

APRANGA APB

The Consolidated Interim Report and
Interim Consolidated Financial Statements

For the Six months period ended 30 June 2016

(UNAUDITED)

29 July 2016
Vilnius

APB APRANGA

Company's code 121933274, Kirtimu 51, Vilnius

INFORMATION ABOUT COMPANY

| | |
|------------------------------------|---|
| Name of the company | Apranga APB |
| Legal form | Public limited liability company |
| Date of registration | 1 st 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 VI, Vilnius branch |
| Telephone number | +370 5 239 08 08 |
| Fax number | +370 5 239 08 00 |
| E-mail | info@apranga.lt |
| Internet address | http://aprangagroup.lt |
| Main activities | Retail trade of apparel |
| Auditor | PricewaterhouseCoopers UAB |

APB APRANGA

Company's code 121933274, Kirtimu 51, Vilnius

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INTERIM CONSOLIDATED REPORT

General information

Interim consolidated report is prepared for the period January – June 2016.

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: Kirtimu str. 51, Vilnius, LT-02244, Lithuania
Telephone number: +370 5 2390808
Fax number: +370 5 2390800
E-mail address: info@aprangas.lt
Internet address: <http://aprangagroup.lt>

At 30 June 2016 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, www |
|---------------------|-----------------------------------|--|--------------------|--------------------------------|---|
| 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 2390800 info@aprangas.lt http://aprangagroup.lt |
| 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 2390800 info@aprangas.lt http://aprangagroup.lt |
| 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 2390800 info@aprangas.lt http://aprangagroup.lt |
| 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 2390800 info@aprangas.lt http://aprangagroup.lt |
| 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 2390800 info@aprangas.lt http://aprangagroup.lt |
| 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 2390800 info@aprangas.lt http://aprangagroup.lt |
| UAB Apranga Ecom LT | Private limited liability company | 25 02 2016 State enterprise Centre of Registers of the Republic of Lithuania | 304184173 | Kirtimu 51, Vilnius, Lithuania | Tel. 370 5 2390808 Fax. 370 5 2390800 info@aprangas.lt http://aprangagroup.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@aprangas.lt http://aprangagroup.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@aprangas.lt http://aprangagroup.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@aprangas.lt http://aprangagroup.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@aprangas.lt http://aprangagroup.lt |
| 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 info@aprangas.lt http://aprangagroup.lt |

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016
(all tabular amounts are in EUR thousands unless otherwise stated)

| Title | Legal form | Date and place of registration | Code of Enterprise | Registered office | Telephone, fax, e-mail, www |
|-------------------------|-----------------------------------|---|--------------------|---|---|
| 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 info@aprange.lt http://aprangagroup.lt |
| SIA Apranga Ecom LV | Private limited liability company | 29 02 2016 Enterprise Register of the Republic of Latvia | 40103972857 | Terbatas 30, Riga, Latvia | Tel. 371 6 7240020 Fax. 371 6 7240019 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga ¹ | Private limited liability company | 19 07 2006 Tallinn City Court Register department | 11274427 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga Estonia | Private limited liability company | 12 04 2004 Tallinn City Court Register department | 11026132 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga BEE | Private limited liability company | 04 09 2007 Tallinn City Court Register department | 11419148 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga PB Trade | Private limited liability company | 21 08 2008 Tallinn City Court Register department | 11530250 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga ST Retail | Private limited liability company | 21 08 2008 Tallinn City Court Register department | 11530037 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga MDE | Private limited liability company | 21 02 2014 Tallinn City Court Register department | 12617929 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |
| OÜ Apranga Ecom EE | Private limited liability company | 01 03 2016 Tallinn City Court Register department | 14004869 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6270141 Fax. 372 6270144 info@aprange.lt http://aprangagroup.lt |

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

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.

Operating highlights

The retail turnover (including VAT) of Apranga Group reached EUR 94.4 million in 1st half 2016 or by 7.2% more than in 1st half 2015. The highest growth rates were recorded in Estonia (22.1%), when growth rates in Lithuania and Latvia were 4.6% and 4.8% accordingly.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in Baltic States during the 6 months 2016 grew the most in Estonia (+7%). In Latvia and Lithuania in the same period, retail trade growth rates were slower than in Estonia (3% and 5% accordingly). The average annual (i.e. of the last 12 months) retail trade growth rates by country were practically identical to the first half growth rates. European Union (28 countries) retail trade in 1st half 2016 increased by 3% (the same as in the 1st and 2nd half 2015).

The retail turnover of the Group's stores in first half of 2016 by countries was as follows (EUR thousand, VAT included):

| Country | 6 months 2016 | 6 months 2015 | 6 months 2014 | 2016/2015, % | 2016/2014, % |
|---------------|---------------|---------------|---------------|--------------|--------------|
| Lithuania | 55 818 | 53 344 | 49 177 | 4,6% | 13,5% |
| Latvia | 22 832 | 21 779 | 21 045 | 4,8% | 8,5% |
| Estonia | 15 701 | 12 861 | 10 509 | 22,1% | 49,4% |
| Total: | 94 352 | 87 984 | 80 732 | 7,2% | 16,9% |

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

| Country | Q2 2016 | Q2 2015 | Q2 2014 | 2016/2015, % |
|---------------|---------------|---------------|---------------|-----------------|
| Lithuania | 29 337 | 27 632 | 25 313 | 6,2% |
| Latvia | 11 976 | 11 241 | 10 957 | 6,5% |
| Estonia | 8 918 | 7 000 | 5 963 | 27,4% |
| Total: | 50 231 | 45 874 | 42 233 | 9,5% |

At the beginning of April 2016, the Group started online sales in Lithuania, Latvia and Estonia. There were opened Zara, Massimo Dutti, Bershka, Pull&Bear, Stradivarius, Zara Home, Uterqüe and Oysho online stores. In this way, the online sales in Lithuania, Latvia and Estonia has brought two more new Inditex brands - Oysho and Uterqüe, which are not traded in physical stores.

The retail turnover of the Group's stores by chains in first half of 2016 was as follows (EUR thousand, VAT included):

| Chain | 6 months 2016 | 6 months 2015 | 6 months 2014 | 2016/2015, % | 2016/2014, % |
|-----------------------|------------------|------------------|------------------|-----------------|-----------------|
| Economy ¹ | 13 939 | 14 438 | 14 642 | -3,5% | -4,8% |
| Youth ² | 19 018 | 19 159 | 18 592 | -0,7% | 2,3% |
| Footwear | 3 234 | 3 469 | 2 065 | -6,8% | 56,6% |
| Business ³ | 16 392 | 14 365 | 13 107 | 14,1% | 25,1% |
| Luxury ⁴ | 10 922 | 11 168 | 10 371 | -2,2% | 5,3% |
| Zara | 26 404 | 21 546 | 18 928 | 22,5% | 39,5% |
| Outlets | 4 442 | 3 840 | 3 027 | 15,7% | 46,7% |
| Total | 94 352 | 87 984 | 80 732 | 7,2% | 16,9% |

¹ Apranga, Promod, s.Oliver, Tom Tailor, Mexx;

² Aprangos galerija, Moskito, Mango, Bershka, Pull & Bear, Stradivarius, Desigual;

³ City, Massimo Dutti, Strellson, Marella, Pennyblack, Coccinelle, Tommy Hilfiger, Zara Home;

⁴ Burberry, Emporio Armani, Hugo Boss, Ermenegildo Zegna, MaxMara, Weekend MaxMara, Armani Jeans, Marina Rinaldi, Mados linija, Nude, Sandro, Maje.

In 1st half 2016, Zara, Outlets and Business chain's turnover increased mostly (respectively by 22.5%, 15.7% and 14.1%). In the two-year period, highest increase was recorded by Footwear chain (+56.6%). This was largely due to 6 new stores opened during last 2 years. The decrease in turnover in 2016 of the Economy chain (at the same time, the decrease in number of chain stores) mainly was influenced by the closure of 6 Mexx stores in 2015. Youth chain's turnover in the first half 2016 decreased due to the closure of two this chain's stores at the beginning of the year.

During the six months 2016 the Group opened 11 new stores (6 Karen Millen stores in Vilnius, Kaunas, Riga and Tallinn, Sandro and Maje in Riga, City in Panevėžys, Pennyblack in Tallinn and Zara in Tartu), 2 reconstructed (Apranga in Kaunas and Aprangos galerija in Panevėžys) and closed 2 stores. Sandro and Maje are the first in the Baltic countries, the so-called affordable luxury brand stores.

The capital expenditure of the retail chain expansion amounted to EUR 1.9 million in first half 2016 (see Note 3 "Investments into non-current assets"). Investments (acquisitions) by segments are disclosed in Note 2 ("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:

| Country | 30 06 2016 | 30 06 2015 | 30 06 2014 | 2016/2015, % |
|---------------|------------|------------|------------|-----------------|
| Lithuania | 104 | 98 | 96 | 6,1% |
| Latvia | 46 | 45 | 43 | 2,2% |
| Estonia | 28 | 23 | 18 | 21,7% |
| Total: | 178 | 166 | 157 | 7,2% |

The number of stores by chains was as follows:

| Chain | 30 06 2016 | 30 06 2015 | Change |
|--------------|------------|------------|-------------|
| Economy | 33 | 34 | -2,9% |
| Youth | 46 | 48 | -4,2% |
| Footwear | 15 | 15 | 0,0% |
| Business | 37 | 26 | 42,3% |
| Luxury | 27 | 24 | 12,5% |
| Zara | 12 | 11 | 9,1% |
| Outlets | 8 | 8 | 0,0% |
| Total | 178 | 166 | 7,2% |

The total *sales area* operated by the Group has increased by 5.5% or by 4.2 thousand sq. m. during the year period until 30 June 2016.

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

| Country | 30 06 2016 | 30 06 2015 | 30 06 2014 | 2016/2015, % |
|---------------|-------------|-------------|-------------|-----------------|
| Lithuania | 48,0 | 46,3 | 43,7 | 3,6% |
| Latvia | 20,2 | 20,4 | 20,3 | -1,3% |
| Estonia | 13,0 | 10,1 | 7,5 | 28,0% |
| Total: | 81,1 | 76,9 | 71,5 | 5,5% |

The Group has earned EUR 4.6 million of *profit before income tax* in six months 2016, while profit before taxes amounted to EUR 4.0 million during six months of 2015 (the increase by 16.5%). In second quarter the profit before income tax increased from EUR 3.2 million in 2015 to EUR 3.5 million in 2016 (+9.1%).

EBITDA of the Group was EUR 7.7 million during six months 2016, and it was EUR 6.9 million in corresponding previous year period. *EBITDA* margin has increased from 9.9% to 10.2% during the year. The current ratio of the Group increased to the level of 2.4 times.

| Main Group Indicators | 6 months 2016 | 6 months 2015 | 6 months 2014 |
|--|------------------|------------------|------------------|
| Net sales, EUR thousand | 75 401 | 70 142 | 64 155 |
| Net sales in foreign markets, EUR thousand | 30 795 | 27 567 | 24 929 |
| Like-to-like sales, % | 1,2% | 1,1% | 3,0% |
| Gross profit, EUR thousand | 33 710 | 31 053 | 29 867 |
| Gross margin, % | 44,7% | 44,3% | 46,6% |
| Operating profit, EUR thousand | 4 626 | 4 000 | 4 886 |
| Operating profit margin, % | 6,1% | 5,7% | 7,6% |
| EBT, EUR thousand | 4 605 | 3 952 | 4 859 |
| EBT margin, % | 6,1% | 5,6% | 7,6% |
| Profit (loss) for the period, EUR thousand | 3 834 | 3 232 | 4 065 |
| Profit (loss) for the period margin, % | 5,1% | 4,6% | 6,3% |
| EBITDA, EUR thousand | 7 660 | 6 917 | 7 597 |
| EBITDA margin, % | 10,2% | 9,9% | 11,8% |
| Return on equity (end of the period), % | 8,3% | 7,7% | 10,5% |
| Return on assets (end of the period), % | 5,8% | 4,9% | 6,6% |
| Net debt to equity*, % | 1,0% | 16,5% | 16,8% |
| Current ratio, times | 2,4 | 1,6 | 1,6 |

* (Interest bearing liabilities less cash) / Equity

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| Main Group Indicators | Q2 2016 | Q2 2015 | Q2 2014 |
|--|----------------|----------------|----------------|
| Net sales, EUR thousand | 40 209 | 36 519 | 33 548 |
| Net sales in foreign markets, EUR thousand | 16 761 | 14 505 | 13 367 |
| Like-to-like sales, % | 2,5% | 1,4% | 1,0% |
| Gross profit, EUR thousand | 18 949 | 17 341 | 16 358 |
| Gross margin, % | 47,1% | 47,5% | 48,8% |
| Operating profit, EUR thousand | 3 463 | 3 192 | 2 830 |
| Operating profit margin, % | 8,6% | 8,7% | 8,4% |
| EBT, EUR thousand | 3 451 | 3 164 | 2 809 |
| EBT margin, % | 8,6% | 8,7% | 8,4% |
| Profit (loss) for the period, EUR thousand | 2 970 | 2 767 | 2 343 |
| Profit (loss) for the period margin, % | 7,4% | 7,6% | 7,0% |
| EBITDA, EUR thousand | 4 998 | 4 630 | 4 203 |
| EBITDA margin, % | 12,4% | 12,7% | 12,5% |
| Return on equity (end of the period), % | 6,4% | 6,6% | 6,1% |
| Return on assets (end of the period), % | 4,5% | 4,2% | 3,8% |
| Net debt to equity*, % | 1,0% | 16,5% | 16,8% |
| Current ratio, times | 2,4 | 1,6 | 1,6 |

* (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totaled EUR 29.1 million during 6 months 2016 and increased by 7.5%, comparing to the same period 2015. Thus, operating expenses rose in full proportion to sales, which grew by 7.5% as well.

The *finance costs* of the Group were EUR 21 thousand in 6 months 2016 (6 months 2015: 48 thousand). It has decreased mainly due to lower borrowings from banks. Total *finance debts* of the Group decreased from EUR 8.1 million at 30 June 2015 to EUR 1.8 million at 30 June 2016.

| Main Group Indicators | 6 months 2016 | 6 months 2015 | Change |
|--|----------------------|----------------------|---------------|
| Net sales, EUR thousand | 75 401 | 70 142 | 7,5% |
| Net sales in foreign markets, EUR thousand | 30 795 | 27 567 | 11,7% |
| Gross profit, EUR thousand | 33 710 | 31 053 | 8,6% |
| Operating expenses | (29 084) | (27 053) | 7,5% |
| Operating profit, EUR thousand | 4 626 | 4 000 | 15,7% |
| EBT, EUR thousand | 4 605 | 3 952 | 16,5% |
| Profit (loss) for the period, EUR thousand | 3 834 | 3 232 | 18,6% |
| EBITDA, EUR thousand | 7 660 | 6 917 | 10,7% |

The Group's *level of inventories* during the last 12 months grew by 8.9% to EUR 32.2 million. Company's inventories grew by 6.7%. The Group's growth of inventories, which was only slightly higher than the sales growth (7.5%), was mainly driven by new stores openings.

The *number of employees* at 30 June 2016 and the *average monthly salary* by categories in 1st half 2016 were as follows:

| Employee category | Number of employees | | Average monthly salary, EUR | |
|--------------------------|----------------------------|----------------|------------------------------------|----------------|
| | Group | Company | Group | Company |
| Administration | 164 | 104 | 1 464 | 1 742 |
| Stores' personnel | 1 828 | 629 | 555 | 589 |
| Logistics | 56 | 56 | 695 | 695 |
| Total | 2 048 | 789 | 630 | 747 |

The *number of employees* during the year till 30 June 2016 in the Group has increased by 96 to 2 048 (+4.9%), and has increased in Company by 9 to 789 (+1.2%). During the second quarter 2016 the number of employees increased by 142 (+7.5%) in the Group, and by 32 (+4.2%) in the Company.

Education of employees by categories on 30 June 2016 was as follows:

| Education level | Group | Company |
|------------------------|--------------|----------------|
| High | 504 | 258 |
| Professional | 275 | 127 |
| Secondary | 247 | 85 |
| Basic | 41 | 12 |
| Student | 981 | 307 |
| Total: | 2 048 | 789 |

The price of the Company share during 6 months 2016 decreased by 3% from EUR 2.58 per share to EUR 2.50 per share. The maximum share price during the six months period was EUR 2.68 per share, minimum share price - EUR 2.47 per share. The market capitalization of the Company decreased from EUR 143 million at the beginning of the year to EUR 138 million at the end of June 2016. The weighted average price of 1 share during the reporting period was EUR 2.57. Company's share turnover was EUR 2.2 million during 6 months 2016. The share price during the last 12 months decreased from EUR 2.71 to EUR 2.50 per share, or by 8%.

Apranga APB share price during 12 months period from 1st July 2015 to 30th June 2016:



Operational 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.

Risk management

Financial risk factors

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 is the same as it was in 2015.

Credit risk

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 EURIBOR. 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. 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 34 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 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 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 30 June 2016, 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 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 30 June 2016, all 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 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 30 June 2016, all 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 bankas AB and Nordea Bank AB. The Group and the Company was in compliance with the covenants as at 30 June 2016.

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 on Nasdaq 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) 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

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- 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 2016 the Company had 2 582 shareholders. Company's shareholders that control over 5% votes in General Shareholder Meeting were as follows:

| Shareholder | Enterprise code | Address | Number of shares | % of total ownership |
|-------------------------------|------------------------|-----------------------------------|-------------------------|-----------------------------|
| UAB MG Baltic Investment | 123249022 | Jasinskio 16B, Vilnius, Lithuania | 31 246 186 | 56,5% |
| Swedbank AS (Estonia) clients | 10060701 | Liivalaia 8 Tallinn, Estonia | 6 016 683 | 10,9% |
| UAB Minvista | 110685692 | Jasinskio 16, Vilnius, Lithuania | 5 423 107 | 9,8% |

The Company has concluded the contract with Swedbank AB on securities account management and the contract for the payment of dividends.

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 procuration 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.

Board 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.



Darius Mockus
Chairman of the Board

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 36 675 159 shares, representing 66.33% of the share capital and votes.



Rimantas Perveneckas
Member of the Board, General Director

Rimantas Perveneckas (born in 1960) - APB Apranga group General Director, Member of 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.



Ilona Šimkūnienė
Member of the Board, Purchasing Director

Ilona Šimkūnienė (born in 1963) - Apranga group Purchasing Director, Member of 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.



Vidas Lazickas
Member of the Board

Vidas Lazickas (born in 1965) - Member of 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 0.14% of the share capital and votes.



Marijus Strončikas
Member of the Board

Marijus Strončikas (born in 1974) - Member of 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.



Ramūnas Gaidamavičius
Member of the Board, Development Director

Ramūnas Gaidamavičius (born in 1968) - APB Apranga group Development Director, Member of 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.

Related party transactions

The Company's transactions with related parties are disclosed in Note 6 to interim consolidated and Company's financial statements.

Compliance with the Governance Code

During six months 2016, there were no essential changes related to Apranga APB report for year 2015 concerning the compliance with the Governance Code for the companies listed on the regulated market.

Publicly announced information

During the period from the start of 2016 to 30th June 2016 Company publicly announced and broadcasted through Nasdaq Vilnius stock exchange information distribution system Globe Newswire and own webpage the following information:

| Title | Category of announcement | Language | Date |
|--|--|----------|------------|
| Turnover of Apranga Group in December 2015 and total year 2015 | Investor News | Lt, En | 2016-01-04 |
| On expansion of APRANGA Group in the Baltic states | Notification on material event | Lt, En | 2016-01-19 |
| Turnover of Apranga Group in January 2016 | Investor News | Lt, En | 2016-02-01 |
| Establishment of subsidiary of Apranga APB in Lithuania | Notification on material event | Lt, En | 2016-02-25 |
| Apranga Group interim information for the twelve months of 2015 | Interim information | Lt, En | 2016-02-29 |
| Turnover of Apranga Group in February 2016 | Investor News | Lt, En | 2016-03-01 |
| Establishment of subsidiaries of Apranga APB in Latvia and Estonia | Notification on material event | Lt, En | 2016-03-01 |
| Apranga Group opens the first Sandro and Maje stores in the Baltic States | Press release | Lt, En | 2016-03-24 |
| Turnover of Apranga Group in March 2016 and 1st quarter 2016 | Investor News | Lt, En | 2016-04-01 |
| Notice of the Annual General Meeting of APB "APRANGA" shareholders | Notification on material event | Lt, En | 2016-04-05 |
| Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 28th, 2016 | Notification on material event | Lt, En | 2016-04-05 |
| CORRECTION: Apranga Group investor's calendar for the year 2016 | Investor News | Lt, En | 2016-04-05 |
| Apranga Group launches online sales in Lithuania, Latvia and Estonia | Press release | Lt, En | 2016-04-08 |
| Resolutions of the Annual General Meeting of Apranga APB shareholders | Notification on material event | Lt, En | 2016-04-28 |
| Apranga APB annual information 2015 | Annual information | Lt, En | 2016-04-28 |
| Apranga Group interim report for three months of 2016 | Interim information | Lt, En | 2016-04-29 |
| Turnover of Apranga Group in April 2016 | Investor News | Lt, En | 2016-05-02 |
| Turnover of Apranga Group in May 2016 | Investor News | Lt, En | 2016-06-01 |
| Notification on Apranga APB manager's related party transactions | Notifications on transactions concluded by managers of the companies | Lt, En | 2016-06-02 |

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

STATEMENT OF COMPREHENSIVE INCOME

| | Note | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 |
| Revenue | 2 | 75 401 | 70 142 | 30 486 | 30 831 |
| Cost of sales | | (41 691) | (39 089) | (19 551) | (20 072) |
| Gross profit | | 33 710 | 31 053 | 10 935 | 10 759 |
| Operating expenses | | (29 465) | (27 496) | (11 840) | (11 285) |
| Other income | | 370 | 500 | 10 423 | 7 923 |
| Net foreign exchange gain (loss) | | 11 | (57) | 11 | (57) |
| Operating profit (loss) | | 4 626 | 4 000 | 9 529 | 7 340 |
| Finance costs | 6 | (21) | (48) | (21) | (48) |
| Profit (loss) before income tax | | 4 605 | 3 952 | 9 508 | 7 292 |
| Income tax expense | | (771) | (720) | (130) | (213) |
| Profit (loss) for the year | 2 | 3 834 | 3 232 | 9 378 | 7 079 |
| Other comprehensive income | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Currency translation difference | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME | | 3 834 | 3 232 | 9 378 | 7 079 |
| Basic and diluted earnings (losses) per share (in EUR) | | 0,07 | 0,06 | 0,17 | 0,13 |

| | Note | Group | | Company | |
|---|------|---------------|---------------|--------------|--------------|
| | | Q2 2016 | Q2 2015 | Q2 2016 | Q2 2015 |
| Revenue | 2 | 40 209 | 36 519 | 13 972 | 14 217 |
| Cost of sales | | (21 260) | (19 178) | (7 998) | (8 148) |
| Gross profit | | 18 949 | 17 341 | 5 974 | 6 069 |
| General and administrative expenses | | (15 633) | (14 550) | (6 424) | (6 095) |
| Other income | | 150 | 402 | 9 584 | 7 058 |
| Net foreign exchange gain (loss) | | (3) | (1) | (3) | 1 |
| Operating profit (loss) | | 3 463 | 3 192 | 9 131 | 7 033 |
| Finance costs | 6 | (12) | (28) | (12) | (28) |
| Profit (loss) before income tax | | 3 451 | 3 164 | 9 119 | 7 005 |
| Income tax expense | | (481) | (397) | (59) | (129) |
| Profit (loss) for the year | 2 | 2 970 | 2 767 | 9 060 | 6 876 |
| Other comprehensive income | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Currency translation difference | | - | - | - | - |
| TOTAL COMPREHENSIVE INCOME | | 2 970 | 2 767 | 9 060 | 6 876 |
| Basic and diluted earnings (losses) per share (in EUR) | | 0,05 | 0,05 | 0,16 | 0,12 |

BALANCE SHEET

| | Note | Group | | Company | |
|-------------------------------------|----------|---------------|---------------|---------------|---------------|
| | | 30 06 2016 | 31 12 2015 | 30 06 2016 | 31 12 2015 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 3 | 26 373 | 27 477 | 16 109 | 16 194 |
| Intangible assets | 3 | 482 | 514 | 274 | 302 |
| Investments in subsidiaries | 4 | - | - | 4 748 | 4 741 |
| Prepayments | | 335 | 326 | 75 | 82 |
| Trade and other receivables | | 20 | 20 | 20 | 20 |
| | | 27 210 | 28 337 | 21 226 | 21 339 |
| Current assets | | | | | |
| Inventories | | 32 154 | 33 230 | 18 666 | 18 387 |
| Available for sale financial assets | 5 | 1 600 | 2 598 | 1 600 | 2 598 |
| Non-current assets held for sale | | 324 | 324 | 324 | 324 |
| Prepayments | | 2 127 | 1 176 | 1 514 | 1 019 |
| Trade and other receivables | | 1 256 | 961 | 12 135 | 10 583 |
| Cash and cash equivalents | | 1 302 | 1 913 | 327 | 448 |
| | | 38 763 | 40 202 | 34 566 | 33 359 |
| TOTAL ASSETS | 2 | 65 973 | 68 539 | 55 792 | 54 698 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Ordinary shares | | 16 035 | 16 035 | 16 035 | 16 035 |
| Legal reserve | | 1 601 | 1 601 | 1 601 | 1 601 |
| Translation difference | | (53) | (53) | - | - |
| Retained earnings | | 28 662 | 31 463 | 23 012 | 20 269 |
| | | 46 245 | 49 046 | 40 648 | 37 905 |
| Non-current liabilities | | | | | |
| Borrowings | 6 | 1 761 | 3 499 | 1 761 | 3 499 |
| Deferred tax liabilities | | 1 356 | 1 228 | 420 | 410 |
| Other liabilities | | 291 | 309 | 291 | 309 |
| | | 3 408 | 5 036 | 2 472 | 4 218 |
| Current liabilities | | | | | |
| Borrowings | 6 | - | - | 7 407 | 6 463 |
| Current income tax liability | | 650 | 142 | 130 | 17 |
| Trade and other payables | | 15 670 | 14 315 | 5 135 | 6 095 |
| | | 16 320 | 14 457 | 12 672 | 12 575 |
| Total liabilities | | 19 728 | 19 493 | 15 144 | 16 793 |
| TOTAL EQUITY AND LIABILITIES | | 65 973 | 68 539 | 55 792 | 54 698 |

STATEMENTS OF CHANGES IN EQUITY

| GROUP | Note | Share capital | Legal reserve | Translation reserve | Retained earnings | Total |
|--|-------------|----------------------|----------------------|----------------------------|--------------------------|---------------|
| Balance at 1 January 2015 | | 16 014 | 1 601 | (53) | 28 252 | 45 814 |
| Comprehensive income | | | | | | |
| Profit for the 6 months 2015 | 2 | | | | 3 232 | 3 232 |
| Total comprehensive income | | - | - | - | 3 232 | 3 232 |
| Transactions with owners | | | | | | |
| The difference arising from the conversion of share capital into euros | | 21 | | | | 21 |
| Dividends paid | | | | | (7 188) | (7 188) |
| Balance at 30 June 2015 | | 16 035 | 1 601 | (53) | 24 296 | 41 879 |
| Balance at 1 January 2016 | | 16 035 | 1 601 | (53) | 31 463 | 49 046 |
| Comprehensive income | | | | | | |
| Profit for the 6 months 2016 | 2 | | | | 3 834 | 3 834 |
| Total comprehensive income | | - | - | - | 3 834 | 3 834 |
| Transactions with owners | | | | | | |
| Dividends paid | 9 | | | | (6 635) | (6 635) |
| Balance at 30 June 2016 | | 16 035 | 1 601 | (53) | 28 662 | 46 245 |

| COMPANY | | Share capital | Legal reserve | Retained earnings | Total |
|--|----------|----------------------|----------------------|--------------------------|---------------|
| Balance at 1 January 2015 | | 16 014 | 1 601 | 18 798 | 36 413 |
| Comprehensive income | | | | | |
| Profit for the 6 months 2015 | | | | 7 079 | 7 079 |
| Transactions with owners | | | | | |
| Difference arising from the conversion of share capital into euros | | 21 | | | 21 |
| Dividends paid | | | | (7 188) | (7 188) |
| Balance at 30 June 2015 | | 16 035 | 1 601 | 18 689 | 36 325 |
| Balance at 1 January 2016 | | 16 035 | 1 601 | 20 269 | 37 905 |
| Comprehensive income | | | | | |
| Profit for the 6 months 2016 | | | | 9 378 | 9 378 |
| Transactions with owners | | | | | |
| Dividends paid | 9 | | | (6 635) | (6 635) |
| Balance at 30 June 2016 | | 16 035 | 1 601 | 23 012 | 40 648 |

STATEMENTS OF CASH FLOW

| | Note | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 |
| OPERATING ACTIVITIES | | | | | |
| Profit (loss) before income taxes | 2 | 4 605 | 3 952 | 9 508 | 7 292 |
| Adjustments for: | | | | | |
| Depreciation and amortization | | 3 034 | 2 917 | 1 380 | 1 278 |
| Impairment charge | | - | (210) | - | (210) |
| Change in allowances for slow-moving inventories | | 191 | 259 | 318 | 353 |
| (Gain) Loss on disposal of property, plant and equipment | | (6) | (19) | (3) | (19) |
| Write-off of property, plant and equipment | | 5 | 434 | 5 | 436 |
| Dividends income | | - | - | (8 616) | (5 832) |
| Interest income, net of interest expenses | | (15) | (19) | (35) | (40) |
| | | 7 814 | 7 314 | 2 557 | 3 258 |
| Changes in operating assets and liabilities: | | | | | |
| Decrease (increase) in inventories | | 885 | 1 411 | (597) | (607) |
| Decrease (increase) in receivables | | (1 322) | (1 178) | (1 285) | 1 |
| Increase (decrease) in payables | | 1 337 | 1 163 | (978) | (380) |
| Cash generated from operations | | 8 714 | 8 710 | (303) | 2 272 |
| Income taxes paid | | (135) | (254) | (7) | (14) |
| Interest paid | 6 | (21) | (48) | (21) | (48) |
| Net cash from operating activities | | 8 558 | 8 408 | (331) | 2 210 |
| INVESTING ACTIVITIES | | | | | |
| Interest received | | 36 | 67 | 56 | 88 |
| Dividends received | | - | - | 8 616 | 5 832 |
| Loans granted | | - | - | (4 562) | (6 855) |
| Loans repayments received | | - | - | 3 740 | 6 078 |
| Purchases of property, plant and equipment and intangible assets | 2, 3 | (3 728) | (6 489) | (1 419) | (1 978) |
| Proceeds on disposal of property, plant and equipment | 2, 3 | 1 831 | 2 213 | 150 | 294 |
| Purchases of available-for-sale financial assets | | - | (249) | - | (249) |
| Proceeds on disposal of available-for-sale financial assets | 5 | 1 065 | 1 432 | 1 065 | 1 432 |
| Investment in subsidiaries | 4 | - | - | (7) | (19) |
| Net cash used in investing activities | | (796) | (3 026) | 7 639 | 4 623 |
| FINANCING ACTIVITIES | | | | | |
| Dividends paid | 9 | (6 635) | (7 208) | (6 635) | (7 208) |
| Proceeds from borrowings | 6 | 26 098 | 31 735 | 51 138 | 50 351 |
| Repayments of borrowings | 6 | (28 098) | (30 396) | (52 194) | (49 827) |
| Net cash from financing activities | | (8 635) | (5 869) | (7 691) | (6 684) |
| NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS | | | | | |
| | | (873) | (487) | (383) | 149 |
| CASH AND BANK OVERDRAFTS: | | | | | |
| AT THE BEGINNING OF THE PERIOD | | 414 | 1 574 | (1 051) | 63 |
| AT THE END OF THE PERIOD | | (459) | 1 087 | (1 434) | 212 |

NOTES

1. Basis of preparation and summary of main accounting policies

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

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

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

2. 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 first half 2016 is as follows:

| 6 months 2016 | Lithuania | Latvia | Estonia | Total | Inter- company elimina- tions | Total in consolidated financial statements |
|---|---------------|---------------|---------------|---------------|--|---|
| Total segment revenue | 50 161 | 18 663 | 12 976 | 81 800 | - | |
| Inter-segment revenue | (5 555) | (528) | (316) | (6 399) | - | |
| Revenue from external customers | 44 606 | 18 135 | 12 660 | 75 401 | - | 75 401 |
| Gross margin | 43,7% | 46,1% | 46,4% | 44,7% | | 44,7% |
| Profit (loss) for the year | 2 461 | 898 | 475 | 3 834 | - | 3 834 |
| Total assets | 60 118 | 12 494 | 12 237 | 84 849 | (18 876) | 65 973 |
| Additions to non-current assets (other than financial instruments and prepayments for leases) | 1 289 | 535 | 2 008 | 3 832 | (104) | 3 728 |

| 6 months 2015 | Lithuania | Latvia | Estonia | Total | Inter- company elimina- tions | Total in consolidated financial statements |
|---|---------------|---------------|---------------|---------------|--|---|
| Total segment revenue | 48 629 | 18 039 | 10 908 | 77 576 | - | |
| Inter-segment revenue | (6 054) | (733) | (647) | (7 434) | - | |
| Revenue from external customers | 42 575 | 17 306 | 10 261 | 70 142 | - | 70 142 |
| Gross margin | 43,0% | 45,6% | 47,1% | 44,3% | | 44,3% |
| Profit (loss) for the year | 2 659 | 503 | 70 | 3 232 | - | 3 232 |
| Total assets | 58 195 | 12 631 | 9 308 | 80 134 | (13 735) | 66 399 |
| Additions to non-current assets (other than financial instruments and prepayments for leases) | 3 963 | 748 | 1 778 | 6 489 | (2 213) | 4 276 |

3. Investments into non-current assets

Net investments of the Group amounted to EUR 1.9 million in first half 2016. The Company totally invested EUR 1.3 million in first half 2016. Daughter companies' investments into development of the retail network amounted to EUR 0.6 million.

4. 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.

5. 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 30 June 2016.

6. 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.

7. Related party transactions

The Company's and the Group's transactions with related parties and balances arising from these transactions as of 30 June 2016 were as follows:

| | Accounts payable | | Accounts receivable and loans granted | | Income received | | Purchases | |
|---------------------------|------------------|---------------|---------------------------------------|---------------|-----------------|---------------|---------------|---------------|
| | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 |
| Related parties | | | | | | | | |
| UAB Koncernas MG Baltic | 12 | 15 | - | - | - | - | 57 | 77 |
| UAB Mineraliniai vandenys | - | - | - | - | - | - | 3 | 4 |
| UAB Mediafon | 5 | 1 | - | - | - | - | 14 | 3 |
| UAB MG Baltic Investment | 15 | 15 | - | - | - | - | 86 | 86 |
| UAB MG Valda | 5 | 5 | - | - | - | - | 24 | 25 |
| UAB Palangos Varūna | - | - | 192 | 183 | - | - | - | - |
| LNK Group | - | - | 4 | - | 4 | 4 | - | 4 |
| Total | 37 | 36 | 196 | 183 | 4 | 4 | 184 | 199 |

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

APB APRANGA, company's code 121933274, Kirtimu 51, Vilnius
**NOTES TO INTERIM CONSOLIDATED AND COMPANY'S FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

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

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, and distribution of earnings. Dividend income in amount of EUR 8 616 thousand received from the subsidiaries in six months 2016 is presented in 'Income received' together with other income (2015: EUR 5 832 thousand).

The Company's transactions with subsidiaries and balances arising from these transactions as of 30 June 2016 were as follows:

| Subsidiaries | Borrowings and accounts payable | | Loans and accounts receivable | | Income received | | Purchases | |
|----------------------|---------------------------------|---------------|-------------------------------|---------------|-----------------|---------------|---------------|---------------|
| | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 | 6 months 2016 | 6 months 2015 |
| UAB Apranga LT | 2 813 | 2 308 | 15 | 63 | 2 829 | 2 438 | 40 | 62 |
| UAB Apranga BPB LT | 7 | - | 116 | 44 | 766 | 218 | 20 | 24 |
| UAB Apranga PLT | - | - | 109 | 83 | 452 | 51 | 5 | 15 |
| UAB Apranga SLT | - | 160 | 173 | 10 | 291 | 46 | 16 | 17 |
| UAB Apranga MLT | - | - | 223 | 222 | 895 | 1 205 | 9 | 18 |
| UAB Apranga HLT | - | 68 | 197 | - | 17 | - | 1 | - |
| UAB Apranga Ecom LT | - | - | 1 | - | - | - | - | - |
| SIA Apranga | - | - | 4 951 | 5 189 | 4 532 | 4 055 | 27 | 24 |
| SIA Apranga LV | 1 191 | 709 | 10 | - | 1 382 | 2 112 | 24 | 22 |
| SIA Apranga BPB LV | 4 | 50 | - | - | 171 | 24 | 5 | 9 |
| SIA Apranga PLV | 109 | 157 | 3 | 4 | 206 | 87 | 2 | 5 |
| SIA Apranga SLV | 45 | 44 | - | - | 7 | 8 | 2 | 4 |
| SIA Apranga MLV | - | 183 | 93 | 2 | 449 | 188 | 8 | 8 |
| OU Apranga | - | - | 3 571 | 3 827 | 1 733 | 1 368 | 14 | 32 |
| OU Apranga Estonia | 2 313 | - | 1 221 | 78 | 1 364 | 123 | 20 | 15 |
| OU Apranga BEE | 341 | 115 | 149 | - | 164 | 126 | 6 | 7 |
| OU Apranga PB Trade | 333 | 198 | 108 | 2 | 122 | 129 | 3 | 6 |
| OU Apranga ST Retail | 259 | 3 | 91 | 99 | 102 | 673 | 4 | 15 |
| OU Apranga MDE | - | - | 348 | 105 | 43 | 188 | 3 | - |
| Total | 7 415 | 3 995 | 11 379 | 9 728 | 15 525 | 13 039 | 209 | 283 |

8. Guarantees and letters of credit

As of 30 June 2016 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totaled EUR 10 882 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 30 June 2016 amounted to EUR 13 057 thousand (31 December 2015: EUR 12 709 thousand).

As of 30 June 2016 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totaled EUR 914 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 and to pay EUR 210 thousand as annual bonuses for the year 2015.

10. Events after the reporting period

In July 2016, the Company established a subsidiary OU Apranga HEST, which will operate 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.
