

APRANGA APB  
Interim Consolidated Financial Statements  
For the Twelve months period ended 31 December 2016  
(UNAUDITED)

28 February 2017  
Vilnius

**APB APRANGA**

Company's code 121933274, Kirtimu 51, Vilnius

**INFORMATION ABOUT COMPANY**

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Name of the company	Apranga APB
Legal form	Public limited liability company
Date of registration	1 <sup>st</sup> March 1993
Code of company	121933274
Share capital	EUR 16 034 668.40
Registered office	Kirtimu 51, LT-02244 Vilnius, Lithuania
Name of Register of Legal Entities	Registru centras VĮ, Vilnius branch
Telephone number	+370 5 239 08 08
Fax number	+370 5 239 08 00
E-mail	<a href="mailto:info@apranga.lt">info@apranga.lt</a>
Internet address	<a href="http://aprangagroup.lt">http://aprangagroup.lt</a>
Main activities	Retail trade of apparel
Auditor	PricewaterhouseCoopers UAB

**APB APRANGA**

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## REVIEW OF ACTIVITY OF THE GROUP COMPANIES

The retail turnover (including VAT) of Apranga Group amounted to EUR 214.2 million in January through December 2016 or by 7.7% more than in 2015. The retail turnover (including VAT) of Apranga Group has made EUR 60.4 million in 4th quarter 2016 or by 6.0% more than in 2015. The Group by 0.1% (EUR 0.2 million) exceeded the retail turnover planned for the year 2016.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in Baltic States during the 12 months 2016 grew the most in Estonia (+5%) and Lithuania (+4%). In Latvia the retail trade growth was slower at around +2%. In the fourth quarter 2016 the retail trade growth in the Baltic countries was generally in line with the average annual results and amounted to +3% in Lithuania, +2% in Latvia, and +6% in Estonia. European Union (28 countries) retail trade both in last quarter 2016 and throughout all of the year 2016 increased by 3% (the year before retail trade also grew by 3%).

The retail turnover of the Group's stores by countries during 12 months of 2016 was (EUR thousand, VAT included):

Country	12 months 2016	12 months 2015	12 months 2014	2016/2015, %	2016/2014, %
Lithuania	126 759	120 801	110 924	4,9%	14,3%
Latvia	51 112	48 513	47 317	5,4%	8,0%
Estonia	36 324	29 609	25 248	22,7%	43,9%
<b>Total:</b>	<b>214 195</b>	<b>198 923</b>	<b>183 490</b>	<b>7,7%</b>	<b>16,7%</b>

The retail turnover of the Group's stores during the fourth quarter 2016 by countries was as follows (EUR thousand, VAT included):

Country	Q4 2016	Q4 2015	Q4 2014	2016/2015, %
Lithuania	36 849	35 332	31 601	4,3%
Latvia	13 782	13 549	12 886	1,7%
Estonia	9 765	8 120	6 946	20,3%
<b>Total:</b>	<b>60 396</b>	<b>57 001</b>	<b>51 433</b>	<b>6,0%</b>

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

Chain	12 months 2016	12 months 2015	12 months 2014	2016/2015, %	2016/2014, %
Economy <sup>1</sup>	30 754	31 201	32 262	-1,4%	-4,7%
Youth <sup>2</sup>	43 793	43 794	42 476	0,0%	3,1%
Footwear	6 500	7 219	4 898	-10,0%	32,7%
Business <sup>3</sup>	37 502	32 598	30 540	15,0%	22,8%
Luxury <sup>4</sup>	23 886	24 062	23 331	-0,7%	2,4%
Zara	61 899	51 120	43 264	21,1%	43,1%
Outlets	9 862	8 928	6 720	10,5%	46,8%
<b>Total</b>	<b>214 195</b>	<b>198 923</b>	<b>183 490</b>	<b>7,7%</b>	<b>16,7%</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, Sandro, Maje.

In January-December 2016, Zara and Business chain's turnover increased mostly (respectively by 21.1% and 15.0%). In the two-year period, highest increases were recorded by Zara and Outlets chains (respectively by 43.1% and 46.8%). The decrease in turnover of the Economy chain in the period 2015-2016 was mainly influenced by the closure of 6 Mexx stores in 2015.

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**REVIEW OF ACTIVITY OF THE GROUP COMPANIES**  
**FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2016**  
(all tabular amounts are in EUR thousands unless otherwise stated)

In 2012-2016 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>	<b>31 12 2016</b>
The number of stores	134	148	161	169	183
Stores area (thousand sq. m.)	66,3	69,7	73,2	78,6	83,6

During the 12 months of 2016 Apranga Group opened 17 stores, reconstructed 4 and closed 3 stores. The total capital expenditure of the Group amounted to EUR 4.1 million in 2016 (see Note 4 "Investments into non-current assets"). Investments (acquisitions) by segments are disclosed in Note 3 ("Segment information"). The Group is not engaged in activities related to research and experimental development, except to the extent of process improvement. Group uses the latest technology and the latest technology processes that meet environmental standards and help reduce the negative impact on the environment.

The number of stores by countries was as follows:

<b>Country</b>	<b>31 12 2016</b>	<b>31 12 2015</b>	<b>31 12 2014</b>	<b>2016/2015, %</b>
Lithuania	107	100	97	7,0%
Latvia	47	45	44	4,4%
Estonia	29	24	20	20,8%
<b>Total:</b>	<b>183</b>	<b>169</b>	<b>161</b>	<b>8,3%</b>

The number of stores by chains was as follows:

<b>Chain</b>	<b>31 12 2016</b>	<b>31 12 2015</b>	<b>Change</b>
Economy	33	33	0,0%
Youth	47	48	-2,1%
Footwear	15	15	0,0%
Business	40	29	37,9%
Luxury	27	25	8,0%
Zara	12	11	9,1%
Outlets	9	8	12,5%
<b>Total</b>	<b>183</b>	<b>169</b>	<b>8,3%</b>

The total *sales area* operated by the Group has increased by 6.5% or by 5.0 thousand sq. m. during the 12 months period until 31 December 2016. Sales area increased most in Estonia (26.1%).

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

<b>Country</b>	<b>31 12 2016</b>	<b>31 12 2015</b>	<b>31 12 2014</b>	<b>2016/2015, %</b>
Lithuania	49,5	47,4	44,0	4,5%
Latvia	20,7	20,5	20,4	0,9%
Estonia	13,5	10,7	8,9	26,1%
<b>Total:</b>	<b>83,6</b>	<b>78,6</b>	<b>73,2</b>	<b>6,5%</b>

The Group has earned EUR 13.3 million of *profit before income tax* in 12 months 2016, while profit before taxes amounted to EUR 12.4 million during 12 months 2015 (+7.3%). In 4<sup>th</sup> quarter the profit before income tax decreased by 7.1% from EUR 4.1 million in 2015 to EUR 3.8 million in 2016.

*EBITDA* of the Group was EUR 19.5 million during 12 months 2016, and it was EUR 18.4 million in corresponding previous year period. EBITDA margin has decreased from 11.6% to 11.3% during the year. The current ratio of the Group stayed almost the same as the year ago and was 2.7 times.

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**REVIEW OF ACTIVITY OF THE GROUP COMPANIES**  
**FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2016**  
(all tabular amounts are in EUR thousands unless otherwise stated)

<b>Main Group Indicators</b>	<b>12 months 2016</b>	<b>12 months 2015</b>	<b>12 months 2014</b>
Net sales, EUR thousand	172 592	158 748	146 280
Net sales in foreign markets, EUR thousand	70 068	62 205	57 618
Like-to-like sales, %	1,7%	1,6%	1,7%
Gross profit, EUR thousand	78 162	72 487	68 487
Gross margin, %	45,3%	45,7%	46,8%
Operating profit, EUR thousand	13 370	12 522	13 341
Operating profit margin, %	7,7%	7,9%	9,1%
EBT, EUR thousand	13 338	12 433	13 261
EBT margin, %	7,7%	7,8%	9,1%
Profit for the period, EUR thousand	11 102	10 399	11 219
Profit for the period margin, %	6,4%	6,6%	7,7%
EBITDA, EUR thousand	19 527	18 391	18 906
EBITDA margin, %	11,3%	11,6%	12,9%
Return on equity (end of the period), %	20,7%	21,2%	24,5%
Return on assets (end of the period), %	15,5%	15,2%	16,5%
Net debt to equity*, %	-9,3%	3,2%	11,1%
Current ratio, times	2,7	2,8	1,9

\* (Interest bearing liabilities less cash) / Equity

<b>Main Group Indicators</b>	<b>Q4 2016</b>	<b>Q4 2015</b>	<b>Q4 2014</b>
Net sales, EUR thousand	49 090	45 470	41 178
Net sales in foreign markets, EUR thousand	18 906	17 243	15 846
Like-to-like sales, %	-0,3%	4,8%	2,1%
Gross profit, EUR thousand	23 172	21 925	19 960
Gross margin, %	47,2%	48,2%	48,5%
Operating profit, EUR thousand	3 833	4 139	3 518
Operating profit margin, %	7,8%	9,1%	8,5%
EBT, EUR thousand	3 826	4 117	3 488
EBT margin, %	7,8%	9,1%	8,5%
Profit for the period, EUR thousand	3 184	3 501	3 011
Profit for the period margin, %	6,5%	7,7%	7,3%
EBITDA, EUR thousand	5 414	5 634	4 887
EBITDA margin, %	11,0%	12,4%	11,9%
Return on equity (end of the period), %	5,9%	7,1%	6,6%
Return on assets (end of the period), %	4,4%	5,1%	4,4%
Net debt to equity*, %	-9,3%	3,2%	11,1%
Current ratio, times	2,7	2,8	1,9

\* (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totaled EUR 64.8 million during 12 months 2016 and increased by 8.0% during the year, or a bit less than sales, which grew by 8.7%. The finance costs of the Group were EUR 0.03 million in 12 months 2016. The Group had no financial debts at the end of the reporting period (financial debts amounted to EUR 3.5 million on 31 December 2015).

<b>Main Group Indicators</b>	<b>12 months 2016</b>	<b>12 months 2015</b>	<b>Change</b>
Net sales, EUR thousand	172 592	158 748	8,7%
Net sales in foreign markets, EUR thousand	70 068	62 205	12,6%
Gross profit, EUR thousand	78 162	72 487	7,8%
Operating expenses	(64 792)	(59 965)	8,0%
Operating profit, EUR thousand	13 370	12 522	6,8%
EBT, EUR thousand	13 338	12 433	7,3%
Profit for the period, EUR thousand	11 102	10 399	6,8%
EBITDA, EUR thousand	19 527	18 391	6,2%

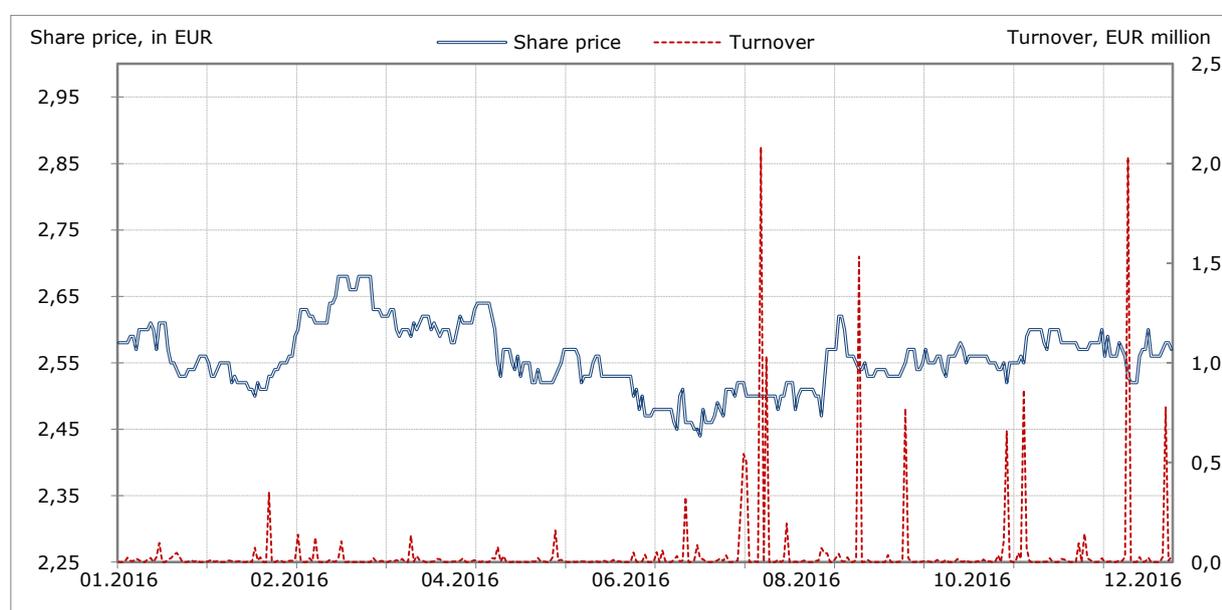
<b>Main Group Indicators</b>	<b>Q4 2016</b>	<b>Q4 2015</b>	<b>Change</b>
Net sales, EUR thousand	49 090	45 470	8,0%
Net sales in foreign markets, EUR thousand	18 906	17 243	9,6%
Gross profit, EUR thousand	23 172	21 925	5,7%
Operating expenses	(19 339)	(17 786)	8,7%
Operating profit, EUR thousand	3 833	4 139	-7,4%
EBT, EUR thousand	3 826	4 117	-7,1%
Profit for the period, EUR thousand	3 184	3 501	-9,1%
EBITDA, EUR thousand	5 414	5 634	-3,9%

The Group's level of inventories during the year grew by 6.6% (the increase from EUR 33.2 million to EUR 35.4 million). Company's inventories grew by 5.7%. The growth of inventories was in proportions to the rise in turnover.

The number of employees during the year till 31 December 2016 in the Group has increased by 201 to 2 112 (+10.5%), and has increased in Company by 24 to 777 (+3.2%). During the 4<sup>th</sup> quarter 2016 the number of employees increased by 92 (+4.6%) in the Group, and increased by 21 (+2.8%) in the Company.

The price of the Company share during 12 months 2016 decreased from EUR 2.58 per share to EUR 2.57 per share (-0.4%). The maximum share price during the twelve months period was EUR 2.68 per share, minimum share price - EUR 2.43 per share. The market capitalization of the Company decreased from EUR 143 million at the beginning of the year to EUR 142 million at the end of December 2016. The weighted average price of 1 share during the reporting period was EUR 2.53. Company's share turnover was EUR 15.5 million during 12 months 2016.

Apranga APB share price during 12 months period from 1<sup>st</sup> January 2016 to 31<sup>st</sup> December 2016:



Information about members of the Management board on 31 December 2016:

<b>Name, Surname</b>	<b>Position</b>	<b>Number of shares owned and part in the share capital</b>	<b>Election date</b>	<b>End of term</b>
Darius Juozas Mockus	Chairman of the Board	- -	29 04 2014	28 04 2018
Rimantas Perveneckas	Member of the Board, General Director	800 770 1.45%	29 04 2014	28 04 2018
Iлона 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	115 000 0.21%	29 04 2014	28 04 2018
Marijus Strončikas	Member of the Board	4 450 0.01%	29 04 2014	28 04 2018

## STATEMENT OF COMPREHENSIVE INCOME

	Note	Group		Company	
		12 months 2016	12 months 2015	12 months 2016	12 months 2015
Revenue	3	172 592	158 748	69 894	69 132
Cost of sales		(94 430)	(86 261)	(44 628)	(44 097)
<b>Gross profit</b>		<b>78 162</b>	<b>72 487</b>	<b>25 266</b>	<b>25 035</b>
Operating expenses		(65 540)	(60 730)	(26 663)	(25 372)
Other income		751	818	13 435	9 693
Net foreign exchange gain (loss)		( 3)	( 53)	( 3)	( 54)
<b>Operating profit (loss)</b>		<b>13 370</b>	<b>12 522</b>	<b>12 035</b>	<b>9 302</b>
Finance costs	7	( 32)	( 89)	( 32)	( 89)
<b>Profit (loss) before income tax</b>		<b>13 338</b>	<b>12 433</b>	<b>12 003</b>	<b>9 213</b>
Income tax expense		(2 236)	(2 034)	( 544)	( 554)
<b>Profit (loss) for the year</b>	3	<b>11 102</b>	<b>10 399</b>	<b>11 459</b>	<b>8 659</b>
<b>Other comprehensive income</b>					
Other comprehensive income for the period		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>11 102</b>	<b>10 399</b>	<b>11 459</b>	<b>8 659</b>
<b>Basic and diluted earnings per share (in EUR)</b>		<b>0,20</b>	<b>0,19</b>	<b>0,21</b>	<b>0,16</b>

	Note	Group		Company	
		Q4 2016	Q4 2015	Q4 2016	Q4 2015
Revenue	3	49 090	45 470	18 899	18 368
Cost of sales		(25 918)	(23 545)	(10 844)	(10 313)
<b>Gross profit</b>		<b>23 172</b>	<b>21 925</b>	<b>8 055</b>	<b>8 055</b>
General and administrative expenses		(19 601)	(17 992)	(8 238)	(7 781)
Other income		274	211	1 936	844
Net foreign exchange gain (loss)		( 12)	( 5)	( 12)	( 6)
<b>Operating profit (loss)</b>		<b>3 833</b>	<b>4 139</b>	<b>1 741</b>	<b>1 112</b>
Finance costs	7	( 7)	( 22)	( 7)	( 22)
<b>Profit (loss) before income tax</b>		<b>3 826</b>	<b>4 117</b>	<b>1 734</b>	<b>1 090</b>
Income tax expense		( 642)	( 616)	( 272)	( 187)
<b>Profit (loss) for the year</b>	3	<b>3 184</b>	<b>3 501</b>	<b>1 462</b>	<b>903</b>
<b>Other comprehensive income</b>					
Other comprehensive income for the period		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3 184</b>	<b>3 501</b>	<b>1 462</b>	<b>903</b>
<b>Basic and diluted earnings per share (in EUR)</b>		<b>0,06</b>	<b>0,06</b>	<b>0,03</b>	<b>0,02</b>

## BALANCE SHEET

	Note	Group		Company	
		31 12 2016	31 12 2015	31 12 2016	31 12 2015
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	25 197	27 477	15 113	16 194
Intangible assets	4	386	514	249	302
Investments in subsidiaries	5	-	-	4 798	4 741
Prepayments		418	326	75	82
Trade and other receivables		11	20	11	20
		<b>26 012</b>	<b>28 337</b>	<b>20 246</b>	<b>21 339</b>
<b>Current assets</b>					
Inventories		35 428	33 230	19 429	18 387
Available for sale financial assets	6	1 602	2 598	1 602	2 598
Non-current assets held for sale		324	324	324	324
Prepayments		1 032	1 176	781	1 019
Trade and other receivables		2 360	961	11 623	10 583
Cash and cash equivalents		4 976	1 913	3 055	448
		<b>45 722</b>	<b>40 202</b>	<b>36 814</b>	<b>33 359</b>
<b>TOTAL ASSETS</b>	<b>3</b>	<b>71 734</b>	<b>68 539</b>	<b>57 060</b>	<b>54 698</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares		16 035	16 035	16 035	16 035
Legal reserve		1 604	1 601	1 604	1 601
Translation difference		( 53)	( 53)	-	-
Retained earnings		35 927	31 463	25 090	20 269
		<b>53 513</b>	<b>49 046</b>	<b>42 729</b>	<b>37 905</b>
<b>Non-current liabilities</b>					
Borrowings	7	-	3 499	-	3 499
Deferred tax liabilities		1 107	1 228	368	410
Other liabilities		398	309	398	309
		<b>1 505</b>	<b>5 036</b>	<b>766</b>	<b>4 218</b>
<b>Current liabilities</b>					
Borrowings	7	-	-	6 977	6 463
Current income tax liability		604	142	78	17
Trade and other payables		16 112	14 315	6 510	6 095
		<b>16 716</b>	<b>14 457</b>	<b>13 565</b>	<b>12 575</b>
<b>Total liabilities</b>		<b>18 221</b>	<b>19 493</b>	<b>14 331</b>	<b>16 793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>71 734</b>	<b>68 539</b>	<b>57 060</b>	<b>54 698</b>

## STATEMENTS OF CHANGES IN EQUITY

### GROUP

	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
<b>Balance at 1 January 2015</b>		<b>16 014</b>	<b>1 601</b>	<b>( 53)</b>	<b>28 252</b>	<b>45 814</b>
<b>Comprehensive income</b>						
Profit for the 12 months 2015	3				10 399	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>						
The difference arising from the conversion of share capital into euros		21				21
Dividends paid					(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>
<b>Comprehensive income</b>						
Profit for the 12 months 2016	3				11 102	11 102
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>11 102</b>	<b>11 102</b>
<b>Transactions with owners</b>						
Transfer to legal reserve			3		( 3)	-
Dividends paid	9				(6 635)	(6 635)
<b>Balance at 31 December 2016</b>		<b>16 035</b>	<b>1 604</b>	<b>( 53)</b>	<b>35 927</b>	<b>53 513</b>

### COMPANY

	Share capital	Legal reserve	Retained earnings	Total
<b>Balance at 1 January 2015</b>	<b>16 014</b>	<b>1 601</b>	<b>18 798</b>	<b>36 413</b>
<b>Comprehensive income</b>				
Profit for the 12 months 2015			8 659	8 659
<b>Transactions with owners</b>				
Difference arising from the conversion of share capital into euros	21			21
Dividends paid			(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>
<b>Comprehensive income</b>				
Profit for the 12 months 2016			11 459	11 459
<b>Transactions with owners</b>				
Transfer to legal reserve		3	( 3)	-
Dividends paid	9		(6 635)	(6 635)
<b>Balance at 31 December 2016</b>	<b>16 035</b>	<b>1 604</b>	<b>25 090</b>	<b>42 729</b>

## STATEMENTS OF CASH FLOW

	Note	Group		Company	
		12 months 2016	12 months 2015	12 months 2016	12 months 2015
<b>OPERATING ACTIVITIES</b>					
Profit (loss) before income taxes		13 338	12 433	12 003	9 213
Adjustments for:					
Depreciation and amortization		6 157	5 869	2 816	2 581
Impairment charge		395	( 111)	299	( 165)
Change in allowances for slow-moving inventories		224	347	108	255
(Gain) Loss on disposal of property, plant and equipment		( 10)	( 32)	( 4)	( 27)
Write-off of property, plant and equipment		11	42	9	4
Dividends income		-	-	(8 616)	(5 832)
Interest income, net of interest expenses		( 34)	( 28)	( 80)	( 69)
		<b>20 081</b>	<b>18 520</b>	<b>6 535</b>	<b>5 960</b>
Changes in operating assets and liabilities:					
Decrease (increase) in inventories		(2 422)	(2 392)	(1 150)	(1 409)
Decrease (increase) in receivables		(1 407)	268	864	31
Increase (decrease) in payables		1 899	1 174	517	469
<b>Cash generated from operations</b>		<b>18 151</b>	<b>17 570</b>	<b>6 766</b>	<b>5 051</b>
Income taxes paid		(1 895)	(1 933)	( 525)	( 498)
Interest paid	7	( 32)	( 89)	( 32)	( 89)
<b>Net cash from operating activities</b>		<b>16 224</b>	<b>15 548</b>	<b>6 209</b>	<b>4 464</b>
<b>INVESTING ACTIVITIES</b>					
Interest received		66	117	112	158
Dividends received		-	-	8 616	5 832
Loans granted		(14 400)	-	(26 354)	(15 816)
Loans repayments received		14 400	-	24 635	15 759
Purchases of property, plant and equipment and intangible assets	3, 4	(7 405)	(9 061)	(2 308)	(2 908)
Proceeds on disposal of property, plant and equipment	3, 4	3 260	2 916	322	433
Purchases of available-for-sale financial assets		-	( 249)	-	( 249)
Proceeds on disposal of available-for-sale financial assets	6	1 065	1 432	1 065	1 432
Investment in subsidiaries	5	-	-	( 57)	( 75)
<b>Net cash used in investing activities</b>		<b>(3 014)</b>	<b>(4 845)</b>	<b>6 031</b>	<b>4 566</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	9	(6 648)	(7 202)	(6 648)	(7 202)
Proceeds from borrowings	7	28 836	33 510	82 663	81 899
Repayments of borrowings	7	(30 836)	(38 171)	(84 149)	(84 841)
<b>Net cash from financing activities</b>		<b>(8 648)</b>	<b>(11 863)</b>	<b>(8 134)</b>	<b>(10 144)</b>
<b>NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS</b>		<b>4 562</b>	<b>(1 160)</b>	<b>4 106</b>	<b>(1 114)</b>
<b>CASH AND BANK OVERDRAFTS:</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>414</b>	<b>1 574</b>	<b>(1 051)</b>	<b>63</b>
<b>AT THE END OF THE PERIOD</b>		<b>4 976</b>	<b>414</b>	<b>3 055</b>	<b>(1 051)</b>

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

### 1. General information

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

At 31 December 2016 the Group consisted of the Company and the following 100% owned subsidiaries:

Name	Country	Headquarters	Principal activity
UAB Apranga LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga BPB LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga PLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga SLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga MLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga HLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga Ecom LT	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
SIA Apranga Ecom LV	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
OU Apranga HEST	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga Ecom EE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel

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

All 55 291 960 ordinary shares of nominal value EUR 0.29 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Baltic equity list of Nasdaq Vilnius Stock Exchange.

At 31 December 2016 the Company had 2 614 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	33 321 529	60,3%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	5 470 944	9,9%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	5 219 621	9,4%

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

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

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

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

In the financial statements all figures are presented in thousands of euro, unless indicated otherwise. Earlier than 2015 comparative information recalculated using the official litas to euro conversion ratio: 1 euro = 3.45280 litas.

### 3. Segment information

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

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

The segment information provided to the Directors for the reportable segments for the 12 months 2016 is as follows:

<b>12 months 2016</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	116 357	41 613	29 933	187 903	-	
Inter-segment revenue	(13 833)	( 959)	( 519)	(15 311)	-	
<b>Revenue from external customers</b>	<b>102 524</b>	<b>40 654</b>	<b>29 414</b>	<b>172 592</b>	-	<b>172 592</b>
<b>Gross margin</b>	<b>44,5%</b>	<b>46,3%</b>	<b>46,5%</b>	<b>45,3%</b>		<b>45,3%</b>
<b>Profit (loss) for the year</b>	<b>7 537</b>	<b>2 389</b>	<b>1 176</b>	<b>11 102</b>	-	<b>11 102</b>
Total assets	65 084	13 811	10 299	89 194	(17 460)	71 734
Additions to non-current assets (other than financial instruments and prepayments for leases)	3 831	1 122	2 588	7 541	( 136)	7 405

<b>12 months 2015</b>	<b>Lithuania</b>	<b>Latvia</b>	<b>Estonia</b>	<b>Total</b>	<b>Inter- company elimina- tions</b>	<b>Total in consolidated financial statements</b>
Total segment revenue	111 047	39 801	24 556	175 404	-	
Inter-segment revenue	(14 504)	(1 267)	( 885)	(16 656)	-	
<b>Revenue from external customers</b>	<b>96 543</b>	<b>38 534</b>	<b>23 671</b>	<b>158 748</b>	-	<b>158 748</b>
<b>Gross margin</b>	<b>44,9%</b>	<b>46,6%</b>	<b>47,2%</b>	<b>45,7%</b>		<b>45,7%</b>
<b>Profit (loss) for the year</b>	<b>7 213</b>	<b>2 106</b>	<b>1 080</b>	<b>10 399</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

### 4. Investments into non-current assets

Net investments of the Group amounted to EUR 4.1 million in 12 months 2016 (EUR 1.2 million in 4<sup>th</sup> quarter 2016). The Company totally invested EUR 2.0 million in 12 months 2016. Daughter companies' investments into development of the retail network amounted to EUR 2.1 million.

### 5. Investments into subsidiaries

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 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.

In July 2016, the Company established a subsidiary OU Apranga HEST, which operates Zara Home stores in Estonia. The share capital of the subsidiary is EUR 50 thousand. All shares have been fully paid in cash. The Company controls 100% of the subsidiary's capital and voting rights.

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

During the March 2016 the Company for EUR 1.1 million sold the part of Lithuanian Government issued long-term bonds, which in balance sheet are recorded as Available for sale financial assets. Total investments in the Lithuanian Government issued the long-term bonds amounted to EUR 1.6 million on 31 December 2016.

## **7. Borrowings**

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

In June 2016, the Company and NORDEA bank have signed the amendment to the overdraft facility and general agreement on bank's guarantees. Under this amendment, the Group granted credit line extended until 30 June 2018. For the drawdown amount of the credit line a floating interest rate calculated as the EONIA plus margin is being paid. There is fixed interest rate set for amount used for the issuance of guarantees.

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

As of 31 December 2016 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totaled EUR 11 173 thousand (31 December 2015: EUR 10 743 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2016 amounted to EUR 13 313 thousand (31 December 2015: EUR 12 709 thousand).

As of 31 December 2016 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totaled EUR 840 thousand (31 December 2015: EUR 856 thousand).

## **9. Profit distribution**

The Annual shareholders meeting of APB Apranga held on 28 April 2016 has resolved to pay EUR 6 635 thousand in dividends, allocate EUR 3 thousand to legal reserve, and to pay EUR 210 thousand as annual bonuses for the year 2015.

## **10. Turnover and expansion plans in 2017**

Apranga Group plans to reach EUR 230 million turnover (including VAT) in 2017, or by 7.4% more, than actual the year 2016 turnover.

Apranga Group plans to reconstruct or open 7-10 stores during 2017. Investments are planned to amount to about EUR 5-6 million.