% of shares of MAXIMA LT, UAB from the Company's sole shareholder Uzdaroji Akcine Bendrove Vilniaus Prekyba.

In 2008, MAXIMA MGN, UAB was reorganised and has been merged into the Company's subsidiary MAXIMA LT, UAB. In the course of the reorganisation assets, liabilities, rights and commitments of MAXIMA MGN, UAB were assigned to MAXIMA LT, UAB. After reorganisation the Company gained direct control (acquired 100% of shares) over MAXIMA LT, UAB. The acquisition has been accounted for as a reverse acquisition, and for accounting purposes the legal subsidiary MAXIMA LT, UAB (identified as acquirer), has been deemed to have acquired the legal parent, MAXIMA GRUPĖ, UAB (identified as acquiree). The Company has recorded corresponding reverse acquisition reserve in the consolidated statement of changes in equity.

**13. Borrowings**

	<u>2017</u>	<u>2016</u>
<b>Non-current</b>		
Bank loans	177,920	159,100
Borrowings from related parties (Note 23)	41,000	41,000
Other borrowings	130	123
Finance lease liabilities	1,055	-
	<u>220,105</u>	<u>200,223</u>
<b>Current</b>		
Bank loans	53,572	59,222
Other borrowings	-	8
Borrowings from related parties (Note 23)	150,113	56
Finance lease liabilities	533	-
	<u>204,218</u>	<u>59,286</u>
	<u>424,323</u>	<u>259,509</u>

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The bank loans as of 31 December 2017 and 2016 are secured by cash in certain bank accounts (Note 10) and property, plant and equipment (Note 4). 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:

	<u>2017</u>	<u>2016</u>
EUR	424,193	259,378
PLN	130	131
	<u>424,323</u>	<u>259,509</u>

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

	<u>2017</u>	<u>2016</u>
Bank loans	0.8%	0.7%
Other borrowings	0.5%	0.8%

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

	<u>2017</u>	<u>2016</u>
In the second year	45,849	45,623
In the third to fifth years (inclusive)	129,051	119,515
After five years	44,150	35,085
	<u>219,050</u>	<u>200,223</u>

The undrawn borrowing facilities were as follows:

	<u>2017</u>	<u>2016</u>
Expiring within one year	63,247	80,106
Expiring beyond one year	4,400	-
	<u>67,647</u>	<u>80,106</u>

In accordance with the agreements signed with banks the Group must comply with various covenants. As of 31 December 2017 and 2016 the Group complied with all of them.

**14. Trade and other payables**

	<u>2017</u>	<u>2016</u>
Trade payables	406,472	363,561
Amounts payable to related parties (Note 23)	5,650	10,626
Other amounts payable	46,297	36,165
	<u>458,420</u>	<u>410,351</u>
Remuneration, social security and other related taxes	40,770	36,147
Payable taxes, other than corporate income tax	25,541	24,327
Advances received	5,940	5,477
Accrued charges and deferred revenue	3,932	6,388
	<u>534,604</u>	<u>482,690</u>

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*(All tabular amounts are in EUR thousands unless otherwise stated)***15. Other income**

	<b>2017</b>	<b>2016</b>
Rent income	27,558	27,718
Advertising, marketing and sales promotion services	33,204	31,097
Transportation services	9,220	9,374
Commission income	6,823	5,512
Fines received	3,876	4,166
Other	13,382	12,560
	<b>94,064</b>	<b>90,427</b>

**16. Operating expenses**

	<b>2017</b>	<b>2016</b>
Remuneration and related taxes	60,348	55,700
Long-term employee benefits	3,304	-
Transportation services	44,756	40,699
Property, plant and equipment impairment charge	734	22,100
Depreciation and amortisation	22,899	19,339
Advertising	20,045	17,739
Rental expenses	15,526	17,440
Fines and penalties	297	14,819
Inventory shortages, write-offs	10,426	12,549
Utilities	10,201	10,345
Property, plant and equipment write-offs	350	5,774
Expenses related to one-off payments	2,989	5,196
Taxes (except for income tax)	4,382	3,855
Repair and maintenance	3,489	3,071
Materials and spare parts	1,758	1,877
Telecommunications	354	323
Other	12,680	13,874
	<b>214,538</b>	<b>244,700</b>

The Competition Council of the Republic of Lithuania by its decision as of 4 December 2014 announced that Maxima LT, UAB and Mantinga UAB have breached the rules of Article 5 Clause 1 of the Competition Law and Article 101 Clause 1 of the Agreement on European Union. In accordance with final court decision Maxima LT, UAB has paid the penalty amounting to EUR 14,748 thousands which is classified as fines and penalties in 2016.

In November 2016 MAXIMA Latvija SIA reached the agreement with representatives of families of the deceased persons in Zolitude tragedy on payment in amount of EUR 100 thousand to each family. Related expenses are included under expenses related to one-off payments. Further information is disclosed in Note 25.

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	<u>2017</u>	<u>2016</u>
<b>Finance costs:</b>		
Interest expenses		
- Bank borrowings	(2,079)	(1,698)
- Finance lease	(21)	-
- Other borrowings	(455)	(109)
	<u>(2,554)</u>	<u>(1,807)</u>
Net foreign exchange gain/(loss)	(1,234)	152
	<u>(3,788)</u>	<u>(1,655)</u>
<b>Finance income:</b>		
Interest income	60	75
Other finance income	97	-
	<u>157</u>	<u>75</u>
<b>Finance costs, net</b>	<u>(3,631)</u>	<u>(1,580)</u>

**18. Income tax expense**

	<u>2017</u>	<u>2016</u>
Current tax	16,293	18,283
Deferred tax (Note 7)	(1,154)	(1,278)
<b>Income tax expense</b>	<u>15,139</u>	<u>17,005</u>

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

	<u>2017</u>	<u>2016</u>
Profit before income tax	90,007	53,363
Tax at domestic tax rate of 15% (2016: 15%)	13,501	8,004
Income not subject to tax	(2,554)	(2,828)
Expenses not deductible for tax purposes	5,375	9,603
Tax losses for which no deferred income tax was recognised	1,574	665
Utilisation of previously unrecognised tax losses	(2)	(65)
Tax incentives (charity, etc)	(1,292)	-
Adjustments in respect of prior year	(54)	-
Effect of different tax rates of foreign subsidiaries	(1,461)	1,625
Other	52	-
<b>Income tax expense</b>	<u>15,139</u>	<u>17,005</u>
Effective income tax rate	17%	32%

In 2015 MAXIMA Latvija's SIA tax audit, initiated in 2014, was completed. The audit covered an examination of the franchise transaction for 2011 and 2012. Upon the completion of the audit Latvian State Revenue Service decided to impose additional tax liabilities in the amount of EUR 2,366 thousand.

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MAXIMA Latvija SIA does not agree with the Latvian State Revenue Service's decision, and therefore on 24 November 2015 filed the application to the Latvian State Revenue Service with the request to initiate a cross-border mutual agreement procedure under the Article 6 of the European Union Convention of July 23, 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (90/463/EEC) as well as the application to suspend the Latvian State Revenue Service's decision on the calculated additional tax liabilities until the final decision under the mutual agreement procedure is made.

Based on regulations, in order to start MAP procedure, Maxima Latvija SIA has agreed with State Revenue Service on a payment schedule for 5 years.

On 20 December 2017 MAXIMA Latvija SIA applied to support program for discharging of the accumulated interest and penalty; according to the decision of the State Revenue Service as from 10 January 2018 accumulated interest and penalty are discharged and the additional tax liabilities are scheduled for payment until 20 December 2019.

Management's view is that it is more likely than not, that MAP procedure will be resolved in Maxima Latvija SIA favour, therefore full recovery of the calculated tax and penalties in amount of EUR 2 366 thousand is expected. Consequently, the Group's financial statements include a net tax position resulting in asset of EUR 762 thousand (2016: EUR 281 thousand) that has been recognised as non-current receivables and prepayments as at 31 December 2017 being as an excess of uncertain tax asset over liabilities to be paid related to the tax matter.

Considering the extent and the complexity of the procedure as well as limited international practice, it is difficult to predict the date of the end of the above process and its outcome.

On December 17, 2015 following the tax audit an attachment to the 6 immovable properties of MAXIMA Latvija SIA has been imposed. The imposition of attachment to the property has no impact to MAXIMA Latvija SIA day-to-day business operations.

**19. Dividends per share**

The dividends declared in 2017 and 2016 amounted to EUR 100,000 thousand (EUR 0.03 per share) and EUR 110,000 thousand (EUR 0.03 per share), respectively.

**20. Operating lease arrangements***a) The Group as lessee*

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

	<u>2017</u>	<u>2016</u>
Not later than 1 year	55,864	50,576
Later than 1 year and no later than 5 years	182,646	158,701
Later than 5 years	<u>137,962</u>	<u>134,395</u>
	<u><b>376,473</b></u>	<u><b>343,672</b></u>

Operating leases represent rentals payable by the Group for certain of its premises, mainly stores and warehouses. 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:

	<u>2017</u>	<u>2016</u>
Not later than 1 year	18,376	17,817
Later than 1 year and no later than 5 years	33,039	42,642
Later than 5 years	<u>6,753</u>	<u>6,852</u>
	<u><b>58,168</b></u>	<u><b>67,311</b></u>

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*(All tabular amounts are in EUR thousands unless otherwise stated)***21. Business combinations***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 following table summarises the consideration paid for RADAS, UAB shares and the fair value of assets acquired and liabilities assumed:

<b>Consideration at 1 January 2017</b>	
Cash	1,400
Trade and other payables by the Group to subsidiary	(388)
Trade and other receivable by the Group from subsidiary	<u>1,713</u>
<b>Total consideration at 1 January 2017</b>	<b><u>2,725</u></b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment (Note 4)	1,293
Intangible assets (Note 5)	3,599
Deferred tax assets (Note 7)	71
Inventories	111
Trade and other receivables	108
Cash and cash equivalents	1,022
Borrowings	(3,263)
Deferred tax liabilities (Note 7)	(490)
Trade payables and other current liabilities	<u>(858)</u>
<b>Total identifiable net assets</b>	<b><u>1,593</u></b>
<b>Goodwill</b>	<b><u>1,132</u></b>

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.

Sales included in the consolidated statement of comprehensive income since 1 January 2017 contributed by RADAS, UAB group 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 parties for EUR 50,300 thousand. As a consideration for the acquired shares the Company issued 173,448,275 ordinary shares with 0.29 par value each (Note 11). 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.

As business combination with FRANMAX, UAB occurred only in December 2017, the initial accounting for a business combination is incomplete and the amounts recognised in these consolidated financial statements thus have been determined only provisionally.

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

<b>Provisional consideration at 31 December 2017</b>	
Shares issued (at nominal value)	50,300
Loans granted by subsidiary to the Group	(10,000)
Trade and other payables by the Group to subsidiary	(6,142)
Trade and other receivable by the Group from subsidiary	231
<b>Total provisional consideration at 31 December 2017</b>	<b>34,389</b>
<b>Recognised provisional amounts of identifiable assets acquired and liabilities assumed</b>	
Property, plant and equipment (Note 4)	1,117
Intangible assets (Note 5)	2,366
Trade and other receivables	749
Cash and cash equivalents	7,410
Trade payables and other current liabilities	(2,063)
<b>Total identifiable net assets</b>	<b>9,579</b>
<b>Goodwill (provisional)</b>	<b>24,810</b>

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

*Acquisitions in 2016*

There were no acquisitions in 2016.

**22. Financial risk management****22.1. 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 2017, the Group was using derivative financial instruments to be able to hedge its risks arising from foreign currency fluctuations ("forwards").

Interest rate risk

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

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The Group estimates that the increase / decrease of variable interest rates by 50 basis points, applied to exposed amounts as of 31 December 2017 and with all other variables held constant, would result in an increase / decrease in interest expense of EUR 1,047 thousand (2016: EUR 1,093 thousand).

**b) Credit risk**

The Group's credit risk arises from its trade and other receivable, 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 financial assets at the reporting date.

The amounts presented in the consolidated statement of financial position are net of allowances for doubtful amounts estimated based on prior experience. 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. Each Group's entity is responsible for managing and analysing credit risk for each of its new clients. The management does not expect any losses from non-performance of the Group's counterparties.

**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 30 - 55 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 13).

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.

	<b>2017</b>			
	<b>Borrowings from banks and finance lease liabilities</b>	<b>Borrowings from related and other companies</b>	<b>Other financial liabilities</b>	<b>Total</b>
In the first year	54,605	150,587	462,349	667,541
In the second year	47,619	344	56	48,018
In the third year	33,977	41,204	162	75,343
In the fourth year	24,930	11	-	24,940
In the fifth year	32,378	11	256	32,645
After five years	44,332	118	-	44,450
	<b>237,840</b>	<b>192,274</b>	<b>462,823</b>	<b>892,937</b>
	<b>2016</b>			
	<b>Borrowings from banks and finance lease liabilities</b>	<b>Borrowings from related and other companies</b>	<b>Other financial liabilities</b>	<b>Total</b>
In the first year	55,326	360	411,692	467,378
In the second year	45,996	365	372	46,733
In the third year	38,573	364	-	38,937
In the fourth year	25,005	41,098	171	66,274
In the fifth year	16,248	11	-	16,259
After five years	35,695	117	30	35,842
	<b>216,843</b>	<b>42,315</b>	<b>412,265</b>	<b>671,423</b>

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**22.2. 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 and maintain an optimal debt and equity balance.

The Group monitors capital on the basis of the gearing ratio, which is calculated as the proportion of net debt to equity. 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.

The capital management strategy of the Group consistently aims to ensure the Group companies' capital resources comply with requirements of local legislation.

**22.3. 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.

For assets and liabilities that are recognised in the 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, 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 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).

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*(All tabular amounts are in EUR thousands unless otherwise stated)***23. Related party transactions***a) Sales and purchases of goods and services and property, plant and equipment*

The following transactions were carried out with related parties:

	<u>2017</u>	<u>2016</u>
<b>Sales of goods and services:</b>		
Sales of goods to other related parties	1,583	4,243
Sales of services to other related parties	<u>10,186</u>	<u>9,631</u>
	<u><b>11,769</b></u>	<u><b>13,874</b></u>

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

	<u>2017</u>	<u>2016</u>
<b>Purchases of goods and services:</b>		
Purchases of goods from other related parties	3,386	3,842
Purchases of services from parent company	865	1,048
Purchases of services from other related parties	<u>71,972</u>	<u>73,495</u>
	<u><b>76,223</b></u>	<u><b>78,385</b></u>

Purchases of goods and services from related parties include mostly purchased goods for resale, consulting services, franchise fee, rental and utilities services. Franchise fee covers the licence to use trademarks and centralised business solutions and support in such areas as retail, procurement, logistics, sales and marketing, public relations and IT.

	<u>2017</u>	<u>2016</u>
<b>Sales of property, plant and equipment to:</b>		
Other related parties	-	4
	<u>-</u>	<u>4</u>

	<u>2017</u>	<u>2016</u>
<b>Purchases of property, plant and equipment from:</b>		
Other related parties	574	724
	<u><b>574</b></u>	<u><b>724</b></u>

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

	<u>2017</u>	<u>2016</u>
<b>Trade receivables from:</b>		
Other related parties	303	2,095
	<u><b>303</b></u>	<u><b>2,095</b></u>
<b>Other amounts receivable from:</b>		
Other related parties	662	436
	<u><b>662</b></u>	<u><b>436</b></u>
	<u><b>964</b></u>	<u><b>2,531</b></u>

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	<u>2017</u>	<u>2016</u>
<b>Trade payables to:</b>		
Parent company	79	-
Other related parties	5,405	751
	<u>5,484</u>	<u>751</u>
<b>Other amounts payable to:</b>		
Parent company	-	148
Other related parties	166	9,727
	<u>166</u>	<u>9,875</u>
	<u>5,650</u>	<u>10,626</u>

*c) Borrowings*

	<u>2017</u>	<u>2016</u>
<b>Current borrowings from:</b>		
Other related parties	150,113	56
	<u>150,113</u>	<u>56</u>
<b>Non-current borrowings from:</b>		
Other related parties	41,000	41,000
	<u>41,000</u>	<u>41,000</u>
	<u>191,113</u>	<u>41,056</u>

	<u>2017</u>	<u>2016</u>
<b>Interest expenses to:</b>		
Parent company	-	16
Other related parties	449	335
	<u>449</u>	<u>351</u>

Loans borrowed from related parties are unsecured and their weighted average interest rate as of 31 December 2017 was 0.5% (2016: 0.8%).

The ultimate controlling party of the Group is Mr. N. Numavičius.

*d) Key management compensation*

	<u>2017</u>	<u>2016</u>
Salaries including related taxes	534	488
Termination benefits	53	113
Long-term benefits	3,304	-

**24. Cash flow information****24.1. Non-cash investing and financing activities**

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 11).
- In 2017 the Group acquired property, plant and equipment amounting to EUR 1,830 thousand under finance lease.

## MAXIMA GRUPĖ, UAB

Entity code 301066547, Savanoriu av. 247, Vilnius, Lithuania

### Consolidated Annual Report for the year ended 31 December 2017

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

#### 24.2. 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 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)	-	-	-	-	-
<b>Total liabilities arising from financing activities</b>	<b>259,509</b>	<b>100,000</b>	<b>246,476</b>	<b>(179,099)</b>	<b>(6,737)</b>	<b>1,830</b>	<b>2,554</b>	<b>(210)</b>	<b>424,323</b>

#### 25. Contingent liabilities

##### Pollution tax

The Environment Protection Department of Vilnius region (hereinafter – EPDVR) has cancelled packaging waste management certificates for the years 2013 - 2015 issued by Metrail UAB for organization of producers and importers VŠĮ „Žalasis taškas“ and also the certificates issued by VŠĮ „Žalasis taškas“ to its producers and importers. As a consequence MAXIMA LT, UAB has to pay the pollution tax in an amount EUR 1,241 thousand for 2013, EUR 865 thousand for 2014 and EUR 127 thousand for 2015. By VRAAD notification, the tax should be declared and paid by 20 April 2018.

The business organizations are conducting negotiations with EPDVR and Ministry of Environment of the Republic of Lithuania and are seeking to conclude a peace treaty. The preliminary agreements are being reached. The Ministry of Environment has announced that it preliminary accepts the following peace treaty conditions:

- the quantities of packaging waste which were not processed by the Metrail UAB will be offset by additional quantities of packaging waste that are (and that will be) managed in the deposit and container systems over and above the government's task;
- the organization of producers and importers VŠĮ „Žalasis taškas“ will take commitments to invest in the development of the containers system.

Based on management judgement, it is more likely than not, that the 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 year ended 31 December 2017.

##### Litigations

Victims in several Latvian courts initiated a number of civil cases for non-pecuniary damage. MAXIMA Latvija SIA in these cases is included as co-defendant or as third party. The total amount of claims in civil cases against MAXIMA Latvija and other co-defendants is EUR 142 million.

In October 2016, MAXIMA Latvija SIA and other co-defendants and victims' representatives representing the majority of victims have reached a mutually agreement providing for a cash payment of EUR 100 thousand to each victim's family. In August 2017, MAXIMA Latvija SIA has publicly offered to compensate injured persons at the amount varying from EUR 5 thousand to EUR 100 thousand according to the severity and circumstances of each person's injuries.

Agreements / proposals provide for the refusal of persons in civil proceedings against MAXIMA Latvija SIA and other co-defendants, as well as the recall of civil actions against MAXIMA Latvija SIA and other co-defendants and their employees in criminal cases or the waiver of claims. From November 2016 to 31 December 2017 MAXIMA Latvija and the families of the victim's concluded 50 agreements. Also since August 2017 to April 2018, 37 agreements were concluded with the victims.

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**MAXIMA GRUPE, UAB**

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Finally, in November 2017 Riga City Court of Appeal ruled in one of the above mentioned civil cases related to roof collapse that Maxima Latvija SIA was not liable for the damage (property and non-property) suffered by the injured people, that is, the appeal court officially acknowledged that there was no connection between the collapse of the roof and alleged Maxima Latvija SIA violations.

Also, MAXIMA Latvija SIA employee (who was responsible for the labor safety in MAXIMA Latvija SIA Priedaine store) participates as a accused in a criminal case initiated based on breach of labor safety rules. According to the applicable law, MAXIMA Latvija SIA would 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 (employer's) instructions. According to official expertize findings, the collapse is due to inadequate design and not due to employee violations, and therefore, according to MAXIMA Latvija SIA management, there is no relationship between the collapse of the roof and the alleged violations of MAXIMA Latvija SIA employee.

**26. Events after the reporting period**

In November 2017, MAXIMA GRUPE, UAB signed an investment agreement with Emperia Holding S.A which controls the Polish retail chain Stokrotka and submitted a tender offer on Warsaw Stock Exchange for the acquisition of 100% shares of Emperia Holding S.A. In April 2018, Polish Office of Competition and Consumer Protection gave consent to MAXIMA GRUPE, UAB for the acquisition of Emperia Holding S.A. The period set for the acquisition is until 12 April 2018.

MAXIMA GRUPE, UAB offers PLN 100 per one share issued by Emperia Holding S.A. The total price for the issued shares amounts to PLN 1.191 billion (EUR 285 million using foreign exchange rate as of 31 December 2017). The bid also includes the provision stating that MAXIMA GRUPE, UAB may refuse buying the shares if the bid is accepted by less than 66% of the entity's shareholders or other contractual terms and conditions are not met.

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**MAXIMA GRUPĖ, UAB**

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**Consolidated Annual Report  
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## Consolidated Annual Report

This Consolidated Annual Report of MAXIMA GRUPE, UAB (hereinafter – the Company) and its subsidiaries (hereinafter together – the Group) has been prepared for the year ended 31 December 2017. It analysis the financial performance, results of operations and other aspects of the Group’s activities, including risk management and future plans.

As of 31 December 2017 and 2016 the sole shareholder of the Company was Uzdaroji Akcine Bendrove Vilniaus Prekyba.

In 2017 and 2016 the Company and the Group’s entities did not own any shares of the Company.

### Overview of the Group’s activities and expansion

The main activities of the Group is retail of food and consumables. The Group operates via retail chains MAXIMA in Lithuania, Latvia and Estonia, T-MARKET in Bulgaria and Aldik in Poland. In January 2017, the Group acquired online grocery store BARBORA and in December 2017 – FRANMAX, UAB, an entity providing franchise and agency services to the Group entities.

The Group also owns real estate entities that mainly operate the real estate employed in retail activities.

In 2017, the Group opened 17 new stores and closed 4 stores, which resulted in an increase in a number of stores from 555 as of 31 December 2016 to 568 as of 31 December 2017. Increasing the number of stores resulted in total trade area increase by 3.3% in 2017 as compared to 2016. Total trading area amounted to 567 thousand square meters as of 31 December 2017.

The Group is not involved in research and development activities.

### Analysis of the Group’s financial and non-financial data

In 2017, the Group’s sales as compared to 2016 increased by 4% and amounted to EUR 2,806 million (2016: EUR 2,693 million)

In 2017, the Group’s net profit amounted to EUR 75 million and was by EUR 39 million higher than in 2016 (2016: EUR 36 million). In 2016, the Group had one-off expenses such as EUR 15 million fine paid to the Competition Council of the Republic of Lithuania, impairment of property, plant and equipment amounting to EUR 22 million, expenses related to families of the deceased persons in Zolitude tragedy in Latvia amounting to EUR 5 million (Note 16 to the consolidated financial statements). Had 2016 been adjusted with the aforementioned one-off expenses, the net profit in 2016 would have been similar to net profit in 2017.

As of 31 December 2017, the net book value of the Group’s property, plant and equipment amounted to EUR 443 million and was by EUR 17 million higher than in 2016 (2016: EUR 426 million). In 2017, the Group’s capital expenditure amounted to EUR 70 million (2016: EUR 65 million).

As of 31 December 2017, the share capital was comprised of 3,515 million shares with 0.29 par value each (2016: 3,341 million with 0.29 par value each). In December 2017, the share capital was increased by EUR 50,300 thousand by issuing 173,448,275 ordinary shares with 0.29 par value each (see Note 11 to the consolidated financial statements). Total equity amounted to EUR 276 million as of 31 December 2017 (2016: EUR 249 million).

The Group is the largest employer in the Baltic States. As of 31 December 2017, it employed 31 thousand employees (2016: 30.9 thousand). In 2017, total remuneration expenses amounted to EUR 281 million (2016: EUR 255 million) and increased by 10% as compared to 2016. The Group aims to recruit, retain and develop the best employees and gain their loyalty.

The Group’s entities have implemented ISO international quality standards and international environment protection standards. In the Group’s view, sustainable economic development is impossible without a responsible approach to the use and rehabilitation of natural resources. Therefore, the Group encourages cautious approach to the resources, while paying close attention to efficient waste management and recycling.

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## **MAXIMA GRUPĖ, UAB**

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### **Consolidated Annual Report for the year ended 31 December 2017**

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

#### **Main risks and uncertainties**

The main risks that the Group faces are provided below:

**Business strategy:** the Group faces the risk that its long-term business strategy will be ineffective or not implemented. In order to reduce this risk the Group's strategy is regularly reviewed and updated, if needed, and its implementation is constantly monitored.

**Financial risks:** the main financial risks, such as market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk, are disclosed in the Notes to the consolidated financial statements.

**Economic situation and cyclical:** the Group's business depends on the economic cycles and general economic conditions of countries where the Group operates. Worsened economic situation reduces consumer expenditure. The main revenue the Group generates from the Baltic States, therefore worsened situation in this particular region would have a considerable impact on the Group's results.

**Competition:** the Group competes with various retailers in the markets it operates. Inability to compete in price, product assortment, quality or service could negatively impact the Group's results.

**Reputation:** the inability to maintain the Group's reputation and good brand name would reduce confidence in the Group and worsen the Group's position in attracting customers and employees.

**Product safety:** the Group focuses on the safety and quality of products offered, which helps to maintain customer confidence. Decreased confidence would negatively affect the number of buyers and consequently the results of the Group.

**IT systems and infrastructure:** The smooth operation of a retail business depends on IT systems. The group perceives the crucial role of IT, as well as innovating, which makes the shopping process more convenient to the buyers and helps employees organize their work more efficiently.

**Legal regulation and political environment:** Due to the activities in different countries, the Group faces different legal regulation. The Group may be affected by legislative changes, for example, related to territory planning, working hours, taxes, etc.

#### **Plans and forecasts**

By developing operational plans, the Group follows the approved strategic objectives, formulated in the light of market trends, market share and the Group's mission to responsibly create value by delivering the best prices, assortment and services to its customers.

In pursuit of its strategic goals, the Group implements various programs for improving work organization and increasing the efficiency of activities. The programs include optimizing the supply chain, increasing investment efficiency, integrating and centralizing operations management, developing private labels, updating human resources management policies and tools.

In order to ensure consistent annual planning of activities, strategic goals and incentive programs related to their achievement are reviewed annually and updated, if needed. The Group evaluates achieved results, the current market situation and the emergence of new business development opportunities.

In the foreseeable future the Group plans to maintain its current leading position in the Baltic States market and explore different expansion opportunities.

#### **Information about events after the reporting period**

In November 2017, MAXIMA GRUPE, UAB signed an investment agreement with Emperia Holding S.A which controls the Polish retail chain Stokrotka and submitted a tender offer on Warsaw Stock Exchange for the acquisition of 100% shares of Emperia Holding S.A. In April 2018, Polish Office of Competition and Consumer Protection gave consent to MAXIMA GRUPE, UAB for the acquisition of Emperia Holding S.A. The period set for the acquisition is until 12 April 2018.

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**MAXIMA GRUPĖ, UAB**

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**Consolidated Annual Report  
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*(All tabular amounts are in EUR thousands unless otherwise stated)*

MAXIMA GRUPE, UAB offers PLN 100 per one share issued by Emperia Holding S.A. The total price for the issued shares amounts to PLN 1.191 billion (EUR 285 million using foreign exchange rate as of 31 December 2017). The bid also includes the provision stating that MAXIMA GRUPE, UAB may refuse buying the shares if the bid is accepted by less than 66% of the entity's shareholders or other contractual terms and conditions are not met.

**Declaration of Conformity**

This consolidated annual report was prepared in accordance with the Law on Consolidated Financial Statements of the Group of Entities of the Republic of Lithuania.

Future forecasts in the consolidated annual report were prepared by the management using information and assumptions which it had at the time this consolidated annual report was prepared. If the information and assumption change, future forecasts can be adjusted or changed.

Consolidated annual report prepared on 11 April 2018



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Dalus Misiūnas  
General Director

***MAXIMA GRUPĒ, UAB***

**Consolidated financial statements  
for the year ended 31 December 2016  
together with independent auditor's report**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of MAXIMA GRUPE, UAB

### Opinion

We have audited the consolidated financial statements of MAXIMA GRUPE, UAB and its subsidiaries (hereinafter the Group), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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.

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



Jonas Akelis  
Auditor's licence  
No. 000003

7 April 2017

**MAXIMA GRUPĖ, UAB**  
**Consolidated financial statements**  
**for the year ended 31 December 2016**

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

**Consolidated statement of financial position**

	Notes	At 31 December	
		2016	2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	425,610	444,063
Intangible assets (except for goodwill)	6	6,054	3,555
Goodwill	7	139,088	139,424
Non-current receivables and prepayments		2,950	2,776
Deferred tax assets	8	3,891	1,874
		<b>577,593</b>	<b>591,692</b>
<b>Current assets</b>			
Inventories	9	214,274	223,835
Trade and other receivables	10	44,221	41,475
Cash and cash equivalents	11	160,134	173,240
		<b>418,629</b>	<b>438,550</b>
<b>TOTAL ASSETS</b>		<b>996,222</b>	<b>1,030,242</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	968,963	968,963
Share premium	12	41,352	41,352
Legal reserve	3	13,327	10,353
Reverse acquisition reserve	12	(1,430,271)	(1,430,271)
Foreign currency translation reserve		(4,415)	(2,900)
Retained earnings		660,125	736,741
<b>Total equity</b>		<b>249,081</b>	<b>324,238</b>
<b>Non-current liabilities</b>			
Borrowings	13	200,223	166,877
Deferred tax liabilities	8	2,624	1,898
Other non-current liabilities		574	782
		<b>203,421</b>	<b>169,557</b>
<b>Current liabilities</b>			
Borrowings	13	59,286	41,945
Current income tax liabilities		1,744	1,257
Trade payables and other current liabilities	14	482,690	493,245
		<b>543,720</b>	<b>536,447</b>
<b>Total liabilities</b>		<b>747,141</b>	<b>706,004</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>996,222</b>	<b>1,030,242</b>

  
 Robertas Čipkus  
 Chief Executive Officer

  
 Vaidotas Neniškis  
 Chief Financial Officer

The consolidated financial statements have been approved and signed on 7 April 2017.

The accompanying notes are an integral part of these consolidated financial statements.

**MAXIMA GRUPĒ, UAB**  
**Consolidated financial statements**  
**for the year ended 31 December 2016**

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

**Consolidated statement of comprehensive income**

	Notes	Year ended 31 December	
		2016	2015
Sales		2,693,225	2,682,936
Other income	15	90,427	82,314
Cost of sales		(2,483,629)	(2,477,088)
Operating expenses	16	(244,700)	(181,469)
<b>Profit from operations</b>		<b>55,323</b>	<b>106,693</b>
Gain (loss) on sale of property, plant and equipment		(380)	(2,338)
Gain on disposal of investments		-	425
Finance costs	17	(1,655)	(4,203)
Finance income	17	75	101
<b>Profit before tax</b>		<b>53,363</b>	<b>100,678</b>
Income tax expense	18	(17,005)	(18,826)
<b>Net profit</b>		<b>36,358</b>	<b>81,852</b>
<b>Attributable to:</b>			
Equity holders of the Parent		36,358	81,852
		<b>36,358</b>	<b>81,852</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss in the future</b>		-	-
<b>Items that will be subsequently reclassified to profit or loss in the future</b>			
Currency translation differences		(1,515)	249
<b>Other comprehensive income</b>		<b>(1,515)</b>	<b>249</b>
<b>Total comprehensive income</b>		<b>34,843</b>	<b>82,101</b>

  
 Robertas Čipkus  
 Chief Executive Officer

  
 Vaidotas Neniškis  
 Chief Financial Officer

The consolidated financial statements have been approved and signed on 7 April 2017.

The accompanying notes are an integral part of these consolidated financial statements.

**MAXIMA GRUPĒ, UAB**  
**Consolidated financial statements**  
**for the year ended 31 December 2016**

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

**Consolidated statement of changes in equity**

	Share capital	Share premium	Legal reserve	Reverse acquisition reserve	Foreign currency translation reserve	Retained earnings	Total equity
<b>At 31 December 2014</b>	<b>967,693</b>	<b>41,352</b>	<b>8,566</b>	<b>(1,430,271)</b>	<b>(3,149)</b>	<b>701,396</b>	<b>285,587</b>
Currency translation rounding difference	1,270	-	-	-	-	(1,270)	-
Legal reserve	-	-	1,787	-	-	(1,787)	-
Dividends	-	-	-	-	-	(43,450)	(43,450)
Profit for the period	-	-	-	-	-	81,852	81,852
Other comprehensive income	-	-	-	-	249	-	249
Total comprehensive income	-	-	-	-	249	81,852	82,101
<b>At 31 December 2015</b>	<b>968,963</b>	<b>41,352</b>	<b>10,353</b>	<b>(1,430,271)</b>	<b>(2,900)</b>	<b>736,741</b>	<b>324,238</b>
Legal reserve	-	-	2,974	-	-	(2,974)	-
Dividends	-	-	-	-	-	(110,000)	(110,000)
Profit for the period	-	-	-	-	-	36,358	36,358
Other comprehensive income	-	-	-	-	(1,515)	-	(1,515)
Total comprehensive income	-	-	-	-	(1,515)	36,358	34,843
<b>At 31 December 2016</b>	<b>968,963</b>	<b>41,352</b>	<b>13,327</b>	<b>(1,430,271)</b>	<b>(4,415)</b>	<b>660,125</b>	<b>249,081</b>

	2016	2015
Approved dividends*	110,000	43,450
Number of shares (in thousand)	3,341,251	3,341,251
Approved dividends per share (EUR)	<b>0.033</b>	<b>0.013</b>

\* The year when the dividends are approved.

  
 Robertas Čipkus  
 Chief Executive Officer

  
 Vaidotas Neniškis  
 Chief Financial Officer

The consolidated financial statements have been approved and signed on 7 April 2017.

The accompanying notes are an integral part of these consolidated financial statements.

**MAXIMA GRUPĖ, UAB**  
**Consolidated financial statements**  
**for the year ended 31 December 2016**

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

**Consolidated cash flow statement**

	Notes	Year ended 31 December	
		2016	2015
<b>OPERATING ACTIVITIES</b>			
Net profit		36,358	81,852
Adjustments for:			
Depreciation	5	52,234	50,352
Amortisation	6	940	399
Loss (gain) on disposal of investments		-	(425)
Property, plant & equipment and intangible assets write-offs		6,012	4,467
Property, plant & equipment impairment charge	5	22,100	404
Loss / (profit) on disposal of property, plant and equipment		380	2,338
Income tax expense	18	17,005	18,826
Interest expenses	17	1,740	3,643
Interest income	17	(75)	(101)
<b>Operating cash flows before movements in working capital</b>		<b>136,694</b>	<b>161,756</b>
Decrease (increase) in trade and other receivables		(2,920)	(2,442)
Decrease (increase) in inventories		9,666	(27,566)
Increase (decrease) in trade and other payables		(10,623)	11,583
<b>Cash generated from operations</b>		<b>132,817</b>	<b>143,331</b>
Interest paid		(1,958)	(2,843)
Interest received		75	101
Income tax paid		(17,809)	(18,707)
<b>Net cash generated from operating activities</b>		<b>113,125</b>	<b>121,882</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment and intangible assets	5,6	(67,151)	(73,632)
Proceeds from disposal of property, plant and equipment and intangible assets		252	4,417
Acquisition of subsidiaries		-	(896)
Disposal of subsidiaries		-	319
Loans granted		-	(3)
Proceeds from repayment of loans granted		-	3
<b>Net cash used in investing activities</b>		<b>(66,899)</b>	<b>(69,792)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings		106,934	127,575
Repayments of borrowings		(56,266)	(130,937)
Dividends paid		(110,000)	(43,450)
<b>Net cash used in financing activities</b>		<b>(59,332)</b>	<b>(46,812)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(13,106)</b>	<b>5,277</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>173,240</b>	<b>167,963</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>160,134</b>	<b>173,240</b>

  
 Robertas Čipkus  
 Chief Executive Officer

  
 Vaidotas Neniškis  
 Chief Financial Officer

The consolidated financial statements have been approved and signed on 7 April 2017.

The accompanying notes are an integral part of these consolidated financial statements.

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## 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 Kirtimų str. 47, Vilnius, Lithuania. The Company's legal status - private limited liability company.

The sole shareholder of the Company is Uždaroji akcinė bendrovė Vilniaus Prekyba incorporated in Lithuania. The ultimate shareholders 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 2016 and 2015, the Group consisted of the following entities:

Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
		2016	2015	
MAXIMA GRUPĖ, UAB	Lithuania			Holding company
MAXIMA LT, UAB	Lithuania	100%	100%	Retail in food and consumables
Kepimo Technologija UAB*	Lithuania	100%	100%	Real estate management
Maxima UAB*	Lithuania	100%	100%	No significant activities
EUROCOM PLIUS, UAB*	Lithuania	100%	100%	No significant activities
BIRULIŠKIŲ GAMA, UAB	Lithuania	100%	100%	No significant activities
LORKA, UAB	Lithuania	100%	100%	No significant activities
MENORKA UAB*	Lithuania	100%	100%	Real estate management
G-26, UAB*	Lithuania	100%	100%	Real estate management
VOLENTIS, UAB*	Lithuania	100%	100%	Real estate management
VELVETA, UAB*	Lithuania	100%	100%	Real estate management
SKANDA, UAB*	Lithuania	100%	100%	Real estate management
PASTORALIS, UAB*	Lithuania	100%	100%	Real estate management
NOTITIA, UAB*	Lithuania	100%	100%	Real estate management
MELLA, UAB*	Lithuania	100%	100%	Real estate management
MALPENSA, UAB*	Lithuania	100%	100%	Real estate management
LATER, UAB*	Lithuania	100%	100%	Real estate management
LANIGERA, UAB*	Lithuania	100%	100%	Real estate management
LABARUM, UAB*	Lithuania	100%	100%	Real estate management
INVIDENTUS, UAB*	Lithuania	100%	100%	Real estate management
DIVERTA, UAB*	Lithuania	100%	100%	Real estate management
GOZAS, UAB (renamed from MAXIMA FOOD, UAB)*	Lithuania	100%	100%	Real estate management
LERAS, UAB*	Lithuania	100%	100%	Real estate management
FORMENTERA UAB*	Lithuania	100%	100%	Real estate management
LAMPEDUSA UAB*	Lithuania	100%	100%	Real estate management
LIPARIS UAB*	Lithuania	100%	100%	Real estate management
MARSALA UAB*	Lithuania	100%	100%	Real estate management
PROKIDA UAB*	Lithuania	100%	100%	Real estate management
SANTORINIS UAB*	Lithuania	100%	100%	Real estate management
MILOSAS UAB*	Lithuania	100%	100%	Real estate management
LEMNAS UAB*	Lithuania	100%	100%	Real estate management
FOLEGANDRA UAB*	Lithuania	100%	100%	Real estate management
SKOPELAS UAB*	Lithuania	100%	100%	Real estate management
TERCEIRA UAB*	Lithuania	100%	100%	Real estate management
OLERONAS UAB*	Lithuania	100%	100%	Real estate management
BORNHOLMAS UAB*	Lithuania	100%	100%	Real estate management
ORUSTAS UAB*	Lithuania	100%	100%	Real estate management
LARGAS UAB*	Lithuania	100%	100%	Real estate management
SUMATERA UAB*	Lithuania	100%	100%	Real estate management
LOMBOKAS UAB*	Lithuania	100%	100%	Real estate management
MODURA UAB*	Lithuania	100%	100%	Real estate management
SULAVESIS UAB*	Lithuania	100%	100%	Real estate management
SELATANAS UAB*	Lithuania	100%	100%	Real estate management
CEILONAS UAB*	Lithuania	100%	100%	Real estate management
JAMDENA UAB*	Lithuania	100%	100%	Real estate management
SUMBA UAB*	Lithuania	100%	100%	Real estate management
TENGARA UAB*	Lithuania	100%	100%	Real estate management
AMAGERAS UAB*	Lithuania	100%	100%	Real estate management
MONSERATAS UAB*	Lithuania	100%	100%	Real estate management
GRENADINAS UAB*	Lithuania	100%	100%	Real estate management
ANEGADA UAB*	Lithuania	100%	100%	Real estate management

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Name	Country of incorporation	% held by the Group (on 31 December)		Principal business activities
TRINIDADAS UAB*	Lithuania	100%	100%	Real estate management
SERAMAS UAB*	Lithuania	100%	100%	Real estate management
VATUBELA UAB*	Lithuania	100%	100%	Real estate management
GOTLANDAS UAB*	Lithuania	100%	100%	Real estate management
EDISTAS UAB*	Lithuania	100%	100%	Real estate management
AKONKAGVA, UAB	Lithuania	100%	-	Security services
EIGERIS, UAB	Lithuania	100%	-	Security services
KAMETAS, UAB	Lithuania	100%	-	Security services
LOGANAS, UAB	Lithuania	100%	-	Security services
MAXIMA Latvia SIA*	Latvia	100%	100%	Retail in food and consumables
Skandi Krasts SIA*	Latvia	100%	100%	Real estate management
TC Mukusala SIA*	Latvia	100%	100%	Real estate management
Mahrix SIA*	Latvia	100%	100%	Real estate management
MS Investīcijas SIA*	Latvia	100%	100%	Real estate management
SIA ACCIPITER*	Latvia	100%	100%	Real estate management
SIA SEGINUS*	Latvia	100%	100%	Real estate management
SIA CRATER*	Latvia	100%	100%	Real estate management
SIA ARCTURUS*	Latvia	100%	100%	Real estate management
SIA GROMUS*	Latvia	100%	100%	Real estate management
SIA KORBELA*	Latvia	100%	100%	Real estate management
SIA SALTORA*	Latvia	100%	100%	Real estate management
SIA GRAJA*	Latvia	100%	100%	Real estate management
SIA PAVOS*	Latvia	100%	100%	Real estate management
SIA MENTONA*	Latvia	100%	100%	Real estate management
SIA NIOLO*	Latvia	100%	100%	Real estate management
SIA LEVANDER*	Latvia	100%	100%	Real estate management
SIA PATRIKA*	Latvia	100%	100%	E-trade
MAXIMA Eesti OU*	Estonia	100%	100%	Retail in food and consumables
RE Tegevus OU*	Estonia	100%	100%	Real estate management
BELLSTAR PROPERTIES OU*	Estonia	100%	100%	Real estate management
SMUULI KVP OU*	Estonia	100%	100%	Real estate management
NOBELA PROPERTIES OU*	Estonia	100%	100%	Real estate management
NODA PROPERTIES OU*	Estonia	100%	100%	Real estate management
TESTAMA PROPERTIES OU*	Estonia	100%	100%	Real estate management
SUPERSA OU*	Estonia	100%	100%	E-trade
ALLEGRITOS OU*	Estonia	100%	100%	Real estate management
VOLTERRINA OU*	Estonia	100%	100%	Real estate management
MAXIMA Bulgaria EOOD*	Bulgaria	100%	100%	Retail in food and consumables
DEVELOPER Bulgaria EOOD	Bulgaria	100%	100%	Real estate management
MMS Projects EOOD	Bulgaria	100%	100%	Real estate management
DC BG EOOD*	Bulgaria	100%	100%	Real estate management
Percepcija Sp.z o.o.	Poland	100%	100%	Search for real estate objects, Marketing company
Aldik Nova Sp.z o.o.*	Poland	100%	100%	Retail in food and consumables
MN Polska Sp.z o.o.*	Poland	100%	100%	Real estate management
Grena Sp.z o.o.*	Poland	100%	100%	Real estate management
Manito Sp.z o.o.*	Poland	100%	100%	Real estate management
Kortona Sp.z o.o.*	Poland	100%	100%	Real estate management
Awelino Sp.z o.o.*	Poland	100%	100%	Real estate management
Bingo Sp.z o.o.*	Poland	100%	100%	Real estate management
Lincoln Land Erste B.V.**	Holland	100%	100%	Holding company
NEMELIA HOLDINGS LIMITED	Cyprus	100%	100%	Holding company
MILAGRE INVESTMENTS LIMITED*	Cyprus	100%	100%	Merged to NEMELIA HOLDINGS LIMITED

\* - held by intermediate subsidiary

\*\* - held by the Company and by intermediate subsidiary

In 2016, the Group incorporated AKONKAGVA, UAB; EIGERIS, UAB; KAMETAS, UAB and LOGANAS, UAB.

There were no disposals in 2016.

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

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The number of stores operated as at 31 December by the Group is as follows:

Country	Number of stores operated	
	2016	2015
Lithuania	237	233
Latvia	150	148
Estonia	74	75
Bulgaria	61	48
Poland	30	31
	<b>552</b>	<b>535</b>

As at 31 December 2016, the Group employed 30.9 thousand people (total remuneration cost EUR 255 million) (31 December 2015: 31.4 thousand, remuneration cost EUR 238 million).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (hereinafter the EU).

The Company's management authorized these financial statements on 7 April 2017.

## 2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2016:

- **Amendments to IAS 1 Presentation of financial statements: Disclosure Initiative**  
 The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The amendments are effective for annual periods beginning on or after 1 January 2016. Management has not made use of this amendment.
- **Amendments to IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization**  
 The amendment is effective for annual periods beginning on or after 1 January 2016 and provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. Management has not made use of this amendment.
- **Amendments to IAS 19 Employee Benefits**  
 The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment addresses accounting for the employee contributions to a defined benefit plan. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not have any plans that fall within the scope of this amendment.
- **Amendment to IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations**  
 The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group had no transactions in scope of this amendment.
- The IASB has issued the **Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. None of these had an effect on the Group's financial statements:
  - IFRS 2 *Share-based Payment*;
  - IFRS 3 *Business Combinations*;
  - IFRS 8 *Operating Segments*;
  - IFRS 13 *Fair value Measurement*;
  - IAS 16 *Property, Plant and Equipment*;
  - IAS 24 *Related Party Disclosures*;
  - IAS 38 *Intangible Assets*.

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- The IASB has issued the **Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. None of these had an effect on the Group's financial statements:
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operation*;
  - IFRS 7 *Financial Instruments: Disclosures*;
  - IAS 19 *Employee Benefits*;
  - IAS 34 *Interim Financial Reporting*.

**Standards issued but not yet effective**

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

**IFRS 9 Financial Instruments** (effective for financial years beginning on or after 1 January 2018)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

**IFRS 15 Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Based on preliminary assessment, the implementation of these amendments will not have significant impact on the financial statements of the Group.

**IFRS 15: Revenue from Contracts with Customers (Clarifications)** (effective for annual periods beginning on or after 1 January 2018, once endorsed by the EU).

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Based on preliminary assessment, the implementation of these amendments will not have significant impact on the financial statements of the Group.

**IFRS 16 Leases** (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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 has not yet evaluated the impact of the implementation of this standard, however considers it likely that this would materially increase the book value of the Group's assets and liabilities in the year of implementation.

**Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative** (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have significant impact on the financial position or performance of the Group but may result in changes in disclosures.

**Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses** (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group has not yet evaluated the impact of the implementation of this standard.

**IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

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The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The Group has not yet evaluated the impact of the implementation of this standard.

**Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

**Amendments to IAS 40: Transfers to Investment Property** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

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 has not yet evaluated the impact of the implementation of this standard.

**IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration** (effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

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 recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes 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 not yet evaluated the impact of the implementation of this standard.

The **IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The Group has not yet evaluated the impact of the implementation of this standard.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28 Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRS 12 Disclosure of Interests in Other Entities:** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

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

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### **3. ACCOUNTING POLICIES**

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

The principal accounting policies adopted are set out below.

#### ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

#### ***Business combinations***

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the statement of comprehensive income and accounted for as other income.

#### ***Goodwill***

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition 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. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. 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.

#### ***Property, plant and equipment***

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write-off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method, on the following basis:

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Buildings	8 – 25 years
Equipment and other assets	2 – 8 years
Vehicles	3 – 10 years

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

If the Group expects to receive economic benefits from usage of an asset longer than one year and its acquisition cost exceeds EUR 175, it is recognized as property, plant and equipment.

Properties in the course of construction for production 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.

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

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.

Leasehold improvements are treated similarly as property, plant and equipment, and are depreciated on a straight-line basis over the shorter of the estimated useful life of the improvement and the term of the lease.

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.

***Intangible assets with finite useful lives (except for goodwill)***

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

Software	3 years
Other intangible assets	3 years
Land lease right	22 years – or over the term of the lease

All amortisation of intangible assets is recognised in the statement of comprehensive income as Operating expenses unless it relates to operation of warehouse or outlets when it is recognised as Cost of sales. Land lease rights are classified as other intangible assets.

***Impairment of tangible and intangible assets (except for goodwill)***

At each financial year end, the Group reviews the carrying amounts of its tangible and intangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. 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.

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.

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***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. The proportion of the discounts applied to the value of inventories is determined based on the average volume of the discounts received proportionate to the cost of goods sold during the year and applied to the value of inventories as at the year end. Logistics costs incurred for transportation of inventory between different locations of retail operators are accounted as operating expenses in the relevant accounting periods.

***Financial instruments***

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Group financial assets are comprised of only loans and receivables in both 2016 and 2015 financial years.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

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.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Cash and cash equivalents

The Group's cash consists of cash on hand, cash in transit, cash at bank and short-term bank deposits with a maturity of three months or less. The carrying amount of cash approximates its fair value. Deposits with a term longer than 3 months (from the starting date) are classified as cash equivalents if the Group has the ability to cancel the deposits without incurring any losses, and the risk of changes in value is not significant.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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Bank borrowings

Interest-bearing bank loans, credit lines and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in the statement of comprehensive income over the term of the borrowings, except for the capitalised part as described in section "Borrowing costs".

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group engages in swap contract for interest rate risk management purposes. Derivative financial instruments are initially recognized at cost. Subsequent to initial recognition and measurement, outstanding swaps are carried in the statement of financial position at the fair value. Fair value is derived from quoted market prices (level 1 in fair value hierarchy), or using the discounted cash flow method applying effective interest rate (level 2 or 3 in fair value hierarchy). The estimated fair values of these contracts are reported on a gross basis as financial assets for contracts having a positive fair value, and financial liabilities for contracts with a negative fair value.

Gain or loss from changes in the fair value of outstanding swaps, which are not classified as hedging instruments, are recognized in the statement of comprehensive income as they arise.

The effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial liability / asset and of allocating interest expense / income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments / receipts through the expected life of the financial liability / asset.

***Derecognition of financial assets and liabilities***

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

***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 distributable profit calculated in accordance with the Lithuanian regulatory legislation on accounting are compulsory until the reserve reaches 10% of the Company's share capital.

***Foreign currency translation reserve***

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received or receivable for goods and services provided net of value-added tax, rebates and discounts. Revenues from sale of goods are recognised when goods are delivered and title has passed. Revenue from rendering of services is recognised in the accounting period when services are rendered.

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Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

Sales from main activities include income from goods sold and services provided, correction for goods in transit and provided discounts. Income from goods sold comprise over 99% of total sales.

**Cost of sales**

Cost of sales consists of cost of inventory, which comprises approximately 87 per cent of the total amount, and other costs attributable to sales of goods, including logistics, retail operations and franchise fee.

**Leasing**

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 on a straight-line basis over the term of the relevant lease.

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 consolidated 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 statement of comprehensive income on a straight-line basis over the term of the relevant lease.

**Foreign currencies**

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). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in EUR, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Starting from 2 February 2002 until 31 December 2014, Lithuanian Litas was pegged to Euro at the rate of 3.4528 Litas for 1 Euro, and the exchange rates in relation to other currencies were set daily by the Bank of Lithuania 1 January 2015 was the day of introduction of EUR in the Republic of Lithuania, therefore as at this day the functional currency of the Group changed accordingly. The exchange rate of LTL 3.45280 for 1 EUR which was irrevocably set by the Council of Europe was applied while converting LTL to EUR.

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 rates of exchange prevailing on the dates of the transactions.

At each financial year end, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Exchange differences arising on transactions in foreign currencies are recognized in profit or loss when incurred. Gains and losses resulting from the translation of monetary assets or liabilities denominated in foreign currencies are recognized in profit or loss for the period.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in EUR using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) 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. Exchange differences arising, if any, are recognized as exchange differences effect in other comprehensive income. Such translation differences are recognized as profit or loss in the period in which the foreign operation is disposed of.

The following exchange rates were used in preparation of consolidated financial statements:

	<b><u>2016.12.31</u></b>	<b><u>2016</u></b>	<b><u>2015.12.31</u></b>	<b><u>2015</u></b>
PLN	0.2265	0.2293	0.2358	0.2390
BGN	0.5113	0.5113	0.5113	0.5113

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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.

**Fair value measurements**

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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the 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.

**Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets are capitalized. All other borrowing costs are expensed in the period they occur.

**Income tax**

The income tax expense represents the sum of the current tax expenses and change in deferred tax.

The current 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date. The income tax rate for the Group companies in Lithuania comprises 15% (2015 – 15%). The income tax for The Group companies, which operate in foreign countries, are calculated according to the laws of these foreign countries.

The main corporate income tax rates that has been applied for preparation of the financial statements:

	<b>2016</b>	<b>2015</b>
Latvia	15%	15%
Estonia*	21%	21%
Bulgaria	10%	10%
Poland	19%	19%

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

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Taxable losses incurred in companies, which operate in the Republic of Lithuania are carried forward for unlimited period, except for losses incurred from disposal of securities and / or financial derivative instruments. Starting from 1 January 2014 the tax loss carry forward that is deducted cannot exceed 70% of the current financial year's, taxable profit. Losses incurred from disposal of securities and / or financial derivative instruments can be carried forward for 5 years and covered by profits from the same activities, i.e. profits from disposal of securities and / or financial derivative instruments. Taxable losses incurred in Latvia starting from 2008 are carried forward for unlimited period, in Poland and Bulgaria – 5 years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

***Loyalty programmes***

The Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in the Group's retail stores. The points can then be redeemed for payment of part of next product, subject to a minimum number of points being obtained. Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

***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, Chief Executive Officer of the Company (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, Group companies.

***Contingencies***

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

***Subsequent events***

Post-balance sheet events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

***Offsetting***

When preparing the financial statements, assets and liabilities, as well as revenue and expenses are not set off, except the cases when certain International Financial Reporting Standard specifically requires such set-off.

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#### **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

##### Critical judgments in applying the accounting policy

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 production 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 line.

##### Key sources of estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU requires management to make estimates and assumptions that affect the amounts reported in the 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, in accordance with the accounting policy set out in Note 3. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for five years using data from the Group's internal forecasts as well as the terminal value estimate. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax 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.

##### Impairment of non-current assets (excluding goodwill)

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.

##### 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.

##### Depreciation of property plant and equipment and amortisation of intangible assets

Significant areas of these financial statements where estimates and assumptions were also used are depreciation of fixed assets and amortisation of intangible assets.

##### Contingent liabilities

The Group is engaged in number of litigations that are disclosed in Note 23. In the process of preparation of the annual financial statements the Management evaluates available official information on the status and potential outcome of pending litigations and accordingly formulates necessary provisions and / or disclosures in the financial statements.

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**5. PROPERTY, PLANT AND EQUIPMENT**

As of 31 December 2016, the Group's property, plant and equipment consisted of the following:

	Land and buildings	Equipment and other assets	Vehicles	Construction in progress & prepayments	Total
<b>Historical cost</b>					
At 1 January 2015	659,257	244,888	273	31,077	935,495
Additions	36,385	26,218	0	10,648	73,251
Acquisition of subsidiaries (Note 20)	841	-	-	-	841
Disposals and write-offs	(13,480)	(10,016)	(73)	(178)	(23,747)
Exchange differences	118	83	1	-	202
Reclassifications to other assets	16	(802)	-	(197)	(983)
Reclassifications	20,280	694	-	(20,974)	-
At 1 January 2016	703,417	261,065	201	20,376	985,059
Additions	6,653	28,808	21	29,205	64,687
Disposals and write-offs	(2,207)	(14,531)	(106)	(3,509)	(20,353)
Exchange differences	(764)	(546)	(3)	(4)	(1,317)
Reclassifications to other assets	-	(388)	-	(988)	(1,376)
Reclassifications	16,497	5,916	-	(22,413)	-
At 31 December 2016	723,596	280,324	113	22,667	1,026,700
<b>Accumulated depreciation and impairment</b>					
At 1 January 2015	321,238	176,723	254	5,169	503,384
Depreciation	29,717	20,625	10	-	50,352
Impairment charge (reversal)	1,018	(614)	-	-	404
Acquisition of subsidiaries (Note 20)	2	-	-	-	2
Disposals and write-offs	(3,761)	(8,718)	(73)	-	(12,552)
Reclassifications to other assets	1	(652)	-	-	(651)
Exchange differences	4	54	-	-	58
Reclassifications	168	(168)	-	-	-
At 1 January 2016	348,386	187,250	191	5,169	540,996
Depreciation	28,818	23,411	5	-	52,234
Impairment charge (reversal)	18,684	1,276	-	2,140	22,100
Disposals and write-offs	(579)	(13,044)	(88)	-	(13,711)
Reclassifications to other assets	1	(248)	-	-	(247)
Exchange differences	(56)	(222)	(4)	-	(282)
Reclassifications	46	(46)	-	-	-
At 31 December 2016	395,300	198,377	104	7,309	601,090
<b>Carrying amount</b>					
At 31 December 2016	328,296	81,947	9	15,358	425,610
At 31 December 2015	355,031	73,815	10	15,207	444,063

Major part of depreciation of plant, property and equipment is accounted as costs of goods sold – EUR 33,622 thousand in 2016 (EUR 34,090 thousand in 2015). Remaining part is accounted 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.

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 (hierarchy level 3). The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected financial results. The terminal growth rate is in line with average retail market growth trends. Management estimate 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.

The post-tax discount rates used to calculate value in use range from 7.7 to 9.2 percent (2015: 7.9 – 10.4 percent) depending on the specific country conditions in which each store operates.

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During 2016, the Group has carried out the review of the recoverable amount of its land and buildings, having regard to the current condition on the real estate market and to the management decision with respect to the plans of development. The review has resulted in the recognition of impairment loss of EUR 22,100 thousand, which has been recognised as other operating expenses (Note 16). The current market value was established by certified real estate valuers.

At 31 December, the acquisition cost of the fully depreciated property, plant and equipment still in use was as follows:

	<u>2016</u>	<u>2015</u>
Equipment and other assets	131,953	130,340
Buildings	19,621	18,526
Vehicles	23	171
	<u>151,597</u>	<u>149,037</u>

The Group has pledged property, plant and equipment with the total carrying amount of EUR 173,294 thousand (2015: EUR 127,872 thousand) to secure banking facilities granted to the Group (Note 13).

As at 31 December 2016 the Group had no material commitments to acquire property, plant and equipment under signed agreements.

**6. INTANGIBLE ASSETS (EXCEPT FOR GOODWILL)**

As of 31 December 2016, the Group's intangible assets (except for goodwill) consisted of the following:

	<u>Software</u>	<u>Other intangible assets</u>	<u>Total</u>
<b>Historical cost</b>			
At 1 January 2015	3,481	4,431	7,912
Additions	164	218	382
Disposals and write-offs	(134)	(17)	(151)
Acquisition of a subsidiary (Note 20)	-	52	52
Exchange differences	1	7	8
Reclasifications from (to) other assets	12	197	209
At 1 January 2016	3,523	4,888	8,411
Additions	1,797	667	2,464
Disposals and write-offs	(45)	(1)	(46)
Exchange differences	(9)	(44)	(53)
Reclasifications from (to) other assets	36	988	1,024
At 31 December 2016	5,302	6,498	11,800
<b>Accumulated amortisation</b>			
At 1 January 2015	3,229	1,350	4,579
Amortisation	197	203	400
Disposals and write-offs	(107)	(17)	(124)
Exchange differences	1	-	1
At 1 January 2016	3,320	1,536	4,856
Amortisation	552	388	940
Disposals and write-offs	(43)	(1)	(44)
Exchange differences	(5)	(1)	(6)
At 31 December 2016	3,824	1,922	5,746
<b>Carrying amount</b>			
At 31 December 2016	<u>1,478</u>	<u>4,576</u>	<u>6,054</u>
At 31 December 2015	<u>203</u>	<u>3,352</u>	<u>3,555</u>

Part of depreciation intangible assets is accounted as costs of goods sold – EUR 213 thousand in 2016 (EUR 87 thousand in 2015). Remaining part is accounted as operating expenses.

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At 31 December, the acquisition cost of fully amortised intangible assets still in use was as follows:

	<u>2016</u>	<u>2015</u>
Software	2,842	2,774
Other intangible assets	337	279
	<u><b>3,179</b></u>	<u><b>3,053</b></u>

**7. GOODWILL**

**Historical cost**

At 1 January 2015	140,188
Exchange differences	<u>103</u>
At 31 December 2015	140,291
Exchange differences	<u>(336)</u>
At 31 December 2016	<u>139,955</u>

**Impairment**

At 1 January 2015	<u>867</u>
At 1 January 2016	<u>867</u>
At 31 December 2016	867

**Carrying amount**

At 31 December 2016	<u>139,088</u>
At 31 December 2015	<u>139,424</u>

For the purpose of impairment evaluation, the goodwill as of 31 December 2016 and 2015 was allocated to the following cash generating units:

<b>Cash generating unit</b>	<u>2016</u>	<u>2015</u>
MAXIMA Latvija SIA	124,417	124,417
MAXIMA Eesti OU	5,670	5,670
Aldik Nova Sp.z o.o.	7,770	8,104
Other	1,231	1,233
	<u><b>139,088</b></u>	<u><b>139,424</b></u>

Goodwill arising on business combinations is not amortised but 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 monitor 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 (hierarchy level 3). The key assumptions for the value in use calculations are those regarding discount and growth rates. Management estimate discount rates using pre-tax 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 7.7 to 9.2 percent terminal growth rate from 1 to 3 percent (2015: 7.9 – 10.4 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.

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**8. DEFERRED TAX**

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereof, during the current and prior reporting periods.

	Accrued charges	Unrealised purchase rebates	Impairment of property, plant and equipment	Accelerated depreciation	Prior periods tax losses	Total
<b>At 1 January 2015</b>	(1,689)	(466)	(146)	2,516	(366)	(151)
Charged (credited) to statement of comprehensive income	(79)	(99)	-	395	(63)	154
Disposal of subsidiaries	21	-	-	-	-	21
<b>At 1 January 2016</b>	<b>(1,747)</b>	<b>(565)</b>	<b>(146)</b>	<b>2,911</b>	<b>(429)</b>	<b>24</b>
Charged (credited) to statement of comprehensive income	(2)	(51)	(897)	(262)	(66)	(1,278)
Exchange differences	-	-	24	(25)	(12)	(13)
<b>At 31 December 2016</b>	<b>(1,749)</b>	<b>(616)</b>	<b>(1,019)</b>	<b>2,624</b>	<b>(507)</b>	<b>(1,267)</b>

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for consolidated statement of financial position purposes.

	<b>2016</b>	<b>2015</b>
Deferred tax liabilities	2,624	1,898
Deferred tax assets	(3,891)	(1,874)
	<b>(1,267)</b>	<b>24</b>

**9. INVENTORIES**

	<b>2016</b>	<b>2015</b>
Goods for resale (at cost or net realisable value)	202,724	209,154
Goods in transit (at cost)	9,805	12,546
Materials (at cost)	1,745	2,135
	<b>214,274</b>	<b>223,835</b>

The allowances for net realisable value of inventories comprise EUR 7,683 thousand (2015: EUR 6,334 thousand). The acquisition cost of inventories accounted at net realisable value comprise EUR 7,683 thousand (2015: EUR 6,334 thousand).

**10. TRADE AND OTHER RECEIVABLES**

	<b>2016</b>	<b>2015</b>
Trade receivables	8,159	10,063
Other receivables	23,161	16,583
Less: allowances for trade and other receivables	(315)	(250)
Trade / other receivables, net	31,005	26,396
Deposits (over 3 months)	60	107
Amounts receivable from related parties (Note 22)	2,532	2,149
	<b>33,596</b>	<b>28,652</b>
Accrued income and deferred charges	7,430	6,689
Prepayments	2,674	2,825
Prepaid profit tax	102	1,370
VAT receivable	227	1,510
Other prepaid taxes	191	429
	<b>44,221</b>	<b>41,475</b>

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Movements on the Group impairment losses for trade and other receivables are as follows:

	<u>2016</u>	<u>2015</u>
At 1 January	250	664
Impairment losses	186	162
Reversal of impairment losses due to debts written-off	(73)	(542)
Other adjustments	(47)	(34)
At 31 December	<u>315</u>	<u>250</u>

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

As at 31 December, the ageing analysis of trade and other receivables is as follows:

	Trade and other receivables, net	Neither past due nor impaired	Past due but not impaired	Past due but not impaired		
				up to 3 months	3 to 6 months	over 6 months
2016	31,005	23,973	7,032	6,945	53	34
2015	26,396	23,883	2,513	2,257	17	239

The Group monitors creditworthiness of debtors by using controls that include credit approvals, limits, prepayment requirements and other monitoring procedures.

#### 11. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
Time deposits (up to 3 months)	3,466	4,867
Cash on hand and in transit	39,714	32,407
Cash at bank	116,954	135,966
	<u>160,134</u>	<u>173,240</u>

Cash in transit is comprised of cash in the cash registers of the stores not collected for encashment yet 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.

Cash in certain bank accounts and future cash inflows into these accounts were pledged to the banks as security for credit facilities granted (Note 13). As at 31 December 2016, the cash balances in the pledged accounts amounted to EUR 45,105 thousand (31 December 2015: EUR 44,405 thousand).

#### 12. SHARE CAPITAL, SHARE PREMIUM, REVERSE ACQUISITION RESERVE

As at 31 December 2016, the MAXIMA GRUPĖ, UAB authorised share capital was EUR 968,963 thousand (31 December 2015: 967,693 thousand), consisting of 3,341,250,795 ordinary shares.

	<u>2016</u>	<u>2015</u>
Number of shares (in thousands)	3,341,251	3,341,251
Par value of one share	0.29	0.29
Total share capital	<u>968,963</u>	<u>968,963</u>

At 31 December 2016, the sole shareholder of the Group was Uždaroji akcinė bendrovė Vilniaus Prekyba.

#### Share premium

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

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**Reverse acquisition reserve**

Reverse acquisition reserve is related to the reorganization that was held in 2007. In the course of the Group's restructuring MAXIMA MGN, UAB, the newly incorporated subsidiary of the Company, acquired 100% of shares of MAXIMA LT, UAB from the Company's sole shareholder Uždaroji akcinė bendrovė Vilniaus Prekyba.

In 2008, MAXIMA MGN, UAB was reorganised and has been merged into the Company's subsidiary MAXIMA LT, UAB. In the course of the reorganisation assets, liabilities, rights and commitments of MAXIMA MGN, UAB were assigned to MAXIMA LT, UAB. After reorganisation the Company gained direct control (acquired 100% shares) over MAXIMA LT, UAB. The acquisition has been accounted for as a reverse acquisition, and for accounting purposes the legal subsidiary MAXIMA LT, UAB (identified as acquirer), has been deemed to have acquired the legal parent, MAXIMA GRUPĖ, UAB (identified as acquiree). The Company has recorded corresponding reverse acquisition reserve in the consolidated statement of changes in equity.

**13. BORROWINGS**

	<u>2016</u>	<u>2015</u>
<b>Current</b>		
Bank loans	59,222	41,864
Other borrowings	8	8
Borrowings from related parties and accrued interest (Note 22)	<u>56</u>	<u>73</u>
	59,286	41,945
<b>Non-current</b>		
Bank loans	159,100	115,607
Borrowings from related parties (Note 22)	41,000	51,136
Other borrowings	<u>123</u>	<u>134</u>
	200,223	166,877
	<b><u>259,509</u></b>	<b><u>208,822</u></b>

The bank credit lines and loans as at 31 December 2016 are secured by cash in certain bank accounts (Note 11), property, plant and equipment (Note 5) and inventories (Note 9).

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

	<u>2016</u>	<u>2015</u>
EUR	259,378	208,679
PLN	<u>131</u>	<u>143</u>
	<b><u>259,509</u></b>	<b><u>208,822</u></b>

The weighted loans interest rates as at 31 December were as follows:

	<u>2016</u>	<u>2015</u>
Bank loans	0.7%	0.8%
Other borrowings	0.8%	0.9%

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

	<u>2016</u>	<u>2015</u>
In the second year	45,623	84,042
In the third to fifth years (inclusive)	119,515	71,849
After five years	<u>35,085</u>	<u>10,986</u>
	<b><u>200,223</u></b>	<b><u>166,877</u></b>

Borrowings are with variable interest rates and margins attached to basis interest rate were rather stable since borrowings were received therefore current effective interest rates for borrowings approximate market rates and the carrying value of borrowings approximate their fair value.

The undrawn borrowing facilities were as follows:

	<u>2016</u>	<u>2015</u>
Expiring within one year	80,106	65,496
<b>Total undrawn borrowing facilities</b>	<b><u>80,106</u></b>	<b><u>65,496</u></b>

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**14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

	<u>2016</u>	<u>2015</u>
Trade payables	363,561	381,225
Amounts payable to related parties (Note 22)	10,626	9,378
Other amounts payable	<u>36,165</u>	<u>38,493</u>
	<u>410,351</u>	<u>429,096</u>
Remuneration, social security and other related taxes	36,147	32,743
Payable taxes	24,327	21,825
Accrued charges and deferred revenue	6,388	4,304
Advances received	<u>5,477</u>	<u>5,277</u>
	<u><b>482,690</b></u>	<u><b>493,245</b></u>

The trade and other payables are generally settled on 30 - 55 days terms.

**15. OTHER INCOME**

	<u>2016</u>	<u>2015</u>
Rent income	27,718	26,907
Advertising, marketing and sales promotion services	31,097	29,193
Transportation services	9,374	11,149
Fines received	4,166	3,629
Commission for distribution of lottery tickets	1,918	1,688
Other	<u>16,154</u>	<u>9,748</u>
	<u><b>90,427</b></u>	<u><b>82,314</b></u>

Expenses incurred in connection with other income are presented together with operating expenses.

**16. OPERATING EXPENSES**

	<u>2016</u>	<u>2015</u>
Remuneration and related taxes	55,700	50,491
Transportation services	40,699	42,872
Property, plant and equipment impairment charge	22,100	404
Depreciation and amortisation	19,339	16,577
Advertising	17,739	17,524
Rental expenses	17,440	14,553
Fines and penalties	14,819	133
Inventory shortages	12,549	8,126
Utilities	10,345	10,030
Property, plant and equipment write-offs	5,774	1,001
Expenses related to one-off payments	5,196	-
Taxes (except for income tax)	3,855	3,868
Repair and maintenance	3,071	2,916
Materials and spare parts	1,877	2,439
Telecommunications	323	296
Other	<u>13,874</u>	<u>10,239</u>
	<u><b>244,700</b></u>	<u><b>181,469</b></u>

The Competition Council of the Republic of Lithuania by its decision as of December 4, 2014 announced that Maxima LT, UAB and UAB Mantinga have breached the rules of Article 5 Clause 1 of the Competition Law and Article 101 Clause 1 of the Agreement on European Union. In accordance with final court decision Maxima LT, UAB has paid the penalty amounting to EUR 14,748 thousands.

In November 2016 MAXIMA Latvija SIA reached the agreement with representatives of families of the deceased persons in Zolitude tragedy on payment in amount of 100 000 EUR to each family. In the position "Expenses related to one-off payments" are included the payments made within the reporting period as well as the accrual for the rest of estimated payments and for expenses directly related to such payments.

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**17. FINANCE COSTS AND OTHER FINANCE INCOME**

	<u>2016</u>	<u>2015</u>
Finance costs:		
- Bank borrowings	(1,698)	(1,511)
- Other borrowings	(109)	(2,132)
	<u>(1,807)</u>	<u>(3,643)</u>
- Net foreign exchange gain (loss)	152	(560)
	<u>(1,655)</u>	<u>(4,203)</u>
Finance income:		
- Interest income	75	101
	<u>75</u>	<u>101</u>

**18. INCOME TAX**

	<u>2016</u>	<u>2015</u>
Current tax	18,283	18,672
Deferred tax (Note 8)	(1,278)	154
<b>Income tax expense</b>	<u>17,005</u>	<u>18,826</u>

Domestic income tax is calculated at 15% (2015: 15%) of the estimated assessable profit for the reporting period. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. Income tax for subsidiaries is calculated at their local income tax rate.

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

	<u>2016</u>	<u>2015</u>
Profit before income tax	53,363	100,678
Tax at the domestic income tax rate	8,004	15,102
Income not subject to tax	(2,828)	(1,402)
Expenses not deductible for tax purposes	9,603	4,618
Tax losses asset valuation allowance	665	175
Recognised tax losses	(65)	-
Effect of different tax rates of foreign subsidiaries	1,625	333
<b>Income tax expense</b>	<u>17,005</u>	<u>18,826</u>
Effective income tax rate	32%	19%

In 2016, few Group companies incurred tax losses of EUR 3,740 thousand (2015: EUR 3,662 thousand). As at 31 December 2016, tax losses carried forward comprised EUR 26,495 thousand, which gives EUR 3,736 thousand of unrecognized deferred tax asset (2015: taxable losses EUR 27,152 thousand, unrecognized deferred tax asset EUR 3,540 thousand). Unrecognized tax losses of EUR 26,495 thousand are available only for a limited period of time permitted by local regulatory legislation, where a company operates. Deferred tax assets relating to tax losses incurred have not been recognised as these losses cannot be used to offset taxable profit elsewhere in the Group and they have been incurred by certain subsidiaries, which have a history of loss making operations.

	<u>2016</u>	<u>2015</u>
Within 1 year	5,590	6,050
Within 2 years	6,185	5,647
Within 3 years	5,158	6,521
Within 4 years	5,822	5,272
Within 5 years	3,740	3,662
Indefinitely	-	-
<b>Total</b>	<u>26,495</u>	<u>27,152</u>

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**19. OPERATING LEASE ARRANGEMENTS**

**The Group as lessee**

The Group has outstanding commitments under operating leases, which fall due as follows:

	<u>2016</u>	<u>2015</u>
Within one year	50,576	47,306
In the second to fifth years inclusive	158,701	139,267
After five years	134,395	105,825
	<u><b>343,672</b></u>	<u><b>292,398</b></u>

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

**The Group as lessor**

The Group has contracted with tenants for the following future lease receivables:

	<u>2016</u>	<u>2015</u>
Within one year	17,817	17,330
In the second to fifth years inclusive	42,642	42,962
After five years	6,852	9,722
	<u><b>67,311</b></u>	<u><b>70,014</b></u>

As at 31 December 2016 and 2015 the future lease receivables and payables according to non-cancellable lease agreements are not material.

**20. BUSINESS COMBINATIONS**

**Acquisitions in 2016**

There were no acquisitions in 2016.

**Acquisitions in 2015**

<u>Name of subsidiary acquired</u>	<u>Country of incorporation</u>	<u>Date of acquisition</u>	<u>Purchase consideration</u>
Bingo Sp.z.o.o.	Poland	June 2015	896

Net cash outflow arising on acquisition:

	<u>Bingo Sp.z.o.o.</u>
Non-current assets	891
Receivables	8
Payables	(3)
<b>Net assets acquired</b>	<u><b>896</b></u>

Purchase consideration settled in cash	896
Cash in subsidiaries acquired	-
Cash outflow (inflow) on acquisition	<u><b>896</b></u>

**Disposals in 2016**

There were no disposals in 2016.

**Disposals in 2015**

In 2015, the Group disposed of 100% shares held in SIA Security Technologies and SIA Security Technologies 2 for total amount of EUR 516 thousand.

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## **21. FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

### Foreign 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 and/or funding provided in those currencies while income is mostly denominated in euro. These are main foreign currencies the Group deals with, 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. Therefore at the moment the Group does not use derivative financial instruments to hedge its risks associated with foreign currency fluctuations.

### Fair value of financial instruments

The Group's principal financial instruments not carried at fair value are trade and other receivables, trade and other payables, non-current and current borrowings.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

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 accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value (level 3).
- The fair value of non-current debt 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).

### Interest rate risk

The Group is exposed to interest rate risk as the Group's borrowings (except for borrowings from related parties) are subject to floating interest rates related to EURIBOR, EUR LIBOR.

The Group estimates that the increase / decrease of variable interest rates by 100 basis points, applied to exposed amounts as of 31 December 2016 and with all other variables held constant, would result in an increase / decrease of interest expense of EUR 2,185 thousand (2015: EUR 1,576 thousand).

### Capital risk 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 and maintain an optimal debt and equity balance.

The Group monitors capital on the basis of the gearing ratio, which is calculated as the proportion of net debt to equity. The Group's equity is comprised of issued share capital, share premium, capital and legal reserves, reverse acquisition reserve, foreign currency translation reserve and retained earnings attributable to equity holders.

The capital management strategy of the Group consistently aims to ensure the Group companies' capital resources comply with requirements of local legislation.

### Credit risk

The Group's credit risk is attributable to its trade and other accounts receivable. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables estimated based on prior experience. The credit risk of liquid funds (cash and term deposits) is limited because the counterparties are banks with investment credit ratings assigned by international credit-ratings agencies or subsidiaries of such banks. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, consequently, the Group's management considers that its maximum exposure is reflected by the amount of trade and other receivables, net of allowance for doubtful accounts recognised at the date of the statement of financial position and cash and cash equivalents.

### 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 30 - 55 days.

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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.

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. Contractual maturity of borrowings, future interest payments and other financial liabilities is as follows:

	2016				2015			
	Borrowings from banks	Borrowings from related and other companies	Other liabilities	Total	Borrowings from banks	Borrowings from related and other companies	Other liabilities	Total
In the first year	55,326	360	411,692	467,378	42,826	23	428,623	471,472
In the second year	45,996	365	372	46,733	44,157	41,335	421	85,913
In the third year	38,573	364	-	38,937	29,085	145	361	29,591
In the fourth year	25,005	41,098	171	66,274	23,512	10,218	-	33,730
In the fifth year	16,248	11	-	16,259	10,024	8	-	10,032
After five years	35,695	117	30	35,842	12,451	103	-	12,554
	<b>216,843</b>	<b>42,315</b>	<b>412,265</b>	<b>671,423</b>	<b>162,055</b>	<b>51,832</b>	<b>429,405</b>	<b>643,292</b>

Undiscounted cash flows from short-term borrowings are close to carrying amounts disclosed in the note 13. Trade and other payables are not interest bearing.

Floating interest rate is estimated using the prevailing rate at the reporting date.

**22. RELATED PARTY TRANSACTIONS**

**Sales of goods and services:**

	2016	2015
Sales of goods to other related parties	4,243	10,535
Sales of services to other related parties	9,631	9,684
	<b>13,874</b>	<b>20,219</b>

Sales of goods and services to related parties includes mostly of goods for resale, rent services.

**Purchases of goods and services:**

	2016	2015
Purchases of goods from other related parties	3,842	3,662
Purchases of services from parent company	1,048	833
Purchases of services from other related parties	73,495	70,011
	<b>78,385</b>	<b>74,506</b>

Purchases of goods and services to related parties includes mostly of goods for resale, consulting, franchise fee, rental and utilities services.

Franchise fee covers the licence to use trademarks and centralised business solution and support in such areas as retail, procurement, logistics, sales and marketing, public relations and IT.

**Sales of property, plant and equipment to:**

	2016	2015
Other related parties	4	1,000
	<b>4</b>	<b>1,000</b>

**Purchases of property, plant and equipment from:**

	2016	2015
Other related parties	724	327
	<b>724</b>	<b>327</b>

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	<u>2016</u>	<u>2015</u>
<b>Dividends paid to:</b>		
Parent company	110,000	43,450
	<b>110,000</b>	<b>43,450</b>
	<u>2016</u>	<u>2015</u>
<b>Trade receivables from:</b>		
Other related parties	2,095	1,773
	<b>2,095</b>	<b>1,773</b>
<b>Other amounts receivable from:</b>		
Other related parties	436	376
	<b>436</b>	<b>376</b>
	<b>2,532</b>	<b>2,149</b>
	<u>2016</u>	<u>2015</u>
<b>Trade payables to:</b>		
Other related parties	751	616
	<b>751</b>	<b>616</b>
<b>Other amounts payable to:</b>		
Parent company	148	134
Other related parties	9,727	8,628
	<b>9,875</b>	<b>8,762</b>
	<b>10,626</b>	<b>9,378</b>
	<u>2016</u>	<u>2015</u>
<b>Non-current borrowings from:</b>		
Parent company	-	10,136
Other related parties	41,000	41,000
	<b>41,000</b>	<b>51,136</b>
	<u>2016</u>	<u>2015</u>
<b>Current borrowings from:</b>		
Parent company	-	14
Other related parties	56	59
	<b>56</b>	<b>73</b>
	<u>2016</u>	<u>2015</u>
<b>Interest expenses to:</b>		
Parent company	16	284
Other related parties	335	253
	<b>351</b>	<b>537</b>

Loans borrowed from related parties are unsecured and their weighted average interest rate as at 31 December 2016 was 0.8% (2015: 0.9%).

The ultimate controlling party of the Group is Mr. N. Numavičius.

**Compensation of key management personnel**

	<u>2016</u>	<u>2015</u>
Salaries and related taxes	488	509
Number of key managers	6	6

As at 31 December 2016, the amount of outstanding salaries and taxes to key managers was EUR 32 thousand (2015: EUR 29 thousand).

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**23. PENDING LITIGATIONS**

On September 15, 2015 the Company submitted to Vilnius County Court a claim against limited liability company "Mart Inn Food" and three natural persons regarding the compensation of losses. Defendants submitted the request to leave the claim unexamined. On May 4, 2016 The Appeal Court adopted a decision by which stated that the claim against defendant Mart Inn Food is not examined by the courts of the Republic of Lithuania. MAXIMA GRUPĒ, UAB and the defendants submitted the cassation regarding the abovementioned Appeal Courts' decision.

On January 6, 2017 The Supreme Court of the Republic of Lithuania adopted the decision in favour of Maxima GRUPĒ, UAB, stating that the claim against all defendants, including Mart Inn Food, should be examined in the courts of the Republic of Lithuania. The case is currently pending before the Vilnius County Court. Considering the complexity, it is difficult to predict the exact outcome of the case.

Until the date of approval of these financial statements were 27 civil proceedings pending against MAXIMA Latvija SIA related to the roof collapse of rented store MAXIMA XX, which was located in Riga Priedaines iela 20. The total amount of these claims is EUR 784 million. MAXIMA Latvija SIA is indicated as one of the co-defendants.

In October 2016 MAXIMA Latvija SIA on its good will obliged to pay EUR 100,000 to each of deceased's families. Mutual agreement between the deceased's families and MAXIMA Latvia SIA and TINEO SIA foresees withdrawal of specific claims in civil proceedings related to the roof collapse as well as civil claims against the company and its employee in criminal case or waiving its right to file a claim.

Till 31 December 2016 MAXIMA Latvija SIA and families of deceased signed 32 agreements. Other 8 agreements were signed from 1 January 2017 until the date of approval of these financial statements. It is expected that the part of other deceased's families will sign the agreements until the end of 2017.

On 9 February 2015 the State Police took a decision on initiating of proceeding regarding application of compulsory measures towards MAXIMA Latvija SIA. In accordance with this decision the attachment to the 44 immovable properties of MAXIMA Latvija SIA have been imposed. The imposition of attachment to the property has no impact to MAXIMA Latvia SIA day-to-day business operations.

In 2015 SIA MAXIMA Latvija's tax audit, initiated in 2014, was completed. The audit covered an examination of the franchise transaction for 2011 and 2012. Upon the completion of the audit Latvian State Revenue Service decided to impose additional tax liabilities in the amount of EUR 2,366 thousand.

MAXIMA Latvija SIA does not agree with the Latvian State Revenue Service's decision, and therefore on November 24, 2015 filed the application to the Latvian State Revenue Service with the request to initiate a cross-border mutual agreement procedure under the Article 6 of the European Union Convention of July 23, 1990 on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (90/463/EEC) as well as the application to suspend the Latvian State Revenue Service's decision on the calculated additional tax liabilities until the final decision under the mutual agreement procedure is made.

SIA Maxima Latvia has agreed with State Revenue Service on a payment schedule for 5 years. Management's view is that it is more likely than not, that MAP procedure will be resolved in SIA Maxima Latvia favour, therefore full recovery of the calculated tax and penalties in amount of EUR 2 366 thousand is expected. According to SIA MAXIMA Latvia accounting policy, the requirements of IAS 12 are applied in accounting for the uncertain tax asset, interest and penalties. Consequently, the Company's financial statements include a net tax position resulting in asset of EUR 281 thousand that has been recognised as long-term tax receivables as at December 31, 2016 being as an excess of uncertain tax asset over liabilities to be paid related to the tax matter.

Considering the extent and the complexity of the procedure as well as limited international practice, it is difficult to predict the date of the end of the process and its outcome.

On December 17, 2015 following the tax audit an attachment to the 6 immovable properties of MAXIMA Latvija SIA has been imposed. The imposition of attachment to the property has no impact to MAXIMA Latvija SIA day-to-day business operations.

In April 2015, the Estonian prosecutor's office brought charges against Maxima Eesti OÜ regarding a possible agreement among competitors that allegedly concerns fixing of prices of certain goods. Judicial proceedings have been initiated following the charges. With the decision of first instance court, dated April 29, 2015, Maxima Eesti OÜ was convicted, the court imposed the fine in the amount of EUR 1,907 thousand and MAXIMA Eesti OÜ was obliged to pay 10 % (EUR 190.7 thousand) of the fine imposed after the decision of the County Court comes into effect. In case MAXIMA Eesti OÜ does not commit any criminal misconduct during the next 12 months, MAXIMA Eesti OÜ will be released from the payment of the rest of the fine. On 15 December 2016 the Appeal Court dismissed the appeal of

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MAXIMA Eesti OÜ and all the convictions remained as it was decided by first instance court in 2015. At the moment the appeal is in the Supreme Court. Considering the complexity, it is difficult to predict the exact outcome of the case.

**24. EVENTS AFTER THE REPORTING PERIOD**

On January 12, 2017 The Group has acquired 100% ownership in RADAS, UAB, which is the sole shareholders of UAB "Barbora". The consideration paid is amounting to EUR 1,400 thousand. The main activity of RADAS, UAB is the ownership of intellectual property and similar assets. UAB "Barbora" is engaged in trading of food and no-food products via internet and post orders.

There have been no other significant events that could produce a material impact on the Group's financial statements and its results for the year 2016.

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