

# APRANGA

GROUP

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APRANGA APB

Interim Consolidated Financial Statements

For the Nine months period ended 30 September 2014

(UNAUDITED)

31 October 2014  
Vilnius

**APB APRANGA**

Company's code 121933274, Kirtimu 51, Vilnius

**INFORMATION ABOUT COMPANY**

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Name of the company	Apranga APB
Legal form	Public limited liability company
Date of registration	1 <sup>st</sup> March 1993
Code of company	121933274
Share capital	LTL 55 291 960
Registered office	Kirtimu 51, LT-02244 Vilnius, Lithuania
Name of Register of Legal Entities	Registru centras VĮ, Vilnius branch
Telephone number	+370 5 239 08 08
Fax number	+370 5 239 08 00
E-mail	<a href="mailto:info@apranga.lt">info@apranga.lt</a>
Internet address	<a href="http://www.apranga.lt">http://www.apranga.lt</a>
Main activities	Retail trade of apparel
Auditor	PricewaterhouseCoopers UAB

**APB APRANGA**

Company's code 121933274, Kirtimu 51, Vilnius

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## REVIEW OF ACTIVITY OF THE GROUP COMPANIES

The retail turnover (including VAT) of Apranga Group amounted to LTL 456.0 million in January through September 2014 or by 8.6% more than in first nine months of 2013. The highest growth rates were recorded in Estonia (19.8%), the lowest – in Lithuania (3.8%).

According to EUROSTAT data, the retail trade (except of motor vehicles and motorcycles) in Baltic States during the 9 months 2014 grew the most in Estonia (+7%) and Lithuania (+5%). Meanwhile in Latvia the retail growth rate was a bit slower and amounted to 4%. The average annual (i.e. of the last 12 months) retail trade growth rates in Baltic States remained at high level (especially in comparison with other regions of Europe) and ranged from 4% to 6% (+5% in Lithuania, +4% in Latvia, +6% in Estonia). European Union (28 countries) retail trade over the past year increased by 2% (the year before retail trade declined by almost 1%).

The retail turnover of the Group's stores by countries during 9 months of 2014 was (LTL thousand, VAT included):

Country	9 months 2014	9 months 2013	Change
Lithuania	273 891	263 866	3,8%
Latvia	118 882	103 310	15,1%
Estonia	63 193	52 734	19,8%
<b>Total:</b>	<b>455 966</b>	<b>419 910</b>	<b>8,6%</b>

The retail turnover of the Group's stores during the third quarter 2014 by countries was as follows (LTL thousand, VAT included):

Country	Q3 2014	Q3 2013	Change
Lithuania	104 108	102 876	1,2%
Latvia	46 226	43 433	6,4%
Estonia	26 861	21 531	24,8%
<b>Total:</b>	<b>177 195</b>	<b>167 840</b>	<b>5,6%</b>

The highest growth rates in the third quarter of 2014 (the same as within 9 months of this year) were recorded in Estonia (+24.8%). High rate of growth in Estonia was mostly influenced by the relatively high number of stores opened (opened 4 new stores and closed 1) in the year 2014. However, in general, because of unfavorable weather conditions in July and September, the Group's third quarter turnover grew by a relatively small number of 5.6%.

The retail turnover of the Group's stores by chains during 9 months 2014 was as follows (LTL thousand, VAT included):

Chain	9 months 2014	9 months 2013	Change
Economy	44 937	40 526	10,9%
Youth	153 350	140 633	9,0%
Business	72 340	59 557	21,5%
Luxury	60 222	50 480	19,3%
Zara	108 345	113 205	-4,3%
Outlets	16 772	15 509	8,1%
<b>Total</b>	<b>455 966</b>	<b>419 910</b>	<b>8,6%</b>

In January-September 2014, the fastest grew Business and Luxury chains (respectively, 21.5% and 19.3%). This was largely due to rising consumption in these segments, and new stores openings (Burberry, Tommy Hilfiger, Weekend MaxMara, Armani Jeans, City, Massimo Dutti). Also, high turnover growth rates experienced Economy and Youth chains (9-11%).

During the nine months of 2014 Apranga Group opened 14 stores, reconstructed 8 and closed 4 stores. The capital expenditure of the retail chain expansion amounted to LTL 27.5 million (see Note 4 "Investments into non-current assets"). Investments (acquisitions) by segments are disclosed in Note 3 ("Segment information"). The Group is not engaged in activities related to research and experimental development, except to the extent of process improvement. Group uses the latest technology and the latest technology processes that meet environmental standards and help reduce the negative impact on the environment.

**APB APRANGA**, company's code 121933274, Kirtimu 51, Vilnius  
**REVIEW OF ACTIVITY OF THE GROUP COMPANIES**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**  
(all tabular amounts are in LTL thousands unless otherwise stated)

The number of stores by countries was as follows:

Country	30 09 2014	30 09 2013	Change
Lithuania	96	93	3,2%
Latvia	44	38	15,8%
Estonia	18	13	38,5%
<b>Total:</b>	<b>158</b>	<b>144</b>	<b>9,7%</b>

The number of stores by chains was as follows:

Chain	30 09 2014	30 09 2013	Change
Economy	12	12	0,0%
Youth	80	74	8,1%
Business	23	21	9,5%
Luxury	26	20	30,0%
Zara	10	10	0,0%
Outlets	7	7	0,0%
<b>Total</b>	<b>158</b>	<b>144</b>	<b>9,7%</b>

The total *sales area* operated by the Group has increased by 5.1% or by 3.5 thousand sq. m. during the period from 30 September 2013 till 30 September 2014. Sales area increased most in Latvia and Estonia (respectively 8.6% and 20.5%).

The total area of stores by countries was as follows (thousand sq. m):

Country	30 09 2014	30 09 2013	Change
Lithuania	43,7	43,1	1,4%
Latvia	20,5	18,9	8,6%
Estonia	7,5	6,3	20,5%
<b>Total:</b>	<b>71,7</b>	<b>68,2</b>	<b>5,1%</b>

The Group has earned LTL 33.7 million of *profit before income tax* in nine months 2014, while profit before taxes amounted to LTL 33.1 million during nine months of 2013 (an increase of 2.0%). In 3<sup>rd</sup> quarter the profit before income tax decreased by 0.6% from LTL 17.1 million in 2013 to LTL 17.0 million in 2014.

*EBITDA* of the Group was LTL 48.1 million during 9 months 2014, and it was LTL 46.9 million in corresponding previous year period. *EBITDA* margin has decreased from 13.9% to 13.3% during the year. The current ratio of the Group decreased slightly during the year and was 1.5 times.

Main Group Indicators	9 months 2014	9 months 2013	9 months 2012
Net sales, LTL thousand	362 899	336 531	303 280
Net sales in foreign markets, LTL thousand	144 229	126 940	113 352
Like-to-like sales, %	1,3%	1,7%	19,4%
Gross profit, LTL thousand	167 555	154 624	139 402
Gross margin, %	46,2%	45,9%	46,0%
Operating profit, LTL thousand	33 915	33 164	31 522
Operating profit margin, %	9,3%	9,9%	10,4%
EBT, LTL thousand	33 745	33 099	31 474
EBT margin, %	9,3%	9,8%	10,4%
Profit (loss) for the period, LTL thousand	28 340	27 830	26 638
Profit (loss) for the period margin, %	7,8%	8,3%	8,8%
EBITDA, LTL thousand	48 104	46 856	44 232
EBITDA margin, %	13,3%	13,9%	14,6%
Return on equity (end of the period), %	19,2%	20,3%	20,6%
Return on assets (end of the period), %	10,8%	12,6%	13,3%
Net debt to equity*, %	21,4%	6,4%	-2,2%
Current ratio, times	1,5	1,7	1,7

\* (Interest bearing liabilities less cash) / Equity

**APB APRANGA**, company's code 121933274, Kirtimu 51, Vilnius  
**REVIEW OF ACTIVITY OF THE GROUP COMPANIES**  
**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2014**  
(all tabular amounts are in LTL thousands unless otherwise stated)

<b>Main Group Indicators</b>	<b>Q3 2014</b>	<b>Q3 2013</b>	<b>Q3 2012</b>
Net sales, LTL thousand	141 384	134 612	123 016
Net sales in foreign markets, LTL thousand	58 154	52 915	47 415
Like-to-like sales, %	-2,0%	0,2%	20,3%
Gross profit, LTL thousand	64 430	61 519	56 239
Gross margin, %	45,6%	45,7%	45,7%
Operating profit, LTL thousand	17 043	17 092	16 532
Operating profit margin, %	12,1%	12,7%	13,4%
EBT, LTL thousand	16 967	17 068	16 519
EBT margin, %	12,0%	12,7%	13,4%
Profit (loss) for the period, LTL thousand	14 305	14 390	14 296
Profit (loss) for the period margin, %	10,1%	10,7%	11,6%
EBITDA, LTL thousand	21 874	21 727	20 711
EBITDA margin, %	15,5%	16,1%	16,8%
Return on equity (end of the period), %	9,7%	10,5%	11,0%
Return on assets (end of the period), %	5,5%	6,5%	7,1%
Net debt to equity*, %	21,4%	6,4%	-2,2%
Current ratio, times	1,5	1,7	1,7

\* (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totaled LTL 133.6 million during 9 months 2014 and increased by 10.0%, comparing to the same period 2013. The finance costs of the Group were LTL 0.17 million in 9 months 2014 (about 0.1% of the total costs of the Group). Total finance debts of the Group increased from LTL 5.0 million to LTL 34.7 million during last 12 months, mainly due to the need to finance an increased working capital, investment to new and reconstructed stores, and also to the fact that the Company paid relatively high dividends (72.5% of profit) of LTL 27.6 million in May 2014.

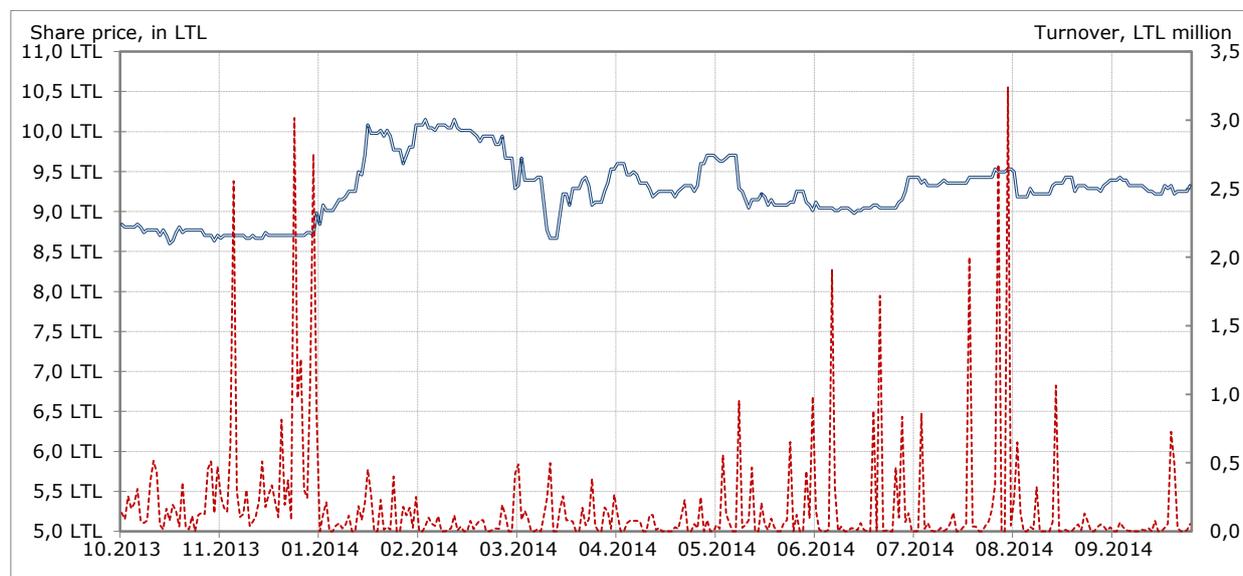
<b>Main Group Indicators</b>	<b>9 months 2014</b>	<b>9 months 2013</b>	<b>Change</b>
Net sales, LTL thousand	362 899	336 531	7,8%
Net sales in foreign markets, LTL thousand	144 229	126 940	13,6%
Gross profit, LTL thousand	167 555	154 624	8,4%
Operating expenses	(133 640)	(121 460)	10,0%
Operating profit, LTL thousand	33 915	33 164	2,3%
EBT, LTL thousand	33 745	33 099	2,0%
Profit (loss) for the period, LTL thousand	28 340	27 830	1,8%
EBITDA, LTL thousand	48 104	46 856	2,7%

The Group's level of inventories during the year grew by 20.8% (the increase from LTL 111.0 million to LTL 134.1 million). Company's inventories grew by 25.6%. The growth of inventories was driven by new stores openings.

*The number of employees* during the year till 30 September 2014 in the Group has increased by 189 to 1858 (+11.3%), and has increased in Company by 32 to 756 (+4.4%). During the 3<sup>rd</sup> quarter 2014 the number of employees increased by 8 (+0.4%) in the Group, and decreased by 1 (-0.1%) in the Company.

*The price of the Company share* during 9 months 2014 increased from LTL 8.98 per share to LTL 9.32 per share (+4%). The maximum share price during the twelve months period was LTL 10.15 per share, minimum share price - LTL 8.49 per share. The market capitalization of the Company increased from LTL 496 million at the beginning of the year to LTL 515 million at the end of September 2014. The weighted average price of 1 share during the reporting period was LTL 9.34. Company's share turnover was LTL 36.6 million during 9 months 2014. The share price during the last 12 months increased from LTL 8.84 to LTL 9.32 per share, or by 5.5%.

Apranga APB share price during 12 months period from 1<sup>st</sup> October 2013 to 30<sup>th</sup> September 2014:



Information about members of the Management board on 30 September 2014:

<b>Name, Surname</b>	<b>Position</b>	<b>Number of shares owned and part in the share capital</b>	<b>Election date</b>	<b>End of term</b>
Darius Juozas Mockus	Chairman of the Board	-	29 04 2014	28 04 2018
Rimantas Perveneckas	Member of the Board, General Director	800 770 1.45%	29 04 2014	28 04 2018
Ilona Simkuniene	Member of the Board, Purchasing Director	-	29 04 2014	28 04 2018
Ramunas Gaidamavicius	Member of the Board, Development Director	5 000 0.01%	29 04 2014	28 04 2018
Vidas Lazickas	Member of the Board	-	29 04 2014	28 04 2018
Marijus Strončikas	Member of the Board	4 450 0.01%	29 04 2014	28 04 2018

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Group		Company	
		9 months 2014	9 months 2013	9 months 2014	9 months 2013
Revenue	3	362 899	336 531	164 821	146 273
Cost of sales		(195 344)	(181 907)	(107 665)	(92 360)
<b>Gross profit</b>		<b>167 555</b>	<b>154 624</b>	<b>57 156</b>	<b>53 913</b>
Operating expenses		(134 969)	(122 881)	(58 283)	(53 909)
Other income		1 372	1 450	33 964	36 596
Net foreign exchange gain (loss)		( 43)	( 29)	( 79)	( 28)
<b>Operating profit (loss)</b>		<b>33 915</b>	<b>33 164</b>	<b>32 758</b>	<b>36 572</b>
Finance costs	7	( 170)	( 65)	( 213)	( 126)
<b>Profit (loss) before income tax</b>		<b>33 745</b>	<b>33 099</b>	<b>32 545</b>	<b>36 446</b>
Income tax expense		(5 405)	(5 269)	(1 272)	(1 350)
<b>Profit (loss) for the year</b>	3	<b>28 340</b>	<b>27 830</b>	<b>31 273</b>	<b>35 096</b>
<b>Other comprehensive income</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Currency translation difference		( 68)	( 184)	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>28 272</b>	<b>27 646</b>	<b>31 273</b>	<b>35 096</b>
<b>Basic and diluted earnings (losses) per share (in LTL)</b>		<b>0,51</b>	<b>0,50</b>	<b>0,57</b>	<b>0,63</b>

	Note	Group		Company	
		Q3 2014	Q3 2013	Q3 2014	Q3 2013
Revenue	3	141 384	134 612	68 268	60 423
Cost of sales		(76 954)	(73 093)	(47 991)	(40 333)
<b>Gross profit</b>		<b>64 430</b>	<b>61 519</b>	<b>20 277</b>	<b>20 090</b>
General and administrative expenses		(47 706)	(44 787)	(19 968)	(19 209)
Other income		398	341	3 778	3 474
Net foreign exchange gain (loss)		( 79)	19	( 80)	18
<b>Operating profit (loss)</b>		<b>17 043</b>	<b>17 092</b>	<b>4 007</b>	<b>4 373</b>
Finance costs	7	( 76)	( 24)	( 86)	( 39)
<b>Profit (loss) before income tax</b>		<b>16 967</b>	<b>17 068</b>	<b>3 921</b>	<b>4 334</b>
Income tax expense		(2 662)	(2 678)	( 573)	( 643)
<b>Profit (loss) for the year</b>	3	<b>14 305</b>	<b>14 390</b>	<b>3 348</b>	<b>3 691</b>
<b>Other comprehensive income</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Currency translation difference		( 1)	( 20)	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>14 304</b>	<b>14 370</b>	<b>3 348</b>	<b>3 691</b>
<b>Basic and diluted earnings (losses) per share (in LTL)</b>		<b>0,26</b>	<b>0,26</b>	<b>0,06</b>	<b>0,07</b>

## BALANCE SHEET

	Note	Group		Company	
		30 09 2014	31 12 2013	30 09 2014	31 12 2013
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	93 284	80 852	55 783	51 363
Intangible assets	4	2 473	1 507	1 231	238
Investments in subsidiaries	5	-	-	16 110	16 101
Prepayments		961	1 201	278	296
Trade and other receivables		104	104	104	104
		<b>96 822</b>	<b>83 664</b>	<b>73 506</b>	<b>68 102</b>
<b>Current assets</b>					
Inventories		134 060	88 652	71 704	48 573
Available for sale financial assets	6	16 224	16 271	16 224	16 271
Non-current assets held for sale		1 118	1 118	1 118	1 118
Prepayments		7 677	3 010	4 553	2 665
Trade and other receivables		2 893	2 799	36 261	27 533
Cash and cash equivalents		3 055	8 275	777	1 293
		<b>165 027</b>	<b>120 125</b>	<b>130 637</b>	<b>97 453</b>
<b>TOTAL ASSETS</b>	<b>3</b>	<b>261 849</b>	<b>203 789</b>	<b>204 143</b>	<b>165 555</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares		55 292	55 292	55 292	55 292
Legal reserve		5 529	5 529	5 529	5 529
Translation difference		( 256)	( 188)	-	-
Retained earnings	9	87 220	86 526	61 315	57 688
		<b>147 785</b>	<b>147 159</b>	<b>122 136</b>	<b>118 509</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		3 490	3 364	1 268	1 044
Other liabilities		666	503	666	503
		<b>4 156</b>	<b>3 867</b>	<b>1 934</b>	<b>1 547</b>
<b>Current liabilities</b>					
Borrowings	7	34 671	4 994	46 503	23 624
Current income tax liability		3 977	2 830	1 066	1 586
Trade and other payables		71 260	44 939	32 504	20 289
		<b>109 908</b>	<b>52 763</b>	<b>80 073</b>	<b>45 499</b>
<b>Total liabilities</b>		<b>114 064</b>	<b>56 630</b>	<b>82 007</b>	<b>47 046</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>261 849</b>	<b>203 789</b>	<b>204 143</b>	<b>165 555</b>

## STATEMENTS OF CHANGES IN EQUITY

### GROUP

	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
<b>Balance at 1 January 2013</b>		<b>55 292</b>	<b>4 612</b>	<b>( 45)</b>	<b>79 748</b>	<b>139 607</b>
<b>Comprehensive income</b>						
Profit for the 9 months 2013	3				27 830	27 830
<b>Other comprehensive income</b>						
Currency translation difference		-	-	( 161)	( 23)	( 184)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>( 161)</b>	<b>27 807</b>	<b>27 646</b>
<b>Transactions with owners</b>						
Transfer to legal reserve		-	917	-	( 917)	-
Dividends paid		-	-	-	(30 411)	(30 411)
<b>Balance at 30 September 2013</b>		<b>55 292</b>	<b>5 529</b>	<b>( 206)</b>	<b>76 227</b>	<b>136 842</b>
<b>Balance at 1 January 2014</b>		<b>55 292</b>	<b>5 529</b>	<b>( 188)</b>	<b>86 526</b>	<b>147 159</b>
<b>Comprehensive income</b>						
Profit for the 9 months 2014	3	-	-	-	28 340	28 340
<b>Other comprehensive income</b>						
Currency translation difference		-	-	( 68)		( 68)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>( 68)</b>	<b>28 340</b>	<b>28 272</b>
<b>Transactions with owners</b>						
Dividends paid	9	-	-	-	(27 646)	(27 646)
<b>Balance at 30 September 2014</b>		<b>55 292</b>	<b>5 529</b>	<b>( 256)</b>	<b>87 220</b>	<b>147 785</b>

### COMPANY

		Share capital	Legal reserve	Retained earnings	Total
<b>Balance at 1 January 2013</b>		<b>55 292</b>	<b>4 612</b>	<b>51 217</b>	<b>111 121</b>
<b>Comprehensive income</b>					
Profit for the 9 months 2013		-	-	35 096	35 096
<b>Transactions with owners</b>					
Transfer to legal reserve		-	917	( 917)	-
Dividends paid		-	-	(30 411)	(30 411)
<b>Balance at 30 September 2013</b>		<b>55 292</b>	<b>5 529</b>	<b>54 985</b>	<b>115 806</b>
<b>Balance at 1 January 2014</b>		<b>55 292</b>	<b>5 529</b>	<b>57 688</b>	<b>118 509</b>
<b>Comprehensive income</b>					
Profit for the 9 months 2014			-	31 273	31 273
<b>Transactions with owners</b>					
Dividends paid	9			(27 646)	(27 646)
<b>Balance at 30 September 2014</b>		<b>55 292</b>	<b>5 529</b>	<b>61 315</b>	<b>122 136</b>

## STATEMENTS OF CASH FLOW

	Note	Group		Company	
		9 months 2014	9 months 2013	9 months 2014	9 months 2013
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before income taxes	3	33 745	33 099	32 545	36 446
Adjustments for:					
Depreciation and amortization		14 189	13 692	6 658	6 073
Impairment charge		( 49)	( 9)	( 34)	( 9)
Change in allowances for slow-moving inventories		566	22	336	414
Gain on disposal of property, plant and equipment		( 43)	4	( 43)	4
Write-off of property, plant and equipment		( 5)	304	( 8)	246
Dividends income		-	-	(24 180)	(27 532)
Interest expenses, net of interest income		( 304)	( 461)	( 335)	( 424)
		<b>48 099</b>	<b>46 651</b>	<b>14 939</b>	<b>15 218</b>
Changes in operating assets and liabilities:					
Decrease (increase) in inventories		(45 974)	(35 793)	(23 467)	(16 663)
Decrease (increase) in receivables		(4 569)	(2 455)	(9 562)	(5 820)
Unrealized foreign exchange loss (gain)		( 68)	( 184)	-	-
Increase (decrease) in payables		26 425	13 887	12 333	6 779
<b>Cash generated from operations</b>		<b>23 913</b>	<b>22 106</b>	<b>(5 757)</b>	<b>( 486)</b>
Income taxes paid		(4 132)	(3 012)	(1 582)	( 31)
Interest paid	7	( 170)	( 65)	( 213)	( 126)
<b>Net cash from operating activities</b>		<b>19 611</b>	<b>19 029</b>	<b>(7 552)</b>	<b>( 643)</b>
<b>INVESTING ACTIVITIES</b>					
Interest received		474	668	548	692
Dividends received		-	-	24 180	27 532
Loans granted		(16 000)	(49 500)	(48 310)	(80 121)
Loans repayments received		16 000	57 500	47 226	84 704
Purchases of property, plant and equipment and intangible assets	4	(28 689)	(15 731)	(13 171)	(5 379)
Proceeds on disposal of property, plant and equipment	4	1 199	783	1 185	17
Purchases of available-for-sale financial assets	6	(2 457)	(5 689)	(2 457)	(5 689)
Proceeds on disposal of available-for-sale financial assets	6	2 552	5 567	2 552	5 567
Investment in subsidiaries	5	-	-	( 9)	-
<b>Net cash used in investing activities</b>		<b>(26 921)</b>	<b>(6 402)</b>	<b>11 744</b>	<b>27 323</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	9	(27 587)	(30 172)	(27 587)	(30 172)
Proceeds from borrowings	7	110 398	20 500	205 672	113 228
Repayments of borrowings	7	(80 398)	(10 500)	(182 470)	(113 621)
<b>Net cash from financing activities</b>		<b>2 413</b>	<b>(20 172)</b>	<b>(4 385)</b>	<b>(30 565)</b>
<b>NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS</b>		<b>(4 897)</b>	<b>(7 545)</b>	<b>( 193)</b>	<b>(3 885)</b>
<b>CASH AND BANK OVERDRAFTS:</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>3 281</b>	<b>8 804</b>	<b>(3 701)</b>	<b>1 999</b>
<b>AT THE END OF THE PERIOD</b>		<b>(1 616)</b>	<b>1 259</b>	<b>(3 894)</b>	<b>(1 886)</b>

## NOTES TO INTERIM CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS

### 1. General information

APB Apranga, (hereinafter "the Company"), was incorporated and commenced its operations in March 1993. The Company's main office is situated in Kirtimu 51, Vilnius, Lithuania. The Company has legal form of public limited liability company under the Law on Companies of Republic of Lithuania. The principal activity of the Company and its subsidiaries (hereinafter "the Group") is retail trade of apparel.

At 30 September 2014 the Group consisted of the Company and the following 100% owned subsidiaries:

Name	Country	Headquarters	Principal activity
UAB Apranga LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga BPB LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga PLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga SLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga MLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
SIA Apranga	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga BPB LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga PLV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga SLV	Latvia	Terbatas 30, Riga	Retail trade of apparel
SIA Apranga MLV	Latvia	Terbatas 30, Riga	Retail trade of apparel
OU Apranga <sup>1</sup>	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga Estonia	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga BEE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga PB Trade	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga ST Retail	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga MDE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel

<sup>1</sup> 100 % jointly with OU Apranga Estonia

All 55 291 960 ordinary shares of nominal value LTL 1 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Baltic equity list of NASDAQ OMX Vilnius Stock Exchange.

At 30 September 2014 the Company had 2 909 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	29 677 397	53,7%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	6 497 663	11,8%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	5 158 256	9,3%

The ultimate parent company whose financial statements are available for public use is UAB Konzernas MG Baltic. The ultimate controlling individual of the Group is Mr. D. J. Mockus.

### 2. Basis of preparation and summary of main accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The principle accounting policies applied in the preparation of Interim financial statements are the same to those applied in preparation of the Annual financial statements.

The applicable rates used for the balance sheet preparation were as follows:

Currency		30 09 2014	31 12 2013	30 09 2013
1 EUR	=	3.4528 LTL	3.4528 LTL	3.4528 LTL
1 LVL	=	-	4.9184 LTL	4.9146 LTL

### 3. Segment information

Management has determined the operating segments based on the reports reviewed by the General Director and other 6 Directors (responsible for managing, marketing, human resources, purchases, development and finance) that are used to make strategic decisions.

All financial information, including the measure of profit and total assets, is analyzed on a country basis.

The segment information provided to the Directors for the reportable segments for the 9 months 2014 is as follows:

9 months 2014	Lithuania	Latvia	Estonia	Total	Inter- company elimina- tions	Total in consolidated financial statements
Total segment revenue	256 043	97 889	51 301	405 233	-	
Inter-segment revenue	(37 373)	(3 549)	(1 412)	(42 334)	-	
<b>Revenue from external customers</b>	<b>218 670</b>	<b>94 340</b>	<b>49 889</b>	<b>362 899</b>	-	<b>362 899</b>
<b>Gross margin</b>	<b>44,8%</b>	<b>48,4%</b>	<b>47,9%</b>	<b>46,2%</b>		<b>46,2%</b>
<b>Profit (loss) for the year</b>	<b>16 846</b>	<b>7 371</b>	<b>4 123</b>	<b>28 340</b>	-	<b>28 340</b>
Total assets	224 772	52 807	30 917	308 496	(46 647)	261 849
Additions to non-current assets (other than financial instruments and prepayments for leases)	15 182	6 464	7 043	28 689	(1 199)	27 490

9 months 2013	Lithuania	Latvia	Estonia	Total	Inter- company elimina- tions	Total in consolidated financial statements
Total segment revenue	237 651	86 694	44 234	368 579	-	
Inter-segment revenue	(28 060)	(2 950)	(1 038)	(32 048)	-	
<b>Revenue from external customers</b>	<b>209 591</b>	<b>83 744</b>	<b>43 196</b>	<b>336 531</b>	-	<b>336 531</b>
<b>Gross margin</b>	<b>45,4%</b>	<b>46,9%</b>	<b>46,8%</b>	<b>45,9%</b>		<b>45,9%</b>
<b>Profit (loss) for the year</b>	<b>17 540</b>	<b>6 218</b>	<b>4 072</b>	<b>27 830</b>	-	<b>27 830</b>
Total assets	195 793	45 334	21 172	262 299	(41 052)	221 247
Additions to non-current assets (other than financial instruments and prepayments for leases)	10 113	3 914	1 708	15 735	( 787)	14 948

### 4. Investments into non-current assets

Net investments of the Group amounted to LTL 27.5 million in first nine months of 2014 (LTL 11.7 million in 3<sup>rd</sup> quarter 2014). The Company totally invested LTL 12.0 million in first nine months of 2014. Daughter companies' investments into development of the retail network amounted to LTL 15.5 million.

### 5. Investments into subsidiaries

In February 2014, the Company established a subsidiary OU Apranga MDE, which operates Massimo Dutti stores in Estonia. The share capital of the subsidiary is EUR 2 500 (equivalent to LTL 8.6 thousand). All shares have been fully paid in cash. The Company controls 100% of the subsidiary's capital and voting rights.

## **6. Investments into financial assets**

During the 3<sup>rd</sup> quarter 2014 the Company for LTL 2.5 million sold and for the approximately same amount acquired the Lithuanian Government issued long-term bonds (redemption year - 2022) denominated in Litas, which are recorded as Available for sale financial assets. Total investments in the Lithuanian Government issued the long-term bonds amounted to LTL 16.2 million on 30 September 2014.

## **7. Borrowings**

In November 2013, the Company and SEB bank have signed the amendment to agreement which modified the previous contract on the credit line. According to it, the credit line of LTL 60 000 thousand in order to finance the working capital, issuing guarantees and opening letters of credit, was extended. The credit line now will expire on 30 November 2014. The interests are paid for the amount used and the interest rate is calculated as 1-month VILIBOR plus margin. There is fixed interest rate set for amount used for the issuance of guarantees and letters of credit.

In June 2014, the Company and NORDEA bank have signed the amendment to the overdraft facility and general agreement on bank's guarantees. Under this amendment, the Group granted credit line extended until 30 June 2016. For the drawdown amount of LTL portion of the credit line a floating interest rate calculated as the 1-week VILIBOR plus margin is being paid, and for the drawdown amount of EUR portion of the credit line a floating interest rate calculated as the EONIA plus margin is being paid. There is fixed interest rate set for amount used for the issuance of guarantees.

## **8. Guarantees and letters of credit**

As of 30 September 2014 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totaled LTL 34 891 thousand (31 December 2013: LTL 34 891 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 30 September 2014 amounted to LTL 41 568 thousand (31 December 2013: LTL 41 281 thousand).

As of 30 September 2014 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totaled LTL 2 583 thousand (31 December 2013: LTL 2 356 thousand).

## **9. Profit distribution**

The Annual shareholders meeting of APB Apranga held on 29 April 2014 has resolved to pay LTL 27 646 thousand in dividends and to pay LTL 750 thousand as annual bonuses for the year 2013.

## **10. Events after the reporting period**

During the October 2014 the Company for LTL 3.1 million sold the Lithuanian Government issued long-term bonds denominated in Litas.

The retail turnover of Apranga Group in the period 1 October – 30 October 2014 increased by 13.5 percent compared to the same period last year.

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