APB APRANGA
The Consolidated Interim Report and
Interim Consolidated Financial Statements
for the Six Months of 2008
Unaudited

29 August 2008
Vilnius

INTERIM CONSOLIDATED REPORT

General information

Interim consolidated report is prepared for the period January – June 2008.

Name of the Issuer:	APB 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:	Kirtimų str. 51, Vilnius, LT-02244, Lithuania
Telephone number:	+370 5 2390808
Fax number:	+370 5 2390800
E-mail address:	info@apranga.lt
Internet address:	www.apranga.lt

At 30 June 2008 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its wholly owned subsidiaries listed below. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Title	Legal form	Date and place of registration	Code of Enterprise	Registered office	Telephone, fax, e-mail
UAB Apranga LT	Private limited liability company	27 04 2004 State enterprise Centre of Registers of the Republic of Lithuania	300021271	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
UAB Apranga BPB LT	Private limited liability company	29 11 2005 State enterprise Centre of Registers of the Republic of Lithuania	300509648	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
UAB Apranga PLT	Private limited liability company	21 03 2007 State enterprise Centre of Registers of the Republic of Lithuania	300551572	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
UAB Apranga SLT*	Private limited liability company	14 01 2008 State enterprise Centre of Registers of the Republic of Lithuania	301519684	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt
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 info@apranga.lt
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 info@apranga.lt
SIA Apranga BPB LV	Private limited liability company	10 01 2008 Enterprise Register of the Republic of Latvia	40003887840	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt
SIA Apranga PLV	Private limited liability company	10 01 2008 Enterprise Register of the Republic of Latvia	40003887747	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt
OÜ Apranga	Private limited liability company	19 07 2007 Tallinn City Court Register department	11274427	Ravala 4, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt
OÜ Apranga Estonia	Private limited liability company	12 04 2004 Tallinn City Court Register department	11026132	Viru 4, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt
OÜ Apranga BEE	Private limited liability company	04 09 2007 Tallinn City Court Register department	11026132	Ravala 4/Laikmaa 15, Tallinn, Estija	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt

* Established during first half of 2008 (see 4. Investments into subsidiaries).

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.

Operations

Main Indicators of the Group	2008 H1	2007 H1	Change
Net sales, LTL thousand	192 857	154 926	24.5%
Net sales in foreign markets, LTL thousand	65 737	52 103	26.2%
Like-for-like sales	1.9%	13.3%	
Gross profit, LTL thousand	83 967	70 660	18.8%
Gross margin	43.5%	45.6%	
EBT, LTL thousand	3 714	10 684	-65.2%
EBT margin	1.9%	6.9%	
Net profit, LTL thousand	2 805	8 162	-65.6%
Net margin	1.5%	5.3%	
EBITDA, LTL thousand	15 607	19 160	-18.5%
EBITDA margin	8.1%	12.4%	
Return on equity (end of the period)	3.3%	11.5%	
Return on assets (end of the period)	1.5%	12.2%	
Net debt to equity*	59.3%	74.0%	
Current ratio, times	1.4	1.9	-24.7%

Main Indicators of the Group	2008 Q2	2007 Q2	Change
Net sales, LTL thousand	92 378	77 248	19.6%
Net sales in foreign markets, LTL thousand	31 958	26 317	21.4%
Like-for-Like	3.8%	3.4%	
Gross profit, LTL thousand	43 211	37 011	16.8%
Gross margin	46.8%	47.9%	
EBT, LTL thousand	4 242	4 983	-14.9%
EBT margin	4.6%	6.5%	
Net profit, LTL thousand	3 626	3 693	-1.8%
Net margin	3.9%	4.8%	
EBITDA, LTL thousand	10 260	9 457	8.5%
EBITDA margin	11.1%	12.2%	
Return on equity (end of the period)	4.3%	7.0%	
Return on assets (end of the period)	1.9%	3.2%	
Net debt to equity*	59.3%	67.7%	
Current ratio, times	1.4	1.9	-24.7%

*(Interest bearing liabilities - cash) / Equity

The Retail turnover of the Group‘s stores during first half of 2008 by countries (LTL thousand, VAT included) was as follows:

Country	2008 H1	2007 H1	Change
Lithuania	155 556	121 929	27.6%
Latvia	57 219	44 217	29.4%
Estonia	20 854	16 972	22.9%
Total:	**233 629**	**183 118**	**27.6%**

The retail turnover (including VAT) of the Group’s chain was LTL 233.6 million in the 6 months of 2008, and has increased by 27.6% comparing to corresponding period of 2007.

The turnover of the Group in Lithuanian market during the first 6 months of 2008 has reached LTL 155.5 million, or increased by 27.6% to corresponding period of 2007. The growth of retail turnover in Lithuania was in line with management’s expectations and was higher than the rate of chain expansion.

The retail turnover in foreign markets (Latvia and Estonia) has reached LTL 78.1 million and it was 27.6% more than during the same period in 2007.
Due to the cooling consumer products market, the retail turnover in Latvia and Estonia was lower than the rate of expansion, and by 15% lower than it was planned.

The retail turnover (LTL thousand, VAT included) by countries during the second quarter of 2008 was:

Country	**2008 Q2**	**2007 Q2**	**Change**
Lithuania	74 065	60 573	22.3%
Latvia	27 810	22 591	23.1%
Estonia	10 196	8 196	24.4%
Total:	**112 071**	**91 360**	**22.7%**

The retail turnover during the second quarter comparing to corresponding period of 2007 has increased by 22.3% in Lithuania, 23.1% in Latvia and 24.4% in Estonia. The tendency during the second quarter was the same as during the first one - the turnover growth in foreign markets was lower than the rate of expansion.

The Group is developing 5 different store chains:

- Family fashion (Apranga);
- Business fashion (City);
- Youth fashion;
- Luxury fashion;
- Zara franchise stores.

Unsold seasonal goods are sold through the chain of 5 outlets.

The retail turnover by chains (LTL thousand, VAT included) was as follows:

Chain	**2008 H1**	**2007 H1**	**Change**
Family fashion	42 708	38 600	10.6%
Youth fashion	59 882	38 799	54.3%
Business and luxury:	54 361	46 672	16.5%
City	28 632	18 848	51.9%
Luxury	25 729	27 824	-7.5%
Zara	70 056	55 454	26.3%
Outlets	6 622	3 593	84.3%
Total:	**233 629**	**183 118**	**27.6%**

During the first half of 2008, the most rapid turnover growth was reached in outlets (84.3%), youth chain (54.3%), business fashion (51.9%) and Zara franchise stores (26.3%). The higher growth rates were mainly caused by the new stores opened.

The only chain which has decrease in sales in all markets (Lithuania, Latvia and Estonia) was luxury fashion (-7.5%).

During the 6 months of 2008 the Group has opened 5 new youth fashion stores with the total sales area of 2 thousand sq. m. The capital expenditure of the retail chain expansion amounted to LTL 5.7 million.

The first Stradivarius store in Baltics States was opened by the Group in April 2008. Stradivarius is the fourth concept of the global retail clothing leader Inditex that will be developed by Group in the Baltics. According to the 4 years development plan of the Group, the Stradivarius chain in the Baltic States will be expanded up to 10 stores.

The number of stores by countries was as follows:

Country	**2008 H1**	**2007 H1**	**Change**
Lithuania	59	56	5.4%
Latvia	24	18	33.3%
Estonia	5	3	66.6%
Total:	**88**	**77**	**14.3%**

The number of stores by chains was as follows:

Country	2008 H1	2007 H1	Change
Family fashion	14	15	-6.7%
Youth fashion	35	26	34.6%
Business	10	11	-9.1%
Luxury	15	15	0.0%
Zara	9	7	28.6%
Outlets	5	3	66.7%
Iš viso:	**88**	**77**	**14.3%**

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

Country	2008 H1	2007 H1	Change
Lithuania	38.0	33.9	12.1%
Latvia	13.7	9.9	38.4%
Estonia	4.3	2.6	65.4%
Total:	**56.0**	**46.4**	**20.7%**

The increase in gross sales area during one year period was almost 10 thousand sq. m, or 20.7%. The stores area in the foreign markets has increased by 5.5 thousand sq. m or by 44.0%.

The gross profit of the Group was LTL 84 million during 6 months of 2008, or 18.8% more than in first half 2007. During the corresponding period, the gross margin has decreased from 45.6% to 43.5%. The main reasons of the decrease were:

- During this period most of the new stores were opened under the Inditex franchises, where the gross margin is less vulnerable to seasonal impacts, but is lower than in other chains;
- Increased share of outlets in the total turnover;
- The more aggressive discounted sales at lower margins in order to avoid too high inventory levels;
- Delays in new store openings.

The Group has earned LTL 3.7 million profit before taxes in 6 months of 2008, of which LTL 4.2 million was earned in second quarter 2008.

The earnings before taxes of 6 months of 2008 were by 65.2% lower than the earnings before taxes of 6 months 2008. In addition to the above mentioned decrease in gross profit, the reasons of such decrease were:

- unprofitable operations caused by unfavourable weather in first quarter of 2008;
- the increase of operating expenses due to intensive expansion (30 new shops were opened) and strenuous situation on the labour market in the second half of 2007;
- the longer term is needed for new shops to turn into profitable operation than it was during the few last years because of slowdown in consumer market growth.

By the judgement of the management, the Group has stabilised the decrease of gross profitability and increase of operating expenses during the second quarter of 2008, what allowed to earn profit before taxes just by 14.9% less, than in second quarter 2007.

Number of employees and average salary by categories on 30 June 2008 were as follows:

	Number of employees		**Average monthly salary, LTL**	
Employee category	**Group**	**Company**	**Group**	**Company**
Administration	119	85	6 227	6 544
Store's personnel	1 384	649	2 250	2 177
Logistics	74	74	2 257	2 257
Total:	**1 577**	**808**	**2 551**	**2 644**

Number of employees in the Group and the Company has increased by 172 and 93, respectively, since from the 30 June 2007. The main reason of such increase was the new stores opened.

From the beginning of 2008, the number of employees in the Group has decreased by 60 and in the Company has increased by 11. The main reason of the decrease was more conservative policy of hiring new staff in order to achieve higher stores' efficiency.

The average salary in the Group has increased by 24% in comparison with 6 months of 2007. The changes were influenced mostly by the increase of wages for shops' personnel and administration in the second half of 2007.

Education of employees by categories on 30 June 2008 was as follows:

Education	**Group**	**Company**
High	297	171
Professional	304	230
Secondary	283	174
Primary	15	7
Student	678	226
Total:	**1577**	**808**

21 of the Group's employees were promoted during 2008.

Operational plans

The Group constantly seeks to strengthen its leading position in the local Lithuanian retail market and to make a stable increase of the market share in Latvia and Estonia.

The number of the Group's stores will increase from 83 to 100 in 2008. 16 new stores will be opened in the second half of 2008, and 4 stores will be closed. The biggest expansion is anticipated to take place in Vilnius shopping center Panorama, where 11 stores are planned to be opened with the total sales area of 4.5 thousand sq. m. There are planned to open 2 stores in Estonia.

The Group's management expects to reach positive steps towards increase of the shops' efficiency in second half of 2008 mostly by optimising the number of employees and labour costs.

By the opinion of the management, the Group will not reach the planed retail turnover of LTL 580 thousand (including VAT) because of rapid decrease of consumer products market growth rates in the Baltic States (especially in Latvia and Estonia), and because of 2 months delay in the opening of the shopping centre Panorama in Vilnius (where the Group plans biggest number of the new projects in 2008). By the judgement of the management, the turnover of the Group in 2008 will be around 10% less than it was announced in the end of 2007. The plans of the turnover and profit will be adjusted in the beginning o November 2008, when the exact opening date of the shopping centre Panorama will become clear.

Risk management

The risk management function within the Group is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), 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: trade receivables, cash and cash equivalents, trade and other payables, bonds and borrowings. The accounting policy with respect to these financial instruments was described in Financial Statement of 2007 and has not been changed during the first six months of 2008.

<u>Credit risk</u>

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, 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.

The Company and the Group has no significant concentration of credit risk.

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, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) 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 liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these; and maintaining debt financing plans.

Market risk

Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, 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.

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group 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 is related to LIBOR (VILIBOR, RIGIBOR). As at 30 June 2008 the Company's and Group's bonds had a fixed rate of 5.99%. The interest rate of bonds includes 2 year standard IRS plus 1.25%, hence is fixed, as it is not subject to repricing earlier than the maturity date of bonds. 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 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 calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the simulations performed, management considers the impact on post tax profit of a 0.5% shift in interest rates to be not material to the financial statements of the Group and 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. At the moment the Company and the Group doesn't use any derivative financial instruments in order to control foreign currencies exchange risk.

The Group operates in Lithuania, Latvia and Estonia and accordingly has three functional currencies that all are pegged with EUR and do not fluctuate significantly. Therefore neither the Group, nor the Company is exposed to any significant foreign exchange risk.

Price risk

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

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 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 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 authorized share capital of a public limited liability company must be not less than LTL 150 thousand and of a private limited liability company must be not less than LTL 10 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 30 June 2008, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorized share capital of a private limited liability company must be not less than LVL 25 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 30 June 2007, all of the Company's Latvian subsidiaries complied with these requirements.

Pursuant to the Estonian Commercial Code the authorized share capital of a private limited liability company must be not less than EEK 40 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 30 June 2008, all of the Company's Estonian subsidiaries complied with these requirements.

In addition, the Group has to comply with the financial covenants imposed in the agreements with SEB and DnB Nord banks. The Group and the Company was in compliance with the covenants as at 30 June 2008.

Securities

All 35291960 ordinary shares of nominal value LTL 1 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Official list of Vilnius Stock Exchange.

All Company's shares give equal rights to shareholders.

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;
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) Shareholder 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.

On 30 June 2008 the Company had 3315 shareholders. Company's shareholders that control over 5% votes in General Shareholder Meeting were as follows:

Shareholder	Enterprise / personal code	Address	Number of shares	% of total ownership
UAB „MG Baltic Investment"	123249022	Jasinskio 16B, Vilnius, Lithuania	18 487 729	52.4%
AS Hansapank clients	10060701	Liivalaia 8 Tallinn, Estonia	3 911 538	11.1%
JP Morgan Bank Luxembourg SA clients	B10958	6, route de Trèves, Senningerberg, Luxembourg	1 857 817	5.3%
Skandinaviska Enskilda Banken clients	SE502032908101	Kungsträdgårdsgatan 8, Stockholm, Sweden	1 794 748	5.1%

An issue of 200000 bonds of nominal value LTL 100 each (ISIN code LT0000402216) is listed on Bond list of Vilnius Stock Exchange (see 6. Bonds).

The Company has concluded an agreement with FMI Finasta on supervision of securities accounts and an agreement on dividend payment.

The Company has concluded an agreement with AB SEB Bank on underwriting of bonds (issue settlement).

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.

Corporate governance

The management bodies of the Company 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 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;
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 organization 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 organizes 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.

Information about Members of the management bodies on 30 June 2008:

Name, Surname	**Position**	**Number of shares owned and part in the share capital %**	**Election date**	**End of term**	**Amounts received from the Company, LTL**
Darius Juozas Mockus	Chairman of the Board	626768 1.78%	27 04 2007	27 04 2010	Dividends 626768
Rimantas Perveneckas	Member of the Board, General Director	796920 2.26%	27 04 2007	27 04 2010	Dividends 796920 Remuneration 172500
Ilona Šimkūnienė	Member of the Board, Purchasing Director	20860 0.05%	27 04 2007	27 04 2010	Dividends 20860 Remuneration 101556
Ramūnas Gaidamavičius	Member of the Board, Development Director	-	27 04 2007	27 04 2010	Remuneration 75400
Raimondas Kurlianskis	Member of the Board	244788 0.69%	27 04 2007	27 04 2010	Dividends 244788
Algimantas Variakojis	Member of the Board	-	27 04 2007	27 04 2010	Dividends 8013
Members of the board in total:					**Dividends 1697349** **Remuneration 349456**
Members of the Board on average:					**Dividends 339470** **Remuneration 116485**
Vaidas Savukynas	Chief Financial Officer	-	-	-	Remuneration 78000

Compliance with the Governance Code

There were no essential changes related to APB "Apranga" report for year 2007 concerning the compliance with the Governance Code for the companies listed on the regulated market.

Publicly announced information

Company publicly announced and broadcasted through OMX Client News Service and own webpage the following information:

Title	Category of announcement	Language	Date
APG: On turnover of Apranga Group in 2007	Notification on material event	Lt, En	02.01.2008
APG: On investor's calendar for the 1st half of 2008	Other information	Lt, En	03.01.2008
APG: On establishment of subsidiary of APB Apranga	Notification on material event	Lt, En	15.01.2008
APG: On plans of Apranga Group for 2008	Notification on material event	Lt, En	15.01.2008
APG: On turnover of Apranga Group in January 2008	Notification on material event	Lt, En	01.02.2008
APG: On Apranga Group preliminary results for 2007	Notification on material event	Lt, En	29.02.2008
APG: On Apranga Group interim information for 12 months 2007	Interim information	Lt, En	29.02.2008
APG: On turnover of Apranga Group in February 2008	Notification on material event	Lt, En	03.03.2008
APG: Notice of the General Meeting of APB Apranga	Notification on material event	Lt, En	27.03.2008
APG: On turnover of Apranga Group in March 2008	Notification on material event	Lt, En	01.04.2008
APG: Apranga Group extends successful collaboration with Inditex‟	Notification on material event	Lt, En	08.04.2008
APG: Apranga Group opens the first Stradivarius store in the Baltic States	Investor News	Lt, En	08.04.2008
APG: On proposals of resolutions of general meeting of APB Apranga	Notification on material event	Lt, En	17.04.2008
APG: On Apranga Group annual information for 2007	Annual information	Lt, En	18.04.2008
APG: Resolutions of Annual general meeting of shareholders of APB Apranga	Notification on material event	Lt, En	30.04.2008
APG: On turnover of Apranga Group in April 2008	Notification on material event	Lt, En	06.05.2008
APG: On Apranga Group presentation at investors' conference	Investor News	Lt, En	14.05.2008
APG: Apranga Group opens the fourth Mango store in Lithuania	Investor News	Lt, En	22.05.2008
APG: On Apranga Group interim information for 3 months 2008	Interim information	Lt, En	30.05.2008
APG: On turnover of Apranga Group in May 2008	Notification on material event	Lt, En	02.06.2008
APG: On collaboration between SEB and Apranga Group	Investor News	Lt, En	18.06.2008
APG: On Apranga Group investor's calendar for the rest of 2008	Investor News	Lt, En	30.06.2008

Contents of above mentioned announcements can be obtained on Vilnius Stock Exchange webpage http://www.baltic.omxgroup.com/market/?pg=details&instrument=LT0000102337&list=2&tab=news and on Company‘s webpage http://www.apranga.lt/investuotojams/index.php?lang=2.

INCOME STATEMENT

LTL thousand		Group		Company	
	Note	2008 H1	2007 H1	2008 H1	2007 H1
Revenue	2	192 857	154 926	101 264	84 674
Cost of sales		(108 890)	(84 266)	(66 015)	(53 970)
GROSS PROFIT		**83 967**	**70 660**	**35 249**	**30 704**
Selling costs		(78 770)	(59 400)	(38 414)	(30 302)
Net other income		435	553	13 258	11 338
Foreign exchange gain (loss), net		23	(25)	22	(6)
PROFIT FROM OPERATIONS		**5 655**	**11 788**	**10 115**	**11 734**
Finance costs		(1 941)	(1 104)	(1 893)	(1 091)
PROFIT BEFORE TAXES		**3 714**	**10 684**	**8 222**	**10 643**
Income tax expense		(909)	(2 522)	(113)	(831)
NET PROFIT		**2 805**	**8 162**	**8 109**	**9 812**
Basic and diluted earnings per share (in LTL)		**0.08**	**0.23**	**0.23**	**0.28**

LTL thousand		Group		Company	
	Note	2008 Q2	2007Q2	2008 Q2	2007 Q2
Revenue	2	92 378	77 248	43 223	37 530
Cost of sales		(49 167)	(40 237)	(24 504)	(21 350)
GROSS PROFIT		**43 211**	**37 011**	**18 719**	**16 180**
Selling costs		(38 233)	(31 730)	(18 535)	(15 948)
Net other income		220	306	10 891	9 433
Foreign exchange gain (loss), net		18	6	6	7
PROFIT FROM OPERATIONS		**5 216**	**5 593**	**11 081**	**9 672**
Finance costs		(974)	(610)	(955)	(594)
PROFIT BEFORE TAXES		**4 242**	**4 983**	**10 126**	**9 078**
Income tax expense		(616)	(1 290)	(161)	(391)
NET PROFIT		**3 626**	**3 693**	**9 965**	**8 687**
Basic and diluted earnings per share (in LTL)		**0.10**	**0.10**	**0.28**	**0.25**

BALANCE SHEET

LTL Thousand	Note	Group 30 06 2008	Group 31 12 2007	Company 30 06 2008	Company 31 12 2007
ASSETS					
Non-current assets					
Property, plant and equipment	**3**	108 513	110 439	70 967	69 653
Intangible assets	**3**	1 330	981	1 031	843
Investments in subsidiaries	**4**	-	-	9 677	9 377
Prepayments and other receivables		1 102	857	571	400
		110 945	**112 277**	**82 246**	**80 273**
Current assets					
Inventories		68 381	73 821	44 935	44 958
Non-current assets held for sale		1 118	1 118	1 118	1 118
Receivables and prepayments		6 906	8 028	28 335	26 642
Cash and cash equivalents		2 750	7 287	1 028	2 990
		79 155	**90 254**	**75 416**	**75 708**
TOTAL ASSETS	**2**	**190 100**	**202 531**	**157 662**	**155 981**
EQUITY AND LIABILITIES					
Equity					
Ordinary shares		35 292	35 292	35 292	35 292
Legal reserve		2 416	1 550	2 416	1 550
Translation difference		(258)	(76)	-	-
Retained earnings		47 095	50 852	31 482	29 886
		84 545	**87 618**	**69 190**	**66 728**
Non-current liabilities					
Borrowings	**5**	47 000	-	47 000	-
Bonds issued	**6**	-	20 000	-	20 000
Deferred tax liabilities		3 526	3 531	2 045	1 991
Obligations under finance leases		6	16	6	16
Other liabilities		307	-	307	-
		50 839	**23 547**	**49 358**	**22 007**
Current liabilities					
Borrowings	**5**	5 859	53 574	3 632	47 735
Bonds issued	**6**	20 053	653	20 053	653
Current portion of obligations under finance leases		20	20	20	20
Current income tax liability		1 921	1 112	153	106
Trade and other payables		26 863	36 007	15 256	18 732
		54 716	**91 366**	**39 114**	**67 246**
Total liabilities		**105 555**	**114 913**	**88 472**	**89 253**
TOTAL EQUITY AND LIABILITIES		**190 100**	**202 531**	**157 662**	**155 981**

STATEMENT OF CHANGES IN EQUITY

Group

	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
Balance at 1 January 2007		**35 292**	**1 081**	**(178)**	**30 293**	**66 488**
Currency translation difference - recognised directly in equity		-	-	67	(10)	57
Net profit for the period		-	-	-	8 162	8 162
Total recognised income and expenses for the period		-	-	67	8 152	8 219
Transfer to legal reserve		-	469	-	(469)	-
Dividends paid		-	-	-	(3 882)	(3 882)
Balance at 30 June 2007		**35 292**	**1 550**	**(111)**	**34 094**	**70 825**
Balance at 1 January 2008		**35 292**	**1 550**	**(76)**	**50 852**	**87 618**
Currency translation difference - recognised directly in equity		-	-	(182)	(49)	(231)
Net profit for the period		-	-	-	2 805	2 805
Total recognised income and expenses for the period		-	-	(182)	2 756	2 574
Transfer to legal reserve		-	866	-	(866)	-
Dividends paid	Error! Reference source not found.	-	-	-	(5 647)	(5 647)
Balance at 30 June 2008		**35 292**	**2 416**	**(258)**	**47 095**	**84 545**

Company

	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2007		**35 292**	**1 081**	**16 909**	**53 282**
Net profit for the period		-	-	9 812	9 812
Transfer to legal reserve		-	469	(469)	-
Dividends paid		-	-	(3 882)	(3 882)
Balance at 30 June 2007		**35 292**	**1 550**	**22 370**	**59 212**
Balance at 1 January 2008		**35 292**	**1 550**	**29 886**	**66 728**
Net profit for the period		-	-	8 109	8 109
Transfer to legal reserve		-	866	(866)	-
Dividends paid	Error! Reference source not found.	-	-	(5 647)	(5 647)
Balance at 30 June 2008		**35 292**	**2 416**	**31 482**	**69 190**

STATEMENT OF CASH FLOW

LTL thousand	Group		Company	
	2008 H1	**2007 H1**	**2008 H1**	**2007 H1**
OPERATING ACTIVITIES				
Profit before income taxes	3 714	10 684	8 222	10 643
Adjustments for:				
Depreciation and amortization	9 952	7 372	4 665	3 220
Provisions of slow moving inventories	531	(324)	469	(324)
(Gain) / loss on disposal of property, plant and equipment	(4)	34	(4)	34
Dividends received	-	-	(8 516)	(7 273)
Interest expenses, net	1 936	1 102	1 586	888
	16 149	**18 868**	**6 442**	**7 188**
Changes in operating assets and liabilities:				
Increase in inventories	4 909	(1 053)	(446)	(167)
Decrease (increase) in receivables	877	(1 509)	(2 934)	(2 679)
Unrealized foreign exchange (gain) / loss	(205)	57	-	6
Increase in payables	(8 837)	(3 191)	(3 169)	(7 235)
Cash generated by operations	**12 893**	**13 172**	**(107)**	**(2 887)**
Income tax paid	(105)	(952)	(12)	(2)
Interest paid	(1 888)	(1 104)	(2 440)	(1 091)
Net cash from operating activities	**10 900**	**11 116**	**(2 559)**	**(3 980)**
INVESTING ACTIVITIES				
Interest received	5	2	254	203
Dividends received	-	-	8 516	7 273
Loans granted for subsidiaries	-	-	(23 096)	(42 438)
Loans returned from subsidiaries	-	-	24 166	40 937
Purchases of property, plant and equipment and intangible assets	(8 386)	(15 513)	(6 187)	(7 405)
Proceeds on disposal of property, plant and equipment	4	14	4	14
Acquisition of subsidiaries	-	-	(300)	(593)
Net cash used in investing activities	**(8 386)**	**(15 497)**	**3 357**	**(2 009)**
FINANCING ACTIVITIES				
Dividends paid	(5 647)	(3 882)	(5 647)	(3 882)
Loans received	27 578	26 371	61 482	24 110
Repayments of obligations under finance leases	(19 704)	(14 612)	(51 467)	(11 298)
Leasing	(10)	(10)	(10)	(10)
Repurchase of bonds	-	(20 000)	-	(20 000)
Revenues from bonds issue	-	20 000	-	20 000
Net cash (used in) / from financing activities	**2 217**	**7 867**	**4 358**	**8 920**
NET INCREASE IN CASH	**4 052**	**3 486**	**5 156**	**2 931**
CASH AT THE BEGINNING OF THE YEAR	**(7 161)**	**(3 074)**	**(5 032)**	**(1 002)**
CASH AT THE END OF THE PERIOD	**(3 109)**	**412**	**124**	**1 929**

NOTES

1. Basis of preparation and summary of main accounting principles

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

Interim financial statements were based on the same accounting principles as the annual financial statements.

The applicable rates used for the principal currencies as of years 2008 and 2007 were as follows:

Currency		30 06 2008	31 12 2007	30 06 2007
1 EUR	=	3.4528 LTL	3.4528 LTL	3.4528 LTL
1 LVL	=	4.9440 LTL	4.9083 LTL	4.9597 LTL
10 EEK	=	2.2067 LTL	2.2067 LTL	2.2067 LTL

2. Segment information

The following is an information on revenues and carrying amount of total assets by the segments:

LTL thousand	2008 H1			
	Lithuania	Latvia	Estonia	Group
Total segment revenue	143 122	49 376	18 563	211 061
Intersegment revenue	(16 002)	(1 338)	(864)	(18 204)
Revenue	**127 120**	**48 038**	**17 699**	**192 857**
	2007 H1			
	Lithuania	Latvia	Estonia	Group
Total segment revenue	116 305	38 136	14 680	169 121
Intersegment revenue	(13 482)	(414)	(299)	(14 195)
Revenue	**102 823**	**37 722**	**14 381**	**154 926**

LTL thousand	Assets	
	30 06 2008	30 06 2007
Lithuania	146 014	120 513
Latvia	31 661	22 931
Estonia	12 425	10 383
Group	**190 100**	**153 827**

3. Investments into non-current assets

Investments into development of retail network amounted to 5694 thousand during first half of 2008. Acquisitions of other non-current assets (vehicles, warehouse and office equipment, information technologies) amounted to LTL 3066 thousand during first half of 2008.

4. Investments into subsidiaries

In January 2008, the Company has established the subsidiary UAB Apranga SLT. The share capital of the subsidiary is comprised of 300 shares with a par value of LTL 1 thousand each. The shares of UAB Apranga SLT were fully paid in cash. The Company possesses 100% of the capital and voting rights of the subsidiary.

5. Borrowings

In January 2008, the Group and SIA DnB Nord Banka concluded an agreement for the change of the previously concluded agreement for credit line. According to the agreement the Group was granted credit line amounting LVL 1600 for financing of working capital and issuance of guarantees and letters of credit. The credit line expires on 31 January 2009. The credit line is bearing a floating interest rate calculated as the 3-month RIGIBOR plus margin, interest being paid for the drawdown amount, and a fixed interest rate for amount used for the issuance of guarantees and letters of credit.

In June 2008, the Group and SEB Bank have signed the agreement which modified the previous contract on the credit line. According to it, the Group was provided a credit line of LTL 80000 thousand in order to finance further expansion, also for increasing the working capital, issuing securities and opening letters of credit. The credit line expires on 31 May 2009, the interests are paid for the amount used and the interest rate is calculated as the overnight VILIBOR plus margin.

6. Bonds

On 27 April 2007 the Annual general meeting of shareholders of APB Apranga has resolved to issue two years maturity intangible registered bonds of total nominal value LTL 20000 thousand. The date of issue is June 16, 2007, maturity date is June 15, 2009. Yearly coupon is 5.99%, coupon dates are16 June 2008 and 15 June 2009. Nominal value of one bond is LTL 100. Total quantity of bonds is 200000.

7. Guarantees

As of 30 June 2008 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totalled LTL 19002 thousand (31 December 2007: LTL 17868 thousand). The letters of credit and guarantees provided to suppliers by the credit institution on behalf of the Group as of 30 June 2008 amounted to LTL 36528 thousand (31 December 2007: LTL 33729 thousand).

As of 30 June 2008 the Company's guarantees to the credit institutions issued to secure the obligations of subsidiaries totalled LTL 7928 thousand (31 December 2007: LTL 7931 thousand). As of 30 June 2008 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled LTL 870 thousand (30 December 2007: LTL 893 thousand).

8. Dividends

On 27 April 2008, the Annual general meeting of shareholders of APB Apranga has resolved to pay LTL 5647 thousand dividends, LTL 0.16 per 1 share. Dividends were paid in cash on 26 May 2008.

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