

APRANGA APB

Interim Consolidated Financial Statements

For the Twelve months period ended 31 December 2015

(UNAUDITED)

29 February 2016  
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	EUR 16 034 668.40
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://apranga.lt">http://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 EUR 198.9 million in January through December 2015 or by 8.4% more than in 2014. The retail turnover (including VAT) of Apranga Group has made EUR 57.0 million in 4th quarter 2015 or by 10.8% more than in 2014.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in Baltic States during the 12 months 2015 grew the most in Estonia (+7%). In Lithuania and Latvia the retail trade growth rates also remained at a high level, but was slower than in Estonia and amounted to 4-5%. In the fourth quarter of 2015 the retail trade growth in the Baltic countries was quite in line with the average annual results. Somewhat more significant change was recorded only in Latvia, where the retail trade at the end of the year increased by 3%. European Union (28 countries) retail trade over the past year increased by 3% (the year before retail trade grew by 2%), and during the last quarter of 2015 the retail trade has increased by 2.5%.

The retail turnover of the Group's stores by countries during 12 months of 2015 was (EUR thousand, VAT included):

Country	12 months 2015	12 months 2014	12 months 2013	2015/2014, %
Lithuania	120 801	110 924	106 178	8,9%
Latvia	48 513	47 317	42 043	2,5%
Estonia	29 609	25 248	20 895	17,3%
<b>Total:</b>	<b>198 923</b>	<b>183 490</b>	<b>169 116</b>	<b>8,4%</b>

The retail turnover of the Group's stores during the fourth quarter 2015 by countries was as follows (EUR thousand, VAT included):

Country	Q4 2015	Q4 2014	Q4 2013	2015/2014, %
Lithuania	35 332	31 601	29 795	11,8%
Latvia	13 549	12 886	12 579	5,1%
Estonia	8 120	6 946	6 236	16,9%
<b>Total:</b>	<b>57 001</b>	<b>51 433</b>	<b>48 610</b>	<b>10,8%</b>

Since 1<sup>st</sup> January 2015, the Group has changed the breakdown of chains. It was made in order to reflect objectively the positioning of developed chains, consumer target groups and the recent changes in the market. Accordingly, the historical data are converted and presented for comparison.

Key changes:

- Footwear chain is separated. Over the past three years, the Group has expanded Footwear chain to 15 stores and up to almost 4% of the total turnover;
- Tom Tailor, s.Oliver, Promod and Mexx stores are assigned to Economy chain (respectively removed from the Youth chain);
- Tommy Hilfiger is assigned to Business chain (removed from Luxury chain).

The retail turnover of the Group's stores by chains during 12 months 2015 was as follows (EUR thousand, VAT included):

Chain	2015	2014	2013	2015/2014, %	2015/2013, %
Economy <sup>1</sup>	31 201	32 262	30 676	-3,3%	1,7%
Youth <sup>2</sup>	43 794	42 476	39 794	3,1%	10,1%
Footwear	7 219	4 898	3 386	47,4%	113,2%
Business <sup>3</sup>	32 598	30 540	25 151	6,7%	29,6%
Luxury <sup>4</sup>	24 062	23 331	19 647	3,1%	22,5%
Zara	51 120	43 264	44 256	18,2%	15,5%
Outlets	8 928	6 720	6 205	32,9%	43,9%
<b>Total</b>	<b>198 923</b>	<b>183 490</b>	<b>169 116</b>	<b>8,4%</b>	<b>17,6%</b>

<sup>1</sup> Apranga, Promod, s.Oliver, Tom Tailor, Mexx;

<sup>2</sup> Aprangos galerija, Moskito, Mango, Bershka, Pull & Bear, Stradivarius, Desigual;

<sup>3</sup> City, Massimo Dutti, Strellson, Marella, Pennyblack, Coccinelle, Tommy Hilfiger, Zara Home;

<sup>4</sup> Burberry, Emporio Armani, Hugo Boss, Ermenegildo Zegna, MaxMara, Weekend MaxMara, Armani Jeans, Marina Rinaldi, Mados linija, Nude.

In January-December 2015, Footwear chain's turnover increased mostly – by 47.4%. This was largely due to 8 new stores opened during last 2 years. In the two-year period, this chain has grown by 2.1 times. It is also considerably over the past two years have been growing Business and Luxury chains (respectively, 29.6% and 22.5%). The decrease in turnover in 2015 of the Economy chain (at the same time, the decrease in number of chain stores) mainly was influenced by the closure of 6 Mexx stores.

In 2012-2015 the dynamics of the number of stores and sales area was as follows:

	<b>31 12 2012</b>	<b>31 12 2013</b>	<b>31 12 2014</b>	<b>31 12 2015</b>
The number of stores	134	148	161	169
Stores area (thousand sq. m.)	66,3	69,7	73,2	78,6

During the 12 months of 2015 Apranga Group opened 16 stores, reconstructed 9 and closed 8 stores (including 6 Mexx stores due to international bankruptcy). The total capital expenditure of the Group amounted to EUR 6.4 million in 2015 (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.

The number of stores by countries was as follows:

<b>Country</b>	<b>31 12 2015</b>	<b>31 12 2014</b>	<b>Change</b>
Lithuania	100	97	3,1%
Latvia	45	44	2,3%
Estonia	24	20	20,0%
<b>Total:</b>	<b>169</b>	<b>161</b>	<b>5,0%</b>

The number of stores by chains was as follows:

<b>Chain</b>	<b>31 12 2015</b>	<b>31 12 2014</b>	<b>Change</b>
Economy	33	35	-5,7%
Youth	48	48	0,0%
Footwear	15	11	36,4%
Business	29	26	11,5%
Luxury	25	24	4,2%
Zara	11	10	10,0%
Outlets	8	7	14,3%
<b>Total</b>	<b>169</b>	<b>161</b>	<b>5,0%</b>

The total *sales area* operated by the Group has increased by 7.3% or by 5.4 thousand sq. m. during the 12 months period until 31 December 2015. Sales area increased most in Estonia (20.5%).

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

<b>Country</b>	<b>31 12 2015</b>	<b>31 12 2014</b>	<b>Change</b>
Lithuania	47,4	44,0	7,8%
Latvia	20,5	20,4	0,4%
Estonia	10,7	8,9	20,5%
<b>Total:</b>	<b>78,6</b>	<b>73,2</b>	<b>7,3%</b>

The Group has earned EUR 12.5 million of *profit before income tax* in 12 months 2015, while profit before taxes amounted to EUR 13.3 million during 12 months 2014 (-5.8%). In 4<sup>th</sup> quarter the profit before income tax increased by 19.6% from EUR 3.5 million in 2014 to EUR 4.2 million in 2015.

EBITDA of the Group was EUR 18.4 million during 12 months 2015, and it was EUR 18.9 million in corresponding previous year period. EBITDA margin has decreased from 12.9% to 11.6% during the year. The current ratio of the Group increased during the year and was 2.7 times.

Very unfavorable weather in January and August had a negative impact on the Group's year 2015 turnover (the actual turnover by 2.5% lagged behind the budget) and in smaller extent – on gross profitability. And although the Group earned a gross profit of 5.9% more than last year, but it was not enough to offset rising costs. In 12 months of the reporting period, the decrease in profitability indicators were influenced not only by the unfavorable weather conditions, but also by dropped down customer flows from Belarus and Russia, the US dollar exchange rate growth.

<b>Main Group Indicators</b>	<b>12 months 2015</b>	<b>12 months 2014</b>	<b>12 months 2013</b>
Net sales, EUR thousand	158 748	146 280	135 158
Net sales in foreign markets, EUR thousand	62 205	57 618	50 774
Like-to-like sales, %	1,6%	1,7%	1,7%
Gross profit, EUR thousand	72 523	68 487	63 418
Gross margin, %	45,7%	46,8%	46,9%
Operating profit, EUR thousand	12 576	13 341	13 170
Operating profit margin, %	7,9%	9,1%	9,7%
EBT, EUR thousand	12 487	13 261	13 133
EBT margin, %	7,9%	9,1%	9,7%
Profit (loss) for the period, EUR thousand	10 445	11 219	11 043
Profit (loss) for the period margin, %	6,6%	7,7%	8,2%
EBITDA, EUR thousand	18 445	18 906	18 563
EBITDA margin, %	11,6%	12,9%	13,7%
Return on equity (end of the period), %	21,3%	24,5%	25,9%
Return on assets (end of the period), %	15,1%	16,5%	18,7%
Net debt to equity*, %	3,2%	11,1%	-2,2%
Current ratio, times	2,7	1,9	2,3

\* (Interest bearing liabilities less cash) / Equity

<b>Main Group Indicators</b>	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>Q4 2013</b>
Net sales, EUR thousand	45 470	41 178	37 692
Net sales in foreign markets, EUR thousand	17 243	15 846	14 009
Like-to-like sales, %	4,8%	2,1%	1,5%
Gross profit, EUR thousand	21 961	19 960	18 636
Gross margin, %	48,3%	48,5%	49,4%
Operating profit, EUR thousand	4 193	3 518	3 565
Operating profit margin, %	9,2%	8,5%	9,5%
EBT, EUR thousand	4 171	3 488	3 547
EBT margin, %	9,2%	8,5%	9,4%
Profit (loss) for the period, EUR thousand	3 547	3 011	2 983
Profit (loss) for the period margin, %	7,8%	7,3%	7,9%
EBITDA, EUR thousand	5 688	4 887	4 992
EBITDA margin, %	12,5%	11,9%	13,2%
Return on equity (end of the period), %	7,2%	6,6%	7,0%
Return on assets (end of the period), %	5,1%	4,4%	5,1%
Net debt to equity*, %	3,2%	11,1%	-2,2%
Current ratio, times	2,7	1,9	2,3

\* (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totaled EUR 59.9 million during 12 months 2015 and increased by 8.7% during the year, or in proportion to sales, which grew by 8.5%. The finance costs of the Group were EUR 0.1 million in 12 months 2015. Total finance debts of the Group decreased from EUR 7.3 million to EUR 3.5 million during last 12 months.

<b>Main Group Indicators</b>	<b>12 months 2015</b>	<b>12 months 2014</b>	<b>Change</b>
Net sales, EUR thousand	158 748	146 280	8,5%
Net sales in foreign markets, EUR thousand	62 205	57 618	8,0%
Gross profit, EUR thousand	72 523	68 487	5,9%
Operating expenses	(59 947)	(55 146)	8,7%
Operating profit, EUR thousand	12 576	13 341	-5,7%
EBT, EUR thousand	12 487	13 261	-5,8%
Profit (loss) for the period, EUR thousand	10 445	11 219	-6,9%
EBITDA, EUR thousand	18 445	18 906	-2,4%

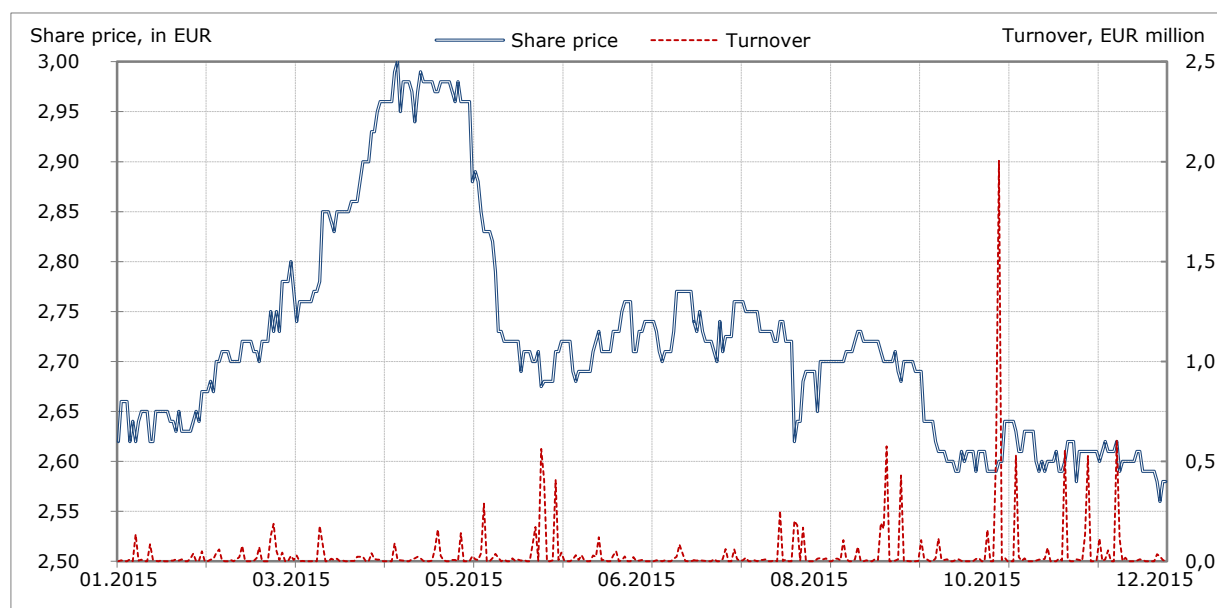
<b>Main Group Indicators</b>	<b>Q4 2015</b>	<b>Q4 2014</b>	<b>Change</b>
Net sales, EUR thousand	45 470	41 178	10,4%
Net sales in foreign markets, EUR thousand	17 243	15 846	8,8%
Gross profit, EUR thousand	21 961	19 960	10,0%
Operating expenses	(17 768)	(16 441)	8,1%
Operating profit, EUR thousand	4 193	3 518	19,2%
EBT, EUR thousand	4 171	3 488	19,6%
Profit (loss) for the period, EUR thousand	3 547	3 011	17,8%
EBITDA, EUR thousand	5 688	4 887	16,4%

The Group's level of inventories during the year grew by 8.1% (the increase from EUR 31.2 million to EUR 33.7 million). Company's inventories grew by 6.7%. The growth of inventories was entirely proportional to the rise in turnover.

The number of employees during the year till 31 December 2015 in the Group has increased by 35 to 1911 (+1.9%), and has decreased in Company by 17 to 753 (-2.2%). During the 4<sup>th</sup> quarter 2015 the number of employees increased by 26 (+1.4%) in the Group, and increased by 7 (+0.9%) in the Company.

The price of the Company share during 12 months 2015 decreased from EUR 2.62 per share to EUR 2.58 per share (-1.5%). The maximum share price during the twelve months period was EUR 3.00 per share, minimum share price - EUR 2.56 per share. The market capitalization of the Company decreased from EUR 145 million at the beginning of the year to EUR 143 million at the end of December 2015. The weighted average price of 1 share during the reporting period was EUR 2.67. Company's share turnover was EUR 13.8 million during 12 months 2015.

Apranga APB share price during 12 months period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> December 2015:



Information about members of the Management board on 31 December 2015:

<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 2015	28 04 2018
Rimantas Perveneckas	Member of the Board, General Director	800 770 1.45%	29 04 2015	28 04 2018
Ilona Simkuniene	Member of the Board, Purchasing Director	- -	29 04 2015	28 04 2018
Ramunas Gaidamavicius	Member of the Board, Development Director	5 000 0.01%	29 04 2015	28 04 2018
Vidas Lazickas	Member of the Board	80 000 0.15%	29 04 2015	28 04 2018
Marijus Strončikas	Member of the Board	4 450 0.01%	29 04 2015	28 04 2018



## STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		12 months 2015	12 months 2014	12 months 2015	12 months 2014
Revenue	3	158 748	146 280	69 132	65 218
Cost of sales		(86 225)	(77 793)	(44 097)	(41 066)
<b>Gross profit</b>		<b>72 523</b>	<b>68 487</b>	<b>25 035</b>	<b>24 152</b>
Operating expenses		(60 712)	(55 763)	(25 372)	(24 400)
Other income		818	641	9 693	11 032
Net foreign exchange gain (loss)		( 53)	( 24)	( 54)	( 35)
<b>Operating profit (loss)</b>		<b>12 576</b>	<b>13 341</b>	<b>9 302</b>	<b>10 749</b>
Finance costs	7	( 89)	( 79)	( 89)	( 93)
<b>Profit (loss) before income tax</b>		<b>12 487</b>	<b>13 262</b>	<b>9 213</b>	<b>10 656</b>
Income tax expense		(2 042)	(2 042)	( 554)	( 558)
<b>Profit (loss) for the year</b>	3	<b>10 445</b>	<b>11 220</b>	<b>8 659</b>	<b>10 098</b>
<b>Other comprehensive income</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Currency translation difference		-	( 20)	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>10 445</b>	<b>11 200</b>	<b>8 659</b>	<b>10 098</b>
<b>Basic and diluted earnings (losses) per share (in EUR)</b>		<b>0,19</b>	<b>0,20</b>	<b>0,16</b>	<b>0,18</b>

	Note	Group		Company	
		Q4 2015	Q4 2014	Q4 2015	Q4 2014
Revenue	3	45 470	41 177	18 368	17 483
Cost of sales		(23 509)	(21 217)	(10 313)	(9 884)
<b>Gross profit</b>		<b>21 961</b>	<b>19 960</b>	<b>8 055</b>	<b>7 599</b>
General and administrative expenses		(17 974)	(16 673)	(7 781)	(7 520)
Other income		211	244	844	1 195
Net foreign exchange gain (loss)		( 5)	( 12)	( 6)	( 12)
<b>Operating profit (loss)</b>		<b>4 193</b>	<b>3 519</b>	<b>1 112</b>	<b>1 262</b>
Finance costs	7	( 22)	( 30)	( 22)	( 31)
<b>Profit (loss) before income tax</b>		<b>4 171</b>	<b>3 489</b>	<b>1 090</b>	<b>1 231</b>
Income tax expense		( 624)	( 477)	( 187)	( 190)
<b>Profit (loss) for the year</b>	3	<b>3 547</b>	<b>3 012</b>	<b>903</b>	<b>1 041</b>
<b>Other comprehensive income</b>					
<b>Items that may be subsequently reclassified to profit or loss:</b>					
Currency translation difference		-	45	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3 547</b>	<b>3 057</b>	<b>903</b>	<b>1 041</b>
<b>Basic and diluted earnings (losses) per share (in EUR)</b>		<b>0,06</b>	<b>0,06</b>	<b>0,02</b>	<b>0,02</b>

## BALANCE SHEET

		Group		Company	
	Note	31 12 2015	31 12 2014	31 12 2015	31 12 2014
ASSETS					
Non-current assets					
Property, plant and equipment	4	27 477	26 967	16 194	16 055
Intangible assets	4	514	647	302	359
Investments in subsidiaries	5	-	-	4 741	4 666
Prepayments		326	334	82	79
Trade and other receivables		20	20	20	20
		28 337	27 968	21 339	21 179
Current assets					
Inventories		33 725	31 185	18 385	17 233
Available for sale financial assets	6	2 598	3 763	2 598	3 763
Non-current assets held for sale		324	324	324	324
Prepayments		1 618	1 293	1 465	1 006
Trade and other receivables		864	1 101	10 487	10 571
Cash and cash equivalents		1 913	2 184	448	673
		41 042	39 850	33 707	33 570
TOTAL ASSETS	3	69 379	67 818	55 046	54 749
EQUITY AND LIABILITIES					
Equity					
Ordinary shares		16 035	16 014	16 035	16 014
Legal reserve		1 601	1 601	1 601	1 601
Translation difference		( 53)	( 53)	-	-
Retained earnings	9	31 509	28 251	20 269	18 799
		49 092	45 813	37 905	36 414
Non-current liabilities					
Borrowings	7	3 499	-	3 499	-
Deferred tax liabilities		1 231	1 012	410	354
Other liabilities		309	245	309	245
		5 039	1 257	4 218	599
Current liabilities					
Borrowings	7	-	7 272	6 463	12 015
Current income tax liability		492	257	367	17
Trade and other payables		14 756	13 219	6 093	5 704
		15 248	20 748	12 923	17 736
Total liabilities		20 287	22 005	17 141	18 335
TOTAL EQUITY AND LIABILITIES		69 379	67 818	55 046	54 749

## STATEMENTS OF CHANGES IN EQUITY

### GROUP

	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
<b>Balance at 1 January 2014</b>		<b>16 014</b>	<b>1 601</b>	<b>( 55)</b>	<b>25 060</b>	<b>42 620</b>
<b>Comprehensive income</b>						
Profit for the 12 months 2014	3				11 220	11 220
<b>Other comprehensive income</b>						
Currency translation difference				2	( 21)	( 19)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>2</b>	<b>11 199</b>	<b>11 201</b>
<b>Transactions with owners</b>						
Dividends paid					(8 007)	(8 007)
<b>Balance at 31 December 2014</b>		<b>16 014</b>	<b>1 601</b>	<b>( 53)</b>	<b>28 252</b>	<b>45 814</b>
<b>Comprehensive income</b>						
Profit for the 12 months 2015	3				10 445	10 445
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10 445</b>	<b>10 445</b>
<b>Transactions with owners</b>						
The difference arising from the conversion of share capital into euros		21				21
Dividends paid	9				(7 188)	(7 188)
<b>Balance at 31 December 2015</b>		<b>16 035</b>	<b>1 601</b>	<b>( 53)</b>	<b>31 509</b>	<b>49 092</b>

### COMPANY

		Share capital	Legal reserve	Retained earnings	Total
<b>Balance at 1 January 2014</b>		<b>16 014</b>	<b>1 601</b>	<b>16 707</b>	<b>34 322</b>
<b>Comprehensive income</b>					
Profit for the 12 months 2014				10 098	10 098
<b>Transactions with owners</b>					
Dividends paid				(8 007)	(8 007)
<b>Balance at 31 December 2014</b>		<b>16 014</b>	<b>1 601</b>	<b>18 798</b>	<b>36 413</b>
<b>Comprehensive income</b>					
Profit for the 12 months 2015				8 659	8 659
<b>Transactions with owners</b>					
Difference arising from the conversion of share capital into euros		21			21
Dividends paid	9			(7 188)	(7 188)
<b>Balance at 31 December 2015</b>		<b>16 035</b>	<b>1 601</b>	<b>20 269</b>	<b>37 905</b>

## STATEMENTS OF CASH FLOW

		Group		Company	
	Note	12 months 2015	12 months 2014	12 months 2015	12 months 2014
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before income taxes	3	12 487	13 261	9 213	10 656
Adjustments for:					
Depreciation and amortization		5 869	5 565	2 581	2 590
Impairment charge		( 111)	( 14)	( 165)	( 10)
Change in allowances for slow-moving inventories		311	261	255	224
(Gain) Loss on disposal of property, plant and equipment		( 32)	( 7)	( 27)	2
Write-off of property, plant and equipment		330	20	352	6
Dividends income		-	-	(5 832)	(7 003)
Interest expenses, net of interest income		( 28)	( 100)	( 69)	( 117)
		<b>18 826</b>	<b>18 986</b>	<b>6 308</b>	<b>6 348</b>
Changes in operating assets and liabilities:					
Decrease (increase) in inventories		(2 851)	(5 770)	(1 407)	(3 389)
Decrease (increase) in receivables		( 77)	( 743)	( 319)	(2 175)
Unrealized foreign exchange loss (gain)		-	( 20)	-	-
Increase (decrease) in payables		1 615	286	467	( 86)
<b>Cash generated from operations</b>		<b>17 513</b>	<b>12 739</b>	<b>5 049</b>	<b>698</b>
Income taxes paid		(1 588)	(2 566)	( 148)	( 953)
Interest paid	7	( 89)	( 79)	( 89)	( 93)
<b>Net cash from operating activities</b>		<b>15 836</b>	<b>10 094</b>	<b>4 812</b>	<b>( 348)</b>
<b>INVESTING ACTIVITIES</b>					
Interest received		117	202	158	233
Dividends received		-	-	5 832	7 003
Loans granted		-	(4 634)	(15 816)	(18 979)
Loans repayments received		-	4 634	15 759	18 285
Purchases of property, plant and equipment and intangible assets	3, 4	(9 349)	(10 797)	(3 256)	(4 400)
Proceeds on disposal of property, plant and equipment	3, 4	2 916	1 472	433	343
Purchases of available-for-sale financial assets	6	( 249)	( 654)	( 249)	( 654)
Proceeds on disposal of available-for-sale financial assets	6	1 432	1 635	1 432	1 635
Investment in subsidiaries	5	-	-	( 75)	( 3)
<b>Net cash used in investing activities</b>		<b>(5 133)</b>	<b>(8 142)</b>	<b>4 218</b>	<b>3 463</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	9	(7 202)	(7 990)	(7 202)	(7 990)
Proceeds from borrowings	7	33 510	45 294	81 899	83 485
Repayments of borrowings	7	(36 672)	(38 632)	(83 342)	(77 475)
<b>Net cash from financing activities</b>		<b>(10 364)</b>	<b>(1 328)</b>	<b>(8 645)</b>	<b>(1 980)</b>
<b>NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS</b>					
		<b>339</b>	<b>624</b>	<b>385</b>	<b>1 135</b>
<b>CASH AND BANK OVERDRAFTS:</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>1 574</b>	<b>950</b>	<b>63</b>	<b>(1 072)</b>
<b>AT THE END OF THE PERIOD</b>		<b>1 913</b>	<b>1 574</b>	<b>448</b>	<b>63</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 31 December 2015 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
UAB Apranga HLT	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 EUR 0.29 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Baltic equity list of Nasdaq Vilnius Stock Exchange.

At 31 December 2015 the Company had 2 646 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	31 246 186	56,5%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	5 891 308	10,7%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	5 363 107	9,7%

The ultimate parent company whose financial statements are available for public use is UAB Koncernas 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.

In the financial statements all figures are presented in thousands of euro, unless indicated otherwise. The previous year comparison information recalculated using the official litas to euro conversion ratio: 1 euro = 3.45280 litas.

### 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, sales and 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 12 months 2015 is as follows:

<b>12 months 2015</b>	<b>Lithuania</b>	<b>Latvia</b>	<b>Estonia</b>	<b>Total</b>	<b>Inter- company elimina- tions</b>	<b>Total in consolidated financial statements</b>
Total segment revenue	111 047	39 801	24 556	175 404	-	
Inter-segment revenue	(14 504)	(1 267)	( 885)	(16 656)	-	
<b>Revenue from external customers</b>	<b>96 543</b>	<b>38 534</b>	<b>23 671</b>	<b>158 748</b>	-	<b>158 748</b>
<b>Gross margin</b>	<b>45,0%</b>	<b>46,6%</b>	<b>47,2%</b>	<b>45,7%</b>		<b>45,7%</b>
<b>Profit (loss) for the year</b>	<b>7 247</b>	<b>2 112</b>	<b>1 086</b>	<b>10 445</b>	-	<b>10 445</b>
Total assets	61 435	14 207	10 159	85 801	(16 422)	69 379
Additions to non-current assets (other than financial instruments and prepayments for leases)	5 968	941	2 440	9 349	(2 916)	6 433

<b>12 months 2014</b>	<b>Lithuania</b>	<b>Latvia</b>	<b>Estonia</b>	<b>Total</b>	<b>Inter- company elimina- tions</b>	<b>Total in consolidated financial statements</b>
Total segment revenue	101 916	38 948	20 697	161 560		
Inter-segment revenue	(13 253)	(1 326)	( 701)	(15 279)		
<b>Revenue from external customers</b>	<b>88 663</b>	<b>37 622</b>	<b>19 996</b>	<b>146 280</b>		<b>146 280</b>
<b>Gross margin</b>	<b>45,7%</b>	<b>48,7%</b>	<b>48,2%</b>	<b>46,8%</b>		<b>46,8%</b>
<b>Profit (loss) for the year</b>	<b>6 909</b>	<b>2 684</b>	<b>1 627</b>	<b>11 220</b>	-	<b>11 220</b>
Total assets	59 609	14 436	8 385	82 430	(14 612)	67 818
Additions to non-current assets (other than financial instruments and prepayments for leases)	5 340	2 457	2 999	10 797	(1 472)	9 325

### 4. Investments into non-current assets

Net investments of the Group amounted to EUR 6.4 million in 12 months 2015 (EUR 0.7 million in 4<sup>th</sup> quarter 2015). The Company totally invested EUR 2.8 million in 12 months 2015. Daughter companies' investments into development of the retail network amounted to EUR 3.6 million.

### 5. Investments into subsidiaries

In May 2015, the Company established a subsidiary UAB Apranga HLT, which operates Zara Home stores in Lithuania. The share capital of the subsidiary is EUR 75 000. 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 2nd quarter 2015 the Company for EUR 1.4 million sold the part of Lithuanian Government issued long-term bonds, which in balance sheet are recorded as Available for sale financial assets. Total investments in the Lithuanian Government issued the long-term bonds amounted to EUR 2.6 million on 31 December 2015.

## **7. Borrowings**

In November 2015, 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 EUR 20 500 thousand in order to finance the working capital, issuing guarantees and opening letters of credit, was provided. The credit line now will expire on 30 November 2017. The interests are paid for the amount used and the interest rate is calculated as 1-month EURIBOR plus margin. There is fixed interest rate set for amount used for the issuance of guarantees and letters of credit.

In June 2015, 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 2017. For the drawdown amount 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 31 December 2015 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totaled EUR 10 743 thousand (31 December 2014: EUR 10 256 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2015 amounted to EUR 12 709 thousand (31 December 2014: EUR 11 994 thousand).

As of 31 December 2015 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totaled EUR 856 thousand (31 December 2014: EUR 765 thousand).

## **9. Profit distribution**

The Annual shareholders meeting of APB Apranga held on 29 April 2015 has resolved to pay EUR 7 188 thousand in dividends and to pay EUR 210 thousand as annual bonuses for the year 2014.

## **10. Turnover and expansion plans in 2016**

Apranga Group plans to reach EUR 214 million turnover (including VAT) in 2016, or by 7.6% more, than actual the year 2015 turnover.

Apranga Group plans to open or reconstruct 11-17 stores during 2016. Investments are planned to amount to about EUR 3-4 million.

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

In February 2016, the Company established a subsidiary UAB Apranga Ecom LT, which will carry out e-commerce activities in Lithuania. The share capital of the subsidiary is EUR 2 500. All shares have been fully paid in cash. The Company controls 100% of the subsidiary's capital and voting rights.

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