

**APB APRANGA**

Consolidated and Company's Financial Statements,  
Consolidated Annual Report and  
Independent Auditor's Report

for the year ended 31 December 2015

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Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Lithuanian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the accompanying documents takes precedence over this translation.

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## **Independent Auditor's Report**

To the shareholders of APB APRANGA

### **Report on the financial statements**

We have audited the accompanying stand-alone and consolidated financial statements of APB APRANGA ("the Company") and its subsidiaries ("the Group") set out on pages 5 to 38, which comprise the stand-alone and consolidated balance sheets as of 31 December 2015 and the stand-alone and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information ("the financial statements").

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2015, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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PricewaterhouseCoopers UAB, company code 111473315, is a private company registered with the Lithuanian Register of Legal Entities.



**Report on other legal and regulatory requirements**

Furthermore, we have read the consolidated annual report for the year ended 31 December 2015 set out on pages 39 to 75 and have not noted any material inconsistencies between the financial information included in it and the audited financial statements for the year ended 31 December 2015.

On behalf of PricewaterhouseCoopers UAB

A blue ink signature of Rimvydas Jogėla, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Rimvydas Jogėla  
Partner  
Auditor's Certificate No.000457

Vilnius, Republic of Lithuania  
4 April 2016

A blue ink signature of Rasa Selevičienė, featuring a stylized 'R' and 'S' followed by a horizontal line.

Rasa Selevičienė  
Auditor's Certificate No.000504

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2015	2014	2015	2014
Revenue	4	158 748	146 280	69 132	65 218
Cost of sales	5	(86 261)	(77 793)	(44 097)	(41 066)
<b>Gross profit</b>		<b>72 487</b>	<b>68 487</b>	<b>25 035</b>	<b>24 152</b>
Selling costs	5	(51 795)	(47 282)	(18 782)	(17 967)
General and administrative expenses	5	(8 935)	(8 481)	(6 590)	(6 433)
Other income	6	818	641	9 693	11 032
Net foreign exchange gain (loss)		( 53)	( 24)	( 54)	( 35)
<b>Operating profit (loss)</b>		<b>12 522</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>12 433</b>	<b>13 262</b>	<b>9 213</b>	<b>10 656</b>
Income tax credit (expense)	8	(2 034)	(2 042)	( 554)	( 558)
<b>Profit (loss) for the year</b>	<b>11</b>	<b>10 399</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>10 399</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>11</b>	<b>0,19</b>	<b>0,20</b>	<b>0,16</b>	<b>0,18</b>

The notes on pages 9 to 38 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2016 and signed by:

  
Rimantas Perveneckas  
General Director

  
Saulius Bačauskas  
Chief Financial Officer

**APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius**  
**CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**  
(all tabular amounts are in EUR thousands unless otherwise stated)

**BALANCE SHEET**

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2015	2014	2015	2014
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	27 477	26 967	16 194	16 055
Intangible assets	13	514	647	302	359
Investments in subsidiaries	14	-	-	4 741	4 666
Prepayments	17	326	334	82	79
Trade and other receivables	20	20	20	20	20
		<b>28 337</b>	<b>27 968</b>	<b>21 339</b>	<b>21 179</b>
<b>Current assets</b>					
Inventories	15	33 230	31 185	18 387	17 233
Available for sale financial assets	18	2 598	3 763	2 598	3 763
Non-current assets held for sale	16	324	324	324	324
Prepayments	17	1 176	1 293	1 019	1 006
Trade and other receivables	20	961	1 101	10 583	10 571
Cash and cash equivalents	21	1 913	2 184	448	673
		<b>40 202</b>	<b>39 850</b>	<b>33 359</b>	<b>33 570</b>
<b>TOTAL ASSETS</b>		<b>68 539</b>	<b>67 818</b>	<b>54 698</b>	<b>54 749</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares	22	16 035	16 014	16 035	16 014
Legal reserve	23	1 601	1 601	1 601	1 601
Translation difference		( 53)	( 53)	-	-
Retained earnings		31 463	28 251	20 269	18 799
		<b>49 046</b>	<b>45 813</b>	<b>37 905</b>	<b>36 414</b>
<b>Non-current liabilities</b>					
Borrowings	24	3 499	-	3 499	-
Deferred tax liabilities	9	1 228	1 012	410	354
Other liabilities		309	245	309	245
		<b>5 036</b>	<b>1 257</b>	<b>4 218</b>	<b>599</b>
<b>Current liabilities</b>					
Borrowings	24	-	7 272	6 463	12 015
Current income tax liability		142	257	17	17
Trade and other payables	25	14 315	13 219	6 095	5 704
		<b>14 457</b>	<b>20 748</b>	<b>12 575</b>	<b>17 736</b>
<b>Total liabilities</b>		<b>19 493</b>	<b>22 005</b>	<b>16 793</b>	<b>18 335</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>68 539</b>	<b>67 818</b>	<b>54 698</b>	<b>54 749</b>

The notes on pages 9 to 38 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2016 and signed by:

  
Rimantas Perveneckas  
General Director

  
Saulius Bačauskas  
Chief Financial Officer

**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 year 2014					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	10, 23				(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 year 2015					10 399	10 399
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10 399</b>	<b>10 399</b>
<b>Transactions with owners</b>						
Difference arising from the conversion of share capital into euros	2.6	21				21
Dividends paid	10, 23				(7 188)	(7 188)
<b>Balance at 31 December 2015</b>		<b>16 035</b>	<b>1 601</b>	<b>( 53)</b>	<b>31 463</b>	<b>49 046</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 year 2014				10 098	10 098
<b>Transactions with owners</b>					
Dividends paid	10, 23			(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 year 2015				8 659	8 659
<b>Transactions with owners</b>					
Difference arising from the conversion of share capital into euros	2.6	21			21
Dividends paid	10, 23			(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>

The notes on pages 9 to 38 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2016 and signed by:



Rimantas Perveneckas  
General Director



Saulius Bačauskas  
Chief Financial Officer

**STATEMENTS OF CASH FLOW**

	Note	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2015	2014	2015	2014
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before income taxes		12 433	13 261	9 213	10 656
Adjustments for:					
Depreciation and amortization	5	5 869	5 565	2 581	2 590
Impairment charge	12	( 111)	( 14)	( 165)	( 10)
Change in allowances for slow-moving inventories	5	347	261	255	224
(Gain) Loss on disposal of property, plant and equipment		( 32)	( 7)	( 27)	2
Write-off of property, plant and equipment		42	20	4	6
Dividends income	6	-	-	(5 832)	(7 003)
Interest income, net of interest expenses	6, 7	( 28)	( 100)	( 69)	( 117)
		<b>18 520</b>	<b>18 986</b>	<b>5 960</b>	<b>6 348</b>
Changes in operating assets and liabilities:					
Decrease (increase) in inventories	5	(2 392)	(5 770)	(1 409)	(3 389)
Decrease (increase) in receivables		268	( 743)	31	(2 175)
Unrealized foreign exchange loss (gain)		-	( 20)	-	-
Increase (decrease) in payables		1 174	286	469	( 86)
<b>Cash generated from operations</b>		<b>17 570</b>	<b>12 739</b>	<b>5 051</b>	<b>698</b>
Income taxes paid		(1 933)	(2 566)	( 498)	( 953)
Interest paid	7	( 89)	( 79)	( 89)	( 93)
<b>Net cash from operating activities</b>		<b>15 548</b>	<b>10 094</b>	<b>4 464</b>	<b>( 348)</b>
<b>INVESTING ACTIVITIES</b>					
Interest received	6	117	202	158	233
Dividends received	6	-	-	5 832	7 003
Loans granted	26	-	(4 634)	(15 816)	(18 979)
Loans repayments received	26	-	4 634	15 759	18 285
Purchases of property, plant and equipment and intangible assets	12, 13	(9 061)	(10 797)	(2 908)	(4 400)
Proceeds on disposal of property, plant and equipment		2 916	1 472	433	343
Purchases of available-for-sale financial assets	18	( 249)	( 654)	( 249)	( 654)
Proceeds on disposal of available-for-sale financial assets	18	1 432	1 635	1 432	1 635
Investment in subsidiaries		-	-	( 75)	( 3)
<b>Net cash used in investing activities</b>		<b>(4 845)</b>	<b>(8 142)</b>	<b>4 566</b>	<b>3 463</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid		(7 202)	(7 990)	(7 202)	(7 990)
Proceeds from borrowings		33 510	45 294	81 899	83 485
Repayments of borrowings		(38 171)	(38 632)	(84 841)	(77 475)
<b>Net cash from financing activities</b>		<b>(11 863)</b>	<b>(1 328)</b>	<b>(10 144)</b>	<b>(1 980)</b>
<b>NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS</b>					
		<b>(1 160)</b>	<b>624</b>	<b>(1 114)</b>	<b>1 135</b>
<b>CASH AND BANK OVERDRAFTS:</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>	<b>21</b>	<b>1 574</b>	<b>950</b>	<b>63</b>	<b>(1 072)</b>
<b>AT THE END OF THE PERIOD</b>	<b>21</b>	<b>414</b>	<b>1 574</b>	<b>(1 051)</b>	<b>63</b>

The notes on pages 9 to 38 are an integral part of these financial statements.

These financial statements were approved by Management Board on 4 April 2016 and signed by:

  
Rimantas Perveneckas  
General Director

  
Saulius Bačauskas  
Chief Financial Officer

**APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius**  
**NOTES TO CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**1. GENERAL INFORMATION**

APB Apranga, (hereinafter "the Company"), was incorporated and commenced its operations in March 1993 in Lithuania. The Company's main office is situated in Kirtimu str. 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 the Company's shareholders were:

	2015		2014	
	Number of shares	% of total ownership	Number of shares	% of total ownership
UAB MG Baltic investment	31 246 186	56,5	29 677 397	53,7
Swedbank AS (Estonia) clients	5 891 308	10,7	5 897 625	10,7
UAB Minvista	5 363 107	9,7	5 355 627	9,7
Other	12 791 359	23,1	14 361 311	26,0
<b>Total</b>	<b>55 291 960</b>	<b>100,0</b>	<b>55 291 960</b>	<b>100,0</b>

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.

The Company is listed on Nasdaq Vilnius Stock Exchange.

At 31 December 2015 the Group consisted of the Company and the following its wholly 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> The Company directly owns 33.33% shares and indirectly through its subsidiary owns the rest 66.67% of shares (Note 14)

At 31 December the Group's number of stores was:

Country	Total number of shops		Shops, where premises are owned by Group	
	2015	2014	2015	2014
Lithuania	100	97	6	6
Latvia	45	44	-	-
Estonia	24	20	-	-
<b>Total</b>	<b>169</b>	<b>161</b>	<b>6</b>	<b>6</b>

At 31 December 2015 the Group and the Company employed 1 911 and 753 people respectively (2014: 1 876 and 770 people respectively).

The shareholders of the Company have a statutory right to approve or not these financial statements and to require preparation of a new set of the financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **2.1 BASIS OF PREPARATION**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

These financial statements have been prepared under the historical cost convention, except for available for sale financial assets stated at fair value.

These financial statements comprise the Group's consolidated financial statements and the Company's separate financial statements.

### **2.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

International Financial Reporting Standards require that in preparing the financial statements, management of the Company and the Group make estimates and assumptions that affect the reported amounts of assets and liabilities and required disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, except for the following:

#### **(a) Income taxes**

Tax authorities have right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Latvian and Estonian subsidiaries - 3 and 7 year period after the current year respectively) and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial liability in this respect to the Company and to the Group.

#### **(b) Related party transactions**

In the normal course of business the Company and the Group enters into transactions with its related parties. These transactions, except for the Company's transactions with its subsidiaries, are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

The Company's transactions with its subsidiaries are priced predominantly at cost. Annual management fees are charged to the subsidiaries for an estimated amount which adjusts pricing of all transactions carried out with subsidiaries during the year to the market rates.

#### **(c) Revenue recognition**

Management judgment is needed to determine whether revenue for certain sales transactions should be recorded on a gross basis or on a net basis. Revenue is recognised on a gross basis where the role is that of principal in a transaction. The gross basis represents the sales price after discounts, with any related costs charged to expenses. Where the Company or the Group would act on a consignment basis in a transaction, revenue would be recognised on the net basis and inventory held on consignment is not recognised in the balance sheet.

#### **(d) Estimates concerning useful lives of tangible and intangible assets**

The useful lives of tangible and intangible assets are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life. If useful lives of tangible and intangible assets determined by management are longer by one year, then depreciation and amortization expenses of the Company and the Group would be higher by EUR 34 thousand and lower by EUR 183 thousand respectively for the year ended 31 December 2015 (EUR 170 thousand lower and EUR 158 thousand lower in 2014).

#### **(e) Impairment of property, plant and equipment**

Each shop is considered to represent a separate cash generating unit for impairment test. The Group and Company has tested its leasehold improvements and other fixed assets whether those have suffered any impairment, in accordance with the accounting policies stated in note 2.9. The Group and Company has used "value in use" calculations to test for impairment as information on fair value less costs to sell was not available. These calculations require the use of estimates (note 12).

***(f) Inventory write-down to net realizable value***

In accordance with the accounting policies stated in note 2.12 the Group and Company recognise inventory at the lower of cost and net realizable value. The Group and Company evaluates whether the value of inventory recognised at cost is not lower than its net realisable value based on the historical data and actual results of inventory items sold below costs. If the recognised inventory write-down to net realizable value would be in 5 per cent higher/lower, the profit before income tax for the year 2015 of the Group and Company was in EUR 79 thousand and EUR 63 thousand lower/ higher respectively (for 2014 – EUR 63 thousand and EUR 51 thousand respectively).

**2.3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

In the current year, the Company and the Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2015.

***(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2015:***

- IFRIC 21 – Levies (effective for annual periods beginning on or after 17 June 2014) The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. This amendment had no significant impact on the Group's and Company's financial statements.
- Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after 1 January 2015). The improvements consist of changes to four standards.
  - The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
  - IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
  - The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
  - IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

This amendment had no significant impact on the Group's and Company's financial statements.

***(b) The following new standards, amendments to existing standards and interpretations have been issued and adopted by the European Union or are in the process of adoption by the European Union but are not yet effective and have not been early adopted by the Group and the Company:***

- Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 February 2015) The improvements consist of changes to seven standards.
  - IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
  - IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014.
  - IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported.

**APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius**  
**NOTES TO CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

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

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- The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.
- IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided.

These improvements will not have significant impact on the Group's and Company's financial statements.

- **Defined Benefit Plans: Employee Contributions - Amendments to IAS 19** (effective for annual periods beginning on or after 1 February 2015) The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. This amendment will not have significant impact on the Group's and Company's financial statements.
- **IFRS 9, Financial Instruments: Classification and Measurement** (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
  - Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Group and Company is currently assessing the impact of the amendments on its financial statements.

- **Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38** (effective for annual periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group and Company is currently assessing the impact of the amendments on its financial statements.
- **IFRS 15, Revenue from Contracts with Customers** (effective for annual periods beginning on or after 1 January 2018, not yet adopted by the EU). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group and Company is currently assessing the impact of the amendments on its financial statements.
- **Equity Method in Separate Financial Statements - Amendments to IAS 27** (effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group

and Company is not planning to use the equity method. In this case, the amendments will have no impact on its financial statements.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective date to be determined by the IASB, not yet adopted by the EU). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary and the shares of the subsidiary are transferred during the transaction. The Group and Company is currently assessing the impact of the amendments on its financial statements.
- Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group and Company is currently assessing the impact of the amendments on its financial statements.
- Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards. The Group and Company is currently assessing the impact of the amendments on its financial statements.
- IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and Company is currently assessing the impact of the amendments on its financial statements.

## **2.4 CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of

the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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.

## **2.5 SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as General Director and other 6 Directors who make strategic decisions.

## **2.6 FOREIGN CURRENCY TRANSLATION**

### ***(a) Functional and presentation currency***

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

### ***(b) Transactions and balances***

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlements of monetary items, and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

### ***(c) Group companies***

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in euro using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

In the financial statements all figures are presented in thousands of euro, unless indicated otherwise. Until 31 December 2014, the currency of the Republic of Lithuania was litas. With effect from 1 January 2015, Lithuania joined the euro area and the euro became its national currency. The Company converted comparative figures from the litas to the euro using the official exchange rate, i.e. 3.45280 litas to 1 euro. According to the *Law on Redenomination to the Euro of the Capital and of the Nominal Value of Securities of Public Limited Liability Companies and Private Limited Liability Companies* that came into force, on 1 January 2015 the nominal value of the Company's shares was converted to the euro. The EUR 21 thousand change in the amount of the authorised share capital resulting from the rounding of the nominal value of the share in the euro to the nearest cent was accounted for within 'Net foreign exchange gain (loss)' in comprehensive income.

## **2.7 INTANGIBLE ASSETS**

Intangible assets expected to provide economic benefit to the Company and the Group in future periods are valued at acquisition cost less subsequent accumulated amortisation.

Amortisation is calculated on a straight-line basis to write off the cost of each asset over the estimated useful life as follows:

Software	3-5 years
Licences and rights acquired	5-9 years

Amortisation is accounted for as selling expense.

## **2.8 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged so as to write-off the cost of fixed assets to their residual value over their estimated useful lives, using the straight-line method, on the following basis:

Buildings	15-50 years
Plant and equipment	5-20 years
Leasehold improvements	4-10 years
Other fixed assets	3-6 years

All depreciation of property, plant and equipment is recognised in the statement of comprehensive income and accounted for as selling expenses.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.9). Impairment of property, plant and equipment as well as reversals of impairment during the year are included into selling costs caption in the statement of comprehensive income.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income within operating profit.

The Group and the Company capitalise borrowing costs that relate to assets that take more than 12 months to get ready for use. Otherwise borrowing costs are recognised as expenses of the current reporting period.

## **2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS**

At each balance sheet date, the Company and the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

## **2.10 INVESTMENTS IN SUBSIDIARIES**

In the separate Company's financial statements investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Dividends received are credited to the Company's statement of comprehensive income.

## **2.11 NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets are classified as held for sale if their carrying amount will be recovered through a disposal rather than through continuing use. This condition is regarded as met only when the disposal is highly probable and the asset is available for immediate disposal sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the carrying value of assets and fair value less costs to sell.

## **2.12 INVENTORIES**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in selling.

## **2.13 FINANCIAL ASSETS AND LIABILITIES**

Financial assets and financial liabilities are recognized on the Company's and Group's balance sheet when the Company or the Group becomes a party to the contractual provisions of the instrument.

The Group and the Company classifies all its financial assets into the category of loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. All "regular way" purchases and sales of financial assets are recognised using settlement date accounting.

### ***(a) Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

### ***(b) Available for sale financial assets***

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other financial assets categories.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in revaluation reserve of financial assets, reported under equity.

Revaluation of available-for-sale debt securities is calculated as difference between market value and amortised cost calculated using the original effective interest rate. When the securities are disposed of, the related accumulated fair value revaluation is included in the statement of comprehensive income as gain (loss) from sale of available-for-sale securities. If there is objective evidence that the value of an investment has been impaired, the cumulative net loss that has been recognised directly in equity is charged to profit (loss) for the year. Interest earned while holding available-for-sale financial assets is reported as interest income.

The Group and the Company assess at each date of preparation of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Available for sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

**(c) Cash and cash equivalents**

Cash and cash equivalents are carried at nominal value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included in borrowings in current liabilities on the balance sheet.

**(d) Bank and subsidiaries borrowings**

Interest-bearing bank and subsidiaries loans and overdrafts are initially measured at fair value. Bank and subsidiaries borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Company or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**(e) Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## **2.14 SHARE CAPITAL**

**(a) Ordinary shares**

Ordinary shares are stated at their par value. Consideration received for the shares sold in excess over their par value is shown as share premium. Incremental external costs directly attributable to the issue of new shares are accounted for as a deduction from share premium.

## **2.15 RESERVE**

**(a) Translation reserve**

The translation reserve is used for translation differences arising on consolidation of financial statements of foreign subsidiaries. Exchange differences are classified as equity in the consolidated financial statements until disposal of the investment. Upon disposal of the corresponding assets, the cumulative revaluation of translation reserves is recognised as income or expenses in the same period when the gain or loss on disposal is recognised.

**(b) Other reserves**

Other reserves are established upon the decision of annual general meeting of shareholders on profit appropriation. These reserves can be used only for the purposes approved by annual general meeting of shareholders.

Legal reserve is included into other reserves. Legal reserve is compulsory under the Lithuanian regulatory legislation. Annual transfers of 5 per cent of net result are required until the reserve reaches 10 per cent of share capital. The legal reserve cannot be used for payment of dividends and it is established to cover future losses only.

## **2.16 INCOME TAX**

**(a) Current income tax**

The Group companies are taxed individually irrespective of the overall results of the Group. Since 1<sup>st</sup> January 2010 the Group companies in Lithuania may transfer the estimated tax losses (or part thereof) to another Group company in Lithuania, which has a right to reduce the taxable profit with the respective amount of the tax losses transferred for the same taxable period. The Group companies have not used this option in 2014 and 2015, as the companies in Lithuania has earned a taxable profit.

The charge for taxation included in these financial statements is based on the calculation made by the management in accordance with tax legislation of the respective country in which group entity operates.

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

The income tax rate applied for the Company and subsidiaries operating in Lithuania was 15 per cent in 2014 and in 2015. Income tax rate on reporting period taxable profits in Latvia is 15 per cent and in Estonia nil. However, in Estonia profit tax is payable in the year of distribution of earnings at a rate of 21 per cent in 2014, and 20 per cent in 2015.

### **(b) Deferred income tax**

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group and the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group and the Company intends to settle its current tax assets and liabilities on a net basis.

## **2.17 LEASES**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### **(a) the Company or the Group as lessor**

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease (Note 12).

### **(b) the Company or the Group as lessee**

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables except for instalments due within 12 months which are included in current liabilities. The property, plant and equipment acquired under finance leases (when the ownership is not transferred to the Group at the end of the lease period) is depreciated over the shorter of the asset's useful life and the lease term.

If sale and leaseback transaction results in a finance lease, any excess or shortfall of sales proceeds over the carrying amount is not recognised immediately and is deferred and amortised over the lease term.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction was established at fair value, any profit or loss is recognised immediately, except that if loss is compensated for by future lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

## **2.18 EMPLOYEE BENEFITS**

### **(a) Social security contributions**

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

### **(b) Termination benefits**

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and the Group and the Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### **(c) Bonus plans**

The Company and the Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

## **2.19 PROVISIONS**

Provisions for restructuring costs and legal claims are recognised when: the Company or the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## **2.20 REVENUE RECOGNITION AND RELATED EXPENSES**

Revenues are recognized as income on an accrual basis when earned. Expenses are charged to operations as incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received of receivable for goods and services provided net of value-added tax, rebates and discounts.

Revenue is recognized as follows:

### **(a) Sales of goods – retail**

Sales of goods are recognized when the Company or another Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in operating expenses. Revenue received under consignment where the Group and the Company is a consignee is recognised on a net basis.

### **(b) Sales of services**

Revenue from services is recognised on performance of the services.

### **(c) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### **(d) Dividend income**

Dividend income is recognised when the right to receive payment is established.

### **(e) Rental income**

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

## **2.21 DIVIDEND DISTRIBUTION**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

## **2.22 EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing net profit attributed to the shareholders of the Company and the Group from average weighted number of ordinary registered shares in issue, excluding ordinary registered shares purchased by the Group and the Company and held as treasury shares, if any.

## **2.23 RELATED PARTIES**

A related party is a person or entity that is related to the entity that is preparing its financial statements:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or
  - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## **3. FINANCIAL RISK MANAGEMENT**

### ***(a) Financial risk factors***

The risk management function within the Group and the Company is carried out in respect of financial risks (credit, market (which consist of currency, interest rate and price) and liquidity), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

The financial risks relate to the following financial instruments: available for sale financial assets, trade receivables, cash and cash equivalents, trade and other payables and borrowings. The accounting policy with respect to these financial instruments is described in previous section

#### Credit risk

Credit risk is managed on group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, available for sale financial assets as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with high credit ratings are accepted. Sales to wholesale customers are rare and immaterial, therefore risk control only assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are settled in cash or using major credit cards.

Company's credit risk arising from trade receivables from subsidiaries and loans to subsidiaries is managed by controlling financial performance of subsidiaries on a monthly basis. All the subsidiaries have been profitable during the financial year, therefore, in the management's opinion, the credit risk is not related to the aforementioned amounts.

Available for sale financial assets is invested only to Lithuanian government bonds.

The Company and Group have no significant concentration of credit risk.

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Liquidity risk

Liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group and the Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's and the Company's liquidity reserve (comprises undrawn borrowing facility (Note 24) and cash and cash equivalents (Note 21) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practice set by the group. In addition, the Group's and the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these; and maintaining debt financing plans.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payables due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>GROUP</b>	<b>Less than 1 month</b>	<b>Between 1 and 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 2 years</b>	<b>Total</b>
<b>As at 31 December 2015</b>					
Borrowings	3	6	29	3 534	3 572
Trade and other payables	5 678	2 261	56	-	7 995
<b>Total</b>	<b>5 681</b>	<b>2 267</b>	<b>85</b>	<b>3 534</b>	<b>11 567</b>
<b>As at 31 December 2014</b>					
Borrowings	1	1	7 360	-	7 362
Trade and other payables	5 687	1 776	100	-	7 563
<b>Total</b>	<b>5 688</b>	<b>1 777</b>	<b>7 460</b>	<b>-</b>	<b>14 925</b>
<b>COMPANY</b>					
<b>As at 31 December 2015</b>					
Borrowings	3	6	6 492	3 534	10 035
Trade and other payables	2 226	760	37	-	3 023
<b>Total</b>	<b>2 229</b>	<b>766</b>	<b>6 529</b>	<b>3 534</b>	<b>13 058</b>
<b>As at 31 December 2014</b>					
Borrowings	2	4	12 114	-	12 120
Trade and other payables	2 433	428	43	-	2 904
<b>Total</b>	<b>2 435</b>	<b>432</b>	<b>12 157</b>	<b>-</b>	<b>15 024</b>

Market risk

*Cash flow and fair value interest rate risk*

As the Group and the Company most significant interest-bearing assets are available for sale financial assets, however, its income and operating cash flows are substantially independent of changes in market interest rates. The Company has loans to subsidiaries with floating interest rates, but the cash flow risk is mitigated by applying the same variable element of interest rate on those loans as the banks are charging the Company.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk, but this is not included in sensitivity analysis as the change in interest rates has no impact on profit or equity of the Group.

The Company's and Group's borrowings consist of loans with floating interest rate, which are related to EURIBOR and EONIA. The Company and the Group did not use any derivative financial instruments in order to control the risk of interest rate changes.

Trade and other receivables and payables are interest-free and have settlement dates within one year.

The Group's and the Company's cash flow and fair value interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group and the Company

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calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post tax profit of a 1per cent shift in interest rates would be a maximum increase or decrease of EUR 57 thousand (2014: EUR 57 thousand) for the Group and the maximum increase or decrease of EUR 92 thousand (2014: EUR 76 thousand) would be for the Company.

*Foreign exchange risk*

The Company and the Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. Substantially all the Group's payables and receivables are short-term and in addition revenues and expenses in foreign currencies are insignificant (less than 10%) as compared to those in Euro. At the moment the Company and the Group to some extent uses derivative financial instruments in order to control foreign currencies exchange risk. The use of derivative financial instruments is limited to forward foreign currency (US dollar) purchase transactions with maturities of less than 30 days. Non-balance-sheet commitments under these transactions amounted to EUR 255 thousand at the end of the reporting period.

The Group operates in Lithuania, Latvia and Estonia, and during the reporting period used Euro currency. Since Estonia, Latvia and Lithuania introduced the Euro (respectively, since 1st January 2011, 1st January 2014 and 1st January 2015), so there is no exchange rate fluctuations.

*Price risk*

The Group and Company is not exposed to the market risk with respect to financial instruments as it does not hold any equity securities.

**(b) Capital risk management**

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than EUR 40 thousand and of a private limited liability company must be not less than EUR 2.5 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2014 and 31 December 2015, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than EUR 2.8 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 31 December 2014 and 31 December 2015, all of the Company's Latvian subsidiaries complied with these requirements.

Pursuant to the Estonian Commercial Code the authorised share capital of a private limited liability company must be not less than EUR 2.5 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 31 December 2014 and 31 December 2015, all of the Company's Estonian subsidiaries complied with these requirements.

In addition, the Group and Company has to comply with the financial covenants imposed in the agreement with SEB bankas AB and Nordea Bank AB. The Group and Company was in compliance with the covenants as at 31 December 2014 and 2015.

**(c) Fair value estimation**

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis. Fair value measurement is determined in following 3 levels:

Level 1. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair values of available for sale financial assets are estimated with reference to average of bid and ask quoted market prices.

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Level 2. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The Group and Company does not have financial assets or liabilities assigned to this level.

Level 3. Fair value determined by such valuation methods which use one or more of the significant inputs is not based on observable market data. Fair value of all receivables and payables as well as borrowings are assigned to this level.

Where, in the opinion of the management, the fair value of financial assets and liabilities differs materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

#### 4. 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.

The Directors consider the business from both a geographic and product perspective to certain extent. From product perspective Directors review only sales volume and gross margin by brand name. Gross margins of different brands are not significantly different, therefore can be aggregated into one reportable segment. Geographically, Directors separately consider operations in Lithuania, Latvia and Estonia depending on where the stores are located. Different legislation, consumer habits and economic situation substantially affect the average sales and expenses in each country, therefore Directors believe that each country represents a separate reportable segment.

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

The segment information provided to the Directors for the reportable segments for the year ended 31 December is as follows:

<b>31 December 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>-</b>	<b>158 748</b>
<b>Gross margin</b>	<b>44,9%</b>	<b>46,6%</b>	<b>47,2%</b>	<b>45,7%</b>		<b>45,7%</b>
<b>Other income and expenses:</b>						
Rent and utilities	11 363	4 759	2 906	19 028		19 028
Remuneration and social security contributions	14 630	4 658	2 954	22 242		22 242
Depreciation and amortisation	3 211	1 579	1 079	5 869		5 869
PPE impairment charges (reversal)	( 165)	4	50	( 111)		( 111)
Other income and expenses	5 858	4 442	2 755	13 055		13 055
Finance income	158	-	-	158	( 41)	117
Finance costs	( 92)	( 14)	( 24)	( 130)	41	( 89)
Income tax expense	1 337	383	314	2 034		2 034
<b>Profit (loss) for the year</b>	<b>7 213</b>	<b>2 106</b>	<b>1 080</b>	<b>10 399</b>	<b>-</b>	<b>10 399</b>
Total assets	60 709	14 198	10 054	84 961	(16 422)	68 539
Additions to non-current assets (other than financial instruments and prepayments for leases)	5 850	771	2 440	9 061	-	9 061

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<b>31 December 2014</b>	<b>Lithuania</b>	<b>Latvia</b>	<b>Estonia</b>	<b>Total</b>	<b>Inter-company eliminations</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>Other income and expenses:</b>						
Rent and utilities	10 582	4 508	2 254	17 344	-	17 344
Remuneration and social security contributions	13 772	4 551	2 330	20 654	-	20 654
Depreciation and amortisation	3 311	1 581	673	5 565	-	5 565
PPE impairment charges (reversal)	( 10)	-	( 4)	( 14)	-	( 14)
Other income and expenses	4 855	4 498	2 425	11 777	-	11 777
Finance income	218	3	3	224	( 45)	180
Finance costs	( 104)	( 9)	( 11)	( 124)	45	( 79)
Income tax expense	1 234	481	327	2 042	-	2 042
<b>Profit for the year</b>	<b>6 909</b>	<b>2 684</b>	<b>1 627</b>	<b>11 220</b>	<b>-</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	-	10 797

In 2015, as in previous years, the Group was profitable in all three Baltic countries. However, the profitability of the reporting period decreased in all countries. Profit margin declined mostly due to the general decrease in gross profitability. Gross profitability of the Group was 45.7% in 2015 and decreased by 1.1% compared to 2014. In 2015, profit margin in Lithuania and Latvia decreased in proportion to the declining gross margin. In Estonia due to the relatively high growth of operating expenses profit margin declined more sharply, but remained at a relatively acceptable level of 5.9%, while in Latvia it was 6.5% and Lithuania 8.9%.

The total non-current assets other than financial instruments and deferred tax assets located in Lithuania is EUR 18 987 thousand (2014: EUR 18 829 thousand), and the total of these non-current assets located in other countries is EUR 9 350 thousand (2014: EUR 9 139 thousand).

## 5. EXPENSES BY NATURE

For the year ended 31 December cost of sales consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Cost of goods sold	85 914	77 533	43 842	40 842
Write-down of inventories to net realisable value	1 610	1 263	1 266	1 011
Reversal of prior year write-down of inventories to net realisable value	(1 263)	(1 003)	(1 011)	( 787)
<b>Total cost of sales</b>	<b>86 261</b>	<b>77 793</b>	<b>44 097</b>	<b>41 066</b>

A positive impact on inventory write-down to net realizable value was influenced by the sales of goods, which value was earlier write-down.

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For the year ended 31 December selling costs consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Rent and utilities	19 028	17 344	7 096	6 754
Remuneration	14 192	12 964	5 219	4 919
Social security contributions	4 053	3 676	1 520	1 426
Depreciation and amortization (Note 12, 13)	5 869	5 565	2 581	2 590
Impairment charge (reversal) (Note 12)	( 111)	( 14)	( 165)	( 10)
Advertising and marketing	2 197	1 865	1 021	864
Franchise expenses	3 564	2 993	205	120
Bank commissions	1 240	1 290	432	472
Labelling, packing and repairing	833	760	341	344
Logistics and distribution	298	235	117	90
Business trips	632	605	415	399
<b>Total selling costs</b>	<b>51 795</b>	<b>47 283</b>	<b>18 782</b>	<b>17 968</b>

For the year ended 31 December general and administrative expenses consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Remuneration	3 036	3 048	3 001	3 013
Social security contributions	961	966	950	954
IT and communications	628	600	308	315
Repair and maintenance	1 813	1 731	792	831
Taxes (excluding income tax)	172	153	136	120
Consulting and audit expense	461	435	388	363
Other expenses	1 864	1 547	1 015	837
<b>Total general and administrative expenses</b>	<b>8 935</b>	<b>8 480</b>	<b>6 590</b>	<b>6 433</b>

## 6. OTHER INCOME

For the year ended 31 December other income consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Rent income	163	139	171	146
Management fees	-	-	2 998	3 409
Gain from disposal of fixed assets, net	41	22	36	13
Interest income	117	180	158	210
Dividends	-	-	5 832	7 003
Other income	497	301	498	251
<b>Total other income</b>	<b>818</b>	<b>642</b>	<b>9 693</b>	<b>11 032</b>

## 7. FINANCE COSTS

For the year ended 31 December finance costs consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Interest on bank borrowings	89	79	89	79
Interest on borrowings from subsidiaries	-	-	-	14
<b>Total finance costs</b>	<b>89</b>	<b>79</b>	<b>89</b>	<b>93</b>

## 8. INCOME TAX EXPENSE

Domestic income tax is calculated at 15 per cent of the estimated profit for the year.

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

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Profit (loss) before tax	12 433	13 261	9 213	10 656
Tax at the domestic income tax rate	1 865	1 989	1 382	1 598
Tax effect of income not subject to tax	( 19)	( 1)	( 894)	(1 052)
Tax effect of expenses that are not deductible in determining taxable profit	75	20	66	12
Unrecognised deferred tax asset from accrued losses	43	( 63)	-	-
Effect of different tax rates of foreign subsidiaries	70	97	-	-
<b>Tax expense</b>	<b>2 034</b>	<b>2 042</b>	<b>554</b>	<b>558</b>
Effective income tax rate	16,4%	15,4%	6,0%	5,2%

For the year ended 31 December income tax expense consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Current income tax expense	1 818	2 004	498	507
Deferred tax	216	38	56	51
<b>Total income tax expense</b>	<b>2 034</b>	<b>2 042</b>	<b>554</b>	<b>558</b>

## 9. DEFERRED INCOME TAX

The movement in deferred income tax account was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
At beginning of year	(1 012)	( 974)	( 354)	( 303)
Income statement (charge) credit	( 216)	( 38)	( 56)	( 51)
At end of year	<b>(1 228)</b>	<b>(1 012)</b>	<b>( 410)</b>	<b>( 354)</b>

In 2014 and 2015 deferred income tax asset and liability related to the entities operating in Lithuania and Latvia were calculated at 15 per cent rate. Deferred income tax asset and liability related to the entities operating in Estonia were calculated at 20 per cent rate as at 31 December 2014 and as at 31 December 2015.

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Deferred tax assets and liabilities recognised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Deferred tax assets:</b>				
Inventory write down	242	170	190	152
Accruals	121	151	89	102
Taxable losses	-	2	-	-
<b>Total deferred tax assets</b>	<b>363</b>	<b>323</b>	<b>279</b>	<b>254</b>
<b>Deferred tax liability:</b>				
Undistributed profits of subsidiaries	( 621)	( 436)	-	-
Depreciation of property, plant and equipment	( 970)	( 899)	( 689)	( 608)
<b>Total deferred tax liabilities</b>	<b>(1 591)</b>	<b>(1 335)</b>	<b>( 689)</b>	<b>( 608)</b>
<b>Total deferred tax (liabilities) assets, net</b>	<b>(1 228)</b>	<b>(1 012)</b>	<b>( 410)</b>	<b>( 354)</b>

Deferred income tax assets are recognised only to the extent that realization of the related tax benefit is probable in the foreseeable future.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Deferred tax assets:</b>				
Deferred tax asset to be recovered after more than 12 months	46	37	46	37
Deferred tax asset to be recovered within 12 months	317	286	233	217
	<b>363</b>	<b>323</b>	<b>279</b>	<b>254</b>
<b>Deferred tax liabilities:</b>				
Deferred tax liability to be recovered after more than 12 months	(1 120)	( 766)	( 565)	( 508)
Deferred tax liability to be recovered within 12 months	( 471)	( 569)	( 124)	( 100)
	<b>(1 591)</b>	<b>(1 335)</b>	<b>( 689)</b>	<b>( 608)</b>
<b>Deferred tax (liabilities) assets, net</b>	<b>(1 228)</b>	<b>(1 012)</b>	<b>( 410)</b>	<b>( 354)</b>

## 10. DIVIDENDS PER SHARE

	<b>2015</b>	<b>2014</b>
Approved dividends	7 188	8 007
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292
<b>Approved dividends per share, EUR</b>	<b>0.130</b>	<b>0.145</b>

In 2015 dividends of EUR 0.13 per share was paid to the shareholders (EUR 0.145 per share in 2014).

In respect of the current year, the Board of Directors propose a dividend of EUR 0.12 per share to be paid to the shareholders (Note 23). This dividend is subject to approval by the shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

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**11. EARNINGS PER SHARE**

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Profit (loss) for the year	10 399	11 220	8 659	10 098
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292	55 292	55 292
<b>Basic and diluted earnings (losses) per share, EUR</b>	<b>0.19</b>	<b>0.20</b>	<b>0.16</b>	<b>0.18</b>

Company has no dilutive potential ordinary shares, therefore, the diluted earnings per share are the same as basic earnings per share.

**12. PROPERTY, PLANT AND EQUIPMENT**

At 31 December property, plant and equipment consisted of the following:

<b>GROUP</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Other fixed assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>						
<b>At 31 December 2013</b>	<b>11 576</b>	<b>465</b>	<b>14 670</b>	<b>32 968</b>	<b>51</b>	<b>59 730</b>
Additions	-	11	291	2 565	7 595	10 462
Disposals and write-offs	( 1)	-	(1 483)	(2 646)	(1 453)	(5 583)
Transfers	144	-	2 523	3 448	(6 115)	-
<b>At 31 December 2014</b>	<b>11 719</b>	<b>476</b>	<b>16 001</b>	<b>36 335</b>	<b>78</b>	<b>64 609</b>
Additions	-	14	586	2 608	5 816	9 024
Disposals and write-offs	-	-	(2 016)	(3 004)	(2 229)	(7 249)
Transfers	-	-	2 268	1 274	(3 542)	-
<b>At 31 December 2015</b>	<b>11 719</b>	<b>490</b>	<b>16 839</b>	<b>37 213</b>	<b>123</b>	<b>66 384</b>
<b>Accumulated depreciation</b>						
<b>At 31 December 2013</b>	<b>3 164</b>	<b>416</b>	<b>9 409</b>	<b>22 987</b>	<b>-</b>	<b>35 976</b>
Charge for period	295	18	1 774	3 354	-	5 441
Disposals and write-offs	( 1)	-	(1 480)	(2 581)	-	(4 062)
<b>At 31 December 2014</b>	<b>3 458</b>	<b>434</b>	<b>9 703</b>	<b>23 760</b>	<b>-</b>	<b>37 355</b>
Charge for period	314	13	1 904	3 470	-	5 701
Disposals and write-offs	-	-	(1 650)	(2 674)	-	(4 324)
<b>At 31 December 2015</b>	<b>3 772</b>	<b>447</b>	<b>9 957</b>	<b>24 556</b>	<b>-</b>	<b>38 732</b>
<b>Impairment charge</b>						
<b>At 31 December 2013</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>326</b>	<b>-</b>	<b>337</b>
Charge for period	-	-	-	( 14)	-	( 14)
Write-offs	-	-	( 11)	( 26)	-	( 37)
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>286</b>	<b>-</b>	<b>286</b>
Charge for period (reversal)	-	-	90	( 201)	-	( 111)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>90</b>	<b>85</b>	<b>-</b>	<b>175</b>
<b>Carrying amount</b>						
<b>At 31 December 2013</b>	<b>8 412</b>	<b>49</b>	<b>5 250</b>	<b>9 655</b>	<b>51</b>	<b>23 417</b>
<b>At 31 December 2014</b>	<b>8 261</b>	<b>42</b>	<b>6 298</b>	<b>12 289</b>	<b>78</b>	<b>26 968</b>
<b>At 31 December 2015</b>	<b>7 947</b>	<b>43</b>	<b>6 792</b>	<b>12 572</b>	<b>123</b>	<b>27 477</b>

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

<b>COMPANY</b>	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Leasehold improvements</b>	<b>Other fixed assets</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>						
<b>At 31 December 2013</b>	<b>11 576</b>	<b>465</b>	<b>6 481</b>	<b>12 005</b>	<b>42</b>	<b>30 569</b>
Additions	-	11	78	1 731	2 246	4 066
Disposals and write-offs	( 1)	-	( 758)	( 997)	( 339)	(2 095)
Transfers	144	-	1 283	477	(1 904)	-
<b>At 31 December 2014</b>	<b>11 719</b>	<b>476</b>	<b>7 084</b>	<b>13 216</b>	<b>45</b>	<b>32 540</b>
Additions	-	14	-	1 496	1 364	2 874
Disposals and write-offs	-	-	( 862)	(1 842)	( 33)	(2 737)
Transfers	-	-	1 245	8	(1 253)	-
<b>At 31 December 2015</b>	<b>11 719</b>	<b>490</b>	<b>7 467</b>	<b>12 878</b>	<b>123</b>	<b>32 677</b>
<b>Accumulated depreciation</b>						
<b>At 31 December 2013</b>	<b>3 163</b>	<b>416</b>	<b>4 114</b>	<b>7 773</b>	<b>-</b>	<b>15 466</b>
Charge for period	295	18	875	1 358	-	2 546
Disposals and write-offs	( 1)	-	( 751)	( 986)	-	(1 738)
<b>At 31 December 2014</b>	<b>3 457</b>	<b>434</b>	<b>4 238</b>	<b>8 145</b>	<b>-</b>	<b>16 274</b>
Charge for period	314	13	840	1 323	-	2 490
Disposals and write-offs	-	-	( 814)	(1 512)	-	(2 326)
<b>At 31 December 2015</b>	<b>3 771</b>	<b>447</b>	<b>4 264</b>	<b>7 956</b>	<b>-</b>	<b>16 438</b>
<b>Impairment charge</b>						
<b>At 31 December 2013</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>220</b>	<b>-</b>	<b>226</b>
Charge for period	-	-	-	( 10)	-	( 10)
Write-offs	-	-	( 6)	( 1)	-	( 7)
<b>At 31 December 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209</b>	<b>-</b>	<b>209</b>
Charge for period (reversal)	-	-	45	( 209)	-	( 164)
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>45</b>
<b>Carrying amount</b>						
<b>At 31 December 2013</b>	<b>8 413</b>	<b>49</b>	<b>2 361</b>	<b>4 012</b>	<b>42</b>	<b>14 877</b>
<b>At 31 December 2014</b>	<b>8 262</b>	<b>42</b>	<b>2 846</b>	<b>4 862</b>	<b>45</b>	<b>16 057</b>
<b>At 31 December 2015</b>	<b>7 948</b>	<b>43</b>	<b>3 158</b>	<b>4 922</b>	<b>123</b>	<b>16 194</b>

At 31 December 2015 the Group's and the Company's buildings with the carrying amount of EUR 6 429 thousand (2014: EUR 6 657 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

The Company's buildings with the total carrying amount of EUR 428 thousand as of 31 December 2015 (2014: EUR 316 thousand) was leased to third parties.

At 31 December the acquisition cost of the fully depreciated property, plant and equipment still in use was as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Plant and equipment	584	532	584	532
Leasehold improvements	5 319	3 525	2 348	615
Other fixed assets	16 060	12 934	4 711	3 378
<b>Total</b>	<b>21 963</b>	<b>16 991</b>	<b>7 643</b>	<b>4 525</b>

At 31 December 2015 the Group did not have the property, plant and equipment acquired under finance lease contracts (did not have at 31 December 2014).

The Group and the Company has tested its leasehold improvements and other fixed assets for impairment in accordance with the accounting policies stated in note 2.9.

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Estimation of the value in use was based on the discounted pre-tax cash flows (DCF) of the latest available business plan. DCF was estimated over remaining useful life of leasehold improvements (vast majority of premises are leased). For the calculation of future cash flows in 2017 and in later years, 10-20% of the EBITDA growth rate was used (2014 - the same growth rates). The weighted average cost of capital (further - WACC) of 8 per cent (2014: 10 per cent) was used for value in use estimation.

Based on the calculations performed the Management concluded that impairment charges of EUR 175 thousand for the Group (2014: EUR 287 thousand) and EUR 45 thousand for the Company (2014: EUR 210 thousand) should be recorded against the leasehold improvements and other fixed assets.

If 5% of the EBITDA growth rate would be used for the calculation of future cash flows in 2017 and in later years, the Group and the Company in 2015 would have recognised by EUR 87 thousand and EUR 22 thousand higher impairment loss against leasehold improvements and other fixed assets (2014: EUR 118 thousand and EUR 27 thousand respectively).

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1% higher than management estimates (for example 9 per cent instead of 8 per cent), the Group in 2015 would have recognised by EUR 8 thousand higher impairment loss against leasehold improvements and other fixed assets (2014: not). The Company would not have recognised higher impairment loss against leasehold improvements and other fixed assets nor in 2014, nor in 2015.

### 13. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

	Group			Company		
	Licenses and rights acquired	Software	Total	Licenses and rights acquired	Software	Total
<b>Cost</b>						
<b>At 31 December 2013</b>	<b>641</b>	<b>486</b>	<b>1 127</b>	<b>167</b>	<b>416</b>	<b>583</b>
Additions	16	318	334	16	318	334
Write-offs	( 75)	( 36)	( 111)	( 75)	( 9)	( 84)
<b>At 31 December 2014</b>	<b>582</b>	<b>768</b>	<b>1 350</b>	<b>108</b>	<b>725</b>	<b>833</b>
Additions	1	35	36	-	34	34
Write-offs	( 19)	( 17)	( 36)	( 19)	( 2)	( 21)
<b>At 31 December 2015</b>	<b>564</b>	<b>786</b>	<b>1 350</b>	<b>89</b>	<b>757</b>	<b>846</b>
<b>Accumulated amortisation</b>						
<b>At 31 December 2013</b>	<b>247</b>	<b>443</b>	<b>690</b>	<b>137</b>	<b>377</b>	<b>514</b>
Charge for period	88	36	124	10	34	44
Write-offs	( 75)	( 36)	( 111)	( 75)	( 9)	( 84)
<b>At 31 December 2014</b>	<b>260</b>	<b>443</b>	<b>703</b>	<b>72</b>	<b>402</b>	<b>474</b>
Charge for period	88	81	169	12	79	91
Write-offs	( 19)	( 17)	( 36)	( 19)	( 2)	( 21)
<b>At 31 December 2015</b>	<b>329</b>	<b>507</b>	<b>836</b>	<b>65</b>	<b>479</b>	<b>544</b>
<b>Carrying amount</b>						
<b>At 31 December 2013</b>	<b>394</b>	<b>43</b>	<b>437</b>	<b>30</b>	<b>39</b>	<b>69</b>
<b>At 31 December 2014</b>	<b>322</b>	<b>325</b>	<b>647</b>	<b>36</b>	<b>323</b>	<b>359</b>
<b>At 31 December 2015</b>	<b>235</b>	<b>279</b>	<b>514</b>	<b>24</b>	<b>278</b>	<b>302</b>

At 31 December the acquisition cost of fully amortized intangible assets still in use was as follows:

	Group		Company	
	2015	2014	2015	2014
Licenses	125	145	30	49
Software	182	393	159	358
<b>Total</b>	<b>307</b>	<b>538</b>	<b>189</b>	<b>407</b>

## 14. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries at 31 December are as follows:

Name	Country of incorporation	Ownership %	Cost	
			2015	2014
UAB Apranga LT	Lithuania	100	724	724
UAB Apranga BPB LT	Lithuania	100	145	145
UAB Apranga PLT	Lithuania	100	87	87
UAB Apranga SLT	Lithuania	100	87	87
UAB Apranga MLT	Lithuania	100	87	87
UAB Apranga HLT	Lithuania	100	75	-
SIA Apranga	Latvia	100	2 175	2 175
SIA Apranga LV	Latvia	100	153	153
SIA Apranga BPB LV	Latvia	100	86	86
SIA Apranga PLV	Latvia	100	86	86
SIA Apranga SLV	Latvia	100	85	85
SIA Apranga MLV	Latvia	100	86	86
OU Apranga <sup>1</sup>	Estonia	100	447	447
OU Apranga Estonia	Estonia	100	128	128
OU Apranga BEE	Estonia	100	96	96
OU Apranga PB Trade	Estonia	100	96	96
OU Apranga ST Retail	Estonia	100	96	96
OU Apranga MDE	Estonia	100	2	2
<b>Total investments</b>			<b>4 741</b>	<b>4 666</b>

<sup>1</sup> The Company directly owns 33.33% shares and indirectly through its subsidiary owns the rest 66.67% of shares.

The changes in investments are as follows:

	2015	2014
<b>Beginning of the year</b>	4 666	4 663
Establishment of UAB Apranga HLT	75	-
Establishment of OU Apranga MDE	-	3
<b>At end of the year</b>	<b>4 741</b>	<b>4 666</b>

## 15. INVENTORIES

	Group		Company	
	2015	2014	2015	2014
Goods for resale	34 163	31 875	18 972	17 671
Write-down of goods for resale to net realisable value	(1 610)	(1 263)	(1 263)	(1 011)
Goods in transit	332	214	332	214
Materials and spare parts	345	359	345	359
<b>Total</b>	<b>33 230</b>	<b>31 185</b>	<b>18 386</b>	<b>17 233</b>

During the year ended 31 December 2015 the Group and the Company recognised as cost of sales write-down of book value of the goods for resale to their net realizable value of EUR 1 610 thousand and EUR 1 263 thousand respectively (31 December 2014 – EUR 1 263 thousand and EUR 1 011 thousand, respectively). The reversal of write-down of book value of the goods for resale to net realizable value of EUR 1 263 thousand and EUR 1 011 thousand made during the year ended 31 December 2014 was credited to cost of sales of the Group and the Company in 2013 (EUR 1 003 thousand and EUR 787 thousand in 2013).

At 31 December 2015 inventories of the Group and the Company have been pledged as security for outstanding loans from financial institutions (Note 24). The total carrying amount of Group's pledged inventories as at 31 December 2015 was EUR 7 896 thousand, Company's - EUR 5 896 thousand (EUR 7 896 thousand and EUR 5 695 thousand as at 31 December 2014, respectively).

## 16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2015 and 2014 non-current assets held for sale consisted of the 91 per cent ownership in UAB Palangos Varuna. Purchase of shares in the entity was not considered to be a business combination as the entity did not constitute a business. In substance it was the purchase of the long term assets. There were no impairment charge on non-current assets held for sale in 2015 and 2014, as the cost of investments did not exceed their fair value as of 31 December 2015 and 2014.

## 17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Prepayments	1 502	1 627	1 101	1 085
Less non-current portion of prepayments	( 326)	( 334)	( 82)	( 79)
<b>Current portion of prepayments</b>	<b>1 176</b>	<b>1 293</b>	<b>1 019</b>	<b>1 006</b>

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Assets as per balance sheet:</b>				
Trade and other receivables	981	1 121	10 603	10 591
Cash and cash equivalents	1 913	2 184	448	673
<b>Total</b>	<b>2 894</b>	<b>3 305</b>	<b>11 051</b>	<b>11 264</b>
Available for sale financial assets	2 598	3 763	2 598	3 763
<b>Total</b>	<b>2 598</b>	<b>3 763</b>	<b>2 598</b>	<b>3 763</b>
<b>Total assets</b>	<b>5 492</b>	<b>7 068</b>	<b>13 649</b>	<b>15 027</b>

In 2011-2014, the Company has acquired the Lithuanian Government issued the long-term bonds (redemption years various from 2018 to 2022), which are recorded as Available for sale financial assets.

During the 2nd quarter 2015 the Company for EUR 1.4 million sold the Lithuanian Government issued long-term bonds. Total investments in the Lithuanian Government issued the long-term bonds amounted to EUR 2.6 million on 31 December 2015.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Liabilities as per balance sheet:</b>				
Borrowings	3 499	7 272	9 962	12 015
Trade and other payables	7 995	7 563	3 023	2 904
<b>Total</b>	<b>11 494</b>	<b>14 835</b>	<b>12 985</b>	<b>14 919</b>

## 19. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Available for sale financial assets	2 598	3 763	2 598	3 763
Trade and other receivables with no history of counterparty defaults	794	933	495	610
Receivables from related parties (note 26)	187	188	10 108	9 981
Cash at bank that have high credit ratings (cash on hand is excluded)	377	950	5	314
<b>Total</b>	<b>3 956</b>	<b>5 834</b>	<b>13 206</b>	<b>14 668</b>

## 20. TRADE AND OTHER RECEIVABLES

At 31 December trade and other receivables consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Trade receivables from subsidiaries	-	-	7 560	7 375
Loans to subsidiaries	-	-	2 361	2 418
Loans and other receivables from related parties	187	188	187	188
Trade receivables from unrelated parties	178	118	116	65
Other receivables	616	815	379	545
<b>Total</b>	<b>981</b>	<b>1 121</b>	<b>10 603</b>	<b>10 591</b>
Less non-current portion of other receivables	( 20)	( 20)	( 20)	( 20)
<b>Current portion</b>	<b>961</b>	<b>1 101</b>	<b>10 583</b>	<b>10 571</b>

Trade receivables that are less than three months past due are not considered impaired. There were no receivables past due but not impaired as at 31 December 2015 and 2014.

As of 31 December 2014 and 31 December 2015, none of trade receivables were impaired and provided for by the Group. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group and the Company does not hold any collateral as security.

All the Company's loans granted to subsidiaries are denominated in EUR currency.

The interest rate at 31 December 2015 is 1.5 per cent (2014: 1.7 per cent), maturity date – 31 December 2016 (2014: 31 December 2015).

In the opinion of management, the carrying amount of the receivables approximates their fair value.

## 21. CASH AND CASH EQUIVALENTS

At 31 December cash and cash equivalents consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Cash at bank	377	950	5	314
Cash on hand	401	246	151	-
Cash in transit	1 135	988	292	359
<b>Total</b>	<b>1 913</b>	<b>2 184</b>	<b>448</b>	<b>673</b>

Cash in certain bank accounts and future cash inflows into these accounts were pledged to banks as security for credit facilities granted. At 31 December 2015, the cash balances of the Group and the Company in the pledged accounts amounted to EUR 5 thousand (2014: EUR 314 thousand) (Note 24).

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Cash and cash equivalents	1 913	2 184	448	673
Bank overdrafts (Note 24)	(1 499)	( 611)	(1 499)	( 611)
<b>Total</b>	<b>414</b>	<b>1 573</b>	<b>(1 051)</b>	<b>62</b>

## 22. SHARE CAPITAL

At 31 December 2015 issued share capital of the Company consisted of 55 291 960 (2013 and 2014: 55 291 960) ordinary shares at par value of EUR 0.29 each. All issued shares are fully paid.

Subsidiaries did not hold any shares of the Company as of 31 December 2015 and 2014. The Company did not hold its own shares as of 31 December 2015 and 2014.

## 23. PROFIT DISTRIBUTION

Under Lithuanian Law on Companies the Company has to allocate 1/20 of its net profit to the legal reserve until it reaches 1/10 of the Company's authorised capital (up to EUR 1 603 thousand as at 31 December 2015).

On 29 April 2015 the Company's shareholders' meeting decided to pay out EUR 7 188 thousand in dividends and EUR 210 thousand annual bonuses (On 29 April 2014 the Company's shareholders' meeting decided to pay out EUR 8 007 thousand in dividends and EUR 217 thousand annual bonuses).

In respect of the current year, the Board of directors propose a dividend of EUR 6 635 thousand to be paid to the shareholders, EUR 210 thousand annual bonuses and allocate EUR 3 thousand to legal reserve. This dividend, annual bonuses and legal reserve allocation are subject to approval by shareholders at the Annual Shareholder's Meeting.

## 24. BORROWINGS

At 31 December the carrying amounts of the borrowings consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Long term borrowings</b>				
Bank overdrafts	1 499	-	1 499	-
Bank credit lines and loans	2 000	-	2 000	-
<b>Total</b>	<b>3 499</b>	<b>-</b>	<b>3 499</b>	<b>-</b>
<b>Short term borrowings</b>				
Bank credit lines and loans	-	6 661		6 661
Bank overdrafts	-	611		611
Borrowings from subsidiaries	-	-	6 463	4 744
<b>Total</b>	<b>-</b>	<b>7 272</b>	<b>6 463</b>	<b>12 016</b>
<b>Total borrowings</b>	<b>3 499</b>	<b>7 272</b>	<b>9 962</b>	<b>12 016</b>

The bank credit lines are secured by cash in certain of bank accounts (Note 21), some of buildings (Note 12) and part of inventories (Note 15).

At 31 December all amounts of the borrowings are denominated in EUR currency.

The weighted average interest rates at the balance sheet date were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Bank credit lines and loans	1,1%	-	1,1%	-
Bank overdraft	1,1%	1.3%	1,1%	1.3%
Borrowings from subsidiaries	-	-	0,0%	0.2%

Exposure of the Group's and the Company's borrowings to interest rate changes and the contractual repricing dates fall into period of 6 month or less.

Interest rate of majority of the borrowings is based on market interest rate, therefore, in the opinion of the management, carrying amount of borrowings approximates to their fair value.

Group's and Company's borrowing facilities contracted but undrawn as at the date of the balance sheet were EUR 13 292 thousand (2014: EUR 10 008 thousand).

## 25. TRADE AND OTHER PAYABLES

At 31 December trade and other payables consisted of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Payables to subsidiaries	-	-	6	4
Payables to other related parties	44	37	36	36
Trade payables	5 611	4 899	2 036	1 603
Employee benefits and related payables	3 542	3 334	2 108	1 946
Advances received	195	97	73	40
Taxes payable	2 583	2 225	891	814
Accrued expenses and other payables	2 340	2 627	945	1 261
<b>Total</b>	<b>14 315</b>	<b>13 219</b>	<b>6 095</b>	<b>5 704</b>

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## 26. RELATED PARTY TRANSACTIONS

The Company's and the Group's transactions with related parties and balances arising from these transactions as of 31 December were as follows:

	Accounts payable		Accounts receivable and loans granted		Income received		Purchases	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Related parties</b>								
UAB Koncernas MG Baltic	17	17	-	-	-	-	155	129
UAB Minvista	2	-	-	-	-	1	9	-
UAB Mineraliniai vandenys	4	-	-	-	-	-	16	16
UAB Mediafon	1	-	-	-	-	-	7	1
UAB MG Baltic Investment	15	14	-	-	-	-	172	171
UAB MG Valda	5	5	-	-	-	-	49	48
UAB Palangos Varūna	-	-	187	182	-	-	-	-
LNK Group	-	-	-	6	13	5	30	-
MV Eesti OU	-	-	-	-	-	-	1	-
<b>Total</b>	<b>44</b>	<b>36</b>	<b>187</b>	<b>188</b>	<b>13</b>	<b>6</b>	<b>439</b>	<b>365</b>

Prevailing types of related party contracts are rent, management service fee, advertising, centralised services (telecommunications, utilities and etc.).

The Company's transactions with subsidiaries and balances arising from these transactions as of 31 December were as follows:

	Borrowings and accounts payable		Loans and accounts receivable		Income received		Purchases	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Subsidiaries</b>								
UAB Apranga LT	3 478	2 532	44	62	2 754	2 920	92	105
UAB Apranga BPB LT	435	32	9	19	297	327	32	28
UAB Apranga PLT	199	-	9	219	106	216	19	10
UAB Apranga SLT	9	-	5	27	88	172	22	25
UAB Apranga MLT	218	531	18	32	1 299	1 254	24	12
UAB Apranga HLT	-	-	157	-	17	-	-	-
SIA Apranga	-	-	5 320	5 727	10 413	10 335	41	86
SIA Apranga LV	-	740	3 680	23	4 306	1 625	37	50
SIA Apranga BPB LV	127	-	5	18	54	152	9	1
SIA Apranga PLV	176	139	2	9	103	198	6	2
SIA Apranga SLV	34	5	1	-	14	15	4	3
SIA Apranga MLV	192	247	2	17	212	633	11	21
OU Apranga	1 140	-	21	2 844	1 552	3 521	44	24
OU Apranga Estonia	14	-	25	652	274	1 253	32	36
OU Apranga BEE	171	206	4	5	159	209	8	12
OU Apranga PB Trade	209	176	3	4	149	142	8	8
OU Apranga ST Retail	61	136	9	3	728	97	17	9
OU Apranga MDE	-	-	607	125	224	53	2	-
<b>Total</b>	<b>6 463</b>	<b>4 744</b>	<b>9 921</b>	<b>9 786</b>	<b>22 749</b>	<b>23 122</b>	<b>408</b>	<b>432</b>

Prevailing types of intra-group transactions are centralised supplies of goods for resale, management service fees, centralised purchasing of services (telecommunications, IT, utilities and etc.), financing, distribution of earnings. Dividend income in amount of EUR 5 832 thousand received from the subsidiaries in 2015 is presented in 'Income received' together with other income (2014: EUR 7 003 thousand).

The debts of Group companies are offset each month, and the remaining portion of the debt is paid no later than in 30 days. The Company's and the Group's and related parties debts are paid within 30 days.

### **Guarantees provided on behalf of related parties**

Guarantees provided on behalf of related parties are disclosed in Note 27.

### **Compensation of key management personnel**

The General Director and other Directors of the Company are considered to be the key management of the Group. There were 7 members of the key management as at 31 December 2015 (7 members of the key management as at 31 December 2014). 3 of them also belong to the Management Board, which consists of 6 members.

	<b>Group</b>		<b>Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Short-term employee benefits	1 321	1 378	1 286	1 344
Social security	416	434	405	423
Average number of key managers	7	7	7	7

On 29 April 2015 the Company's shareholders' meeting decided to pay out annual bonuses of EUR 210 thousand to the key management (EUR 217 thousand paid in 2014).

## **27. COMMITMENTS AND CONTINGENCIES**

### **Legal proceedings**

As of 31 December 2015 and 2014 the Company and the Group were not involved in any legal process, which in the opinion of management, would have a material impact on the financial statements.

### **Guarantees**

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 amounted 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 and 2014 the Company's had no guarantees to the credit institutions issued to secure the obligations of subsidiaries. As of 31 December 2015 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled EUR 856 thousand (31 December 2014: EUR 756 thousand).

### **Lease commitments**

The Company and the Group has entered into 72 and 163 rental agreements of stores respectively (2014: 71 and 155). The agreements' termination period differs from 1 to 6 months.

At 31 December the future aggregate minimum lease payments under operating leases in connection with the rent of premises where the Group and the Company is a lessee were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Lease payable within:</b>				
One year	21 786	20 567	7 793	7 543
From second to fifth year	55 254	59 729	19 964	22 951
Thereafter	16 503	16 388	6 696	8 222
<b>Total</b>	<b>93 543</b>	<b>96 684</b>	<b>34 453</b>	<b>38 716</b>

Minimum lease payments may be dependent on the turnover of goods in leased premises, or indexed at appropriate inflation rate.

### **Options granted**

#### Options for assets

The Group issued irrevocable call options to INDITEX Group granting the right to purchase assets (leasehold improvements and PPE located in the premises of shops and inventory) of subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, UAB Apranga HLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade, OU Apranga ST Retail and OU Apranga MDE operating brands of INDITEX Group (ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS and MASSIMO DUTTI). The options are exercisable in 2018 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

The Group issued irrevocable call options to company PROMOD SAS granting the right to purchase assets (PPE located in the premises of shops and inventory) of Company and subsidiaries SIA Apranga and OU Apranga

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operating the brand of PROMOD. The options are exercisable in 2021 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

The Group also issued irrevocable call options to ALDO Group granting the right to purchase assets (PPE located in the premises of shops and inventory) of Company and subsidiaries SIA Apranga and OU Apranga operating the brand of ALDO. The options are exercisable in 2017 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

Options for lease rights

Subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, UAB Apranga HLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade, OU Apranga ST Retail and OU Apranga MDE operating brands of INDITEX Group (ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS and MASSIMO DUTTI) granted irrevocable options exercisable in 2018 by virtue of which INDITEX Group might acquire the lease rights and might become lessee in all or part of the lease agreements for the premises where ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS and MASSIMO DUTTI stores are located.

Company and its subsidiaries SIA Apranga and OU Apranga operating brand PROMOD granted irrevocable options exercisable in 2021 by virtue of which PROMOD SAS might acquire the lease rights and might become lessee in the lease agreements for the premises where PROMOD stores are located.

Company and its subsidiaries SIA Apranga and OU Apranga operating brand ALDO granted irrevocable options exercisable in 2017 by virtue of which ALDO Group might acquire the lease rights and might become lessee in the lease agreements for the premises where ALDO stores are located.

At 31 December, the future aggregate minimum lease payments under operating leases in connection with the rent of premises where the Group and the Company issued options to purchase lease rights were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Lease payable within:</b>				
One year	10 876	9 947	746	653
From second to fifth year	26 416	26 155	1 731	1 868
Thereafter	6 553	5 083	172	523
<b>Total</b>	<b>43 845</b>	<b>41 185</b>	<b>2 649</b>	<b>3 044</b>

It is not anticipated that any material liabilities will arise from the contingent liabilities.

**28. EVENTS AFTER THEIR REPORTING PERIOD**

In February-March 2016, the Company established subsidiaries UAB Apranga Ecom LT (share capital - EUR 2 500), SIA APRANGA ECOM LV (share capital - EUR 2 800) and OU APRANGA ECOM EE (share capital - EUR 2 500), which will carry out e-commerce activities in Lithuania, Latvia and Estonia respectively. All shares of established subsidiaries have been fully paid in cash. The Company controls 100% of each of these subsidiaries' capital and voting rights.

\* \* \* \* \*

**APB APRANGA**

Consolidated Annual Report

for the year ended 31 December 2015

**APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius  
CONSOLIDATED ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

**1. GENERAL INFORMATION**

Consolidated annual report is prepared for the year ended 31 December 2015.

Name of the Issuer: trade company "Apranga"  
 Legal form: public limited liability company  
 Date and place of registration: 1993 03 01 Board of Vilnius City  
 Code of Enterprise: 121933274  
 Registered office: Kirtimu str. 51, Vilnius, LT-02244, Lithuania  
 Telephone number: +370 5 2390808  
 Fax number: +370 5 2390800  
 E-mail address: [info@apranga.lt](mailto:info@apranga.lt)  
 Internet address: [www.apranga.lt](http://www.apranga.lt)

At 31 December 2015 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its 100 per cent owned subsidiaries listed below. The principal activity of the Company and its subsidiaries is retail trade of apparel.

<b>Title</b>	<b>Legal form</b>	<b>Date and place of registration</b>	<b>Enterprise code</b>	<b>Registered office</b>	<b>Telephone, fax, e-mail, www</b>
UAB Apranga LT	Private limited liability company	27 04 2004 State enterprise Centre of Registers of the Republic of Lithuania	300021271	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
UAB Apranga BPB LT	Private limited liability company	29 11 2005 State enterprise Centre of Registers of the Republic of Lithuania	300509648	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
UAB Apranga PLT	Private limited liability company	21 03 2007 State enterprise Centre of Registers of the Republic of Lithuania	300551572	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
UAB Apranga SLT	Private limited liability company	14 01 2008 State enterprise Centre of Registers of the Republic of Lithuania	301519684	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
UAB Apranga MLT	Private limited liability company	13 05 2011 State enterprise Centre of Registers of the Republic of Lithuania	302627022	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
UAB Apranga HLT	Private limited liability company	14 05 2015 State enterprise Centre of Registers of the Republic of Lithuania	304042131	Kirtimu 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
SIA Apranga	Private limited liability company	20 11 2002 Enterprise Register of the Republic of Latvia	40003610082	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
SIA Apranga LV	Private limited liability company	30 03 2004 Enterprise Register of the Republic of Latvia	40003672631	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
SIA Apranga BPB LV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887840	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
SIA Apranga PLV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887747	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
SIA Apranga SLV	Private limited liability company	19 11 2008 Enterprise Register of the Republic of Latvia	50103201281	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
SIA Apranga MLV	Private limited liability company	30 11 2011 Enterprise Register of the Republic of Latvia	40103486301	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
OU Apranga	Private limited liability company	19 07 2006 Tallinn City Court Register department	11274427	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>

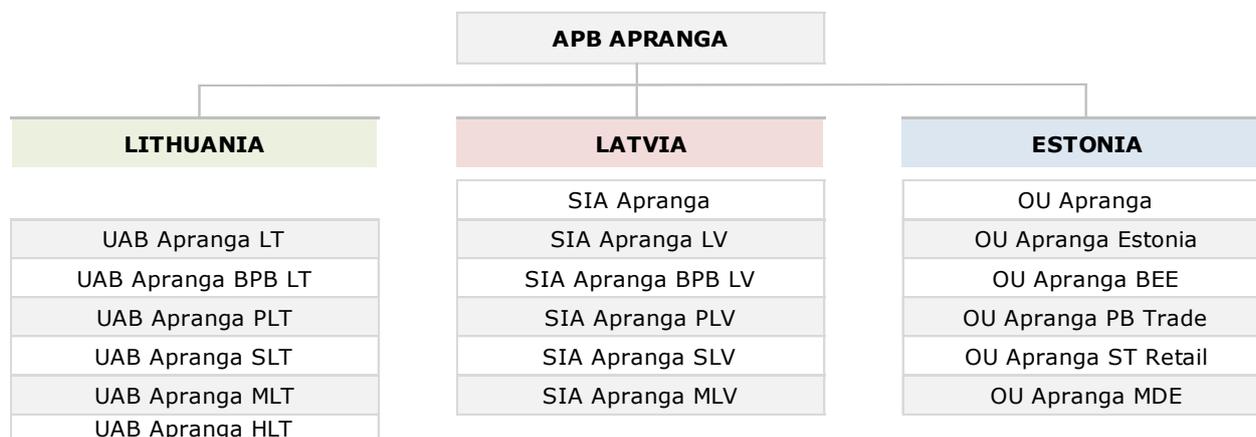
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Title	Legal form	Date and place of registration	Enterprise code	Registered office	Telephone, fax, e-mail, www
OU Apranga Estonia	Private limited liability company	12 04 2004 Tallinn City Court Register department	11026132	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
OU Apranga BEE	Private limited liability company	04 09 2007 Tallinn City Court Register department	11419148	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
OU Apranga PB Trade	Private limited liability company	21 08 2008 Tallinn City Court Register department	11530250	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
OU Apranga ST Retail	Private limited liability company	21 08 2008 Tallinn City Court Register department	11530037	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>
OU Apranga MDE	Private limited liability company	21 02 2014 Tallinn City Court Register department	12617929	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 <a href="mailto:info@apranga.lt">info@apranga.lt</a> <a href="http://www.apranga.lt">www.apranga.lt</a>

At the end of 2015, the Group consisted of 19 companies.

Structure of the Group at 31 December 2015:



For more information on subsidiaries refer to Note 14 to Consolidated financial statements.

## 2. OPERATING HIGHLIGHTS

In 2015, facing the increase in competition, Apranga Group focused on maintenance of record results achieved last year, further development and modernization of the retail chain, increase in sales, strengthening the competitiveness of the Group.

Apranga Group in 2015 managed to maintain sufficiently high turnover growth rates similar to those of last years. One of the largest chain development and renovation stage was completed.

### 2.1 RETAIL MARKET OVERVIEW

Despite the geopolitical uncertainty, the decreased customer flows from the CIS and unfavorable for the fashion business weather conditions, the turnover of the retail chain operated by Apranga Group reached EUR 198.9 million (incl. VAT) in 2015, and increased by 8.4% comparing to the year 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 a bit 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 rised by 2%), and during the last quarter of 2015 the retail trade has increased by 2.5%.

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Retail turnover of Group's stores by countries (EUR thousand, VAT included):

Chain	2015	2014	2013	2015/2014, %	2015/2013, %
Lithuania	120 801	110 924	106 179	8,9%	13,8%
Latvia	48 513	47 317	42 046	2,5%	15,4%
Estonia	29 609	25 248	20 890	17,3%	41,7%
<b>Total:</b>	<b>198 923</b>	<b>183 490</b>	<b>169 116</b>	<b>8,4%</b>	<b>17,6%</b>

In 2015, the turnover of the retail chain operated by Apranga Group amounted to EUR 120.8 million in the main domestic market of Lithuania, or by 8.9% more than in 2014. The share of Lithuanian chain turnover comprised 60.7%, or by 0.2 point more than in 2014.

The retail turnover of the Apranga Group chain in foreign markets (Latvia and Estonia) reached EUR 78.1 million in 2015, or by 7.7% more, than in 2014. The foreign turnover share in total Group's turnover has slightly decreased from 39.5% to 39.3% during the year.

The retail turnover of the Apranga Group chain in Latvia has made EUR 48.5 million in 2015 and has increased by 2.5% during the year.

The retail turnover of the Apranga Group chain in Estonia amounted to EUR 29.6 million and has increased by 17.3% in comparison to 2014.

The highest growth rates in 2015 were recorded in Estonia (+17.7%). High rate of growth in Estonia was mostly influenced by the relatively high number of stores opened (opened 4 new stores) in the year 2015.

The retail turnover of Apranga Group in 2014-2015, by quarters:

	Q1	Q2	Q3	Q4	Year
2015	42 104	45 862	53 956	57 001	198 923
2014	38 492	42 245	51 319	51 433	183 490
<b>Total change, %</b>	<b>9,4%</b>	<b>8,6%</b>	<b>5,1%</b>	<b>10,8%</b>	<b>8,4%</b>

Since 1st 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).

Retail turnover of Group's stores by chains (EUR thousand, VAT included) was as follows:

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.

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In 2015, Footwear chain's turnover increased mostly – by 47.4%. This was largely due to 8 new stores opened during last 2 years. The high (18.2%) turnover growth rate was achieved by Zara chain. Outlets turnover growth (32.9%) result - the consequence of the optimization of too high level of the stock. 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.

## 2.2 DEVELOPMENT AND MODERNIZATION OF THE RETAIL CHAIN

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 year 2015 the Group opened 16, reconstructed 9 and closed 8 stores (including 6 Mexx stores due to international bankruptcy). The total sales area operated by the Group during the year 2015 increased by 7.3%.

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>31 12 2013</b>	<b>2015/2014, %</b>
Lithuania	47,4	44,0	43,2	7,8%
Latvia	20,5	20,4	19,7	0,4%
Estonia	10,7	8,9	6,9	20,5%
<b>Total:</b>	<b>78,6</b>	<b>73,2</b>	<b>69,7</b>	<b>7,3%</b>

In 2015, the Group opened 16 new stores, including the largest in the Baltic countries Zara store, four ALDO, two Weekend MaxMara, two s.Oliver, the first in the Baltic countries Zara Home store, one of each Massimo Dutti, Apranga, City, Tommy Hilfiger, Tom Tailor and Outlet A stores.

In order to maintain a high level of technology and the competitiveness of the chain, the Group has continued the program of retail chains' modernization. During the year 2015, totally 9 stores were reconstructed, including Zara (SC Viru), Apranga, City, Aprangos galerija and s.Oliver stores in Kaunas Akropolis shopping center, 2 outlets (Kaunas and Klaipeda), Tom Tailor and Stradivarius stores.

In 2015, most new and reconstructed stores opened in Kaunas (9 stores), Tallinn (5 stores), Vilnius (4 stores). It has been opened or renovated stores with an area of 12.5 thousand sq.m., and it is the second largest result in the history of the Group.

The number of stores by countries was as follows:

<b>Country</b>	<b>31 12 2015</b>	<b>31 12 2014</b>	<b>31 12 2013</b>	<b>2015/2014, %</b>
Lithuania	100	97	92	3,1%
Latvia	45	44	41	2,3%
Estonia	24	20	15	20,0%
<b>Total:</b>	<b>169</b>	<b>161</b>	<b>148</b>	<b>5,0%</b>

At 31 December 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>

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Net investments into development of the chain amounted to EUR 6.15 million in 2015. Investments (acquisitions) by assets type are presented in Note 12 ("Property, plant and equipment") and Note 13 ("Intangible assets") of Notes to consolidated and Company's financial statements. Investments (acquisitions) by segments are disclosed in Note 4 ("Segment information"). The Group is not engaged in activities related to research and experimental development, except to the extent of process improvement.

## 2.3 MAIN INDICATORS

Very unfavorable weather (especially in January, August, November and December), decrease in customer flows from the CIS countries, the US dollar exchange rate growth negatively affected 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 5.8% more than last year, but it was not enough to offset rising costs.

The Group has earned EUR 12.4 million of *profit before income tax* in 2015, while profit before taxes was EUR 13.3 million during 2014, the decrease of 6.2%.

*EBITDA* of the Group totalled EUR 18.4 million during 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. ROE and ROA ratios reached 21.2% and 15.2% correspondently.

<b>Main Group Indicators</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net sales, EUR thousand	158 748	146 280	135 158	122 637	98 697
Net sales in foreign markets, EUR thousand	62 205	57 618	50 774	45 072	36 376
Like-to-like sales, %	1,6%	1,7%	1,7%	17,0%	10,7%
Gross profit, EUR thousand	72 487	68 487	63 418	57 484	46 328
Gross margin, %	45,7%	46,8%	46,9%	46,9%	46,9%
Operating profit, EUR thousand	12 522	13 341	13 170	12 767	8 679
Operating profit margin, %	7,9%	9,1%	9,7%	10,4%	8,8%
EBT, EUR thousand	12 433	13 261	13 133	12 749	8 616
EBT margin, %	7,8%	9,1%	9,7%	10,4%	8,7%
Profit (loss) for the period, EUR thousand	10 399	11 219	11 043	10 686	7 187
Profit (loss) for the period margin, %	6,6%	7,7%	8,2%	8,7%	7,3%
EBITDA, EUR thousand	18 391	18 906	18 563	17 786	13 789
EBITDA margin, %	11,6%	12,9%	13,7%	14,5%	14,0%
Earnings (losses) per share (EPS), EUR	0,19	0,20	0,20	0,19	0,13
Price-to-Earnings ratio (P/E), times	13,7	12,9	13,0	11,0	11,2
Dividend / Profit for the period*, %	63,8%	64,1%	72,5%	82,4%	82,4%
Return on equity (end of the period), %	21,2%	24,5%	25,9%	26,4%	20,2%
Return on assets (end of the period), %	15,2%	16,5%	18,7%	18,9%	15,4%
Net debt to equity**, %	3,2%	11,1%	-2,2%	-6,3%	-5,6%
Current ratio, times	2,8	1,9	2,3	2,2	2,6

\* The year 2015 dividends not aproved

\*\* (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totalled EUR 60.0 million during 2015 and increased by 8.7%, comparing to the same period 2014, or in proportion to sales, which grew by 8.5%.

<b>Main Group Indicators</b>	<b>2015</b>	<b>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	72 487	68 487	5,8%
Operating expenses	(59 965)	(55 146)	8,7%
Operating profit, EUR thousand	12 522	13 341	-6,1%
EBT, EUR thousand	12 433	13 261	-6,2%
Net profit (losses), EUR thousand	10 399	11 219	-7,3%
EBITDA, EUR thousand	18 391	18 906	-2,7%

The *finance costs* of the Group were EUR 0.1 million in 12 months 2015 (about 0.1% of the total costs of the Group). Total *finance debts* of the Group amounted for EUR 3.5 million at 31 December 2015 (EUR 7.3 million at 31 December 2014).

The Group's level of inventories during the year grew by 6.6% and amounted to EUR 33.2 million at 31 December 2015. Company's inventories grew by 6.7%. The growth of inventories was in proportions to the rise in turnover.

For additional information on the operations by countries of the Group refer to Note 4 to the Consolidated financial statements.

## 2.4 PERSONNEL

Average number of employees and average salary by categories in 2015 were as follows:

Employee category	Number of employees		Average monthly salary, EUR	
	Group	Company	Group	Company
Administration	155	103	1 901	2 364
Stores' personnel	1 701	595	629	597
Logistics	55	55	697	697
<b>Total</b>	<b>1 911</b>	<b>753</b>	<b>742</b>	<b>822</b>

The average monthly salary in the Group has increased by 1.9% during the year.

During the 2015 the number of employees in the Group and the Company has increased by 35 (+1.9%) and decreased by 17 (-2.2%) people respectively.

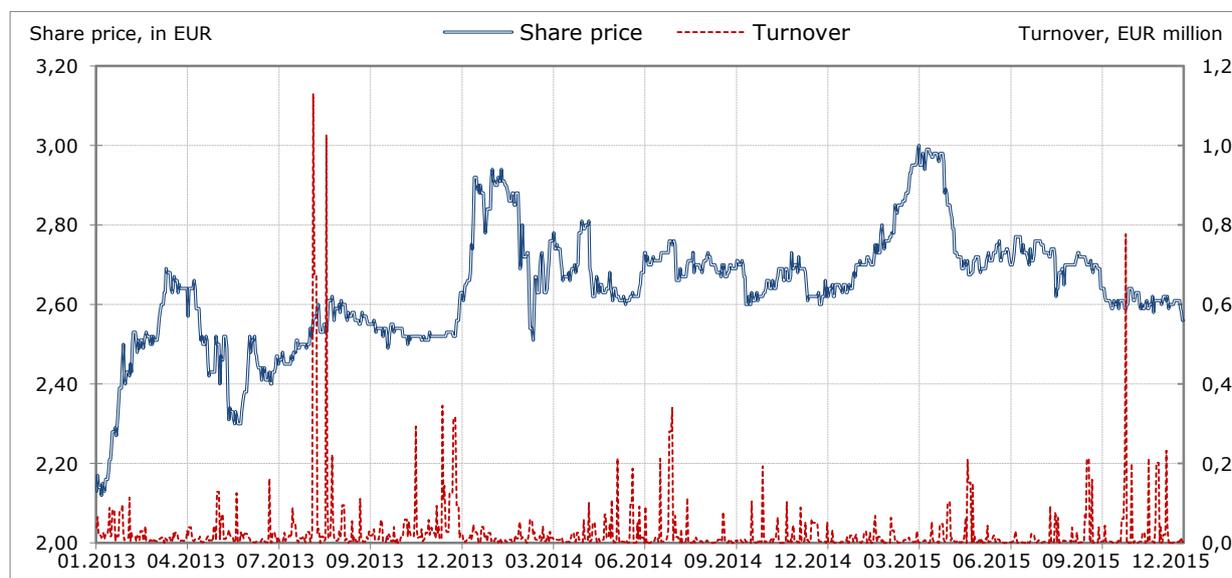
Average number of employees by education level in 2015 was as follows:

Education level	Group	Company
High	507	265
Professional	242	116
Secondary	204	67
Basic	16	2
Student	942	303
<b>Total:</b>	<b>1 911</b>	<b>753</b>

## 2.5 TRADING INFORMATION

The price of the Company share during the year 2015 decreased by 1.5% from EUR 2.62 per share (the maximum share price during the year was EUR 3.00 per share) to EUR 2.58 per share (the minimum share price during the year was EUR 2.56 per share). In this way, 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 share during the year 2015 was EUR 2.67 per 1 share. Company's share turnover was EUR 14 million during the year.

Company share price and share turnover during the period 2013-2015:



Company and OMX Baltic Benchmark GI index change for the period 2011-2015:



### 3. OPERATING PLANS

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.

### 4. BUSINESS PHILOSOPHY

- We work and strive to work only with the fastest-growing, commercially the most successful global brands and chains operating in different markets and acceptable to our market;
- We never make compromises in the selection of the best locations for stores ("Location – more important than money", "We have to be where we can not not to be");
- We aim to install stores according to the highest European design and technology requirements;
- We strive to use in best the power of the obvious market leader, as well as rapid development opportunities in competitive environment.

### 5. RISKS

In its activities the Group is exposed to various risks (regulatory, operational, investment, market, competition, economic cycle, macroeconomic factors, etc.), but only some of which may significantly affect the Group's results.

The Group's activities are significantly influenced by overall *economic* situation (and especially by the economic cycles) in countries where the Group operates. The economies of Baltic countries are practically recovered from the economic crisis, but there is still uncertainty in the global economy development trends and the possibility of future regional or global crisis. It is difficult to reliably assess the impact on the financial position of any further global macro-economic developments. However, management believes that even the minimum economic growth of the Baltic countries forms the basis for the Group's normal activity and steady growth.

*The competition-related risk.* In its activities the Group is exposed to increasingly intense competition in the clothing market. The Group, in order to manage this risk and to meet the customer service quality standard requirements, continuously carries out chain expansion and modernization, improves its sales and marketing

strategies, carries out market research, improves customer service and implements a consistent business process optimization and cost reduction program. In its activities, the Group consistently follows the principles of transparency and fair competition.

*Weather conditions* influences the Group's activity and results to some extent as well. The Group's operating results are planned assuming that the weather conditions will be normal, i.e., usual for the Baltic region. Unfavorable weather conditions may negatively affect the Group's turnover, at the same time, financial performance and inventories level.

#### **The main features of the Group's internal control and risk management systems related to preparation of consolidated financial statements.**

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. Chief financial officer (CFO) of the Company and the Audit Committee supervises preparation of the consolidated financial statements, systems of internal control and financial risk management and how the Company follows legal acts that regulate preparation of consolidated financial statements. CFO of the Company is responsible for the preparation supervision and the final revision of the consolidated financial statements. He constantly reviews International Financial Reporting Standards (IFRS) in order to implement in time IFRS changes, analyses Company's and group's significant transactions, ensures collecting information from the Group's companies and timely and fair preparation of this information for the financial statements. In order to ensure that the consolidated financial statements are prepared correctly and on time, the Group has established appropriate rules and the procedures which regulates the principles, methods, and rules of accounting and preparation and presentation of consolidated financial statements. More information on the principles of preparation of the consolidated financial statements is presented in Note 2.4 to the Consolidated financial statements and in part 7 to the Consolidated annual report.

The types of *financial risks* that Group faces and risk management are described in Note 3 to the Consolidated financial statements.

## **6. ENVIRONMENTAL PROTECTION**

Group uses the latest technology and the latest technology processes that meet environmental standards and help reduce the negative impact on the environment (for example, the Group uses the paper packaging materials instead of plastic in most of its stores). In 2015, the Group reduced the usage of heat energy by 12 percent. Consumption of electricity increased by 6%, when the store area increased by 7%. Water consumption reduced by 18%.

## **7. CONSOLIDATION**

In order to ensure the fairness of preparation consolidated financial statements and to reduce associated risks, the unified centralised accounting and business information management system has been implemented in all Group companies. All Group companies use the standard chart of accounts and apply unified accounting principles.

More information on the principles of preparation of the consolidated financial statements is presented in Note 2.4 to the Consolidated financial statements.

## **8. SECURITIES**

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. For more information on the share capital of the Company refer to Note 22 to Consolidated financial statements.

Neither Company, nor its subsidiaries directly or indirectly acquired own shares. By the knowledge of the Company's management, there are no restrictions imposed on transfer of Company's shares. All Company's shares give equal rights to shareholders and there are no shareholders with special control rights.

By the knowledge of the Company's management, there are no restrictions imposed on voting rights.

By the knowledge of the Company's management, there are no agreements among shareholders which may limit transfer of shares, or their voting rights.

Each owner of the ordinary registered share has the following property rights:

- 1) To receive part of the company's profit (dividend);
- 2) To receive a part of the assets of the company in liquidation;

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- 3) To receive shares without payment if the share capital is increased out of the company's funds, except the cases specified in the Law on Companies.
- 4) To have the pre-emption right to acquire the shares or convertible debenture issued by the company, except in cases when General Shareholder's Meeting pursuant to Law on Companies decides to withdraw the pre-emption right in acquiring the company's issued shares for all shareholders;
- 5) As provided by laws to lend to the company, however the company borrowing from its shareholders has no right to mortgage or pledge its assets to shareholders. When the company borrows from a shareholder, the interest may not be higher than the average interest rate offered by commercial banks of the locality where the lender has his/her place of residence or business, which was in effect on the day of conclusion of the loan agreement. In such a case the company and shareholders are prohibited from negotiating a higher interest rate;
- 6) To receive Company's funds in event the share capital is decreased on purpose to pay Company's funds to shareholders;
- 7) Shareholders have other property rights provided by laws of the Republic of Lithuania.

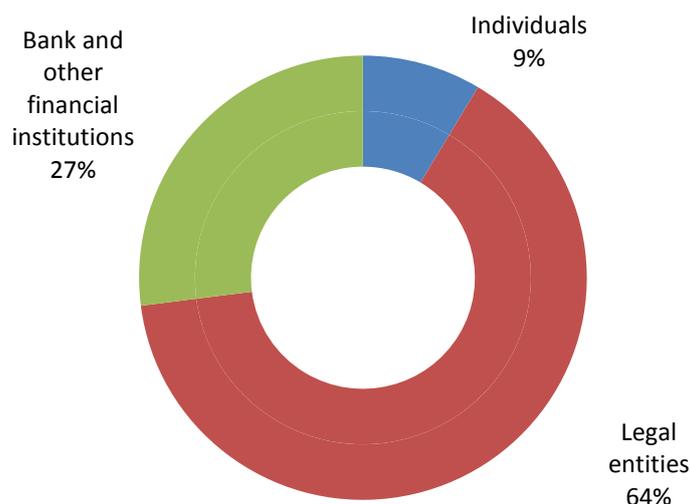
Each owner of the ordinary registered share has the following non-property rights:

- 1) To attend and vote in General Shareholder's Meetings. One ordinary registered share grants to its owner one vote at the General Shareholders' Meeting. The right to vote at the General Shareholder's Meeting may be withdrawn or restricted in cases established by laws of the Republic of Lithuania, also in cases when share ownership is contested;
- 2) To receive information on the company as provided by Law on Companies;
- 3) To file a claim to the court requesting compensation of damage to company resulting from non-performance or improper performance of the duties of the Manager of the Company or members of the Board of the company which duties have been prescribed by law and these Articles of Association of the company as well as in other cases as may be prescribed by law;
- 4) Other non-property rights prescribed by law.

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 as follows:

<b>Shareholder</b>	<b>Enterprise code</b>	<b>Address</b>	<b>Number of shares</b>	<b>% of total ownership</b>
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%

Distribution of holdings according to holder groups at 31 December 2015:

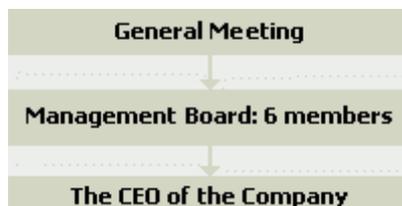


There are no material agreements where the Company is a counterparty and which may come into force, or may change, or may end with the change of control over the Company. Information about related party transactions is provided in the Note 26 to the Consolidated financial statements.

At 23 January 2012 the Company concluded an open-ended agreement with Swedbank AB (entity code: 112029651, address: Konstitucijos 20A, 03502 Vilnius) on supervision of securities accounts.

## 9. CORPORATE GOVERNANCE

The management bodies of the Company specified in the Articles of Association are as follows: General Shareholders' Meeting, a collegial management body – Board, and a single-person management body – Manager of the Company.



Competence of *General Shareholders' Meeting* is the same as specified by the Law on Companies. The General Meeting shall have the exclusive right to:

- 1) Amend the Articles of Association of the Company;
- 2) Elect the members of the Board;
- 3) Remove the Board or its members;
- 4) Select and remove the firm of auditors, set the conditions for auditor remuneration;
- 5) To determine the class, number, nominal value and the minimum issue price of the shares issued by the Company;
- 6) Take a decision regarding conversion of shares of one class into shares of another class, approve share conversion procedure;
- 7) Approve the annual accounts;
- 8) Take a decision on profit/loss appropriation;
- 9) Take a decision on the formation, use, reduction and liquidation of reserves;
- 10) Take a decision to issue convertible debentures;
- 11) Take a decision to withdraw for all the shareholders the right of pre-emption in acquiring the shares or convertible debentures of a specific issue of the Company;
- 12) Take a decision to increase the authorised capital;
- 13) Take a decision to reduce the authorised capital;
- 14) Take a decision for the Company to purchase own shares;
- 15) Take a decision on the reorganisation or division of the Company and approve the terms of reorganisation or division;
- 16) Take a decision to transform the Company;
- 17) Take a decision to restructure the Company;
- 18) Take a decision to liquidate the Company, cancel the liquidation of the Company, except where otherwise provided by the Law on Companies;
- 19) Elect and remove the liquidator of the Company, except where otherwise provided by the Law on Companies.

General Shareholders' Meeting has a right to amend the Articles of Association under the qualified majority of votes, which may not be less than 2/3 of all votes the shareholders attending at the Meeting, except for the exceptions specified by Law on Companies.

*The Board*, consisting of six members, is elected by General Shareholders' Meeting for a 4 year term. Company's Board members election and revocation procedure is the same as specified by Law on Companies. Company's Board activity is conducted by chairman of the Board. The Board elects its chairman from among its members. The Board continues in office for the period established in the Articles of Association or until a new Board is elected and assumes the office but not longer than until the annual General Shareholders' Meeting during the final year of its term of office.

Board of Company considers and approves:

- 1) The activity strategy of the Company;
- 2) The annual report of the Company;
- 3) The management structure of the Company and the positions of the employees;
- 4) The positions to which employees are recruited by competition;
- 5) Regulations of branches and representative offices of the Company.

The Board adopts the following resolutions:

- 1) Resolutions for the Company to become an incorporator or a member of other legal entities;
- 2) Resolutions to establish branches and representative offices of the Company;
- 3) Resolutions to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction);
- 4) Resolutions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated for the total amount of transactions);
- 5) Resolutions to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the share capital of the Company;

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- 6) Resolutions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the share capital of the Company;
- 7) Resolutions to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
- 8) Resolutions regarding issuance of debenture of the Company (except issuance of convertible debenture);
- 9) Other resolutions within the competence of the Board as prescribed by the Articles of Association or the resolutions of the General Shareholders' Meeting.

The Board analyses and assesses the documents submitted by the Manager of the Company on:

- 1) The implementation of the activity strategy of the Company;
- 2) The organisation of the activities of the Company;
- 3) Financial standing of the Company;
- 4) The results of economic activities, income and cost estimates, the stocktaking data and other accounting data of changes in the assets.

The Board elects and removes from office the Manager of the Company, fixes his/her remuneration and sets other terms of the employment agreement, approves his/her job description, provides incentives and imposes penalties. The Board analyses and assesses the Company's draft annual financial statement and draft of profit/loss distribution and submits them to the General Shareholders' Meeting together with the annual report of the Company. The Board is responsible for convening and arrangement of the General Shareholders' Meeting in due time.

Each member of the Board is entitled to initiate convening of the Board meeting. The Board may adopt resolutions and its meeting shall be deemed to have taken place when the meeting is attended by more than 2/3 of the members of the Board. The resolution of the Board is adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Board shall have the casting vote. The member of the Board is not entitled to vote when the meeting of the Board discusses the issue related to his/her activities on the Board or the issue of his/her responsibility.

*The Manager of the Company* – General Director - is a single-person management body of the Company. The Manager of the Company acts at his/her own discretion in relation of the Company with other persons.

The Manager of the Company is elected and removed from office by the Board which also fixes his/her salary, approves his/her job description, provides incentives and imposes penalties. The employment agreement is concluded with the Manager of the Company and is signed on behalf of the Company by the Chairman of the Board or other person authorized by the Board.

In his/her activities the Manager of the Company complies with laws and other legal acts, Articles of Association, General Shareholders' Meeting resolutions, Board resolutions, his/her job descriptions.

The Manager of the Company acts on behalf of the Company and is entitled to enter into the transactions at his/her own discretion. The Manager of the Company may conclude the following transactions provided that there is a decision of the Board to enter into these transactions: to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction); to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated for the total amount of transactions); to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the share capital of the Company; to acquire the tangible long-term assets the price whereof exceeds 1/20 of the share capital of the Company.

The Manager of the Company is responsible for:

- 1) The organization of the Company's activity and implementation of its objectives;
- 2) The drawing up of the annual financial statements and the drafting of the annual report of the Company;
- 3) Concluding an agreement with the firm of auditors;
- 4) Submission of information and documents to the General Shareholders' Meeting and the Board in cases prescribed by Law on Companies or at their request;
- 5) Submission of the documents and data of the Company to manager of the Register of Legal Entities;
- 6) Submission of documents to the Securities Commission and Lithuanian Central Securities Depository;
- 7) Public announcement of information prescribed by Law on Companies in a daily newspaper indicated in Articles of Association;
- 8) Submission of information to shareholders;
- 9) The performance of other duties prescribed by laws as well as in the Articles of Association and the job descriptions of the Manager of the Company.

The Manager of the Company organises daily activities of the Company, hires and dismisses employees, concludes and terminates employment contracts with them, provides incentives and imposes penalties.

The Manager of the Company is responsible for preparation of the draft share subscription agreement and its data correctness. The Manager of the Company issues authorizations and procurations within the scope of its competence.

The Manager of the Company is accountable and regularly reports to the Board on the implementation of Company's activity strategy, the organization of the Company's activity, the financial standing of the Company, the results of economic activity, the income and cost estimates, the stocktaking data and other accounting data of changes in the assets.

## **10. MANAGEMENT OF THE COMPANY**

On 29 April 2014 the Annual General Meeting of Company shareholders elected Company's members of the Board for new 4-year term. 28th April 2018 is the end term of all Company's members of the Board.

### **BOARD OF THE COMPANY**



**Darius Mockus**  
Chairman of the Board

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Darius Mockus (born in 1965) - Chairman of the Board since 2 May 2002 (Member of the Board since 23 March 1995). Education: Vilnius University, Faculty of Economics, Industrial Planning. He has no Company shares. With related companies Minvista UAB (Code of Enterprise: 110685692; Registered office: Jasinskio 16, Vilnius), MG Baltic Investment UAB (Code of Enterprise: 123249022; Registered office: Jasinskio 16B, Vilnius) and family members he has 36 615 159 shares, representing 66.22% of the share capital and votes.

Information on positions in other companies:

President and Chairman of the Board of concern MG Baltic UAB;  
Chairman of the Board of holding MG Baltic Investment UAB;  
General Director and Chairman of the Board of holding MG Baltic Trade UAB;  
Chairman of the Board of Mitnija UAB;  
Chairman of the Board of Stumbras AB;  
Member of the Board of MG Valda AB  
Chairman of the Board of Mineraliniai vandenys UAB;  
Member of the Board of Mediafon UAB;  
Chairman of the Board of Minvista UAB.

Information on shareholdings in other companies above 5%:

Concern MG Baltic UAB - 100% of the share capital;  
Minvista UAB - 99.99% of the share capital.

Information about participation in other organizations:

President of Honour of the Lithuanian Tennis Union.

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**Rimantas Perveneckas**  
Member of the Board, General Director

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Rimantas Perveneckas (born in 1960) - APB Apranga group General Director, Member of the Board of APB Apranga since 23 February 1993, in the Company since 1983. Education: Vilnius University, Faculty of Trade, specialization in Trade Economics. He has 800 770 shares of the Company, representing 1.45% of the share capital and votes. Has no positions in other companies. Has no shareholdings in other companies above 5%.

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**Ilona Šimkūnienė**  
Member of the Board, Purchasing Director

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Ilona Šimkūnienė (born in 1963) - Apranga group Purchasing Director, Member of the Board of APB Apranga since 27 March 1998, in the Company since 1985. Education: Vilnius University, Faculty of Trade, specialization in Trade Economics. She has no Company shares.

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Information on positions in other companies:

Chairman of the Board of Apranga LT UAB;  
Chairman of the Board of Apranga BPB LT UAB;  
Chairman of the Board of Apranga PLT UAB;  
Chairman of the Board of Apranga SLT UAB;  
Chairman of the Board of Apranga MLT UAB;  
Chairman of the Board of Apranga HLT UAB;  
Chairman of the Board of Apranga LV SIA;  
Chairman of the Board of Apranga BPB LV SIA;  
Chairman of the Board of Apranga PLV SIA;  
Chairman of the Board of Apranga SLV;  
Chairman of the Board of Apranga MLV;  
Chairman of the Board of Apranga Estonia OU;  
Chairman of the Board of Apranga BEE OU;  
Chairman of the Board of Apranga PB Trade OU;  
Chairman of the Board of Apranga ST Retail OU;  
Chairman of the Board of Apranga MDE OU.

Has no shareholdings in other companies above 5%.

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**Vidas Lazickas**  
Member of the Board

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Vidas Lazickas (born in 1965) - Member of the Board of APB Apranga since 29 April 2011. Education: Vilnius University, Faculty of Economics, specialization in Production Management and Organization. He has 80 000 shares of the Company, representing 0.15% of the share capital and votes.

Information on positions in other companies:

Director of Economy and Finances, and Member of Board of concern MG Baltic UAB;  
General Director and Member of the Board of holding MG Baltic Investment;  
Director and Member of the Board of Minvista UAB;  
Member of the Board of MV Eesti OU;  
Member of the Board of MV Latvia SIA;  
Member of the Board of MV Poland S.P.z.o.o.;  
Member of the Board of MG BALTIC MEDIA UAB;  
Member of the Board of LNK UAB;  
Chairman of the Board of Mitnija UAB;  
Member of the Board of MG Valda UAB;  
Member of the Board of MG Baltic Trade UAB;  
Chairman of the Board of Biofuture AB;  
Chairman of the Board of Alita AB;  
Chairman of the Board of Anykščių vynas AB.

Has no shareholdings in other companies above 5%.

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**Marijus Strončikas**  
Member of the Board

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Marijus Strončikas (born in 1974) - Member of the Board of APB Apranga since 30 April 2010. Education: Kaunas Technical University, Faculty of Informatics, master of IT Science. He has 4 450 shares of the Company, representing 0.01% of the share capital and votes.

Information on positions in other companies:

IT and Purchasing Director of concern MG Baltic UAB;  
Member of the Board of Stumbras AB;  
Member of the Board of Mineraliniai vandenys UAB.

Has no shareholdings in other companies above 5%.

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**Ramūnas Gaidamavičius**

Member of the Board, Development Director

Ramūnas Gaidamavičius (born in 1968) - APB Apranga group Development Director, Member of the Board of APB Apranga since 30 April 2010, in the Company since 2002. Education: Vilnius University of Technology, Faculty of Mechanics, specialization in Machine Building. He has 5 000 shares of the Company, representing 0.01% of the share capital and votes.

Information on positions in other companies:

Chairman of the Board of Apranga SIA;  
Chairman of the Board of Apranga OU;  
Member of the Board of Apranga LT UAB;  
Member of the Board of Apranga LV SIA.  
Member of the Board of Apranga BPB LV SIA;  
Member of the Board of Apranga PLV SIA;  
Member of the Board of Apranga SLV SIA;  
Member of the Board of Apranga MLV SIA;  
Member of the Board of Apranga Estonia OU;  
Member of the Board of Apranga BEE OU;  
Member of the Board of Apranga PB Trade OU;  
Member of the Board of Apranga ST Retail OU;  
Member of the Board of Apranga MDE OU.

Has no shareholdings in other companies above 5%.

## MANAGEMENT OF THE COMPANY AND THE GROUP

The key management members of the Company and the Group as of 31 December 2015:

Name, Surname	Position	Number of shares owned*	Part in the share capital	Start at company
Rimantas Perveneckas	General Director	800 770	1,45%	1983
Ilona Šimkūnienė	Purchasing Director	-	-	1985
Ramūnas Gaidamavičius	Development Director	5 000	0,01%	2002
Saulius Bačauskas	Chief Financial Officer	16 000	0,03%	2003
Aušra Tartilienė	Inditex chain Director	31 665	0,06%	1989
Irma Marcinkienė	Sales and Marketing Director	1 863	0,003%	2000
Audronė Martinkutė	Personnel Director	360	0,001%	2002

\* with related parties

Information about CFO of the Company and the Group:



**Saulius Bačauskas**

Chief Financial Officer

Saulius Bačauskas (born in 1974) - Apranga Group Finance and Economics Director, in the Company since 2003. Education: Vytauto Didžiojo University, Business management faculty, MA of finance and banking. He has 16 000 shares of the Company, representing 0.03% of the share capital and votes.

Information on positions in other companies:

Member of the board of Apranga LT UAB;  
Member of the board of Apranga BPB LT UAB;  
Member of the board of Apranga PLT UAB;  
Member of the board of Apranga SLT UAB;  
Member of the board of Apranga MLT UAB;

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Member of the board of Apranga HLT UAB;  
 Member of the board of Apranga OU.

Has no shareholdings in other companies above 5%.

Information about members of the management bodies on 31 December 2015 was as follows:

<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>	<b>Amounts received from the Company in 2015, EUR</b>
Darius Juozas Mockus	Chairman of the Board	- -	29 04 2014	28 04 2018	Receives no remuneration
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	80 000 0.15%	29 04 2014	28 04 2018	Receives no remuneration
Marijus Strončikas	Member of the Board	4 450 0.01%	29 04 2014	28 04 2018	Receives no remuneration
Saulius Bačasuskas	Chief Financial Officer	16 000 0.03%	-	-	-
<b>Dividends and bonuses to members of the board and management, in total (6)</b>					<b>315 329</b>
<b>Dividends and bonuses to members of the board and management, on average (6)</b>					<b>52 555</b>
<b>Remuneration to members of the board and management, in total (4)</b>					<b>887 026</b>
<b>Remuneration to members of the board and management, on average (4)</b>					<b>221 757</b>

There are no agreements between the Company, members of its management bodies, or its employees regarding special compensations in case of their resignation, or dismiss without legitimate reason, or the end of their duties connected with the change of the Control over the Company.

## 11. AUDIT COMMITTEE

The Audit Committee exceptionally (The Security commission of the Republic of Lithuania, No. 1K-18, 21 August 2008, article 4) consists of 2 members, 1 of them is independent. The Audit Committee is elected for a 4-year term. The term of office of the Audit Committee coincides with the term of office of the Management Board. Members of the Audit Committee are elected and recalled by the Board of the Company, except the independent member of the Committee. The independent member of the Audit Committee is elected by the General Shareholders Meeting at the proposal of the Management Board.

The main functions of the Audit Committee are:

- To observe the process of preparation of financial reports;
- To observe the efficiency of systems of internal control, risk management and internal audit, if such functions exist in the Company;
- To observe the process of carrying out an external audit;
- To observe how the external auditor and audit company follow the principles of independence and objectivity;
- To provide the Management Board of the Company in written with recommendations related to selection of an external audit company;
- To inform The Manager of the Company about the information provided by the audit company and audit-related issues under consideration, particularly when significant internal controls weaknesses relating to the Financial Reports are set.

The General Shareholders Meeting hold on 29 April 2014 approved the members of the Audit Committee for the new 4-year term: Rasa Rulevičiūtė (Company management personnel, the deputy of chief financial officer) and Daiva Paulavičienė (the independent member the Committee).

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## 12. COMPLIANCE WITH THE GOVERNANCE CODE

Company essentially follows a recommendatory Corporate Governance Code for the Companies Listed on the Nasdaq Vilnius stock exchange adopted and valid as on 31 December 2015. According to the By-Laws of the Company the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. The Law of the Republic of Lithuania on Companies provides that Lithuanian companies at their discretion could have only one collegial governing body. There is no Supervisory Council in the Company. The Board consists of six members who are elected for the term of four years, represents the shareholders, and performs supervision and control functions.

For the full text of Compliance Report with the Governance Code for the companies listed on the Nasdaq Vilnius stock exchange refer to Annex 1.

## 13. PUBLICLY ANNOUNCED INFORMATION

The Company in 2015 publicly announced and broadcasted through Nasdaq Vilnius Globe Newswire and own webpage the following information:

<b>Title</b>	<b>Category of announcement</b>	<b>Lang- uage</b>	<b>Date</b>
Turnover of Apranga Group in December 2014 and total year 2014	Investor News	Lt, En	2015-01-05
Turnover of Apranga Group in January 2015	Investor News	Lt, En	2015-02-02
Apranga Group interim information for the twelve months of 2014	Interim information	Lt, En	2015-02-26
Turnover of Apranga Group in February 2015	Investor News	Lt, En	2015-03-02
CORRECTION: Turnover of Apranga Group in February 2015	Investor News	Lt, En	2015-03-02
CORRECTION: Apranga Group investor's calendar for the year 2015	Investor News	Lt, En	2015-03-25
Notice of the Annual General Meeting of APB "APRANGA" shareholders	Notification on material event	Lt, En	2015-03-27
Turnover of Apranga Group in March 2015 and 1st quarter 2015	Investor News	Lt, En	2015-04-01
Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 29th, 2015	Notification on material event	Lt, En	2015-04-03
Resolutions of the Annual General Meeting of Apranga APB shareholders	Notification on material event	Lt, En	2015-04-29
Apranga APB annual information 2014	Annual information	Lt, En	2015-04-29
Apranga Group interim report for three months of 2015	Interim information	Lt, En	2015-04-30
Turnover of Apranga Group in April 2015	Investor News	Lt, En	2015-05-04
Establishment of subsidiary of Apranga APB in Lithuania	Notification on material event	Lt, En	2015-05-14
CORRECTION: Apranga Group interim report for three months of 2015	Interim information	Lt, En	2015-05-20
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-05-27
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-05-29
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-05-29
Notification on APB Apranga manager's transaction	Notifications on transactions concluded by managers of the companies	Lt, En	2015-05-29
Turnover of Apranga Group in May 2015	Investor News	Lt, En	2015-06-01
Notification on Apranga APB manager's related party transaction	Notifications on transactions concluded by managers of the companies	Lt, En	2015-06-03
Apranga Group presentation to investors	Other information	Lt, En	2015-06-04
Notification on Apranga APB manager's related party transaction	Notifications on transactions concluded by managers of the companies	Lt, En	2015-06-05
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-06-15
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-06-15
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-06-22
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-06-25
Turnover of Apranga Group in June 2015	Investor News	Lt, En	2015-07-01
Apranga Group interim information for the six months of 2015	Interim information	Lt, En	2015-07-31
Turnover of Apranga Group in July 2015	Investor News	Lt, En	2015-08-03
Apranga Group opens the first Zara Home store in the Baltic States	Press release	Lt, En	2015-08-20
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-08-21
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-08-27
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-08-28
Turnover of Apranga Group in August 2015	Investor News	Lt, En	2015-09-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-09-17

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Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-09-28
Turnover of Apranga Group in September 2015	Investor News	Lt, En	2015-10-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-10-01
Apranga Group interim information for the nine months of 2015	Interim information	Lt, En	2015-10-30
Turnover of Apranga Group in October 2015	Investor News	Lt, En	2015-11-02
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-03
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-03
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-05
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-05
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-10
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-10
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-11-30
Turnover of Apranga Group in November 2015	Investor News	Lt, En	2015-12-01
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-12-04
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-12-07
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-12-07
The turnover and expansion plans of Apranga Group in 2016	Notification on material event	Lt, En	2015-12-10
Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies	Lt, En	2015-12-10
Apranga Group extends successful collaboration with Inditex	Notification on material event	Lt, En	2015-12-15
Regarding the announcement of interim information	Notification on material event	Lt, En	2015-12-30
Apranga Group investor's calendar for the year 2016	Investor News	Lt, En	2015-12-30

Contents of above mentioned announcements can be obtained on Nasdaq Vilnius Stock Exchange webpage <http://www.nasdaqomxbaltic.com/market/?pg=details&instrument=LT0000102337&list=2&tab=news&lang=en> and on Company's webpage <http://apranga.lt/en/investors/news-and-material-events>.



Rimantas Perveneckas  
General Director

4 April 2016

**Disclosure of Compliance with the Corporate Governance Code for the Companies Listed on NASDAQ OMX Vilnius**

The public trade company APRANGA (hereinafter referred to as the "Company"), acting in compliance with Article 21(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on NASDAQ OMX Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

**Summary of the Corporate Governance Report:**

APB Apranga is the parent company of Apranga Group, registered in the Republic of Lithuania. At the end of 2015, it owned 18 subsidiaries founded in the three Baltic States. The principal activity of the Group is retail trade of apparel. 16 out of total 19 Group's companies represent the specific trade mark (Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Zara Home) based under franchise contracts with world's leading fashion retailer, Inditex Group. Other 3 companies (APB Apranga, SIA Apranga and OÜ Apranga) represent other than Inditex brands (monobrand stores) and the own retail chains (multibrand stores): Apranga, Aprangos galerija, City and Mados Linija.

Corporate governance activities are focused in the parent company of the Group – APB Apranga, which in Group companies coordinates the areas of finance, law, strategic planning and control, human resources management and training, business management and development, information technology, ordering and pricing of goods, marketing and advertising, and other common areas. The Group uses a centralized management model, practically all management functions are concentrated in the Group's office in Vilnius.

The Group's main company APB Apranga is listed on Nasdaq Vilnius Stock Exchange since 1997. From 2005, the company has been listed on the Baltic Equity list; currently it is included in the OMX Baltic 10 (OMXB10GI) index. Company's share capital comprises 55 291 960 ordinary shares of nominal value EUR 0.29 each (ISIN code LT0000102337).

At 31 December 2015 the Company had 2 646 shareholders. 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. With related companies and family members he has 36 615 159 shares, representing 66.22% of the share capital and votes.

The management bodies of the Company specified in the Articles of Association are as follows: General Shareholders' Meeting, a collegial management body – Board, and a single-person management body – Manager of the Company. The Company has no Supervisory Board. The Board, consisting of 6 members, is elected by General Shareholders' Meeting for a 4 year term. During the financial year, the composition of the Board remained unchanged. The Board of the Company comprised Chairman of the Board D. J. Mockus and the Board members Rimantas Perveneckas, Ilona Šimkūnienė, Vidas Lazickas, Marijus Strončikas and Ramūnas Gaidamavičius. The Board elects and removes from office the Manager of the Company.

The Audit Committee consists of 2 members, 1 of them is independent. The Audit Committee is elected for a 4-year term. Members of the Audit Committee are elected and recalled by the Board of the Company, except the independent member of the Committee. The independent member of the Audit Committee is elected by the General Shareholders Meeting at the proposal of the Board. During the financial year, the composition of the Audit Committee remained unchanged. The members of the Audit Committee: Rasa Rulevičiūtė (Company management personnel) and Daiva Paulavičienė (the independent member the Committee).

More information on the management bodies and its members, rights of shareholders, the responsibilities of the Board and the Manager of the Company, committees etc. is provided in the 8-11 sections of the Consolidated Annual Report and in the table below, in which information on compliance with the Corporate Governance Code for the Companies listed on NASDAQ Vilnius is disclosed.

**Structured table for disclosure:**

<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
<b>Principle I: Basic Provisions</b>		
<b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Affirmed Company's development strategy and objectives are published in Company's annual report, in announcements on material events which are published in Company's website <a href="http://aprange.lt/en/investors">http://aprange.lt/en/investors</a> , in Nasdaq Vilnius Stock Exchange information disclosure system, in Central Storage

<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
		Facility, as well as in presentations to investors by chief executive officer and senior management.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Company implements this recommendation insofar as it is concerned with the close cooperation of Company's management board and chief executive officer and senior management.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
<b>Principle II: The corporate governance framework</b> <b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The bodies of the Company are general shareholders' meeting, management board and chief executive officer. Supervisory board is not constituted in the Company. Such structure of bodies was approved by shareholders decision during general shareholders meeting, when approving articles of association of the Company. In Company's opinion, such structure of bodies ensures less administrative burden and operative decision making. The accountability and control of the single management body - the chief executive officer – is ensured by Company's management board.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	Company's collegial management body – management board – is responsible for strategic management of the Company and performs other key functions of corporate governance. The management board is responsible for the effective supervision of the Company's management bodies insofar as it is concerned with the supervision of the activity of chief executive officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has one collegial body and that is management board. See commentary of 2.1. recommendation.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes/No	Recommendations defined in Principles III and IV are not implemented in full extent, however the Company complies with all requirements prescribed by legal acts for formation of collegial management body, i.e. board. See commentaries of III and IV principles' recommendations.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	Company's management board consists of 6 (six) members, 3 (three) of whom are representatives of shareholders and the other 3 (three) are chief executive officer and senior managers. In Company's opinion, the number of the management board members is sufficient considering Company's activity extent and number of shareholders.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	Supervisory board is not constituted in the Company. See commentaries of 2.1. recommendation.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the management board and chief executive officer of the Company are different persons. The chairman of the management board has never been appointed as chief executive officer of the Company.
<p><b>Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting</b>  <b>The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</b></p>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of Company's management board ensures objective and fair supervision of the Company's single management body, chief executive officer, and senior management as well as representation of minority shareholder's interests.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	The information about management board members positions taken or participation in other companies activities is continually collected and on the expiration of each year this information is specified and renewed by querying each board member, and such information is disclosed in Company's annual and interim reports and Company's website. Information about education of board members is also disclosed in Company's reports and website. When electing board member in 2014, the names and surnames of candidates have been disclosed together with draft decisions of general shareholder meeting, i.e. at least 10 days before general shareholders meeting. Additionally, when electing board members in 2014, in accordance with Law on Companies the candidates provided to general shareholder meeting information about the positions he/she holds or participations in activities of other companies. Other/additional information procedure other than established by legal acts is not stipulated in the Company. However this information was not submitted exclusively to general shareholder's meeting before their election. There was no necessity in the Company to disclose factors affecting candidate's independence.
3.3. Should a person be nominated for members of a	Yes/No	See commentary of 3.2 recommendation

<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.		
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No	See commentaries of 3.5. and 4.7. recommendations.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	There was no demand in Company to offer tailored programs to new board members focused on introducing a member with his/her duties, corporation organization and activities. In 2014 the board has been elected from the candidates who were familiar with Company's organization and activities. Annual review of management board members' knowledge is not conducted whereas the management board members, i.e. chief executive officer and senior managers, are professionals and improve their skills and knowledge by conducting their duties in the Company. The skills and knowledge of management board members representing shareholders is reviewed by shareholders themselves before proposing candidates to Company's board.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The issue of election of independent management board members never been topical and raised in the Company and accordingly the "sufficient" number of independent management board members was never assessed either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been	Not applicable	See commentary of 3.6 recommendation

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>such during the last five years;</p> <p>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</p> <p>3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</p> <p>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</p> <p>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group;</p> <p>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</p> <p>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</p> <p>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</p> <p>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</p> <p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		
<p>3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.</p>	<p>Not applicable</p>	<p>See commentary of 3.6. recommendation. Moreover, thus far the assessment and disclosure of the independence of management board members, in accordance with the criteria established by this Code, was not applicable in Company.</p>

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	See commentary of 3.6. recommendation
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See commentary of 3.6. recommendation.
<p><b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting</b>  <b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.</b></p>		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	This recommendation is implemented by Company's management board insofar as the management board issues recommendations to chief executive officer and to senior management and monitors and controls their activity.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the Company's available data, management board members act in good will in respect of Company, in the interests of the Company and its shareholders, thus maintaining independence of their decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	According to the Company's data, all management board members attended board meetings and devoted sufficient time to perform their duties as members of the board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Company's shareholders are informed about the Company's affairs, strategies, risk management and resolution of conflicts of interest in a manner prescribed by legal acts.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or	Yes/No	The transactions are concluded in standard terms in pursuance of regular Company's activities. Company's board decides on transactions as stipulated in articles of association and in this respect

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managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.		the competence of board does not differ from the competence established in Law on Companies. There are no independent members in the Company's board. See commentary of 3.6. recommendation.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advise the human resources department, executive directors or collegial management organs of the company concerned.	Yes/No	The Company does not implement this recommendation in so far as it is related with formation of Remuneration committee. See commentary of 4.7. recommendation.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	Nomination and Remuneration committees indicated in 4.12-4.13 recommendations are not established in the Company, whereas, in Company's opinion, the management board by performing its functions partially performs functions of Nomination and Remuneration committees. Company's management board selects a candidate for chief executive officer position and appoints chief executive officer, provides recommendations to chief executive officer regarding appointment of senior managers and their remuneration policy. Company's management board affirms Company's strategic plans and objectives and controls their implementation. Moreover, Company's management board affirms Company's budget plans and analyse and assess chief executive officer's and senior management's reports on budget plans' implementation and fund utilization. In pursuance of requirements of Law on Audit (Official Gazette, 2008, No. 82-53233) the Audit committee composed of two members is established in Company.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from	Yes/No	See commentary of 4.7. recommendation. The recommendation is implemented insofar as it is related with Audit committee activity in Company.

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the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes/No	See commentary of 4.7. recommendation. Audit committee is exceptionally composed of two members.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	See commentary of 4.7. recommendation. Audit committee's authority, rights and obligations are stipulated in Internal rules of Audit committed pursuant to applicable legal acts and Audit committee's authority, rights and obligations are approved by general shareholders' meeting. Audit committee's authority, rights and obligations stipulated in Internal rules of Audit committee do not differ from those stipulated in legal acts.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes/No	See commentary of 4.7. recommendation. It is stipulated in Internal rules of Audit committed that Company's board members, chief executive officer, chief financial officer, employees of the Company, auditors may be invited to meetings of committee.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: <ul style="list-style-type: none"> <li>• Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;</li> <li>• Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;</li> <li>• Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;</li> <li>• Properly consider issues related to succession planning;</li> <li>• Review the policy of the management bodies for selection and appointment of senior management.</li> </ul> 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial	No	Nomination Committee is not established in Company. (See commentary of 4.7. recommendation).

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body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
<p>4.13. Remuneration Committee.</p> <p>4.13.1. Key functions of the remuneration committee should be the following:</p> <ul style="list-style-type: none"> <li>• Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</li> <li>• Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</li> <li>• Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company;</li> <li>• Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation;</li> <li>• Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</li> <li>• Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</li> <li>• Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</li> </ul> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <ul style="list-style-type: none"> <li>• Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</li> <li>• Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</li> <li>• Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</li> </ul> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the</p>	No	Remuneration Committee is not established in Company. (See commentary of 4.7. recommendation).

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<p>committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.</p>		
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.</p>	Yes/No	<p>Audit committee's rights and obligations stipulated in Internal rules of Audit committee do not differ from those stipulated in legal acts (Law on Audit, Official Gazette, 2008, No. 82-3233). Internal rules of Audit committee have been approved by decision of general shareholders meeting.</p>

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.</p>		
<p>4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.</p>	No	There is no practice in Company on internal assessments of management board activities and notification on it.
<p><b>Principle V: The working procedure of the company's collegial bodies</b>  <b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b></p>		
<p>5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.</p>	Yes	Company's management board is conducted by chairman of the management board.
<p>5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the</p>	Yes/No	Company's management board meetings

<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.		are convened depending on the necessity, in such a way as to ensure an interrupted resolution of the essential corporate governance issues. In Company's opinion, convening of management board meeting depending on the necessity ensures operative decision making.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not implement this recommendation whereas only management board is constituted in the Company. See commentary of 2.1. recommendation.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b> <b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	The Company's capital consists of ordinary registered shares which grant equal rights to their owners.
6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company informs about the rights attached to the shares of the new issue or those issued earlier in prospectuses of the shares of new issue, in annual and interim reports and in Company's website. See commentaries of X principle's recommendations.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The management board of the Company adopts resolutions for transactions regarding transferring, investment, pledge or other type of the encumbrance of the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company. Such procedure is stipulated in Company's articles of association which were approved by decision of general shareholders meeting. Additionally, such decision making procedure (without shareholders approval) ensures less administrative burden and operative decision making.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	
6.5. If is possible, in order to ensure shareholders living	Yes	Company's general shareholders' meeting

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<p>abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.</p>		<p>draft resolutions are published in pursuance of applicable legal acts, i.e. not later than 21 (twenty one) days before shareholders' meeting. General shareholders' meeting draft resolutions and its adopted resolutions are published throughout NASDAQ Vilnius Stock Exchange information disclosure system and are placed on publicly accessible Company's website, in Lithuanian and English. General shareholders' meeting draft resolutions are also placed in Central Storage Facility.</p>
<p>6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.</p>	Yes	<p>The Company's shareholders are furnished with the opportunity to vote in general shareholders' meeting both personally and throughout duly authorized representatives. On demand of shareholders, the Company may furnish the opportunity to vote in general shareholders' meeting in writing in advance, pursuant to the Law on Companies.</p>
<p>6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.</p>	No	<p>In Company's opinion, thus far there was no necessity to use modern technologies in general shareholders' meeting participation and voting process via electronic means of communication. However, shareholders have the possibilities to vote through authorized person or by completing the general voting ballot.</p>
<p><b>Principle VII: The avoidance of conflicts of interest and their disclosure</b>  <b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b></p>		
<p>7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.</p>	Yes	
<p>7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.</p>	Yes	
<p>7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must</p>	Yes	

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be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
<b>Principle VIII: Company's remuneration policy Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare and publish remuneration statement. In Company's opinion, such information commercially is not published. Pursuant to law requirements, the Company publishes in Company's annual report information regarding total sums counted to management board members, chief executive officer and chief financial officer during reporting period.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary of 8.1. recommendation.
8.3. Remuneration statement should leastwise include the following information: <ul style="list-style-type: none"> <li>• Explanation of the relative importance of the variable and non-variable components of directors' remuneration;</li> <li>• Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</li> <li>• An explanation how the choice of performance criteria contributes to the long-term interests of the company;</li> <li>• An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled;</li> <li>• Sufficient information on deferment periods with regard to variable components of remuneration;</li> <li>• Sufficient information on the linkage between the remuneration and performance;</li> <li>• The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</li> <li>• Sufficient information on the policy regarding termination payments;</li> <li>• Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code;</li> <li>• Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code;</li> <li>• Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned;</li> <li>• A description of the main characteristics of supplementary pension or early retirement schemes for directors;</li> <li>• Remuneration statement should not include commercially sensitive information.</li> </ul>	No	See commentary of 8.1. recommendation.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the	No	See commentary of 8.1. recommendation.

<b>PRINCIPLES/ RECOMMENDATIONS</b>	<b>YES/NO /NOT APPLICABLE</b>	<b>COMMENTARY</b>
<p>contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>		
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</li> <li>• The remuneration and advantages received from any undertaking belonging to the same group;</li> <li>• The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</li> <li>• If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</li> <li>• Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year;</li> <li>• Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</li> </ul> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <ul style="list-style-type: none"> <li>• The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</li> <li>• The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</li> <li>• The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</li> <li>• All changes in the terms and conditions of existing share options occurring during the financial year.</li> </ul> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <ul style="list-style-type: none"> <li>• When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</li> <li>• When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</li> </ul> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>	No	See commentary of 8.1. recommendation.

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8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	See commentary of 8.1. recommendation.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	See commentary of 8.1. recommendation.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	See commentary of 8.1. recommendation.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	See commentary of 8.1. recommendation.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Not applicable	See commentary of 8.1. recommendation.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Not applicable	See commentary of 8.1. recommendation.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	See commentary of 8.1. recommendation.
8.13. Shares should not vest for at least three years after their award.	Not applicable	See commentary of 8.1. recommendation. Company's directors are not remunerated in shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	See commentary of 8.1. recommendation. Company's directors are not remunerated in shares, share options or any other right to purchase Company's shares.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	See commentary of 8.1. recommendation.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	See commentary of 8.1. recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
<p>8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.</p>	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
<p>8.20. The following issues should be subject to approval by the shareholders' annual general meeting:</p> <ul style="list-style-type: none"> <li>• Grant of share-based schemes, including share options, to directors;</li> <li>• Determination of maximum number of shares and main conditions of share granting;</li> <li>• The term within which options can be exercised;</li> <li>• The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>• All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</li> </ul>	Not applicable	
<p>8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, <u>should also be subject to the shareholders' approval.</u></p>	Not applicable	
<p>8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.</p>	Not applicable	
<p>8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's</p>	Not applicable	

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
website.		
<b>Principle IX: The role of stakeholders in corporate governance</b> <b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders, and the interest holders may participate in the management of the Company in the manner prescribed by legal acts.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
<b>Principle X: Information disclosure and transparency</b> <b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b>		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The information mentioned in this recommendation is disclosed in announcements on material events published throughout Nasdaq Vilnius Stock Exchange information disclosure system, in Company's website, and in Company's documents of annual and interim information in such scope as it is required by law as well as by International Financial Reporting Standards applicable in European Union. The information is also disclosed by chief executive officer and senior management in presentations to investors.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company provides information about consolidated results of the Company and its subsidiary companies.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes/No	See commentary of 3.2 recommendation of III principle. The Company does not prepare and publish remuneration statement, See commentary of 8.1. recommendation of VIII principle.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources,	Yes	Information is disclosed in Company's documents of annual and interim information in such scope as it is required by law as well as by International

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employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		Financial Reporting Standards applicable in European Union. As well this information is disclosed by chief executive officer and senior management in presentations to investors.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The information is disclosed pursuant to the requirements of the laws of the Republic of Lithuania. The information is disclosed throughout Nasdaq Vilnius Stock Exchange information disclosure system, thus ensuring simultaneous disclosure of information to investors. The information is straight away placed in Central Storage Facility. The information is disclosed in Lithuanian and English, before or after a trading session on the Nasdaq Vilnius Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	See commentary of 10.5 recommendation. All the information disclosed throughout Nasdaq Vilnius Stock Exchange information disclosure system and posted in Central Storage Facility is placed on Company's website especially intended for the investors <a href="http://aprange.lt/en/investors">http://aprange.lt/en/investors</a> , in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	See commentary of 10.5 recommendation.
<b>Principle XI: The selection of the company's auditor</b> <b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b>		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The audit of annual Company's and its company group consolidated financial statements is performed by independent audit company according to International Financial Reporting Standards applicable in European Union. Audit company also performs the review of the annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The candidacy of audit company is proposed by Company's board to general shareholders meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Yes	There were rendered non-audit services to Company by audit company and audit company has received remuneration for it from Company during the reporting period. Audit company has rendered non-audit services to Company on transfer pricing issues. The rendered non-audit services account for a small part (less than 5%) of the total amount of services provided by audit company to Group.

  
Rimantas Perveneckas  
General Director

4 April 2016