GRENARDI
GROUP

Consolidated Annual Report 2023

Prepared in accordance with International Financial Reporting Standards as adopted by the EU
Together with Independent Auditor's Report

Latvia, April 26, 2024

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General information

Name of the Group	Grenardi Group
Name of the Parent Company	AS Grenardi Group
Legal status of the Parent Group	Join stock company
Registration No., place and date	40203279291, Riga, Dec 11, 2020
Registered office	Dēļu iela 2, Rīga, LV-1004
Members of the Board	Ģirts Rudzītis – Chairman of the Board Līga Emma Gulbe – Member of the Board Marta Andersone – Member of the Board
Members of the Council	Ainārs Spriņģis – Chairman of the Council Alberts Pole – Council Member Māris Keišs – Council Member
Annual report prepared by	Lilija Adejeva – Chief Accountant
Reporting year	from 01.01.2023 to 31.12.2023
Previous reporting period	from 01.01.2022 to 31.12.2022
Subsidiaries	UAB Given Lithuania, Reg. No. 305936789, Lithuania, Krokuvos g. 53-3, Vilnius, 09305 SIA Given Latvia, Reg. No. 40203166474, Rīga, Dēļu iela 2, LV-1004 OÜ Given Estonia, Reg. No. 14505229, Estonia, Peterburi tee 46, Tallinn 11415 SIA Grenardi Latvia, Reg. No. 50003474971, Rīga, Dēļu iela 2, LV-1004 OÜ Grenardi Estonia, Reg.No. 11518421, Estonia, Peterburi tee 46, Tallinn 11415
Auditors	SIA Grant Thornton Baltic Audit Blaumana street 22, Riga, LV-1011, License No. 183 Raivis Irbītis – Certified Auditor Certificate No. 205

Management report

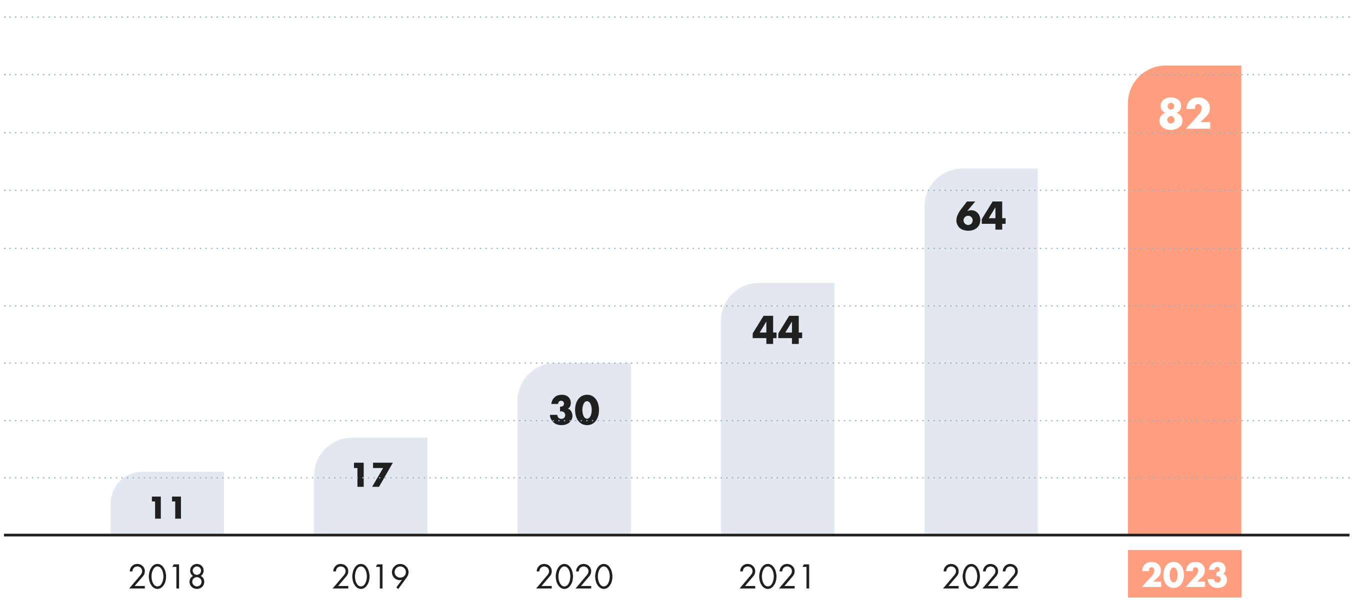
General information

AS Grenardi Group (hereinafter – the Parent Company) was established in December 2020 and together with its subsidaries (hereinafter – the Group) is the leading jewellery retail chain in Latvia and the fastest growing jewellery retail chain in the Baltic States. At the end of 2023, the Group had a total of 82 retail stores – 75 of which were GIVEN chain stores and 7 were GRENARDI chain stores. Additionally, the Group has 5 online stores www.grenardi.lv, www.grenardi.ee, www.given.lv, www.given.ee, www.given.lt. The Group offers jewellery in both the affordable and luxury segments. The Group has also developed its own unique private brands that differentiate the Group's assortment from other competitors. The product offering of the Group primarily consists of precious jewellery from gold and silver, complemented by watches.

Business results

On December 1, 2023, AS Given Jewellery acquired the GRENARDI retail chain (which includes SIA Grenardi Latvia and OÜ Grenardi Estonia) and was renamed AS Grenardi Group after the transaction. In 2023, the Group pursued a rapid growth strategy and expanded its retail chain by 11 stores in the Baltics, 2 of which in Latvia, 3 in Estonia, and 6 in Lithuania. With 82 stores and 5 online stores at the end of 2023, AS Grenardi Group became the largest jewellery retail chain in the Baltics.

Number of stores



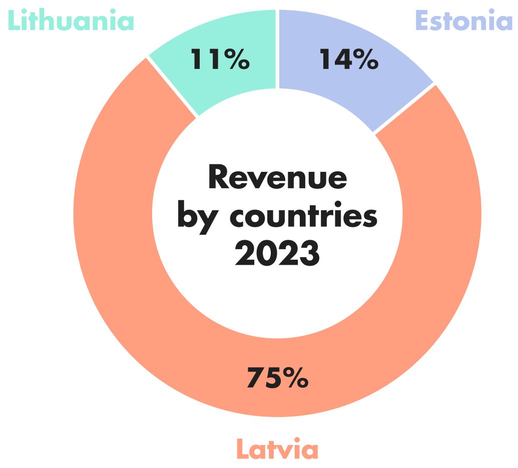
Consolidated management report (continued)

Business results (continued)

In 2023 the Group's net turnover reached EUR 18 million, which is by 40% more than in 2022. In 2023 retail revenue in Latvia accounted for 75%, in Estonia for 14%, but in Lithuania for 11% of the total. The Group managed to not only grow its revenue from operations of new stores, but also to significantly grow its turnover in the existing retail chain due to investments in brand awareness, marketing, assortment, and personnel training.

The rapid growth was enabled by additional financing attracted in 2023 in the form of secured and subordinated bonds, totalling EUR 2.6 million, as well as an increase in the share capital by EUR 6.5 million.

While due to rapid growth and first years of operation, subsidiaries in Estonia and Lithuania closed the year with net loss, SIA Given Latvia ended the year with annual profit of EUR 971 thousand. The Group closed the reporting year with a loss of EUR 249 thousand and historically highest EBITDA of EUR 2.9 million.



Future prospects

While the macroeconomic and geopolitical environment remains uncertain, with a strengthening market position and a long-term vision AS Grenardi Group is confident in its ability to adapt to the market conditions while driving its strategic priorities and to be the leading jewellery retail chain in the Baltic States. The Group has ambitious growth plans also for year 2024 – the Group plans to continue expanding its retail chain in the Baltic States, strengthening its market position, promoting its brand awareness, developing its online stores, surprising its customers with new products and launching new ESG initiatives.

Grenardi Group has shown impressive growth, marked by a strong double-digit increase in retail turnover and EBITDA. This growth is primarily driven by the expansion of the GIVEN retail chain, growth in same-store sales, and also to the acquisition of GRENARDI.

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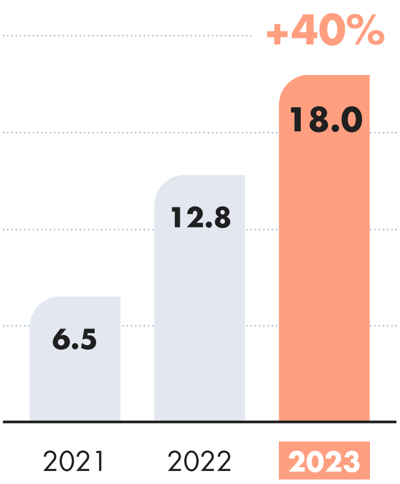
Ģirts Rudzītis
CEO and
Chairman of the Board
of AS Grenardi Group

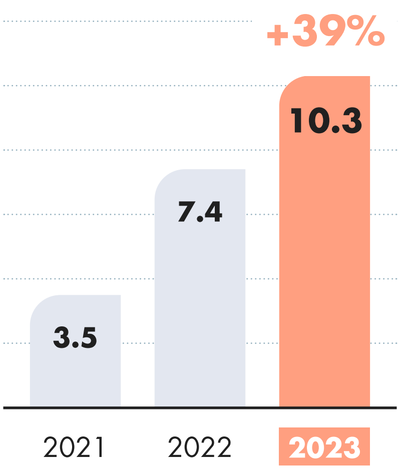
Consolidated management report (continued)

Financial performance highlights of AS Grenardi Group

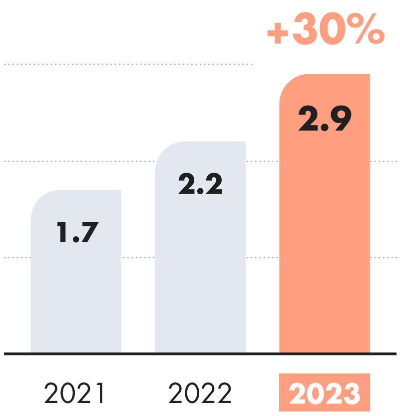
Revenue, €M



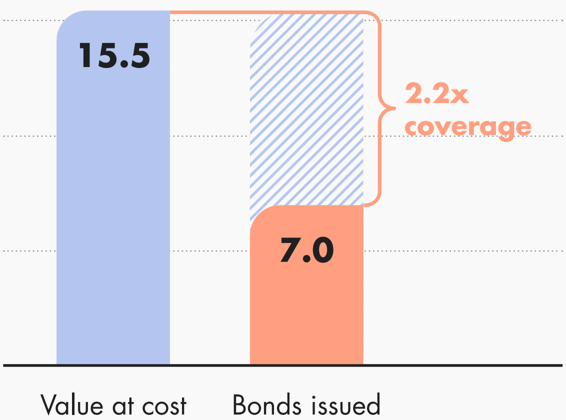
Gross profit, €M



EBITDA, €M



The Group's inventory value (€M) and nominal value of secured bonds (€M) as at December 31, 2023



Consolidated management report (continued)

Risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, liquidity risk, credit risk and capital risk.

Foreign currency risk

The Group's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables, as well as current and non-current borrowings. The Group is mainly exposed to foreign currency risk of the US dollar (USD).

Interest rate risk

Interest rate risk arises from changes in interest rates that affect the Group's net profit and future cash flows. The Company's policy is to ensure that the majority of its borrowings are at a fixed rate. The interest rate payable on the Group's borrowings is disclosed in Note 17.

Liquidity risk

Liquidity risk is related to the Group's ability to meet short-term and long-term liabilities in a timely manner.

The Group manages its liquidity risk by arranging an adequate amount of capital in form of debt or equity, keeping adequate cash reserves, planning the repayment terms of trade receivables, and developing and analysing future cash flows.

Credit risk

The Group is exposed to credit risk through its trade receivables, issued current loans, as well as cash and cash equivalents.

Receivables of the Group consist mainly of receivables from clients and guarantee deposits. The Group manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimised.

The credit risk on cash and cash equivalents is limited because the counterparties are banks and payment systems. To spread the credit risk, the Group deposits its cash reserves with different banks.

Capital risk

The Group aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group. Capital risk is monitored via Capitalization Ratio, which is calculated as the Adjusted Equity to the Group's consolidated assets. The Group monitors equity capital on the basis of the capitalization ratio as defined in Bond prospectus, which as at December 1, 2023 was 36% (see Note 28).

Events after the reporting period

In line with the Group's growth strategy, in Q1 2024 the Group continues development of its retail chain in the Baltics. After the end of the reporting year, on March 25, 2024, the Parent Company initiated the application process for a public bond offering in Latvia, Estonia and Lithuania. The offering concluded on April 15, 2024, with the Group successfully raising EUR 12 million financing with a fixed interest rate of 10% and a maturity of 3 years. The bond issue is secured with pledge on the assets of the Group's subsidiaries. The proceeds from the bond issue will be directed towards refinancing the Group's existing bonds (ISIN: LV0000860054), as well as financing further growth initiatives such as expanding its store network and assortment, and financing acquisition transactions. AS Grenardi Group bonds will be listed on Nasdaq Riga regulated market Baltic Bond List.

Grenardi Group footprint in Baltics

ESTONIA

13 GIVEN stores
3 GRENARDI stores
www.given.ee
www.grenardi.ee

LATVIA

46 GIVEN stores
4 GRENARDI stores
www.given.lv
www.grenardi.lv

LITHUANIA

16 GIVEN stores
www.given.lt

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

	Note	2023 EUR	2022 EUR
Net turnover	3	18 011 354	12 836 909
Cost of sales	4	(7 698 091)	(5 434 776)
Gross profit or loss		**10 313 263**	**7 402 133**
Selling expenses	5	(7 632 164)	(5 197 806)
Administrative expenses	6	(1 943 937)	(1 532 685)
Other operating income	7	106 643	51 164
Other operating costs	8	(82 906)	(91 203)
Other revenue from interest and similar revenue		221	1 326
Interest expense and sminilar expense		(1 104 038)	(669 479)
Profit or loss before corporate income tax		**(342 918)**	**(36 550)**
Income tax	9	94 198	50 028
Total comprehensive income for the year		**(248 720)**	**13 478**

Notes on pages 16 to 41 form an integral part of these financial statements.

Ģirts Rudzītis		**Līga Emma Gulbe**		**Lilija Adejeva**	
Chairman of the Board	signature	Member of the Board	signature	Chief Accountant	signature

Consolidated Statement of Financial Position

ASSETS	Note	31.12.2023 EUR	31.12.2022 EUR
LONG-TERM INVESTMENTS			
Intangible assets			
Concessions, patents, licences, trademarks and similar rights		186 259	136 816
Other intangible assets		23 587	12 681
Goodwill		7 454 905	642 471
Advance payments for intangible assets		-	3 266
Total intangible assets	**10**	**7 664 751**	**795 234**
Fixed assets, investment properties, and right-of-use assets:			
Long-term investments in rented fixed assets		940 717	746 170
Right of-use-assets		6 511 269	3 951 713
Other fixed assets and inventory		1 755 821	1 037 053
Costs of the establishment of fixed assets and unfinished building objects		86 821	183 544
Advance payments for fixed assets		10 801	5 024
Total fixed assets	**11**	**9 305 429**	**5 923 504**
Long-term financial investments			
Deferred tax assets	21	144 704	50 139
Total long-term financial investments		**144 704**	**50 139**
TOTAL LONG-TERM INVESTMENTS		**17 114 884**	**6 768 877**
CURRENT ASSETS			
Inventories			
Finished goods and goods for sale		15 511 313	9 030 127
Advance payments for inventories		160 831	100 595
Total inventories		**15 672 144**	**9 130 722**
Receivables			
Trade receivables	12	660 947	334 001
Receivables from associated entities		14 445	82 948
Other receivables	13	352 861	92 017
Deferred expenses		118 392	89 090
Accrued income		39 270	-
Total receivables		**1 185 915**	**598 056**
Cash	**14**	**1 620 802**	**1 478 563**
TOTAL CURRENT ASSETS		**18 478 861**	**11 207 341**
TOTAL ASSETS		**35 593 745**	**17 976 218**

Notes on pages 16 to 41 form an integral part of these financial statements.

Consolidated Statement of Financial Position (continued)

EQUITY AND LIABILITIES	Note	31.12.2023 EUR	31.12.2022 EUR
EQUITY			
Share capital	15	7 200 001	1 000 000
Share premium		694 407	347 408
Accumulated losses/Retained earnings:			
brought forward		511 854	498 376
for the period		(248 720)	13 478
Total equity		**8 157 542**	**1 859 262**
LIABILITIES			
Long-term liabilities			
Bonds*	17	8 460 864	8 803 091
Other loans		29 182	-
Non-current lease liabilities	16	4 577 262	2 769 353
Total long-term liabilities		**13 067 308**	**11 572 444**
Short-term liabilities			
Loans against debentures*	17	3 000 000	-
Loans from credit institutions		164 871	-
Other loans		6 622	86 500
Received advance payables		180 725	103 682
Trade payables		3 387 956	1 735 481
Current lease liabilities	16	2 283 939	1 369 186
Payables to related parties		-	9 380
Payables to associated entities		14 787	105 749
Taxes and State mandatory social insurance payments	18	1 013 934	584 624
Other liabilities	19	3 971 015	309 606
Accrued liabilities	20	345 046	240 304
Total short-term liabilities		**14 368 895**	**4 544 511**
Total liabilities		**27 436 203**	**16 116 955**
TOTAL EQUITY AND LIABILITIES		**35 593 745**	**17 976 218**

*Accrued interest reported in Long-term liabilities Bonds
Notes on pages 16 to 41 form an integral part of these financial statements.

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Chairman of the Board	signature	Member of the Board	signature	Chief Accountant	signature

Consolidated Statement of Cash Flows

	2023 EUR	2022 EUR
Cash flow from operating activities		
Profit or loss before corporate income tax	**(342 918)**	**(36 550)**
Corrections:		
Corrections of decrease in value of fixed assets	2 037 803	1 526 721
Corrections of decrease in value of intangible assets	61 874	42 296
Profit or loss from fluctuations of foreign currency rates	(35 658)	(13 626)
Other revenue from interest and similar revenue	(3 931)	(846)
Corrections of reduction in value of long-term and short-term financial investments	83 021	86 548
Interest payments and similar costs	1 033 981	634 914
Profit or loss before corrections of influence of changes in balances of current assets and short-term creditors	**2 834 173**	**2 239 458**
Corrections:		
Increase or decrease in balances recievables	(497 862)	276 954
Increase or decrease in balances of inventories	(1 894 947)	(2 910 330)
Increase or decrease in balances of payables	173 697	1 133 838
Gross cash flow from operating activities	**615 061**	**739 920**
Expenses for interest payments	(1 033 981)	(634 914)
Expenses for corporate income tax payments	(367)	(111)
Net cash flow from operating activities	**(419 287)**	**104 895**
Cash flows from investing activities		
Acquisition of stocks or shares of related undertakings, associated undertakings, or other undertakings, net of acquired cash	(6 263 539)	-
Long term financial investment	(16 386)	(118 103)
Acquisition of fixed assets and intangible assets	(720 217)	(1 316 188)
Revenue from sale of fixed assets and intangible investments	6 265	14 569
Interest received	4 083	846
Cash flows from investing activities	**(6 989 795)**	**(1 418 876)**
Cash flows from financing activities		
Income from stock and debenture issue or investments of capital participatory shares	6 547 000	-
Loans received and bonds issued	2 498 227	3 535 568
Repayment of loans	(166 390)	(415 661)
Payment of principal portion of lease liabilities	(1 363 172)	(1 034 680)
Cash flows from financing activities	**7 515 665**	**2 085 227**
Result of fluctuations of foreign currency exchange rates	35 658	13 626
Net cash flow of the reporting year	**142 239**	**784 872**
Balance of cash and its equivalents at the beginning of the reporting year	**1 478 563**	**693 691**
Balance of cash and its equivalents at the end of the reporting year	**1 620 802**	**1 478 563**

Consolidated Statement of Changes in Equity

	Share capital EUR	Share premium EUR	Retained earnings or uncovered loses EUR	Total equity EUR
As at 31.12.2021	**1 000 000**	**-**	**498 376**	**1 498 376**
Share issue premium	-	347 408	-	347 408
Increase/decrease in retained profit	-	-	13 478	13 478
As at 31.12.2022	**1 000 000**	**347 408**	**511 854**	**1 859 262**
Increase in share capital	6 200 001	-	-	6 200 001
Share issue premium	-	346 999	-	346 999
Increase/decrease in retained profit	-	-	(248 720)	(248 720)
As at 31.12.2023	**7 200 001**	**694 407**	**263 134**	**8 157 542**

Notes on pages 16 to 41 form an integral part of these financial statements.

Ģirts Rudzītis
Chairman of the Board
signature

Līga Emma Gulbe
Member of the Board
signature

Lilija Adejeva
Chief Accountant
signature

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

(1) Corporate information

AS Grenardi Group (the "Parent Company") and its subsidiaries (together "The Group") was established in December, 2020. The Parent Company was incorporated on December 11, 2020 as a joint stock company for an unlimited duration. The registered office of the Parent Company is Dēļu street 2, Riga, LV-1004. The Parent Company acquired SIA Given Latvia on December 12, 2020, OÜ Given Estonia on December 28, 2020, and established UAB Given Lithuania on November 15, 2021. On December 1, 2023, AS Given Jewellery acquired the GRENARDI retail chain (which includes SIA Grenardi Latvia and OÜ Grenardi Estonia) and was renamed AS Grenardi Group after the transaction. The Parent Company is the sole shareholder of its subsidiaries.

(2) Significant accounting principles

Basis of preparation

The consolidated annual report has been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (further IFRS). These consolidated financial statements include the disclosures required by IFRS that are applicable for financial years beginning on or after 1 January 2023. The most significant impact from adoption of IFRS compared to Latvian, Estonian amd Lithuanian statutory requirements is from IFRS 16.

Consolidation

The consolidated financial statements of the Group include:

Company name	Registration number	Country of incorporation	Principal activities	Controlled since
AS Grenardi Group	40203279291	Latvia	Holding company	-
UAB Given Lithuania	305936789	Lithuania	Retail sale of watches and jewellery in specialised stores	15.11.2021
SIA Given Latvia	40203166474	Latvia	Retail sale of watches and jewellery in specialised stores	12.12.2020
OÜ Given Estonia	14505229	Estonia	Retail sale of watches and jewellery in specialised stores	28.12.2020
SIA Grenardi Latvia	50003474971	Latvia	Retail sale of watches and jewellery in specialised stores	01.12.2023
OÜ Grenardi Estonia	11518421	Estonia	Retail sale of watches and jewellery in specialised stores	01.12.2023

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Consolidation (continued)

Subsidiaries are the entities controlled by the Parent Company. Control is achieved when the Parent Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee;
- Has the ability to use its power to affect its returns.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Reporting period

The reporting period is 12 months:
01.01.2023 to 31.12.2023
The previous reporting period is 12 months:
01.01.2022 to 31.12.2022

Accounting principles

These financial statements are prepared on the going concern basis, the accounting and measurement methods applied are consistent with those of the previous financial year, and prudent estimates have been made in preparing these financial statements.

Transactions in foreign currencies

The presentation currency of the Group is the euro (EUR), the monetary unit of the European Union.

Transactions in foreign currencies are translated into the euro at the euro foreign exchange reference rate published by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the euro applying the euro foreign exchange reference rate published by the European Central Bank at the last day of the reporting year.

31.12.2023 .... USD 1.1050
31.12.2022 .... USD 1.0666

Foreign exchange gains and losses are recognised in the statement of profit or loss for the respective reporting period.

Related parties

A related party is a person or an entity that is related to the reporting Group.

A person or a close member of that person's family is related to the reporting Group if that person has control, joint control or significant influence over the reporting Group or is a member of the key management personnel of the reporting Group.

An entity is related to the reporting Group if both are members of the same group. Besides, an entity is related to the reporting Group if the entity is controlled, jointly controlled or significantly influenced by a related party of the reporting Group or this related party of the reporting Group is a member of the key management personnel of that entity or of a parent of that entity.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Intangible assets, goodwill and fixed assets

Fixed assets are displayed in their acquisition value less depreciation. The acquisition value of fixed assets consists of purchase price, import duties and non-refundable purchase taxes, other costs directly attributable to delivery of the assets to their location and getting in the working condition pursuant to the suggested use. Depreciation and amortisation is calculated over the useful life of the asset according to the linear method applying the following depreciation rates as the basis of calculation:

Buildings and structures	5-10%
Technological equipment	20-35%
Computer hardware	20-35%
Other fixed assets	20-35%

Intangible assets are displayed in their acquisition value less depreciation. Depreciation has been calculated within the period of useful life of an asset according to the linear method, applying the following depreciation rates:

Licenses	10-20%
Other intangible investments	20-35%

Gains or losses from sales of fixed assets are displayed in the income statement of the respective period. Repair or renovation expenses that increase the useful life of fixed assets or their value are capitalised and written off within the period of useful life of assets. Other repair or renovation expenses are recognised as the loss of the accounting period.

Expenses related to leasehold improvements are capitalised and displayed in the fixed assets. Depreciation is calculated over the lease period using the linear method. Loan issue expenses that are directly related to formation of fixed assets and construction in progress are capitalised, if such expenses are reasonably attributable and directly related. Loan issue expenses are capitalised before putting the fixed assets into operation.

Research costs are recognized in the statement of profit and loss of the reporting year they are incurred. The Company's development costs are capitalized if their recoverability in the future may be substantially proved. Amortisation is calculated during the whole recovery period of development costs.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Such units represent the smallest groups of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or CGUs. A cash-generating unit to which goodwill has been allocated is 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 it's carrying amount, the impairment loss is recognized.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Valuation of inventories

Inventory cost price is determined using FIFO method. Inventories are stated at the lower of cost or net realizable value at the balance date.

If necessary, obsolete, slow-moving or damaged inventories are written down. Stock balances are checked in the inventory.

Receivables

A receivable represents the Group's and Parent Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The Group and the Parent Company split trade receivable balances in two portfolios based on a business model.

- Trade receivables from contracts with customers within a business model with the objective to hold financial assets in order to collect contractual cash flows are accounted at amortized cost and reviewed for impairment;
- Trade receivables from contracts with customers held with the only objective of selling the financial assets are accounted for at FVTPL.

Deferred expenses

The deferred expenses reflect the payments made during the accounting year, but the use of expenditure is referring to the following reporting periods. The balance value of the balance sheet asset is assessed to the extent that the expected economic benefit is expected in the following reporting periods.

Deferred tax assets and liabilities

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for accounting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In Latvia and Estonia legal entities are not required to pay income tax on earned profits. Corporate income tax is paid on distributed profits and deemed profit distributions.

The effective tax rate in the reporting period for the all operations of the Group was close to zero. The assessment of the recognisable amount of the tax asset is based on reasonably certain three year forecast to utilised accumulated tax loss by the respective entities. The recognised deferred tax asset represents unutilised tax loss in Lithuania.

Cash

Cash is cash in hand and non-cash in payment accounts and deposit accounts.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Loans and borrowings

All borrowings are recognized initially at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. In subsequent periods, borrowings are recognized at amortized cost.

A borrowing is classified as long-term if the payment or write-off occurs later than one year after the end of the respective reporting year. Amounts payable or written off during the year are presented under short-term borrowings.

Bonds

A financial liability is measured at amortized cost in case it is not held-for-trading and is not designated as held-for-trading in the initial recognition. These financial liabilities are initially measured at fair value less directly attributable transaction costs. After the initial recognition, these liabilities are measured at amortized cost, using the effective interest rate.

Financial lease liabilities

Leases of assets under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased asset or the present value of the minimum lease payments at the inception of the lease. Lease interest payments are included in the income statement for the period in order to reflect a constant rate of lease liability.

Lease is classified as a financial lease if in fact all risks and remunerations that are a characteristic of ownership are transferred to a tenant and if it corresponds to at least one of the following conditions:

a) ownership to the leased asset will be transferred to the tenant upon expiration of the leasing term;
b) the lease term includes the majority of the asset’s time of useful life;
c) the leased assets are so specific that only the tenant is entitled to use them without a significant modification.

The assets for financial lease are initially recognised as the Company’s assets after their true value or after the current value of the minimum leasing payments if it is lower than the true value. Each of these values are determined on the date of acquiring the lease asset. Lease liabilities are included in the balance sheet as long-term and short-term liabilities of financial lease. Financial expenditure are reflected in the income statement on the relevant period so that a regular and periodic cost rate from the liability surplus would be provided for each reporting period.

Operative lease - Application of IFRS 16 in the Reporting period

Group as a lessee

The Group recognizes as a lessee the right to use an asset that reflects its right to use the underlying asset and a lease liability that reflects its obligation to make lease payments.

Each lease payment is apportioned between the lease liability and interest expense on the lease liability. Interest expense on the lease liability is recognized in the lease term's income statement to form a constant periodic rate of interest on each period's remaining lease liability. The right-of-use asset is amortized on a straight-line basis from the inception date to the end of the underlying asset's useful life.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Operative lease - Application of IFRS 16 in the Reporting period (continued)

Classification

When agreeing, the Group assesses whether the agreement is a lease or includes a lease. A contract is a lease or includes a lease if it gives the right to control the use of an identifiable asset for a specified period of time in exchange for consideration. To assess whether an arrangement is or contains a lease, the Group assesses whether:

- The contract provides for the use of an identifiable asset - the asset may be specified directly or indirectly. It must be physically separable or reflect the full capacity of the asset from the physically separable asset. If the supplier has a significant right to replace the asset, the asset is not identifiable;
- The Group has the right to obtain all economic benefits from the use of an identifiable asset throughout its useful life;
- The Group has the right to determine the use of an identifiable asset. The Group has the right to determine the manner of use when deciding how and for what purpose the asset will be used. Where appropriate decisions about how and for what purpose an asset is used are predetermined, the Group must assess whether they have the right to operate the asset or to assign the asset to the asset in a particular way or whether the Group has designed the asset in a manner that predetermines it, how and for what purpose the asset will be used.

Right to use

Leases are recognized as rights to use the asset and the corresponding lease liability at the date when the leased asset is available for use by the Group. The cost of the right to use the asset consists of:

- the amounts of the initial valuation of the lease liabilities less the compensation received from the lessor for the construction of the object (FIT-OUT)
- any lease payments made on or before the commencement date, less any lease payments received;
- renewal costs related to the dismantling and renewal of fixed assets;
- any initial direct costs.

The right to use an asset is amortized on a straight-line basis from the inception date to the end of the underlying asset's useful life. Depreciation is calculated on a straight-line basis from the inception of the lease until the end of the lease term unless an asset is planned to be redeemed. The right to use the asset is periodically reduced by any impairment loss, if any, and adjusted for changes in the value of the lease liability.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Operative lease - Application of IFRS 16 in the Reporting period (continued)

Lease obligations

Upon initial recognition of a lease, the Group will recognize a lease liability carried at the present value of the lease payments due during the lease term. Lease payments include fixed payments less any rental incentives received and variable lease payments that depend on an index or rate. Variable lease payments independent of an index or rate are recognized as an expense in the period in which they are incurred.

The Group has entered into several premises lease agreements, mainly for the lease of store premises. The Group has used a flat discount rate of 4.5 % for the entire lease portfolio for lease agreements signed before January 1, 2023. Discount rate of 6.0% used for lease agreements signed during 2023.

Each lease payment is apportioned between the lease liability and the finance charge. Finance costs are charged to the income statement over the lease term to arrive at a constant periodic interest rate on the liability's remaining balance. The right to use the asset is depreciated over the lease term on a straight-line basis.

Short-term leases and leases with a low value of the underlying asset

Lease payments related to short-term leases or leases with a low value of the underlying asset are recognized as an expense in the income statement on a straight-line basis. Short-term leases are leases that are for 12 months or less at the inception date.

Accrued liabilities

Accrued liabilities are clearly known trade liability sums for the goods or services received within the reporting year when a relevant payment document (an invoice) has failed to be received on the date of drawing up the balance sheet. The liability sums are calculated, based on the price, which is defined in the relevant agreement, and on the documents that approve actual receipt of the goods or services.

Accrued liabilities for unused vacation compensation

Accrued liabilities for unused vacation compensations are established by multiplying the average wage for the last six months of the reporting period with the number of days of unused annual leaves on the end date of the reporting period, including also the mandatory state social insurance contributions made by the employer.

Accrued liabilities for not received expense invoices

Accrued liabilities for unreceived invoices are clearly known trade liability sums for the goods or services received within the reporting year when a relevant payment document (an invoice) has failed to be received on the date of drawing up the balance sheet. The liability sums are calculated, based on the price, which is defined in the relevant agreement, and on the documents that approve actual receipt of the goods or services.

Accrued liabilities for bonus compensation

Accrued liabilities for bonus payments are made according to the operational results of the reporting year. The accrued liabilities are diminished by making actual money payments to employees.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, less value added tax and sales-related discounts. Revenue is recognized by reference to the economic nature and substance of the transaction rather than its legal form.

Expenses are recognized as incurred. Expenses are recognized net of the amount of value added tax. In certain situations value added tax incurred on a services received or calculated in accordance with legislation requirements is not recoverable in full from the taxation authority. In such cases value added tax is recognized as part of the related expense item as applicable. The same principles is applied if value added tax is not recoverable on acquisition of an asset.

Sale of goods

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, and amounts of income earned and expense incurred in connection with the sale of the relevant goods can be measured reliably.

Rendering of services

Revenue from services is recognized in the period in which the services are rendered. Revenue from services and related costs are recognized by reference to the stage of completion of the transaction at the balance sheet date.

If the outcome of a transaction involving a service cannot be estimated reliably, revenue is recognized only to the extent of the costs recognized that are recoverable.

The effective interest rate method

Under IFRS 9 for all financial instruments measured at amortized cost interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Accounting for grants

In compliance with IAS 20, a government grant is recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Corporate income tax

Current corporate income tax rates for the subsidiaries are: Latvia* – 20%, Estonia* – 20%, Lithuania** – 15%.

* In Latvia and Estonia legal entities are not required to pay income tax on earned profits. Corporate income tax is paid on distributed profits and deemed profit distributions. Starting from 1 January 2018, both distributed profits and deemed profit distributions are subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense in Latvia. Corporate income tax on other deemed profit items is recognised at the time when expense is incurred in the reporting year.
** In Lithuania earnings are taxable when earned.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. Future events occur which cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable. The actual results may ultimately differ from those estimates (e.g., vacation pay reserve, etc.).

The Group based its assumptions and estimates on the parameters available when the financial statements were prepared. However, the current circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the item and is included in the statement of profit or loss in the year the item is derecognized.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the higher of an asset's net selling price and its value in use. In assessing the 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of profit or loss.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the year the item is derecognized.

Notes to the Consolidated Financial Statements (continued)

(2) Significant accounting principles (continued)

Standards, amendments and interpretations issued and endorsed in the EU but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. Those which may be relevant to the Group are set out below.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current - Amendments (IASB: effective for annual periods beginning on or after 1 January 2024)

- IFRS 16 Leases: Lease Liability in a Sales and Leaseback – Amendments (IASB: effective for annual periods beginning on or after 1 January 2024)

- IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements - Amendments (IASB: effective for annual periods beginning on or after 1 January 2024)

- IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments) - Amendments (IASB: effective for annual periods beginning on or after 1 January 2024)

- 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 Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments in their present form, will have a material impact on the Group.

Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.


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Notes to the Consolidated Financial Statements (continued)

(3) Net turnover

Net turnover - proceeds from the Group's major activity - retail sale of jewellery and watches without value added tax.

Turnover by country	2023 EUR	2022 EUR
Latvia	13 432 675	10 780 947
Estonia	2 459 316	1 241 510
Lithuania	2 061 954	814 452
Other European Union countries	57 409	-
Total	**18 011 354**	**12 836 909**

(4) Cost of sales

	2023 EUR	2022 EUR
Cost of goods purchased	7 698 091	5 434 776
Total	**7 698 091**	**5 434 776**

(5) Selling expenses

	2023 EUR	2022 EUR
Personnel costs	3 444 050	2 371 751
Depreciation of property, plant and equipment and intangible assets	2 100 845	1 566 090
Payment for services	210 730	331 060
Advertising expenses	808 009	453 385
Transport costs	190 885	131 336
Retail space rental & utilities (IFRS 16 adjustment)	395 321	223 046
Other selling expenses	482 325	121 138
Total	**7 632 164**	**5 197 806**

Notes to the Consolidated Financial Statements (continued)

(6) Administrative expenses

	2023 EUR	2022 EUR
Personnel costs	1 551 652	1 188 694
Bank charges	93 191	70 973
Professional services expenses	30 225	83 160
Office costs	153 962	114 085
Other administration costs	114 907	75 773
Total	**1 943 937**	**1 532 685**

(7) Other operating income

	2023 EUR	2022 EUR
Revenue from foreign currency fluctuations	35 658	13 626
Other income	70 985	37 538
Total	**106 643**	**51 164**

Notes to the Consolidated Financial Statements (continued)

(8) Other operating costs

	2023 EUR	2022 EUR
Provisions for bad and doubtful debts	30 557	32 801
Loss from disposal and sale of fixed assets*	8 320	13 705
Donations	6 850	12 013
Other costs	37 179	32 684
Total	**82 906**	**91 203**

* Information on profit or loss from disposal of long-term investment objects during the reporting year

(9) Income tax

	2023 EUR	2022 EUR
Current corporate income tax charge for the reporting year	(367)	(111)
Deferred corporate income tax due to changes in temporary differences	94 565	50 139
Total	**94 198**	**50 028**

Notes to the Consolidated Financial Statements (continued)

(10) Intangible assets

Long-term investment object	Concessions, patents, licences, trademarks and similar rights EUR	Other intangible assets EUR	Goodwill EUR	Advance payments for intangible assets EUR	Total intangible assets EUR
Acquisition value 31.12.2022	**201 381**	**19 677**	**642 471**	**3 266**	**866 795**
Additions	175 056	70 426	6 812 434	20 497	7 078 413
Disposal	(2 045)	-	-	(23 183)	(25 228)
Reclassified	580	-	-	(580)	-
Acquisition value 31.12.2023	**374 971**	**90 103**	**7 454 905**	**-**	**7 919 979**
Accumulated amortization 31.12.2022	**64 565**	**6 996**	**-**	**-**	**71 561**
Amortization charge	125 510	59 520	-	-	185 030
Amortization of intangible assets that have been liquidated or reclassified	(1 363)	-	-	-	(1 363)
Accumulated amortization 31.12.2023	**188 712**	**66 516**	**-**	**-**	**255 228**
Net book value 31.12.2022	**136 816**	**12 681**	**642 471**	**3 266**	**795 234**
Net book value 31.12.2023	**186 259**	**23 587**	**7 454 905**	**-**	**7 664 751**

Notes to the Consolidated Financial Statements (continued)

(11) Fixed assets, investment properties, and right-of-use assets

Long-term investment object	Right-of-use assets EUR	Long-term investments in rented fixed assets EUR	Other fixed assets and inventory EUR	Costs of the establishment of fixed assets and unfinished building objects EUR	Advance payments for fixed assets EUR	Total fixed assets EUR
Acquisition value 31.12.2022	**6 176 357**	**1 081 299**	**1 527 827**	**183 544**	**5 024**	**8 974 052**
Additions	2 773 291	435 568	1 315 409	162 665	13 983	4 700 916
Disposal	-	(12 142)	(82 685)	(50 756)	-	(145 583)
Reclassified	-	71 259	89 270	(208 632)	(8 206)	(56 309)
Acquisition value 31.12.2023	**8 949 649**	**1 575 984**	**2 849 821**	**86 821**	**10 801**	**13 473 076**
Accumulated depreciation 31.12.2022	**2 224 645**	**335 129**	**490 774**	**-**	**-**	**3 050 548**
Depreciation charge	213 735	318 051	644 893	-	-	1 176 679
Depreciation of fixed assets that have been liquidated or reclassified	-	(17 914)	(41 667)	-	-	(59 581)
Accumulated depreciation 31.12.2023	**2 438 380**	**635 266**	**1 094 000**	**-**	**-**	**4 167 646**
Net book value 31.12.2022	**3 951 713**	**746 170**	**1 037 053**	**183 544**	**5 024**	**5 923 504**
Net book value 31.12.2023	**6 511 269**	**940 717**	**1 755 821**	**86 821**	**10 801**	**9 305 429**

Notes to the Consolidated Financial Statements (continued)

(12) Trade receivables

	31.12.2023 EUR	31.12.2022 EUR
Trade receivables carrying amount	749 002	397 947
Allowance for expected credit loss	(88 055)	(63 946)
Total	**660 947**	**334 001**

(13) Other receivables

	31.12.2023 EUR	31.12.2022 EUR
Guarantee deposits	195 846	89 528
Other debtors	157 015	2 489
Total	**352 861**	**92 017**

(14) Cash

	31.12.2023 EUR	31.12.2022 EUR
Cash in bank accounts (EUR)	1 482 053	1 327 836
Cash on hand	138 748	150 727
Total	**1 620 802**	**1 478 563**

(15) Share capital

On 31 December 2023, the share capital has been fully paid.
It consists of 72 000 013 shares with the nominal value of EUR 0.1 each.

Notes to the Consolidated Financial Statements (continued)

(16) Lease liabilities

	31.12.2023 EUR	31.12.2022 EUR
Discounted lease liabilities at the beginning of the year	4 138 539	2 820 315
New contracts during the reporting period	4 085 422	2 352 905
Terminated contracts during the reporting period	-	-
Minus: Rental costs determined during the reporting period	(1 654 471)	(1 221 293)
Plus: Lease interest expense during the reporting period	291 712	186 612
Lease liabilities at the end of the year	**6 861 201**	**4 138 539**
Long - term part of lease liabilities (from 1 year to 5 years)	4 577 262	2 769 353
Short - term part of lease liabilities	2 283 939	1 369 186
	6 861 201	**4 138 539**

Lease commitments include the lease of retail space. In 2023 the Group had 82 active lease agreement for premises. In accordance with the Group's policy, it applies IFRS 16 Leases.

Notes to the Consolidated Financial Statements (continued)

(17) Bonds

	% rate	Due date	31.12.2023 EUR	31.12.2022 EUR
Subordinated bonds[1]	6%	30.11.2026	4 220 610	3 720 300
Secured bonds[2]	6%	30.04.2024	3 019 039	2 986 826
Secured bonds[3]	3M EURIBOR+6%	31.07.2025	4 221 215	2 095 965
Total			**11 460 864**	**8 803 091**

[1] On November 30, 2021, AS Grenardi Group issued subordinated bonds, which enables to attract financing in the amount of five million euros. The annual interest rate of the issues is 6% and their maturity is 5 years. As at December 31, 2023 the Group has raised a total of EUR 4 544 000. According to IAS 9, bonds are shown at amortized cost applying effective interest rate of 6.20%.

[2] On November 2, 2021 the Parent Company issued secured bonds in the amount of three million euros. The annual interest rate of the issues is 6% and their maturity is 2.5 years. All the property belonging to SIA Given Latvia as a joint property at the time of the pledge, as well as the subsequent components of the joint property, establishing a first-order commercial pledge on it, have been pledged in 2022 in favor of SIA ZAB VILGERTS, Registration No. 0203309933 as a collateral for bonds issued by AS Grenardi Group (ISIN: LV0000860054). As at December 31, 2023 the Group has raised a total of EUR 3 000 000. According to IAS 9, loans against bonds are shown at amortized cost applying effective interest rate of 7.34%.

[3] On July 8, 2022 the Parent Company issued secured bonds in the amount of four million euros. The annual interest rate of the issues is 3M EURIBOR+6% and their maturity is 3 years. All the property belonging to SIA Given Latvia as a joint property at the time of the pledge, as well as the subsequent components of the joint property, establishing a first-order commercial pledge on it, have been pledged in 2022 in favor of SIA ZAB VILGERTS, Registration No. 40203309933 as a collateral for bonds issued by AS Grenardi Group (ISIN: LV0000870104). As at December 31, 2023 the Group has raised a total of EUR 4 000 000. According to IAS 9, loans against bonds are shown at amortized cost applying effective interest rate of 12.42%.

Notes to the Consolidated Financial Statements (continued)

(18) Taxes and State mandatory social insurance payments

	31.12.2023 EUR	31.12.2022 EUR
Value added tax	759 443	440 719
Personal income tax	91 144	45 973
Social contributions	161 978	95 970
Corporate income tax	1 050	1 810
Risk duty	69	53
Natural resources tax	250	99
Total	**1 013 934**	**584 624**

Including	31.12.2023 EUR	31.12.2022 EUR
Tax debt	1 013 934	584 624

(19) Other liabilities

Short-term other creditors	31.12.2023 EUR	31.12.2022 EUR
Wages and salaries	315 783	283 952
Settlements with other creditors	3 655 232	25 654
Total short-term other creditors	**3 971 015**	**309 606**

(20) Accrued liabilities

	31.12.2023 EUR	31.12.2022 EUR
Accrued vacation pay	177 049	149 577
Accrued liabilities for employee bonuses	50 047	49 384
Accrued interest expense	36 565	8 018
Accrued liabilities to suppliers	81 385	33 325
Total	**345 046**	**240 304**

Notes to the Consolidated Financial Statements (continued)

(21) Deferred tax assets

	31.12.2023 EUR	31.12.2022 EUR
Deferred tax assets	144 704	50 139
Total	**144 704**	**50 139**

A deferred tax asset has been recognized in UAB Given Lithuania. Based on five-year business plan the Group believes that the tax asset arising from tax losses will be utilized in the nearest few years against future profits.

(22) Transactions with related parties

Related party	Services rendered and goods sold 2023 EUR	Services rendered and goods purchased 2023 EUR	Amounts owed by related parties 31.12.2023 EUR	Payables to related parties 31.12.2023 EUR
SIA Grenardi	112 919	2 070 177	-	-
OU Grenardi Estonia	1 522 463	-	-	-
Other	21 374	167 327	3 172 285	3 183 821
Total	**1 656 756**	**2 237 504**	**3 172 285**	**3 183 821**

Transactions are made at market prices

(23) Average number of employees

	2023 EUR	2022 EUR
Members of the Board	3	1
Other employees	247	194
Average number of employees	**250**	**195**

(24) Information on the payments for members of the council and the board

Members of the Board of the Group do not receive remuneration for the work perfomed.

Notes to the Consolidated Financial Statements (continued)

(25) Information on issued guarantees, warranties, and other possible liabilities and pledged assets

In 2022, all the property belonging to SIA Given Latvia as an aggregation of the property at the time of pledging, as well as the future components of the aggregation of the property, have been pledged in favor of SIA ZAB VILGERTS, registration no. 40203309933, registered as a first-order commercial pledge as a collateral for bonds issued by the parent company AS Grenardi Group, registration number 40203279291 (ISIN: LV0000860054 and ISIN: LV0000870104), as well as the second, third and fourth-order commercial pledge is registered on the same collateral in favor AS Signet Bank, registration no. 40003076407 to secure the guarantees issued by AS Signet Bank to the lessors of retail premises of SIA Given Latvia, OÜ Given Estonia and UAB Given Lithuania (see Note 17).

All the property belonging to OÜ Given Estonia and UAB Given Lithuania as an aggregation of the property at the time of pledging, as well as the future components of the aggregation of the property, have been pledged in favor of SIA ZAB VILGERTS , registration no. 40203309933, registered as a first-order commercial pledge as a collateral for bonds (ISIN: LV0000870104) issued by AS Grenardi Group, registration number 40203279291 (see Note 17).

In 2022, OÜ Given Estonia, SIA Given Latvia and UAB Given Lithuania have valid guarantee obligations to the owners of EUR 3 000 000 (three million euros) Secured Notes (ISIN: LV0000860054) and EUR 4 000 000 (four million euros) Secured Notes (ISIN: LV0000870104) issued by AS Grenardi Group, registration number 40203279291, for the fulfilment of obligations towards creditors under the notes in accordance with the terms of the issue, guaranteeing the repayment of the debt (see Note 17).

The property belonging to SIA Grenardi Latvia as an agregation of the property at the time of pledging, as well as the future components of the aggregation of property, have been pledged in favor of AS Luminor Bank, registration no. 11315936, establishing a first-order commercial pledge on it, as security for a credit line issued by AS Luminor Bank with a total limit of EUR 1 500 000, as well as establishing a second-order commercial pledge on the same subject of pledge in favor of AS Luminor Bank, in order to secure the guarantees issued by AS Luminor Bank to SIA Grenardi Latvia and OÜ Grenardi Estonia

(26) Information on lease and rent agreements, that have important influence on company’s activity

The Group's stores are located in rented premises. The Group has entered into long-term lease agreements with shopping centers. At the end of the year the Company has 82 long-term lease agreements with shopping centers. (see Note 16.)

Notes to the Consolidated Financial Statements (continued)

(27) Share based payment reserve

In 2022 employees working for the Group entered into share option agreements with AS Grenardi Group. According to the regulations, the conditional increase of the share capital cannot exceed EUR 41 666.50 or 4% of the share capital registered at the time of the conclusion of the agreement. In 2022, 95% of the stock options for distribution of AS Grenardi Group were granted.

Employees of subsidiaries in Estonia and Lithuania have entered into a share option agreement with OÜ Given Estonia and UAB Given Lithuania respectively. The option plan concerns maximum of 4% of the Subsidiaries' voting Shares of the same category as AS Grenardi Group owns. In 2022 in both subsidiaries 50% of the stock options were granted.

The aim of the share based options is to retain employees and increase their motivation through possibility to directly benefit from the growth in value of the company. The vesting conditions for employees is mainly performance based.

Employee stock options are granted free of charge to employees with management responsibilities. The exercise price of the share options is equal to the nominal price of the underlying shares. In case of fulfillment of the stock option criteria, new shares will be issued and there will be no impact on the separate accounts of the Group companies. According to the estimates, the vesting period will start in 2025.

(28) Commitments and Contingencies

There are covenants in the prospectus for the senior secured bonds issued (ISIN: LV0000860062 and ISIN: LV0000860104). According to the prosepectus, the Group shall company with the following financial covenants:

a) To maintain consolidated Interest Coverage Ratio of at least 2x (two times), calculated for the Relevant Period at the end of each quarter.
b) To maintain consolidated Capitalization Ratio at least 30% (thirty per cent) calculated for the Relevant Period at the end of each quarter.
c) To maintain Inventory Coverage Ratio for the Collateral Provider of at least 1.4x (one point four times), calculated for the Relevant Period at the end of each quarter.

The Relevant Period means each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter.

During the reporting period the Group complied with all covenants as per prospectus.

The covenants are fulfilled with the following ratios:
a) 2.6
b) 36.0%
c) 2.3

Notes to the Consolidated Financial Statements (continued)

(29) Risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, liquidity risk, credit risk and capital risk.

Foreign currency risk

The Group's financial assets and liabilities, which are exposed to foreign currency risk, comprise cash and cash equivalents, trade receivables, trade payables, as well as current and non-current borrowings. The Group is mainly exposed to foreign currency risk of the US dollar (USD).

Interest rate risk

Interest rate risk arises from changes in interest rates that affect the Group's net profit and future cash flows. The Company's policy is to ensure that the majority of its borrowings are at a fixed rate. The interest rate payable on the Group's borrowings is disclosed in Note 17.

Liquidity risk

Liquidity risk is related to the Group's ability to meet short-term and long-term liabilities in a timely manner.

The Group manages its liquidity risk by arranging an adequate amount of capital in form of debt or equity, keeping adequate cash reserves, planning the repayment terms of trade receivables, and developing and analysing future cash flows.

Credit risk

The Group is exposed to credit risk through its trade receivables, issued current loans, as well as cash and cash equivalents.

Receivables of the Group consist mainly of receivables from clients and guarantee deposits. The Group manages its credit risk by continuously assessing the credit history of customers and assigning credit terms on an individual basis. In addition, receivable balances are monitored on an ongoing basis to ensure that the Company's exposure to bad debts is minimised.

The credit risk on cash and cash equivalents is limited because the counterparties are banks and payment systems. To spread the credit risk, the Group deposits its cash reserves with different banks.

Capital risk

The Group aims to maintain an optimal capital and funding structure that ensures the lowest cost of capital available to the Group. Capital risk is monitored via Capitalization Ratio, which is calculated as the Adjusted Equity to the Group's consolidated assets. The Group monitors equity capital on the basis of the capitalization ratio as defined in Bond prospectus, which as at December 31, 2023 was 36% (see Note 28).

Notes to the Consolidated Financial Statements (continued)

(30) Risk management

After the end of the reporting year, on March 25, 2024, the Parent Company initiated the application process for a public bond offering in Latvia, Estonia, and Lithuania. The offering concluded on April 15, 2024, with the Group successfully raising EUR 12 million financing with a fixed interest rate of 10% and a maturity of 3 years. The bond issue is secured with pledge on the assets of Group subsidiaries. The proceeds from the bond issue will be directed towards refinancing the Group's existing bonds (ISIN: LV0000860054), as well as financing further growth initiatives such as expanding its store network and assortment, and financing acquisition transactions. AS Grenardi Group bonds will be listed on Nasdaq Riga regulated market Baltic Bond List.

(31) Going concern

The financial statements are prepared with the assumption that the Group will continue as a going concern.

Ģirts Rudzītis
Chairman of the Board .... signature

Līga Emma Gulbe
Member of the Board .... signature

Lilija Adejeva
Chief Accountant .... signature

INDEPENDENT AUDITORS' REPORT

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To the shareholder of "Grenardi Group" AS

Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS "Grenardi Group" ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 16 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2023,
- the consolidated statement of comprehensive statement for the year then ended,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of "Grenardi Group" AS and its subsidiaries as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by European Union (hereinafter IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (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 International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Reporting on Other Information

The Group's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on page 3 of the accompanying consolidated Report,
- the Management Report, as set out on page 4 of the accompanying consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the Other reporting responsibilities in accordance with the legislation of the Republic of Latvia section of our report.

In connection with 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 and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, 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.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

The management is responsible for the preparation of a financial statement giving a true and fair view in accordance with the International Financial Reporting Standards, as endorsed 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 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 Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a 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.

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Raivis Irbītis
Member of the Board
Sworn auditor
Certificate No. 205

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GROUP

www.grenardi.group

Latvia, 2024