APRANGA GROUP

16 August 2010
Vilnius

## CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

Hereby we confirm, that by our knowledge Consolidated Financial Statements for the six months 2010 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss of APB Apranga, as well as of Apranga Group consolidated companies.

As well we confirm that by our knowledge Consolidated Report for the six months 2010 gives correct overview of business development and activities of Apranga Group.

Apranga Group General Manager
Rimantas Perveneckas

Apranga Group Chief Financial Officer
Saulius Bačauskas

APRANGA
GROUP

APRANGA APB

The Consolidated Interim Report and
Interim Consolidated Financial Statements

For the Six months period ended 30 June 2010

(UNAUDITED)

16 August 2010
Vilnius

## INFORMATION ABOUT COMPANY

| | |
|---|---|
| Name of the company | Apranga APB |
| Legal form | Public limited liability company |
| Date of registration | 1st March 1993 |
| Code of company | 121933274 |
| Share capital | LTL 55 291 960 |
| Registered office | Kirtimu 51, LT-02244 Vilnius, Lithuania |
| Name of Register of Legal Entities | Registru centras VĮ, Vilnius branch |
| Telephone number | +370 5 239 08 08 |
| Fax number | +370 5 239 08 00 |
| E-mail | info@apranga.lt |
| Internet address | http://www.apranga.lt |
| Main activities | Retail trade of apparel |
| Auditor | PricewaterhouseCoopers UAB |

## TABLE OF CONTENT

# INTERIM CONSOLIDATED REPORT

### General information

Interim consolidated report is prepared for the period January – June 2010.

| | |
|---|---|
| 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@apranga.lt |
| Internet address: | www.apranga.lt |

At 30 June 2010 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<br>Fax. 370 5 2390800<br>info@apranga.lt<br>www.apranga.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<br>Fax. 370 5 2390800<br>info@apranga.lt<br>www.apranga.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<br>Fax. 370 5 2390800<br>info@apranga.lt<br>www.apranga.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<br>Fax. 370 5 2390800<br>info@apranga.lt<br>www.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 72400120<br>Faks. 371 6 7240019<br>info@apranga.lt<br>www.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 72400120<br>Faks. 371 6 7240019<br>info@apranga.lt<br>www.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 72400120<br>Faks. 371 6 7240019<br>info@apranga.lt<br>www.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 72400120<br>Faks. 371 6 7240019<br>info@apranga.lt<br>www.apranga.lt |
| SIA „Apranga SLV | Private limited liability company | 2008 11 19 Enterprise Register of the Republic of Latvia | 50103201281 | Elizabetes 51, Riga, Latvia | Tel. 371 6 72400120<br>Faks. 371 6 7240019<br>info@apranga.lt<br>www.apranga.lt |
| OÜ Apranga | Private limited liability company | 19 07 2007 Tallinn City Court Register department | 11274427 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6663446<br>Faks. 372 6663444<br>info@apranga.lt<br>www.apranga.lt |

| Title | Legal form | Date and place of registration | Code of Enterprise | Registered office | Telephone, fax, e-mail, www |
|---|---|---|---|---|---|
| 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 6663446 Faks. 372 6663444 info@apranga.lt www.apranga.lt |
| OÜ Apranga BEE | Private limited liability company | 04 09 2007 Tallinn City Court Register department | 11026132 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6663446 Faks. 372 6663444 info@apranga.lt www.apranga.lt |
| OÜ Apranga PB Trade | Private limited liability company | 2008 08 21 Tallinn City Court Register department | 11530250 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6663446 Faks. 372 6663444 info@apranga.lt www.apranga.lt |
| OÜ Apranga ST Retail | Private limited liability company | 2008 08 21 Tallinn City Court Register department | 11530037 | Pärnu mnt 10/Väike-Karja 12, Tallinn, Estonia | Tel. 372 6663446 Faks. 372 6663444 info@apranga.lt www.apranga.lt |

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 Group Indicators | 6 months 2010 | 6 months 2009 | Change |
|---|---|---|---|
| Net sales, LTL thousand | 127 936 | 150 743 | -15,1% |
| Net sales in foreign markets, LTL thousand | 44 990 | 48 615 | -7,5% |
| Like-to-like sales | -11,4% | -30,6% | |
| Gross profit, LTL thousand | 55 612 | 58 328 | -4,7% |
| Gross margin | 43,5% | 38,7% | |
| EBT, LTL thousand | 805 | (13 249) | |
| EBT margin | 0,6% | -8,8% | |
| Net profit (losses), LTL thousand | 273 | (13 484) | |
| Net margin | 0,2% | -8,9% | |
| EBITDA, LTL thousand | 11 289 | ( 178) | |
| EBITDA margin | 8,8% | -0,1% | |
| Return on equity (end of the period) | 0,3% | -13,2% | |
| Return on assets (end of the period) | 0,2% | -6,6% | |
| Net debt to equity* | 27,0% | 56,1% | |
| Current ratio, times | 2,4 | 0,9 | 167,7% |

* (Interest bearing liabilities less cash) / Equity

| Main Group Indicators | Q2 2010 | Q2 2009 | Change |
|---|---|---|---|
| Net sales, LTL thousand | 64 950 | 75 280 | -13,7% |
| Net sales in foreign markets, LTL thousand | 24 095 | 25 544 | -5,7% |
| Like-to-like sales | -9,0% | -29,7% | |
| Gross profit, LTL thousand | 29 792 | 31 696 | -6,0% |
| Gross margin | 45,9% | 42,1% | |
| EBT, LTL thousand | 1 404 | (3 296) | |
| EBT margin | 2,2% | -4,4% | |
| Net profit (losses), LTL thousand | 923 | (3 454) | |
| Net margin | 1,4% | -4,6% | |
| EBITDA, LTL thousand | 6 669 | 3 599 | 85,3% |
| EBITDA margin | 10,3% | 4,8% | |
| Return on equity (end of the period) | 0,9% | -3,4% | |
| Return on assets (end of the period) | 0,6% | -1,7% | |
| Net debt to equity* | 27,0% | 56,1% | |
| Current ratio, times | 2,4 | 0,9 | 167,7% |

* (Interest bearing liabilities less cash) / Equity

The Group is developing 5 different store chains:

- Economy – clothes to whole family (Apranga);
- Business wear (City);
- Youth clothes;
- Prestige - luxury fashion;
- Zara franchise stores.

Unsold seasonal goods are sold through the chain of 11 outlets.

The retail turnover of the Group's stores in first half of 2010 by countries was as follows (LTL thousand, VAT included):

| Country | 6 months 2010 | 6 months 2009 | Change |
|---|---|---|---|
| Lithuania | 105 778 | 127 988 | -17,4% |
| Latvia | 37 604 | 41 197 | -8,7% |
| Estonia | 18 075 | 18 441 | -2,0% |
| **Total:** | **161 457** | **187 626** | **-13,9%** |

The retail turnover (including VAT) of the Group's chain was LTL 161.5 million in the six months of 2010, and has decreased by 13.9% comparing to corresponding period of 2009. The drop in sales reflects the general situation in Baltic States, where, according to EUROSTAT, the decrease of retail trade was about 10-15% during the first half 2010.

The retail turnover of the Group's stores by countries during the second quarter of 2010 was (LTL thousand, VAT included):

| Country | Q2 2010 | Q2 2009 | Change |
|---|---|---|---|
| Lithuania | 52 085 | 62 301 | -16,4% |
| Latvia | 19 141 | 21 600 | -11,4% |
| Estonia | 10 534 | 9 824 | 7,2% |
| **Total:** | **81 760** | **93 725** | **-12,8%** |

The retail turnover decrease rate has decelerated from 15.1% in first quarter 2010 to 12.8% in the second quarter.

The retail turnover of the Group's stores by chains in first half of 2010 was as follows (LTL thousand, VAT included):

| Chain | 6 months 2010 | 6 months 2009 | Change |
|---|---|---|---|
| Economy | 19 840 | 27 132 | -26,9% |
| Youth | 53 020 | 60 408 | -12,2% |
| Business | 14 316 | 23 283 | -38,5% |
| Luxury | 17 044 | 19 498 | -12,6% |
| Zara | 46 185 | 49 043 | -5,8% |
| Outlets | 11 052 | 8 262 | 33,8% |
| **Total** | **161 457** | **187 626** | **-13,9%** |

During the first half of 2010 mostly decreased the turnover of economy and business wear chains. This was mainly due to respectively by 18% and 40% decreased stores area of economy and business wear chains.

During the six months of 2010 the Group opened 11 and closed 4 stores. The main part of 11 newly opened stores consists of 8 PROMOD chain stores, which Group has taken over from the Latvian company Fashion Retail SIA at the end of 2$^{nd}$ quarter 2010. The total sales area operated by the Group has decreased by 7.5% or by 5.3 thousand sq. m. during the period from 30 June 2009 till 30 June 2010. The capital expenditure of the retail chain expansion (including the takeover of PROMOD chain) amounted to LTL 3.4 million during 1$^{st}$ half 2010.

The number of stores by countries was as follows:

| Country | 30 06 2010 | 30 06 2009 | Change |
|---|---|---|---|
| Lithuania | 75 | 78 | -3,8% |
| Latvia | 31 | 31 | 0,0% |
| Estonia | 10 | 9 | 11,1% |
| **Total:** | **116** | **118** | **-1,7%** |

The number of stores by chains was as follows:

| Chain | 30 06 2010 | 31 12 2009 | Change |
|---|---|---|---|
| Economy | 12 | 16 | -25,0% |
| Youth | 57 | 56 | 1,8% |
| Business | 11 | 13 | -15,4% |
| Luxury | 15 | 15 | 0,0% |
| Zara | 10 | 10 | 0,0% |
| Outlets | 11 | 8 | 37,5% |
| **Total** | **116** | **118** | **-1,7%** |

The number of stores owned by the Group decreased slightly comparing to the same period a year ago. Just the number of outlets increased a bit more significantly. This is done to optimize seasonal inventory balances. The spread of youth chain stores was mainly influenced by 8 PROMOD brand stores opening at the end of second quarter 2010.

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

| Country | 30 06 2010 | 30 06 2009 | Change |
|---|---|---|---|
| Lithuania | 41,8 | 46,1 | -9,4% |
| Latvia | 17,5 | 18,3 | -4,4% |
| Estonia | 5,5 | 5,6 | -2,3% |
| **Total:** | **64,7** | **70,0** | **-7,5%** |

According to decisions of Group management the area of stores was decreased by 7.5% during the year (mainly in Lithuania – by 9.4%).

Average number of employees and average monthly salary by categories in six months 2010 were as follows:

| | **Number of employees** | | **Average monthly salary, LTL** | |
|---|---|---|---|---|
| **Employee category** | **Group** | **Company** | **Group** | **Company** |
| Administration | 103 | 66 | 4 246 | 4 539 |
| Stores' personnel | 1 177 | 440 | 1 200 | 1 445 |
| Logistics | 48 | 48 | 1 419 | 1 627 |
| **Total** | **1 328** | **554** | **1 445** | **1 858** |

The number of employees during the year since 30 June 2009 in the Group has decreased by 288 to 1278 (by 18.4%), and has decreased in Company by 143 to 576 (19.9%). That was mainly influenced by closure of inefficient stores, the decrease of stores area and more conservative policy of hiring new staff with the aim to achieve higher stores' efficiency. During the second quarter 2010 the number of employees increase by 58 (4.8%) in the Group, and by 15 (2.7%) in the Company. The main reason was the opening of 8 PROMOD brand stores at the end of second quarter.

The average monthly salary in the Group and the Company in the second quarter 2010 has decreased 18.5% and 14.3%, respectively, in comparison to the second quarter 2009. The average monthly salary in the second quarter this year comparing to first quarter has decreased by 3.1% in the Group, and increased by 0.8% in the Company.

Education of employees by categories on 30 June 2010 was as follows:

| Education level | Group | Company |
|---|---|---|
| High | 361 | 182 |
| Professional | 264 | 147 |
| Secondary | 131 | 65 |
| Basic | 4 | 2 |
| Student | 518 | 180 |
| **Total:** | **1 278** | **576** |

The Group has earned LTL 805 thousand of profit before income tax in six months 2010, while losses before taxes were even LTL 13 249 thousand during six months of 2009. EBITDA was LTL 11 289 thousand during half year 2010, and it was minus LTL 178 thousand in corresponding previous year period.

Substantial improvement was resulted by:

- the closure of 13 most ineffective stores during 2$^{nd}$ half 2009 and 1$^{st}$ quarter 2010;
- the reduction of inventories by 33% during the year;
- the reduction of operating expenses by 23%, including remuneration expenses less by 30%;
- the gross profitability increased from 38.7% to 43.5%.

**Operational plans**

Despite the fact that consumption in Baltic countries is still falling, and the market of retail sales of clothes remains uncertain, Group is planning profitable business both in III quarter 2010, and in IV quarter 2010.

It is expected that the turnover of retail chain will decrease no more than 5% during the II half 2010, comparing to the turnover of the II half 2009.

There are no plans for essential reforms in stores chain managed by the Group. Individual stores will be renovated or moved to other premises. As the result of successful inventory optimisation the number of outlets will be reduced. The Group will further continue concentrate its efforts to greater efficiency of the stores, to improve service standards, will continue to pursue cost-saving measures.

**Risk management**

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Group's future financial position of any further deterioration in the Group's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

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 minimise 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 2009.

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 VILIBOR. 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.

<u>Capital risk management</u>

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 2010, 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. Since Apranga SIA had not complied with these requirements, so by the Group management decision in July 2010 the share capital of Apranga SIA was increased respectively in order to comply with the statutory requirements. As at 30 June 2010, all the other 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. Since Apranga OU had not complied with these requirements, so by the Group management decision in July 2010 the share capital of Apranga OU was increased respectively in order to comply with the statutory requirements. As at 30 June 2010, all the other Company's Estonian subsidiaries complied with these requirements.

In addition, the Group has to comply with the financial covenants imposed in the agreements with AB SEB bankas. The Group and the Company was in compliance with the covenants as at 30 June 2010.

**Securities**

All 55 291 960 ordinary shares of nominal value LTL 1 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Official list of NASADQ OMX 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 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 2010 the Company had 3 410 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 | 29 677 397 | 53,7% |
| Swedbank AS (Estonia) clients | 10060701 | Liivalaia 8 Tallinn, Estonia | 6 019 355 | 10,9% |
| UAB Minvista | 110685692 | Jasinskio 16, Vilnius, Lithuania | 3 592 661 | 6,5% |
| SEB AB clients | 502032908101 | Sergels Torg 2, Stockholm, Sweden | 3 273 374 | 5,9% |

The Company has concluded an agreement with FMI Finasta on supervision of securities accounts and an agreement on dividend payment, there was also concluded the agreement on consulting and practical assistance on shares issue, which ended after the shares issue.

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 2010:

| Name, Surname | Position | Number of shares owned and part in the share capital | Election date | End of term | Amounts received from the Company in 1st half 2010, LTL |
|---|---|---|---|---|---|
| Darius Juozas Mockus | Chairman of the Board | 981 958<br>1.78% | 30 04 2010 | 30 04 2014 | Receives no remuneration |
| Rimantas Perveneckas | Member of the Board, General Director | 1 000 000<br>1.81% | 30 04 2010 | 30 04 2014 | - |
| Ilona Simkuniene | Member of the Board, Purchasing Director | 33 123<br>0.06% | 30 04 2010 | 30 04 2014 | - |
| Ramunas Gaidamavicius | Member of the Board, Development Director | - | 30 04 2010 | 30 04 2014 | - |
| Raimondas Paškevičius | Member of the Board | - | 30 04 2010 | 30 04 2014 | Receives no remuneration |
| Marijus Strončikas | Member of the Board | 4 365<br>0.01% | 30 04 2010 | 30 04 2014 | Receives no remuneration |
| Saulius Bačauskas | Chief Financial Officer | 13 000<br>0.02% | - | - | - |
| **Remuneration to members of the board and management, in total (4)** | | | | | **269 713** |
| **Remuneration to members of the board and management, on average (4)** | | | | | **67 428** |

**Compliance with the Governance Code**

During six months 2010, there were no essential changes related to APB "Apranga" report for year 2009 concerning the compliance with the Governance Code for the companies listed on the regulated market.

**Publicly announced information**

Company publicly announced and broadcasted through NASDAQ OMX stock exchange information distribution system GlobeNewswire and own webpage the following information:

| Title | Category of announcement | Language | Date |
|---|---|---|---|
| On turnover of Apranga Group in December 2009 and total year 2009 | Notification on material event | En, Lt | 2010-01-04 |
| On investor's calendar for the 1st half of 2010 | Other information | En, Lt | 2010-01-04 |
| On Apranga Group network optimization and lease contract termination | Notification on material event | En, Lt | 2010-01-15 |
| On turnover of Apranga Group in January 2010 | Notification on material event | En, Lt | 2010-02-01 |
| CORRECTION: On investor's calendar for the 1st half of 2010 | Other information | En, Lt | 2010-02-09 |
| On Apranga Group interim report for twelve months of 2009 | Interim information | En, Lt | 2010-02-26 |
| On turnover of Apranga Group in February 2010 | Notification on material event | En, Lt | 2010-03-01 |
| Apranga Group is opening a "Hugo Boss" store in Tallinn | Investor News | En, Lt | 2010-03-18 |
| On turnover of Apranga Group in March 2010 | Notification on material event | En, Lt | 2010-04-01 |
| Convocation of the Annual General Meeting of APB Apranga shareholders | Notification on material event | En, Lt | 2010-04-07 |
| Draft resolutions of the Annual General Meeting of APB Apranga shareholders to be held on 30th April 2010 | Notification on material event | En, Lt | 2010-04-08 |
| On resolutions of the Annual General Meeting of APB Apranga shareholders | Notification on material event | En, Lt | 2010-04-30 |
| Apranga Group expanding in Estonia | Press release | En, Lt | 2010-04-30 |
| APB Apranga annual consolidated and Company's financial statements for the year 2009 | Annual information | En | 2010-05-03 |
| On turnover of Apranga Group in April 2010 | Notification on material event | En, Lt | 2010-05-03 |
| On preliminary results of 1st quarter 2010 | Notification on material event | En, Lt | 2010-05-06 |
| On Apranga Group interim report for 3 months of 2010 | Interim information | En, Lt | 2010-05-19 |
| On expansion of APRANGA Group in the Baltic states | Notification on material event | En, Lt | 2010-05-24 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-05-26 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-05-27 |
| Notification on APB Apranga manager's transaction | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-05-27 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-05-28 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-05-31 |
| On turnover of Apranga Group in May 2010 | Notification on material event | En, Lt | 2010-06-01 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-06-02 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-06-07 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-06-07 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-06-08 |
| On further cooperation between SEB bankas AB and Apranga Group | Investor News | En, Lt | 2010-06-09 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-06-09 |
| Notification on APB Apranga manager's related party transactions | Notifications on transactions concluded by managers of the companies | En, Lt | 2010-06-11 |

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.

## STATEMENT OF COMPREHENSIVE INCOME

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **H1 2010** | **H1 2009** | **H1 2010** | **H1 2009** |
| Revenue | **2** | 127 936 | 150 743 | 58 783 | 77 277 |
| Cost of sales | | (72 324) | (92 415) | (38 191) | (54 226) |
| **Gross profit** | | **55 612** | **58 328** | **20 592** | **23 051** |
| Operating expenses | | (54 518) | (70 734) | (25 067) | (34 784) |
| Other income | | 371 | 686 | 7 922 | 10 708 |
| Net foreign exchange gain (loss) | | ( 17) | ( 19) | ( 23) | 21 |
| **Operating profit (loss)** | | **1 448** | **(11 739)** | **3 424** | **(1 004)** |
| Finance costs | **4** | ( 643) | (1 510) | ( 891) | (1 688) |
| **Profit (loss) before income tax** | | **805** | **(13 249)** | **2 533** | **(2 692)** |
| Income tax expense | | ( 532) | ( 235) | 455 | ( 157) |
| **Profit (loss) for the year** | **2** | **273** | **(13 484)** | **2 988** | **(2 849)** |
| **Other comprehensive income** | | | | | |
| Currency translation difference | | 143 | - | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | **416** | **(13 484)** | **2 988** | **(2 849)** |
| **Basic and diluted earnings (losses) per share (in LTL)** | | **0,01** | **(0,35)** | **0,05** | **(0,07)** |

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **Q2 2010** | **Q2 2009** | **Q2 2010** | **Q2 2009** |
| Revenue | | 64 950 | 75 280 | 26 474 | 33 488 |
| Cost of sales | | (35 158) | (43 584) | (15 197) | (21 155) |
| **Gross profit** | | **29 792** | **31 696** | **11 277** | **12 333** |
| General and administrative expenses | | (28 264) | (34 322) | (12 364) | (16 060) |
| Other income | | 165 | 189 | 6 678 | 8 988 |
| Net foreign exchange gain (loss) | | 2 | 14 | ( 1) | 14 |
| **Operating profit (loss)** | | **1 695** | **(2 423)** | **5 590** | **5 275** |
| Finance costs | **4** | ( 291) | ( 873) | ( 387) | ( 962) |
| **Profit (loss) before income tax** | | **1 404** | **(3 296)** | **5 203** | **4 313** |
| Income tax expense | | ( 481) | ( 158) | 23 | ( 36) |
| **Profit (loss) for the year** | | **923** | **(3 454)** | **5 226** | **4 277** |
| **Other comprehensive income** | | | | | |
| Currency translation difference | | ( 2) | - | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | **921** | **(3 454)** | **5 226** | **4 277** |
| **Basic and diluted earnings (losses) per share (in LTL)** | | **0,02** | **(0,08)** | **0,09** | **0,10** |

## BALANCE SHEET

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 30 06 2010 | 31 12 2009 | 30 06 2010 | 31 12 2009 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 89 935 | 97 705 | 60 279 | 63 396 |
| Intangible assets | | 1 081 | 1 303 | 801 | 969 |
| Investments in subsidiaries | | - | - | 10 631 | 10 631 |
| Prepayments | | 928 | 924 | 394 | 395 |
| Trade and other receivables | | 66 | 66 | 66 | 66 |
| Deferred tax assets | | 839 | 384 | 839 | 384 |
| | | **92 849** | **100 382** | **73 010** | **75 841** |
| **Current assets** | | | | | |
| Inventories | | 51 488 | 65 211 | 31 824 | 42 948 |
| Non-current assets held for sale | | 1 118 | 1 118 | 1 118 | 1 118 |
| Prepayments | | 2 664 | 1 013 | 1 503 | 390 |
| Trade and other receivables | | 1 459 | 2 743 | 25 678 | 27 940 |
| Cash and cash equivalents | | 2 613 | 4 048 | 865 | 1 289 |
| | | **59 342** | **74 133** | **60 988** | **73 685** |
| **TOTAL ASSETS** | **2** | **152 191** | **174 515** | **133 998** | **149 526** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Ordinary shares | | 55 292 | 55 292 | 55 292 | 55 292 |
| Legal reserve | | 2 912 | 2 912 | 2 912 | 2 912 |
| Translation difference | | ( 425) | ( 464) | - | - |
| Retained earnings | | 41 017 | 40 640 | 26 959 | 23 971 |
| | | **98 796** | **98 380** | **85 163** | **82 175** |
| **Non-current liabilities** | | | | | |
| Borrowings | **4** | 26 000 | - | 26 000 | - |
| Deferred tax liabilities | | 2 629 | 2 228 | - | - |
| Obligations under finance leases | | 13 | - | - | - |
| Other liabilities | | 396 | 187 | 396 | 187 |
| | | **29 038** | **2 415** | **26 396** | **187** |
| **Current liabilities** | | | | | |
| Borrowings | **4** | 3 289 | 41 166 | 14 740 | 50 123 |
| Obligations under finance leases | | 5 | - | - | - |
| Current income tax liability | | 633 | 212 | 7 | 66 |
| Trade and other payables | | 20 430 | 32 342 | 7 692 | 16 975 |
| | | **24 357** | **73 720** | **22 439** | **67 164** |
| **Total liabilities** | | **53 395** | **76 135** | **48 835** | **67 351** |
| **TOTAL EQUITY AND LIABILITIES** | | **152 191** | **174 515** | **133 998** | **149 526** |

## STATEMENTS OF CHANGES IN EQUITY

**GROUP**

| | Note | Share capital | Legal reserve | Translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | | **35 292** | **2 416** | **( 405)** | **58 075** | **95 378** |
| **Comprehensive income** | | | | | | |
| Loss for the 1 half 2009 | | | | | (13 484) | (13 484) |
| **Other comprehensive income** | | | | | | |
| Currency translation difference | | - | - | 327 | ( 30) | 297 |
| **Total comprehensive income** | | **-** | **-** | **327** | **(13 514)** | **(13 187)** |
| **Transactions with owners** | | | | | | |
| Transfer to legal reserve | | - | 496 | - | ( 496) | - |
| Shares issue | | 20 000 | - | - | - | 20 000 |
| **Balance at 30 June 2009** | | **55 292** | **2 912** | **( 78)** | **44 065** | **102 191** |
| **Balance at 1 January 2010** | | **55 292** | **2 912** | **( 464)** | **40 640** | **98 380** |
| **Comprehensive income** | | | | | | |
| Profit for the 1 half 2010 | | - | - | - | 273 | 273 |
| **Other comprehensive income** | | | | | | |
| Currency translation difference | | - | - | 39 | 104 | 143 |
| **Total comprehensive income** | | **-** | **-** | **39** | **377** | **416** |
| **Balance at 30 June 2010** | | **55 292** | **2 912** | **( 425)** | **41 017** | **98 796** |

**COMPANY**

| | Share capital | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|
| **Balance at 1 January 2009** | **35 292** | **2 416** | **33 290** | **70 998** |
| **Comprehensive income** | | | | |
| Loss for the 1 half 2009 | - | - | (2 849) | (2 849) |
| **Transactions with owners** | | | | |
| Transfer to legal reserve | - | 496 | ( 496) | - |
| Shares issued | 20 000 | - | - | 20 000 |
| **Balance at 30 June 2009** | **55 292** | **2 912** | **29 945** | **88 149** |
| **Balance at 1 January 2010** | **55 292** | **2 912** | **23 971** | **82 175** |
| **Comprehensive income** | | | | |
| Profit for the 1 half 2010 | - | - | 2 988 | 2 988 |
| **Balance at 30 June 2010** | **55 292** | **2 912** | **26 959** | **85 163** |

## STATEMENTS OF CASH FLOW

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **H1 2010** | **H1 2009** | **H1 2010** | **H1 2009** |
| **OPERATING ACTIVITIES** | | | | | |
| Profit (loss) before income taxes | | 805 | (13 249) | 2 533 | (2 692) |
| Adjustments for: | | | | | |
| Depreciation and amortization | | 9 841 | 11 561 | 4 458 | 5 571 |
| Impairment charge | | 1 498 | - | - | - |
| Change in allowances for slow-moving inventories | | 51 | 1 322 | ( 68) | 1 207 |
| (Gain) / Loss on disposal of property, plant and equipment | | ( 9) | ( 53) | ( 4) | ( 21) |
| Write-off of property, plant and equipment | | 40 | - | 33 | - |
| Dividends income | | - | - | (5 474) | (7 446) |
| Interest expenses | | 642 | 1 484 | 652 | 1 177 |
| | | **12 868** | **1 065** | **2 130** | **(2 204)** |
| Changes in operating assets and liabilities: | | | | | |
| Decrease (Increase) in inventories | | 13 672 | 6 043 | 11 192 | 4 460 |
| Decrease (Increase) in receivables | | ( 282) | 3 599 | 2 698 | (2 929) |
| Unrealized foreign exchange loss | | 56 | ( 90) | 23 | 2 |
| Increase (decrease) in payables | | (11 703) | 251 | (9 097) | ( 520) |
| **Cash generated from operations** | | **14 611** | **10 868** | **6 946** | **(1 191)** |
| Income taxes paid | | ( 165) | ( 75) | ( 59) | ( 3) |
| Interest paid | **4** | ( 643) | (2 166) | ( 891) | (2 344) |
| **Net cash from operating activities** | | **13 803** | **8 627** | **5 996** | **(3 538)** |
| **INVESTING ACTIVITIES** | | | | | |
| Interest received | | 1 | 26 | 239 | 511 |
| Dividends received | | - | - | 5 474 | 7 446 |
| Loans granted | | - | - | (17 630) | (51 150) |
| Loans repayments received | | - | - | 16 084 | 42 403 |
| Purchases of property, plant and equipment and intangible assets | **3** | (4 200) | (14 921) | (2 024) | (5 697) |
| Proceeds on disposal of property, plant and equipment | **3** | 822 | 5 140 | 822 | 296 |
| Investment in subsidiaries | | - | - | - | ( 644) |
| **Net cash used in investing activities** | | **(3 377)** | **(9 755)** | **2 965** | **(6 835)** |
| **FINANCING ACTIVITIES** | | | | | |
| Proceeds from borrowings | | 10 862 | 14 315 | 44 294 | 38 766 |
| Repayments of borrowings | | (16 864) | (12 712) | (47 802) | (30 684) |
| Repayments of obligations under finance leases | | 18 | ( 9) | - | ( 9) |
| Repurchase of bonds | | - | (20 000) | - | (20 000) |
| Proceeds from shares issue | | - | 20 000 | - | 20 000 |
| **Net cash from financing activities** | | **(5 984)** | **1 594** | **(3 508)** | **8 073** |
| **NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS** | | **4 442** | **466** | **5 453** | **(2 300)** |
| **CASH AND BANK OVERDRAFTS:** | | | | | |
| **AT THE BEGINNING OF THE PERIOD** | | **(5 118)** | **(3 007)** | **(7 877)** | **(1 925)** |
| **AT THE END OF THE PERIOD** | | **( 676)** | **(2 541)** | **(2 424)** | **(4 225)** |

# 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.

The applicable rates used for the balance sheet preparation were as follows:

| Currency | | 30 06 2010 | 31 12 2009 | 30 06 2009 |
|---|---|---|---|---|
| 1 EUR | = | 3,4528 LTL | 3,4528 LTL | 3,4528 LTL |
| 1 LVL | = | 4,8676 LTL | 4,8679 LTL | 4,9381 LTL |
| 10 EEK | = | 2,2067 LTL | 2,2067 LTL | 2,2067 LTL |

## 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, 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 analysed on a country basis.

The segment information provided to the Directors for the reportable segments for the first half 2010 is as follows:

| **H1 2010** | **Lithuania** | **Latvia** | **Estonia** | **Total** | **Inter-company elimina-tions** | **Total in consolidated financial statements** |
|---|---|---|---|---|---|---|
| Total segment revenue | 89 243 | 31 934 | 15 168 | 136 345 | - | |
| Inter-segment revenue | (6 297) | (1 668) | ( 444) | (8 409) | - | |
| **Revenue from external customers** | **82 946** | **30 266** | **14 724** | **127 936** | **-** | **127 936** |
| **Gross margin** | **42,2%** | **44,0%** | **49,5%** | **43,5%** | | **43,5%** |
| **Profit (loss) for the year** | **( 164)** | **(1 336)** | **1 773** | **273** | **-** | **273** |
| Total assets | 142 864 | 27 167 | 18 444 | 188 475 | (36 284) | 152 191 |
| Additions to non-current assets (other than financial instruments and prepayments for leases) | 1 276 | 384 | 1 718 | 3 378 | | 3 378 |
| | 13.304.826 | | | | | |

| **H1 2009** | **Lithuania** | **Latvia** | **Estonia** | **Total** | **Inter-company elimina-tions** | **Total in consolidated financial statements** |
|---|---|---|---|---|---|---|
| Total segment revenue | 112 551 | 35 488 | 15 905 | 163 944 | - | |
| Inter-segment revenue | (10 423) | (2 114) | ( 664) | (13 201) | - | |
| **Revenue from external customers** | **102 128** | **33 374** | **15 241** | **150 743** | **-** | **150 743** |
| **Gross margin** | **37,0%** | **40,5%** | **46,1%** | **38,7%** | | **38,7%** |
| **Profit for the year** | **(11 580)** | **(1 811)** | **( 93)** | **(13 484)** | **-** | **(13 484)** |
| Total assets | 189 290 | 36 320 | 16 509 | 242 119 | (38 452) | 203 667 |
| Additions to non-current assets (other than financial instruments and prepayments for leases) | 5 760 | 2 847 | 1 174 | 9 781 | | 9 781 |

## 3. Investments into non-current assets

Investments into development and reconstruction of retail network amounted to LTL 3.4 million in first half 2010.

## 4. Borrowings

In May 2010, the Group and AB SEB Bankas have signed the amendment to agreement which modified the previous contract on the credit line. According to it, the Group was provided a credit line of LTL 67 000 thousand in order to finance the working capital, issuing guarantees and opening letters of credit. This contract amendment also includes a credit limit reduction schedule. According to it the maximum amount of credit line given to the Group was LTL 67 000 thousand in 30 June 2010. The maximum limit of credit line will gradually decrease till LTL 61 000 thousand from the end of this year till the repayment deadline. The credit line expires on 30 November 2011, the interests are paid for the amount used and the interest rate is calculated as 1 month VILIBOR plus margin.

## 5. Guarantees and letters of credit

As of 30 June 2010 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totalled LTL 23 220 thousand (31 December 2009: LTL 22 322 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 30 June 2010 amounted to LTL 31 104 thousand (31 December 2009: LTL 29 796 thousand).

As of 30 June 2010 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled LTL 2 674 thousand (31 December 2009: LTL 2 534 thousand).

## 6. Post balance sheet events

By the decision of the shareholders of Company's subsidiaries Apranga SIA and Apranga OU it was increased and fully paid the share capital of both subsidiaries in July 2010. The share capital of Apranga SIA was increased by LVL 1 000 000, and the share capital of Apranga OU – by EEK 8 000 000.

******