APRANGA
GROUP

7 April 2020
Vilnius

CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

Hereby we confirm, that by our knowledge Consolidated Financial Statements for the year 2019 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss and cash flow of APB Apranga, as well as of Apranga Group consolidated companies.

As well we confirm that by our knowledge Consolidated Annual Report for the year 2019 includes a fair review of the development and performance of the business and the position of APB Apranga and Apranga Group in relation to the description of the main risks and contingencies faced thereby.

Apranga Group General Manager
Rimantas Perveneckas

Apranga Group Chief Financial Officer
Saulius Bačauskas

APRANGA
GROUP

APB APRANGA

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

for the year ended 31 December 2019

Translation note:

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

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VAT payer code LT108784411
Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of APB Apranga

Report on the Audit of the Company's and Consolidated Financial Statements

Opinion

We have audited the accompanying financial statements of APB Apranga, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of APB Apranga and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2019 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (regulation (EU) No 537/2014 of the European Parliament and of the Council). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of the financial statements of the Republic of Lithuania that are relevant to the audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of the financial statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How the matter was addressed in the audit
1. Impairment assessment of property, plant and equipment and right of use assets	
Property, plant and equipment (PPE) amounted to EUR 13 330 thousand and EUR 29 584 thousand and right of use assets amounted to EUR 26 031thousand and EUR 68 596thousand in the statements of financial position of the Company and the Group as at 31 December 2019, respectively. As disclosed in Notes 12 and 26 to the financial statements, management of the Group performed an annual impairment test of these assets as at 31 December 2019 based on the value in use estimation of the Group's cash generating units. Based on the outcome of this impairment test, the Company and the Group have recognized an impairment amounting to EUR 154 thousand and EUR 680 thousand in the statement of financial position as of 31 December 2019 (Notes 12 and 26), respectively. The annual impairment test was significant to our audit as it involves management judgment regarding the assumptions used in the underlying cash flows forecasts. Furthermore, the property, plant and equipment and right of use assets represent more than 44% and 64% of the total assets of the Company and the Group as at 31 December 2019, respectively.	We obtained an understanding of the management's procedures in relation to the impairment assessment of the property, plant and equipment and right of use assets. Among other procedures, we involved a valuation specialist to assist us with the assessment of the impairment model structure and composition as well as the discount rates used by the management in the impairment test. We also considered other key assumptions used by the management in the estimation of cash flows forecasts as follows: the expected trend in revenue, costs, level of capital expenditure by comparing them to historical performance levels and management's expectations of their development in the future. We tested the sensitivity in the available headroom of the impairment test by considering if a reasonably possible change in assumptions could cause the carrying amount of the cash generating unit (CGU) to exceed its recoverable amount. We have also assessed the historical accuracy of the management's estimates. Finally, we have reviewed the adequacy of the Company's and the Group's disclosures included in Notes 12 and 26 about the assumptions used in the impairment test and the outcome of the test.
2. Inventory write down to net realizable value	
As at 31 December 2019 the Company's and the Group's inventory balance amounted to EUR 21 122 thousand and EUR 40 106 thousand, respectively, in the statement of financial position of the Company and the Group, accounted for at the lower of cost or net realizable value (Note 15). The determination as to whether net realizable value of inventory is higher than the cost of inventory involves significant management's judgment. In addition, this matter is significant to our audit due to materiality of the amounts as inventories constitute over 24% and 26% of the total assets of the Company and the Group in the statement of financial position as at 31 December 2019, respectively.	We obtained an understanding of management's procedures in relation to the inventory write down to net realizable value. Among other procedures, we reviewed the management's assumptions used in the valuation of inventory and recording the write down to net realizable value. Our procedures included testing the subsequent sales of inventory to identify items sold below their cost comparing the actual results with the management's estimate. We analyzed the inventory ageing by seasonality of goods and the data of prior periods to identify any unusual variations. We tested the inventory ageing reports by obtaining purchase documents for the selected items and comparing that with the information included in the aging reports. In addition, we recalculated the inventory allowance for accuracy. Furthermore, we have considered the adequacy of disclosures in the financial statements in this area (Note 15).

3. Effect of a new International Financial Reporting Standard IFRS 16 Leases

As disclosed in Note 26 of the financial statements, the Company and the Group have multiple operating lease agreements, which mainly relate to the lease of premises, administrative building and vehicles.

The above-mentioned lease agreements were accounted for as operating lease in accordance with IAS 17 until 31 December 2018. Implementation of IFRS 16 "Leases" starting from 1 January 2019 have a material effect on the financial statements of the Company and the Group, as at 1 January 2019 the Company and the Group recognized the right of use asset in the amount of EUR 30 983 thousand and EUR 60 770 thousand and lease liability in the amount of EUR 31 047 thousand and EUR 61 040 thousand, respectively (Note 26). Moreover, the assessment of lease agreements requires significant management judgement (including, but not limited to, determination of the lease payments in order to measure the right of use asset and lease liability, determination of the lease term and the discount rate). Due to the reasons stated above, this area is significant to our audit.

We obtained an understanding of management's procedures in relation to assessment of the impact of the IFRS 16 Leases on the Company's and the Group's financial statements. We have obtained the model used to estimate the impact of IFRS 16 "Leases" and tested the correctness of the information by agreeing data in the calculation on a sample basis to the supporting evidence. While reviewing individual lease agreements we have also considered, if the lease period is properly determined. We involved a valuation specialist to assist us with assessing the appropriateness of the discount rates applied in determining lease liabilities. We also tested the completeness of the lease data by reconciling the Company's and the Group's existing lease commitments to the lease data used in the IFRS 16 Leases model.

Moreover, we have considered the adequacy of the Company's and the Group's disclosure in Note 26 of the financial statements of the estimated effect of the new IFRS 16 Leases on the financial statements.

Other information

Other information consists of the information included in the Consolidated Group's 2019 Annual Report, including Corporate Governance Report and Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
We also have to evaluate, if the financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report, corresponds to the financial statements for the same financial year and if the Consolidated Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

- The financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report, corresponds to the financial information included in the accompanying financial statements for the same year; and
- The Consolidated Group's Annual Report, including Corporate Governance Report, was prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania and the Law on Consolidated Financial Reporting by Groups of Undertakings of the Republic of Lithuania.

We also need to check that the Corporate Social Responsibility Report has been provided. If we identify that Corporate Social Responsibility Report has not been provided, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and/or the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

‣ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

‣ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and/or Group's internal control.

‣ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

‣ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

‣ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

‣ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made on 27 April 2017 by the General Meeting of Shareholders we have been appointed to carry out the audit of Company's financial statements and Group's consolidated financial statements for the first time in 2017. Our appointment to carry out the audit of the Company's and the Group's financial statements in accordance with the decision made by the General Meeting of Shareholders is renewed annually and the period of total uninterrupted engagement is 3 years.

Consistency with the audit report submitted to the audit committee

We confirm that our opinion in the section 'Opinion' is consistent with the additional Audit report which we have submitted to the Audit Committee.

Non audit services

We confirm that to the best of our knowledge and belief, services provided to the Company and the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in the Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Throughout our audit engagement period, we have not provided any other services except for the audit of the Company's, its subsidiaries' and Group's consolidated financial statements.

The partner in charge of the audit resulting in this independent auditor's report is Asta Štreimikienė.

UAB ERNST & YOUNG BALTIC
Audit company's licence No. 001335

Asta Štreimikienė
Auditor's licence
No. 000382

7 April 2020

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2019
(all tabular amounts are in EUR thousands unless otherwise stated)

STATEMENTS OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
	Note	2019	2018	2019	2018
Revenue from contracts with customers	6	205 005	187 207	85 307	78 262
Cost of sales	5	(115 795)	(106 197)	(52 344)	(48 317)
GROSS PROFIT		89 210	81 010	32 963	29 945
Selling (costs)	5	(65 184)	(60 808)	(21 935)	(21 321)
General and administrative (expenses)	5	(12 442)	(11 077)	(8 364)	(7 661)
Other income	6	353	95	7 178	8 302
Net foreign exchange gain (loss)		(8)	(21)	(8)	(21)
OPERATING PROFIT		11 929	9 199	9 834	9 244
Finance income	7	40	101	84	124
Finance (costs)	7	(975)	(34)	(482)	(34)
PROFIT BEFORE INCOME TAX		10 994	9 266	9 436	9 334
Income tax (expense)	8	(1 754)	(1 701)	(201)	(240)
PROFIT FOR THE YEAR	4	9 240	7 565	9 235	9 094
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		9 240	7 565	9 235	9 094
Total comprehensive income attributable to:		9 240	7 565	9 235	9 094
Owners of the Company		9 240	7 565	9 235	9 094
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share (in EUR)	11	0,17	0,14	0,17	0,16

The notes on pages 12 to 46 are an integral part of these financial statements.

These financial statements were approved by Management Board on 7 April 2020 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2019
(all tabular amounts are in EUR thousands unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION

ASSETS		GROUP		COMPANY	
		As at 31 December		As at 31 December	
NON-CURRENT ASSETS	Note	2019	2018	2019	2018
Property, plant and equipment	12	29 584	23 257	13 330	15 116
Intangible assets	13	310	166	292	165
Investments in subsidiaries	14	-	-	4 963	4 913
Prepayments	17	940	733	200	80
Trade and other receivables	20	4	8	4	8
Right-of-use assets	26	68 596	-	26 031	-
Financial assets	18	2 200	2 000	2 200	2 000
Total non-current assets		101 634	26 164	47 020	22 282
CURRENT ASSETS					
Inventories	15	40 106	40 563	21 122	21 924
Financial assets	18	732	732	732	732
Prepayments	17	1 391	1 529	1 056	900
Trade and other receivables	20	2 135	2 916	13 355	9 798
Cash and cash equivalents	21	6 712	7 009	4 557	3 119
Total current assets		51 076	52 749	40 822	36 473
Non-current assets held for sale	16	80	190	80	190
TOTAL ASSETS		**152 790**	**79 103**	**87 922**	**58 945**

EQUITY AND LIABILITIES		GROUP		COMPANY	
EQUITY	Note	2019	2018	2019	2018
Ordinary shares	22	16 035	16 035	16 035	16 035
Legal reserve	23	1 604	1 604	1 604	1 604
Foreign currency translation reserve		(53)	(53)	-	-
Retained earnings		40 960	39 178	31 196	29 213
Total equity		58 546	56 764	48 835	46 852
NON-CURRENT LIABILITIES					
Borrowings	24	500	800	500	800
Deferred tax liabilities	9	1 385	1 436	242	311
Non-current lease liabilities	26	56 659	-	21 047	-
Non-current employee benefits	2.18	186	552	186	552
Total non-current liabilities		58 730	2 788	21 975	1 663
CURRENT LIABILITIES					
Borrowings	24	300	300	4 025	2 878
Current lease liabilities	26	13 117	-	5 286	-
Current income tax liability		199	38	82	1
Trade and other payables	25	21 898	19 213	7 719	7 551
Total current liabilities		35 514	19 551	17 112	10 430
Total liabilities		**94 244**	**22 339**	**39 087**	**12 093**
TOTAL EQUITY AND LIABILITIES		**152 790**	**79 103**	**87 922**	**58 945**

The notes on pages 12 to 46 are an integral part of these financial statements.

These financial statements were approved by Management Board on 7 April 2020 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2019
(all tabular amounts are in EUR thousands unless otherwise stated)

STATEMENTS OF CHANGES IN EQUITY

GROUP	Note	Share capital	Legal reserve	Translation reserve	Retained earnings	Total
Balance at 1 January 2018		16 035	1 604	(53)	41 013	58 599
Comprehensive income						
Profit for the year 2018		-	-	-	7 565	7 565
Total comprehensive income		**-**	**-**	**-**	**7 565**	**7 565**
Transactions with owners						
Dividends	10, 23	-	-	-	(9 400)	(9 400)
Balance at 31 December 2018		16 035	1 604	(53)	39 178	56 764
Effect of adoption of IFRS 16 Leases	2.3				(270)	(270)
Balance at 1 January 2019 (restated)		16 035	1 604	(53)	38 908	56 494
Comprehensive income						
Profit for the year 2019		-	-	-	9 240	9 240
Total comprehensive income		**-**	**-**	**-**	**9 240**	**9 240**
Transactions with owners						
Dividends	10, 23	-	-	-	(7 188)	(7 188)
Balance at 31 December 2019		16 035	1 604	(53)	40 960	58 546

COMPANY	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2018		16 035	1 604	29 519	47 158
Comprehensive income					
Profit for the year 2018		-	-	9 094	9 094
Total comprehensive income		**-**	**-**	**9 094**	**9 094**
Transactions with owners					
Dividends	10, 23	-	-	(9 400)	(9 400)
Balance at 31 December 2018		16 035	1 604	29 213	46 852
Effect of adoption of IFRS 16 Leases	2.3			(64)	(64)
Balance at 1 January 2019 (restated)		16 035	1 604	29 149	46 788
Comprehensive income					
Profit for the year 2019		-	-	9 235	9 235
Total comprehensive income		**-**	**-**	**9 235**	**9 235**
Transactions with owners					
Dividends	10, 23	-	-	(7 188)	(7 188)
Balance at 31 December 2019		16 035	1 604	31 196	48 835

The notes on pages 12 to 46 are an integral part of these financial statements.

These financial statements were approved by Management Board on 7 April 2020 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2019
(all tabular amounts are in EUR thousands unless otherwise stated)

STATEMENTS OF CASH FLOW

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
OPERATING ACTIVITIES	Note	2019	2018	2019	2018
Profit (loss) before income taxes		10 994	9 266	9 436	9 334
ADJUSTMENTS FOR:					
Depreciation and amortization	5	19 077	6 364	8 204	2 959
Impairment charge (reverse)	12	205	147	30	167
Change in allowances for slow-moving inventories	5	530	128	265	(17)
(Gain) on disposal of property, plant and equipment	6	(23)	(9)	(5)	(6)
Write-off of property, plant and equipment		64	50	39	10
Dividends income	6	(97)	-	(6 937)	(8 200)
Interest expenses (income)	7	935	-	398	(23)
Total		31 685	15 946	11 430	4 224
CHANGES IN OPERATING ASSETS AND LIABILITIES:					
Decrease (increase) in inventories	15	(73)	(2 455)	537	(1 727)
Decrease (increase) in receivables		(199)	1 829	(7 653)	4 652
Increase (decrease) in payables		2 314	1 849	(203)	375
Cash generated from operations		33 727	17 169	4 111	7 524
Income taxes paid		(1 644)	(1 962)	(189)	(718)
Interest paid		855	(34)	362	(34)
Net cash from operating activities		32 938	15 173	4 284	6 772
INVESTING ACTIVITIES					
Interest received		40	34	84	57
Dividends received	6	97	-	6 937	8 200
Loans granted		(47 500)	(60 400)	(78 607)	(78 121)
Loans repayments received		47 500	60 400	82 010	78 270
Purchases of property, plant and equipment and intangible assets	12, 13	(21 727)	(8 901)	(1 214)	(3 531)
Proceeds on disposal of property, plant and equipment		8 918	3 719	5	9
Purchases of financial assets at fair value	18	(200)	(2 000)	(200)	(2 000)
Proceeds on disposal of financial assets at fair value	18	-	933	-	933
Investment in subsidiaries	14	-	-	(50)	(100)
Net cash used in investing activities		(12 872)	(6 215)	8 965	3 717
FINANCING ACTIVITIES					
Dividends paid	3	(7 183)	(9 412)	(7 183)	(9 412)
Proceeds from borrowings		14 018	1 122	69 210	50 180
Repayments of borrowings		(14 318)	(1 422)	(68 364)	(52 937)
Repayments of lease liabilities	26	(12 880)	-	(5 474)	-
Net cash from financing activities		(20 363)	(9 712)	(11 811)	(12 169)
NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS		(297)	(754)	1 438	(1 680)
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE PERIOD	21	7 009	7 763	3 119	4 799
AT THE END OF THE PERIOD	**21**	**6 712**	**7 009**	**4 557**	**3 119**

The notes on pages 12 to 46 are an integral part of these financial statements.

These financial statements were approved by Management Board on 7 April 2020 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

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

1. GENERAL INFORMATION

APB Apranga, (hereinafter "the Company"), was incorporated and commenced its operations in March 1993 in Lithuania. The Company's main office is situated in Ukmerges str. 362, Vilnius, Lithuania. The Company has legal form of public limited liability company under the Law on Companies of Republic of Lithuania. The principal activity of the Company and its subsidiaries (hereinafter "the Group") is retail trade of apparel.

At 31 December the Company's shareholders were:

	Number of shares	% of total ownership	Number of shares	% of total ownership
Shareholder	2019		2018	
UAB MG Baltic investment	34 442 189	62,3	34 262 189	62,0
UAB Minvista	6 397 059	11,6	5 442 826	9,8
Swedbank AS (Estonia) clients	3 719 099	6,7	3 908 574	7,1
Other	10 733 613	19,4	11 678 371	21,1
Total	55 291 960	100,0	55 291 960	100,0

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

The Company is listed on Nasdaq Vilnius Stock Exchange.

At 31 December 2019 the Group consisted of the Company and the following its wholly owned subsidiaries:

Name	Country	Ownership interest in % 31 12 2019	Ownership interest in % 31 12 2018
UAB Apranga LT	Lithuania	100%	100%
UAB Apranga BPB LT	Lithuania	100%	100%
UAB Apranga PLT	Lithuania	100%	100%
UAB Apranga SLT	Lithuania	100%	100%
UAB Apranga MLT	Lithuania	100%	100%
UAB Apranga HLT	Lithuania	100%	100%
UAB Apranga OLT	Lithuania	100%	100%
UAB Apranga Ecom LT	Lithuania	100%	100%
SIA Apranga	Latvia	100%	100%
SIA Apranga LV	Latvia	100%	100%
SIA Apranga BPB LV	Latvia	100%	100%
SIA Apranga PLV	Latvia	100%	100%
SIA Apranga SLV	Latvia	100%	100%
SIA Apranga MLV	Latvia	100%	100%
SIA Apranga HLV	Latvia	100%	-
SIA Apranga OLV	Latvia	100%	100%
SIA Apranga Ecom LV	Latvia	100%	100%
OU Apranga*	Estonia	100%	100%
OU Apranga Estonia	Estonia	100%	100%
OU Apranga BEE	Estonia	100%	100%
OU Apranga PB Trade	Estonia	100%	100%
OU Apranga ST Retail	Estonia	100%	100%
OU Apranga MDE	Estonia	100%	100%
OU Apranga HEST	Estonia	100%	100%
OU Apranga Ecom EE	Estonia	100%	100%

** At 31 December 2019 the Company directly owned 14.91% shares and indirectly through its subsidiary owned the rest 85.09% of shares (At 31 December 2018: 22.37% and 77.63%, respectively)*

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

	Total number of shops		Shops, where premises are owned by Group	
Country	2019	2018	2019	2018
Lithuania	108	111	6	6
Latvia	50	42	-	-
Estonia	28	29	-	-
Total	186	182	6	6

At 31 December 2019 the Group and the Company employed 2 367 and 797 people respectively (2018: 2 174 and 806 people respectively).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented in Euro and all values are rounded to the nearest thousand, except when otherwise indicated. The numbers in tables may not coincide due to rounding of particular amounts to EUR thousand. Such rounding differences are not material to these financial statements.

2.1 BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention, except for financial asset at fair value through profit (loss) or other comprehensive income as described in Note 18.

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

2.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Revenue recognition

Management judgment is needed to determine whether revenue for certain sales transactions should be recorded on a gross basis or on a net basis. Revenue is recognised on a gross basis where the role is that of principal in a transaction. The gross basis represents sales price after discounts, with any related costs charged to expenses.

The Group/Company has concluded that it is the principal in its revenue arrangements, because:
- The entity controls the goods or services before transferring them to the customer;
- The entity is primarily responsible for the supply of goods and services and bears risk of non-performance;
- The entity has latitude in establishing price either directly or indirectly.

Where the Company or the Group acts on a consignment basis in a transaction, revenue is recognised on the net basis and inventory held on consignment is not recognised in the statement of the financial position.

(b) Estimates concerning useful lives of tangible and intangible assets

The useful lives of tangible and intangible assets are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

(c) Impairment of property, plant and equipment and right-of-use assets

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

(d) Inventory write-down to net realizable value

In accordance with the accounting policies stated in note 2.12 the Group and the Company recognise inventory at the lower of cost and net realizable value. The Group and the Company evaluates whether the value of inventory recognised at cost is not lower that its net realisibale value based on the historical data and actual results of inventory items sold below costs.

(e) Determining the lease term of contracts with renewal and termination options – Company/Group as lessee

The Company/Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company/Group has lease contracts that include extension and termination options. The Company/Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease.

That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company/Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

(f) Leases - Estimating the incremental borrowing rate

The Company/Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company/Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company/Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company/Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific or country-specific estimates, see Note 2.3.

(g) The potential impact of COVID-19 on the financial statements

The Company/Group assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced in the Republic of Lithuania on 16th March, on the financial statements, including going concern assumption. The management has assessed that this matter will not affect the Company's/Group's ability to continue as a going concern as has sufficient financial resources.

In addition, the management has concluded that this event is a non-adjusting subsequent event and therefore it's potential impact was not considered when making estimates and assumptions about the recoverable values of the investments into subsidiaries, impairment of loans granted to subsidiaries, inventories, property, plant and equipment, right-of-use assets and expected credit losses on trade receivables and contract assets that are mentioned above. This matter might have a significant impact on these estimates in the next financial period, which cannot be reasonably quantified at this stage by the management due to great level of uncertainty associated with further development of COVID-19 pandemic situation in the countries of operation.

2.3 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company and the Group has adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for accounting periods beginning on 1 January 2019.

(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2019:

- **IFRS 16: Leases**
  During the financial year ended 31 December 2019, the Company and the Group has applied IFRS 16 Leases for the first time, which had significant impact on the Company's and the Group's financial statements.

  IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company/Group is the lessor.

  The Company/Group has adopted IFRS 16 using the *modified retrospective approach* of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard is recognized in retained earnings at the date of initial application and comparative information is not restated.

  The Company/Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Company/Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

  Before the adoption of IFRS 16, the Company/Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.17 Leases for the accounting policy prior to 1 January 2019.

  Upon adoption of IFRS 16, the Company/Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.17 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied the Company/Group.

  <u>Leases previously classified as finance leases</u>
  The Company/Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

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

Leases previously classified as operating leases
The Company/Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's/Group's incremental borrowing rate at the date of initial application, i.e. 1 January 2019. The right-of-use assets were measured at an amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized – the Company/Group applied this approach to all leases, except as noted above.

The Group and the Company also applied the available practical expedients wherein it:
- used the same discount rate to a portfolio of leases with similar characteristics. Lease agreements were divided according to the type of agreement, country and lease terms: 1-5 years, 6-10 years, over 10 years;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	GROUP			COMPANY		
	As at 31 December 2018	IFRS 16 impact	As at 1 January 2019	As at 31 December 2018	IFRS 16 impact	As at 1 January 2019
ASSETS:						
Right-of-use assets	-	60 770	60 770	-	30 983	30 983
EQUITY:						
Retained earnings	-	(270)	(270)	-	(64)	(64)
NON-CURRENT LIABILITIES:						
Non-current lease liabilities	-	48 980	48 980	-	25 565	25 565
CURRENT LIABILITIES:						
Current lease liabilities	-	12 060	12 060	-	5 482	5 482

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	GROUP	COMPANY
Operating lease commitments as at 31 December 2018	72 182	34 212
Weighted average incremental borrowing rate as at 1 January 2019	1,41%	1,44%
Discounted operating lease commitments as at 1 January 2019	61 040	31 047
Lease liabilities as at 1 January 2019	61 040	31 047
Of which:		
Current lease liabilities	12 060	5 482
Non-current lease liabilities	48 980	25 565

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. Management concluded that the Amendments had no impact for financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments relate to whether the measurement, in particular impairment requirements, of long- term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. Management concluded that the Amendments had no significant impact for financial statements.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management concluded that the Interpretation had no impact for financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The

Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. Management concluded that the Amendments had no significant impact for financial statements.

- **The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs.** Management concluded that the Amendments had no significant impact for financial statements.

    - **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
    - **IAS 12 Income Taxes**: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
    - **IAS 23 Borrowing Costs**: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Company and the Group do not have investments in associates and joint ventures.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group/Company will not be affected by these amendments on the date of transition.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The Company and the Group has not yet evaluated the impact of the implementation of these amendments.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provided temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing

interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The Company and the Group has not yet evaluated the impact of the implementation of these amendments.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The Company and the Group has not yet evaluated the impact of the implementation of these amendments.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

2.4 CONSOLIDATION

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 SEGMENT REPORTING

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

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

2.7 INTANGIBLE ASSETS

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

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

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

Amortisation is accounted for as selling expense.

The Group and the Company have no intangible asset with indefinite useful life.

2.8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (hereinafter "PPE") is stated at historical cost, less accumulated depreciation and impairment losses.

Leasehold improvements, that meet definition of PPE, are capitalised in the statement of financial position and depratiated over the lease term.

Compensation received from shopping malls in connection with the setting up of shops is related to the compensation of PPE, not to rent fees, and consequently the cost of acquisition of property, plant and equipment is reduced. Compensations that do meet the definition of lease incentive, are accounted for under IFRS 16, see Note 2.17.

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

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

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of the reporting period, the Company and the Group reviews the carrying amounts of its tangible and intangible long-term assets and right-of-use assets to determine whether there is any indication (e.g. loss of cash-generating unit) that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

2.10 INVESTMENTS IN SUBSIDIARIES

In the Company's separate financial statements investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment.

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

2.11 NON-CURRENT ASSETS HELD FOR SALE

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

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

2.12 INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value represents the estimated selling price less all estimated costs to be incurred in selling. Unrealisable inventory has been fully written-off. Impairment losses are recognized as an expense immediately (under cost of sales caption).

2.13 FINANCIAL ASSETS AND LIABILITIES

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

<u>Initial recognition and measurement</u>

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's/Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group/Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's/Company's business model for managing financial assets refers to how the Group/Company manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

A regular way purchases or sales of financial assets are recognised on the trade date, i.e., the date that the Group/Company commits to purchase or sell the asset.

Subsequent measurement

After initial recognition, the Group/Company measures a financial asset at:
a) Amortised cost (debt instruments);
b) Fair value through other comprehensive income (OCI) with recycling of cumulative gains and losses upon derecognition (debt instruments), see Note 18;
c) Fair value through other comprehensive income (OCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group/Company did not have such items as at 31 December 2019 and 2018;
d) Fair value through profit or loss, see note 18.

Financial assets at amortised cost (debt instruments)

The Group/Company measures financial assets at amortised cost if both of the following conditions are met:
i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the asset is derecognised, modified or impaired.

The Group's/Company's financial assets at amortised cost includes trade, other current and non-current receivables and loans granted.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments (as defined by IFRS9). Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income caption in the statement of comprehensive income.

The Group/Company in order to make efficient use of the available free cash, in 2018 acquired collective investment scheme (fund units), which fair value (level 2) as at 31 December 2019 is EUR 2 200 thousand (Note 18).

Financial assets at fair value through OCI (debt instruments)

The Group/Company measures debt instruments at fair value through OCI if both of the following conditions are met:
• The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling
And
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at fair value through OCI are carried in the statement of financial position at fair value with net changes in fair value recognised in OCI. For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group/Company included these assets under other non-current financial assets, unless the maturity term is shorter than 12 months or management inteds to realize the asset within 12 months from the end of the reporting period.

Expected credit losses for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets. According to management's assessment this asset was not impaired as at 31 December 2018 and 2019.

Impairment of financial assets

Following IFRS 9, in common case scenario, the Group/Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of every reporting period it is assessed whether credit risk significnalty increased from initial recognition taking into account change in probability of default during the maturity of the instrument. During this process the Group/Company summarizes debt instruments into stages 1, 2 and 3:

• Stage 1: on initial recognition the Group/Company recognizes a 12-month ECL. Stage 1 debt instruments include instruments which credit risk improved and which were transferred back from Stage 2.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group/Company records an allowance for the lifetime ECL. Stage 2 debt instruments include instruments which credit risk improved and which were transferred back from Stage 3. Group/Company considers that significant increase in credit risk when debt is overdue more than 30 days or when it is visible from financial information that debtor is experiencing financial difficulties.

• Stage 3: For loans considered credit-impaired, the Group/Company recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the probability of default set at 100%. Group/Company considers financial assets credit impaired when contractual payments are 90 days past due.

In 2018 and 2019 there were no transfers between the different stages.

In 2018 and 2019 there were no financial instruments which credit risk significantly increased.

The Group/Company calculates ECLs based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Group/Company in accordance with the contract and the cash flows that the Group/Company expects to receive. The Group/Company did not recognize allowance for loans granted because based on probability of default, loss given default, exposure at default and forward looking information the allowance is not material.

For trade receivables, the Group/Company applies a simplified approach in calculating ECLs. Therefore, the Group/Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For that purpose the Group/Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group/Company considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group/Company did not recognize allowance for trade receivables, intercompany, loans and other receivables because based on historical as well as forward looking information the allowance is not material.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts held in banks with credit ratings disclosed in note 21. Bank overdrafts are included into cash and cash equivalents on the statement of financial position.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's/Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and finance lease liabilities, as well as derivative financials instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group/Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. As at 31 December 2018 and 2019 the Group/Company did not have any financial liabilities measured at fair value through profit or loss.

Loans, borrowings and other payables

After initial recognition, loans, borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of comprehensive income, when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, i.e. to realise the assets and settle the liabilities simultaneously.

<u>Derecognition of financial instruments</u>

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's/Company's statement of financial position) when:
i) The rights to receive cash flows from the asset have expired or
ii) The Group/Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group/Company has transferred substantially all the risks and rewards of the asset, or (b) the Group/Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group/Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group/Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group/Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group/Company has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group/Company could be required to repay (amount of the guarantee).

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.14 SHARE CAPITAL

(a) Ordinary shares

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

2.15 RESERVE

(a) Foreign currency translation reserve

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

(b) Legal reserves

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

2.16 INCOME TAX

(a) Current income tax

The Group companies are taxed individually irrespective of the overall results of the Group. The Group companies in Lithuania may transfer the estimated tax losses (or part thereof) to another Group company in Lithuania, which has a right to reduce the taxable profit with the respective amount of the tax looses transferred for the same taxable period. The Group companies have not used this option in 2018 and 2019, as all companies in Lithuania have earned a taxable profit.

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

The tax currently payable is based on taxable profit for the reporting period. For companies operating in Lithuania tax losses can be carried forward for indefinite period, except for the losses incurred as a result of disposal of securities and/or derivative financial instruments not designated for hedging. Starting from 1 January 2014 the transferable tax loss cannot cover more than 70% of the taxable profit of the current year. Such carrying forward is disrupted if the company changes its activities due to which these losses were incurred except when the company does not continue its activities due to reasons which do not depend on the company itself. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted at the end of the reporting period.

The income tax rate applied for the Company and subsidiaries operating in Lithuania was 15 per cent in 2018 and in 2019. In Latvia and Estonia income tax rate on reporting period and prior taxable profits is nil. In Latvia and Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. The dividends paid by the Group's companies in Latvia and Estonia are taxed at the withholding tax rate of 20% of their gross amounts as at 31 December 2019 (20% as at 31 December 2018).

Amendments to the Estonian Income Tax Act that entered into force on 1 January 2018 enable companies to use a 14% reduced tax rate for regular dividend payments. The 14% reduced tax rate can be applied to dividends distributed on or after 1 January 2019 as follows: the 14% rate is applicable to the amount equal to a third of the last financial year's dividend distribution, while the portion of the distribution exceeding this threshold shall remain taxable at 20%. The reduced rate can be used on the share of the distribution equal to the company's last three years' average profit distributions.

(b) Deferred income tax

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

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

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

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

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

As the object of taxation in Latvia (from 1 january 2018) and Estonia is dividends, not profit, there are no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared, except for deffered tax liability on retain earnings, as disclosed in Note 9.

2.17 LEASES

Policy applicable from 1 January 2019

The Company or the Group as lessee

The Company/Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company/Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company/Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company/Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Premises 1 to 15 years
- Motor vehicles 1 to 5 years

If ownership of the leased asset transfers to the Company/Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.9, *Impairment of non-financial assets*.

Lease liabilities

At the commencement date of the lease, the Company/Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company/Group and payments of penalties for terminating the lease, if the lease term reflects the Company/Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company/Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's/Group's lease liabilities are included in *Non-current lease liabilities* and *Current lease liabilities* (see Note 26).

Short-term leases and leases of low-value assets

The Company/Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

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

The Company or the Group as lessee

Leases where the lessor transfers to the Group substantially all the risks and benefits incidental to ownership of the leased item are classified as finance leases. The Group recognises finance leases as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, to the present value of the minimum lease payments. The rate of discount used when calculating the present value of minimum payments of finance lease is the interest rate implicit in the lease, when it is possible to determine it, in other cases, the Group's incremental interest rate on borrowings applies. Directly attributable initial costs are included into the asset value. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation is accounted for finance lease assets. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned. The leased assets are not depreciated over the period longer than the lease term, unless the Group, according to the lease contract, gets transferred their ownership after the lease term is over.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

The terms of lease do not include restrictions on the activities of the Group in connection with the dividends, additional borrowings or additional lease agreements.

2.18 EMPLOYEE BENEFITS

(a) Social security contributions

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

(b) Long-term employee benefits

According to the requirements of Lithuanian Labor Code, each employee leaving the Group at the age of retirement is entitled to a one-off payment in the amount of 2 months' salary.

The actuarial gains and losses are recognized in the statement of other comprehensive income.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. Any gains or losses appearing as a result of curtailment and/or settlement are recognised in the statement of comprehensive income as incurred. The past service costs are recognized in the statement of comprehensive income as incurred.

The above mentioned employee benefit obligation is calculated based on actuarial assumptions, using the projected unit credit method. Obligation is recognized in the statement of financial position and reflects the present value of these benefits on the date of the statement of financial position. Present value of the non-current obligation to employees is determined by discounting estimated future cash flows using the discount rate which reflects the interest rate of the Government bonds of the same currency and similar maturity as the employment benefits. Actuarial gains and losses are recognized in the statement of other comprehensive income as incurred.

(c) Termination benefits

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

(d) Bonus plans

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

2.19 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Group re-evaluates provisions at each reporting date and adjusts them in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

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

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

2.20 RECOGNITION of REVENUE AND RELATED EXPENSES

Revenue recognition

Revenue from contracts with customers is recognised when control of the services or goods are transferred to the customer at an amount that reflects the consideration to which the Group/Company expects to be entitled in exchange for those services or goods. The Group/Company has concluded that it is the principal in its revenue arrangements (except for agent activity described below), because:
- The entity controls the goods or services before transferring them to the customer;
- The entity is primarily responsible for the supply of goods and services and bears risk of non-performance;
- The entity has latitude in establishing price either directly or indirectly.

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

Every sale of goods that the Group/Company makes is a separate performance obligations with separately identifiable fixed price. The Group/Company does not have any customer loyalty progammes.

The Company recognises revenue from management services over time, using a delivery method to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company.

Other occasional revenue from the sale of property, plant or equipment is recognised at a point in time, when sold items are delivered to client and control is transfered.

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

In addition the management considers the effect of other matters to the revenue recognition such as the existence of significant financing components, non-cash consideration, consideration payable to the customer and warranties. None of these are present in the Group's/Company's contracts with the customers.

<u>Assets and liabilities arising from rights of return</u>

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Group's refund liabilities arise from customers' right of return. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

The Group/Company does not incur material costs to acquire or fulfill the contract.

<u>Trade receivables</u>

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

<u>Contract liabilities – prepayments received</u>

A contract liability is the obligation to transfer goods or services to a customer for which the Group/Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group/Company transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group/Company performs under the contract.

2.21 DIVIDEND DISTRIBUTION

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

2.22 EARNINGS PER SHARE

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

2.23 RELATED PARTIES

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

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

2.24 CONTIGENCIES

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with business combinations. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.25 SUBSEQUENT EVENTS

Subsequent events that provide additional information about the Company's and Group's position at the reporting date (adjusting events) are reflected in the financial statements. Subsequent events that are not adjusting events are disclosed in the notes when material.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The financial risks relate to the following financial instruments: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, trade receivables, cash and cash equivalents, trade and other payables and borrowings. The accounting policy with respect to these financial instruments is described in previous section.

<u>Credit risk</u>
Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, financial assets at fair value through other comprehensive income 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 (or subsidiaries of such 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 future factors. Sales to retail customers are settled in cash or using major credit cards, therefore there is no credit risk.

Company's credit risk arising from trade receivables from subsidiaries and loans to subsidiaries is managed by controlling financial performance of subsidiaries on a monthly basis. All the subsidiaries having Company's loans have been profitable during the financial year, generated strong positive cash flows, historically none of them had credit events. Management has also assessed the projected future information that will not have a material adverse effect on the Company's subsidiaries.

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

Therefore, in the management's opinion, the credit risk is low.

Financial assets at fair value through other comprehensive income are invested only to Lithuanian government bonds.

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

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

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

GROUP	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	**Total**
As at 31 December 2019					
Borrowings	26	52	231	516	825
Lease liabilities	1 232	2 414	10 406	56 639	70 691
Trade and other payables	8 560	4 571	59	-	13 190
Total	9 818	7 037	10 696	57 155	84 706
As at 31 December 2018					
Borrowings	26	52	235	835	1 148
Trade and other payables	7 435	3 702	38	-	11 175
Total	7 461	3 754	273	835	12 323

COMPANY	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	**Total**
As at 31 December 2019					
Borrowings	26	52	3 956	516	4 550
Lease liabilities	490	969	4 182	21 114	26 755
Trade and other payables	2 429	1 542	59	-	4 030
Total	2 945	2 563	8 197	21 630	35 335
As at 31 December 2018					
Borrowings	26	52	2 813	835	3 726
Trade and other payables	2 356	1 633	18	-	4 007
Total	2 382	1 685	2 831	835	7 733

Change in liabilities arising from financing activities:

GROUP	As at 31 December 2018	Dividends declared	Cash flow	As at 31 December 2019
Borrowings	1 100	-	(300)	800
Dividends payable	116	7 188	(7 183)	121
Total	1 216	7 188	(7 483)	921

COMPANY	As at 31 December 2018	Dividends declared	Cash flow	As at 31 December 2019
Borrowings	3 677	-	848	4 525
Dividends payable	116	7 188	(7 183)	121
Total	3 793	7 188	(6 335)	4 646

Changes in lease liabilities are disclosed in Note 26.

Market risk

Cash flow and fair value interest rate risk

The Company has loans to subsidiaries with floating interest rates, but the cash flow risk is mitigated by applying the same variable element of interest rate on those loans as the banks are charging the Company.

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

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

Trade and other receivables and payables are interest-free and have settlement dates within one year.
The Group's and the Company's cash flow and fair value interest rate risk is periodically monitored by the Group's management. It analyses its interest rate exposure on a dynamic basis taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group and the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for receivables and liabilities that represent the major interest-bearing positions.

Based on the simulations performed, the impact on post tax profit of a 1 per cent shift in interest rates would be the maximum increase or decrease of EUR 18 thousand in 2019 (2018: EUR 34 thousand) for the Group and the maximum increase or decrease of EUR 3 thousand (2018: EUR 39 thousand) would be for the Company.

Foreign exchange risk

The Company and the Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. Substantially all the Group's payables and receivables are short-term and in addition expenses in foreign currencies are insignificant (less than 10%) as compared to those in Euro.

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.

(b) Capital risk management

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

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

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than EUR 40 thousand and of a private limited liability company must be not less than EUR 2.5 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2018 and 31 December 2019, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than EUR 2.8 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 31 December 2019 and 31 December 2018, all of the Company's Latvian subsidiaries complied with these requirements.

Pursuant to the Estonian Commercial Code the authorised share capital of a private limited liability company must be not less than EUR 2.5 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 31 December 2019 all of the Company's Estonian subsidiaries complied with these requirements. As at 31 December 2018 OU Apranga had not complied with the requirements. In December 2019 the share capital of OU Apranga was increased to EUR 3 000 thousand, i.e. enough to maintain the requirements of the law.

In addition, the Group and the Company has to comply with the financial covenants imposed in the agreement with SEB bankas AB and Luminor Bank AS. The Group and the Company was in compliance with the covenants as at 31 December 2018. As at 31 December 2019, The Group and the Company complied with all requirements of SEB bankas AB covenants, but did not comply with the equity ratio requirement of Luminor Bank AS (in 2019, with the adoption of IFRS 16 Leases, the meaning of the equity ratio changed significantly while it has not yet been restated accordingly, taking into account the influence of the new standard).

(c) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group and the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. SEGMENT INFORMATION

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

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

All financial information, including the measure of profit and total assets, is analysed on a country basis. Liabilities are measured on a Group basis only and are not individually measured on a country basis.

The segment information provided to the Chief Operating Decision Makers for the reportable segments for the year ended 31 December is as follows:

31 December 2019	Lithuania	Latvia	Estonia	Total	Inter-company eliminations	Total in consolidated financial statements
Total segment revenue	138 719	49 926	34 880	223 525	-	
Inter-segment revenue*	(17 289)	(987)	(622)	(18 898)	-	
Revenue from external customers (note 6)	121 430	48 939	34 258	204 627	-	204 627
Gross margin	43,0%	44,0%	43,9%	43,6%		43,6%
Other income (expenses):						
Rent (note 26)	(4 304)	(2 474)	(916)	(7 694)		(7 694)
Utilities	(1 242)	(592)	(363)	(2 197)		(2 197)
Renumeration and social security contributions	(19 078)	(6 358)	(4 572)	(30 008)		(30 008)
Depreciation and amortisation	(11 824)	(3 527)	(3 726)	(19 077)		(19 077)
Impairment (charges) reversal	(25)	(180)	-	(205)		(205)
Other income	5 524	126	73	5 723	(4 992)	731
Other (expenses)	(12 627)	(6 160)	(4 657)	(23 444)	4 992	(18 452)
Finance income	84	-	-	84	(44)	40
Finance (costs)	(676)	(191)	(152)	(1 019)	44	(975)
Income tax (expense)	(1 087)	(502)	(165)	(1 754)		(1 754)
Profit (loss) for the year	7 009	1 655	576	9 240	-	9 240
Total assets	110 453	35 320	23 371	169 144	(16 354)	152 790
Additions to non-current assets	4 948	14 599	2 256	21 803	(76)	21 727

* *revenue from external customers consists of sales of the Company's goods to subsidiaries Apranga SIA and Apranga OU and subsidiaries sale of remnants of goods to the Company.*

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

31 December 2018	Lithuania	Latvia	Estonia	Total	Inter-company elimina-tions	Total in consolidated financial statements
Total segment revenue	125 617	43 966	33 908	203 491	-	
Inter-segment revenue	(15 569)	(698)	(436)	(16 703)	-	
Revenue from external customers (note 6)	110 048	43 268	33 472	186 788	-	186 788
Gross margin	42,5%	43,8%	44,5%	43,4%		43,4%
Other income (expenses):						
Rent	(11 567)	(4 372)	(3 440)	(19 379)		(19 379)
Utilities	(1 221)	(553)	(358)	(2 132)		(2 132)
Renumeration and social security contributions	(17 577)	(5 440)	(4 320)	(27 337)		(27 337)
Depreciation and amortisation	(3 990)	(1 075)	(1 300)	(6 365)		(6 365)
Impairment (charges) reversal	(167)	27	(7)	(147)		(147)
Other income	5 262	85	64	5 411	(4 753)	658
Other (expenses)	(11 929)	(5 148)	(4 365)	(21 442)	4 753	(16 689)
Finance income	124	-	-	124	(23)	101
Finance (costs)	(46)	(1)	(10)	(57)	23	(34)
Income tax (expense)	(931)	(517)	(253)	(1 701)		(1 701)
Profit (loss) for the year	4 692	1 952	921	7 565	-	7 565
Total assets	66 900	13 294	10 051	90 245	(11 142)	79 103
Additions to non-current assets	5 615	3 210	195	9 020	(119)	8 901

In 2019, the Group's profitability before taxes increased to 5.3% (2018: 5.0%). The profitability in Lithuania increased from 5.1% to 6.7%. Profit margins in Latvia and Estonia decreased from 5.7% and 3.5% to 4.4% and 2.2%, respectively. The profitability increased in Lithuania due to a 0.5% increase in gross margin and more efficient store management. Meanwhile, the significant decrease in Estonia was mainly due to a decrease in gross profitability of 0.6% and additional impairment charges.

The total non-current assets located in Lithuania is EUR 60 149 thousand (2018: EUR 20 748 thousand), and the total of these non-current assets located in other countries is EUR 41 485 thousand (2018: EUR 5 416 thousand). Significant changes in the value of non-current assets have been caused by the new IFRS 16 "Leases", which is effective for annual periods beginning on 1 January 2019.

5. EXPENSES BY NATURE

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Cost of goods sold	115 239	106 089	52 079	48 334
Write-down (reversal) of inventories to net realisable value	556	108	265	(17)
Total cost of sales	115 795	106 197	52 344	48 317

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

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Rent	7 694	19 395	2 137	7 060
Utilities	2 197	2 132	806	808
Remuneration	22 429	18 200	7 920	6 398
Social security contributions	2 582	4 885	138	1 560
Depreciation and amortization	19 077	6 364	8 204	2 959
Impairment charge (reversal)	205	147	30	167
Advertising and marketing	2 678	2 471	1 413	1 242
Franchise expenses	4 699	4 292	124	82
Bank commissions	1 046	924	318	262
Labelling, packing and repairing	1 025	802	362	325
Logistics and distribution	937	607	92	84
Business trips	615	589	391	374
Total selling costs	65 184	60 808	21 935	21 321

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Remuneration	4 921	3 228	4 849	3 189
Social security contributions	76	1 024	75	1 011
IT and communications	1 054	982	616	551
Repair and maintenance	3 174	2 866	1 295	1 372
Taxes (excluding income tax)	231	239	128	137
Consulting and audit expense	321	386	232	304
Other expenses	2 665	2 352	1 169	1 097
Total general and administrative expenses	12 442	11 077	8 364	7 661

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

For the year ended 31 December revenue from contracts with customers consisted of the following:

	GROUP		COMPANY	
	12 months 2019	12 months 2018	12 months 2019	12 months 2018
Stores income	204 627	186 788	63 503	57 862
Wholesale income	-	-	16 597	15 347
Management fees	-	-	4 992	4 753
Gain from disposal of PPE, net	-	9	-	6
Other income	378	410	215	294
Total revenue from contracts with customers	205 005	187 207	85 307	78 262

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

	GROUP		COMPANY	
Chain	12 months 2019	12 months 2018	12 months 2019	12 months 2018
Economy	26 137	24 291	17 330	16 243
Youth	47 632	40 356	11 789	10 648
Footwear	5 517	5 323	2 440	2 201
Business	37 070	32 739	13 339	11 620
Luxury	19 125	18 190	10 401	9 166
Zara	60 049	56 599	-	-
Outlets	9 097	9 290	8 204	7 984
Total	204 627	186 788	63 503	57 862

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

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Rent income	33	95	36	102
Gain from disposal of PPE, net	23	-	5	-
Changes in fair value of financial assets, net	200	-	200	-
Dividends	97	-	6 937	8 200
Total other income	353	95	7 178	8 302

7. FINANCE INCOME AND COSTS

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Interest income	40	34	84	57
Gain from disposal of financial assets, net	-	67	-	67
Total finance income	40	101	84	124

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Interest on bank borrowings	60	34	60	34
Interest expense on lease liabilities	915	-	422	-
Total finance costs	975	34	482	34

8. INCOME TAX EXPENSE

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

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Profit before tax	10 994	9 266	9 436	9 334
Tax at the domestic income tax rate	1 649	1 390	1 415	1 400
Tax effect of income not subject to tax	(212)	(4)	(1 253)	(1 234)
Tax effect of expenses that are not deductible in determining taxable profit	277	133	171	74
Prior period income tax adjustment	(132)	-	(132)	-
Effect of different tax rates of foreign subsidiaries	172	182		-
Tax expense	1 754	1 701	201	240
Effective income tax rate	*16,0%*	*18,4%*	*2,1%*	*2,6%*

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Current income tax expense	1 805	1 192	270	131
Deferred tax	(51)	509	(69)	109
Total income tax expense	1 754	1 701	201	240

9. DEFERRED INCOME TAX

The movement in deferred income tax account was as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
At beginning of year	(1 436)	(927)	(311)	(202)
Income statement (charge) credit	51	(509)	69	(109)
At end of year	(1 385)	(1 436)	(242)	(311)

In 2018 and 2019 deferred income tax asset and liability related to the entities operating in Lithuania were calculated at 15 per cent rate. Deferred income tax liability related to the entities operating in Latvia and Estonia were calculated at 20 per cent rate as at 31 December 2018 and as at 31 December 2019 for the accrued undistributed profit of these subsidiaries, since these indistributes profits are planned to be paid out as dividends during the years 2020-2021 (Note 2.16).

Deferred tax assets and liabilities recognised as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
Deferred tax assets:				
Inventory write down	357	302	272	231
Accruals	63	120	42	119
Total deferred tax assets	420	422	314	350
Deferred tax liability:				
Undistributed profits of subsidiaries	(1 189)	(1 094)	-	-
Depreciation of property, plant and equipment	(616)	(764)	(556)	(661)
Total deferred tax liabilities	(1 805)	(1 858)	(556)	(661)
Total deferred tax (liabilities) assets, net	(1 385)	(1 436)	(242)	(311)

10. DIVIDENDS PER SHARE

	2019	2018
Approved dividends	7 188	9 400
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292
Approved dividends per share, EUR	0.13	0.17

In 2019 dividends of EUR 0.13 per share was paid to the shareholders (EUR 0.17 per share in 2018).

In respect of the current year, the Board of Directors propose not to pay dividends to the shareholders (Note 23).

11. EARNINGS PER SHARE

	GROUP		COMPANY	
	2019	2018	2019	2018
Profit (loss) for the year	9 240	7 565	9 235	9 094
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292	55 292	55 292
Basic and diluted earnings per share, EUR	0.17	0.14	0.17	0.16

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

GROUP	Buildings	Plant and equipment	Leasehold improve-ments	Other PPE	Construction in progress	Total
Cost						
At 31 December 2017	9 659	245	18 489	41 605	154	70 152
Additions	6	40	71	2 265	3 963	6 345
Disposals and write-offs	-	(25)	(2 928)	(2 078)	(136)	(5 167)
Transfers	-	(4)	2 753	773	(3 522)	-
At 31 December 2018	9 665	256	18 385	42 565	459	71 330
Additions	-	33	555	1 526	10 499	12 613
Disposals and write-offs	(15)	(1)	(9 353)	(5 260)	-	(14 629)
Transfers	-	1 826	1 525	7 286	(10 637)	-
At 31 December 2019	9 650	2 114	11 112	46 117	321	69 314
Accumulated depreciation						
At 31 December 2017	3 632	215	13 210	28 294	-	45 351
Charge for the year	257	10	1 969	3 979	-	6 215
Disposals and write-offs	-	(25)	(1 788)	(2 054)	-	(3 867)
At 31 December 2018	3 889	200	13 391	30 219	-	47 699
Charge for the year	226	213	1 817	4 050	-	6 306
Disposals and write-offs	(15)	(1)	(9 254)	(5 235)	-	(14 505)
At 31 December 2019	4 100	412	5 954	29 034	-	39 500
Impairment charge						
At 31 December 2017	-	-	166	228	-	394
Charge for the year (reversal)			(26)	6		(20)
At 31 December 2018	-	-	140	234	-	374
Charge for the year (reversal)			(40)	(104)		(144)
At 31 December 2019	-	-	100	130	-	230
Carrying amount						
At 31 December 2017	6 027	30	5 113	13 083	154	24 407
At 31 December 2018	5 776	56	4 854	12 112	459	23 257
At 31 December 2019	5 550	1 702	5 058	16 953	321	29 584

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

COMPANY	Buildings	Plant and equipment	Leasehold improve-ments	Other PPE	Construction in progress	Total
Cost						
At 31 December 2017	9 659	245	8 245	15 665	154	33 968
Additions	6	36	14	1 702	1 769	3 527
Disposals and write-offs	-	(25)	(1 308)	(1 241)	(58)	(2 632)
Transfers	-	-	1 554	296	(1 850)	-
At 31 December 2018	9 665	256	8 505	16 422	15	34 863
Additions	-	33	2	483	456	974
Disposals and write-offs	(15)	(1)	(3 268)	(652)	(31)	(3 967)
Transfers	-	1 826	402	(1 826)	(402)	-
At 31 December 2019	9 650	2 114	5 641	14 427	38	31 870
Accumulated depreciation						
At 31 December 2017	3 632	215	5 738	9 639	-	19 224
Charge for the year	257	10	1 006	1 585	-	2 858
Disposals and write-offs	-	(25)	(1 298)	(1 238)	-	(2 561)
At 31 December 2018	3 889	200	5 446	9 986	-	19 521
Charge for the year	226	213	980	1 502	-	2 921
Disposals and write-offs	(15)	(1)	(3 212)	(764)	-	(3 992)
At 31 December 2019	4 100	412	3 214	10 724	-	18 450
Impairment charge						
At 31 December 2017	-	-	69	124	-	193
Charge for the year (reversal)			25	8		33
At 31 December 2018	-	-	94	132	-	226
Charge for the year (reversal)			(72)	(64)		(136)
At 31 December 2019	-	-	22	68	-	90
Carrying amount						
At 31 December 2017	6 027	30	2 438	5 902	154	14 551
At 31 December 2018	5 776	56	2 965	6 304	15	15 116
At 31 December 2019	5 550	1 702	2 405	3 635	38	13 330

At 31 December 2019 the Group's and the Company's buildings with the carrying amount of EUR 5 550 thousand (2018: EUR 5 764 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

As of December 31 2019, the Company had no buildings leased to third parties (as at 31 December 2018, buildings with the total carrying amount of EUR 82 thousand were leased to third parties).

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Plant and equipment	371	375	371	321
Leasehold improvements	-	7 178	-	2 348
Other PPE	16 298	17 389	5 632	4 994
Total	16 669	24 942	6 003	7 663

The main cash generating unit of the Group and the Company is store. The Group and the Company has tested PPE used in stores operations for impairment in accordance with the accounting policies stated in note 2.9.

Estimation of the value in use was based on the discounted pre-tax cash flows (DCF) of the latest available business plan. DCF was estimated over remaining useful life of leasehold improvements (vast majority of premises are leased). For the calculation of future cash flows in 2020 and in later years, 10 per cent of the earnings before interest, taxes, depreciation, and amortization (further – EBITDA) growth rate was used (2018 – 10 per cent). The weighted average cost of capital (further – WACC) of 11 per cent (2018: 6 per cent) pre-tax was used for value in use estimation.

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

Based on the calculations performed the management concluded that impairment in the amount of EUR 230 thousand for the Group (2018: EUR 374 thousand) and EUR 90 thousand for the Company (2018: EUR 226 thousand) should be recorded against PPE in the statement of financial position. The Group and the Company in 2019 have recognised the reversal of impairment of EUR 144 thousand and EUR 136 thousand respectively (2018: EUR 20 thousand of impairment loss for the Group and EUR 33 thousand reversal of impairment for the Company).

If 5 per cent of the EBITDA growth rate would be used for the calculation of future cash flows in 2020 and in later years, the Group and the Company in 2019 would have recognised by EUR 151 thousand and EUR 47 thousand higher impairment loss against PPE (2018: EUR 8 thousand and EUR 1 thousand respectively).

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1 per cent higher than management estimates (for example 12 per cent instead of 11 per cent), the Group in 2019 would have recognised by EUR 38 thousand higher impairment loss against PPE (2018: EUR 2 thousand). The Company would have recognised by EUR 8 thousand higher impairment loss against PPE (2018: would not have recognised).

The Management does not expect material changes in estimations made in the near future, except those disclosed in Note 2.2 (g).

13. INTANGIBLE ASSETS

At 31 December intangible assets consisted of the following:

	GROUP			COMPANY		
	Licenses and rights acquired	Software	**Total**	Licenses and rights acquired	Software	**Total**
Cost						
At 31 December 2017	511	861	**1 372**	112	837	**949**
Additions	36	26	**62**	36	26	**62**
Write-offs	(309)	(12)	**(321)**	(30)	(11)	**(41)**
At 31 December 2018	238	875	**1 113**	118	852	**970**
Additions	99	122	**221**	79	121	**200**
Write-offs	(45)	(4)	**(49)**	-	-	**-**
At 31 December 2019	292	993	**1 285**	197	973	**1 170**
Accumulated amortisation						
At 31 December 2017	439	681	**1 120**	86	659	**745**
Charge for the year	55	94	**149**	9	92	**101**
Write-offs	(310)	(12)	**(322)**	(30)	(11)	**(41)**
At 31 December 2018	184	763	**947**	65	740	**805**
Charge for the year	22	55	**77**	19	54	**73**
Write-offs	(45)	(4)	**(49)**	-	-	**-**
At 31 December 2019	161	814	**975**	84	794	**878**
Carrying amount						
At 31 December 2017	72	180	**252**	26	178	**204**
At 31 December 2018	54	112	**166**	53	112	**165**
At 31 December 2019	131	179	**310**	113	179	**292**

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Licenses	132	161	58	42
Software	556	227	539	207
Total	688	388	597	249

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

14. INVESTMENTS IN SUBSIDIARIES

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

Name	Country of incorporation	Cost			
		2019	Ownership, %	2018	Ownership, %
UAB Apranga LT	Lithuania	724	100	724	100
UAB Apranga BPB LT	Lithuania	145	100	145	100
UAB Apranga PLT	Lithuania	87	100	87	100
UAB Apranga SLT	Lithuania	87	100	87	100
UAB Apranga MLT	Lithuania	87	100	87	100
UAB Apranga HLT	Lithuania	75	100	75	100
UAB Apranga OLT	Lithuania	50	100	50	100
UAB Apranga Ecom LT	Lithuania	10	100	10	100
SIA Apranga	Latvia	2 175	100	2 175	100
SIA Apranga LV	Latvia	153	100	153	100
SIA Apranga BPB LV	Latvia	86	100	86	100
SIA Apranga PLV	Latvia	86	100	86	100
SIA Apranga SLV	Latvia	85	100	85	100
SIA Apranga MLV	Latvia	86	100	86	100
SIA Apranga HLV	Latvia	50	100	-	100
SIA Apranga OLV	Latvia	50	100	50	100
SIA Apranga Ecom LV	Latvia	3	100	3	100
OU Apranga*	Estonia	447	100	447	100
OU Apranga Estonia	Estonia	128	100	128	100
OU Apranga BEE	Estonia	96	100	96	100
OU Apranga PB Trade	Estonia	96	100	96	100
OU Apranga ST Retail	Estonia	96	100	96	100
OU Apranga MDE	Estonia	2	100	2	100
OU Apranga HEST	Estonia	50	100	50	100
OU Apranga Ecom EE	Estonia	10	100	10	100
Total investments		4 963		4 913	

* *At 31 December 2019 the Company directly owned 14.91% shares and indirectly through its subsidiary owned the rest 85.09% of shares (At 31 December 2018: 22.37% and 77.63%, respectively)*

The changes in investments are as follows:

	2019	2018
Beginning of the year	4 913	4 813
Establishment of UAB Apranga OLT	-	50
Establishment of UAB Apranga OLV	-	50
Establishment of SIA Apranga HLV	50	-
At end of the year	4 963	4 913

15. INVENTORIES

	Group		Company	
	2019	2018	2019	2018
Goods for resale	42 553	42 485	22 428	22 764
Write-down of goods for resale to net realisable value	(3 199)	(2 669)	(1 810)	(1 492)
Return assets	239	-	51	-
Goods in transit	92	307	92	244
Materials and spare parts	421	440	361	408
Total	40 106	40 563	21 122	21 924

During the year ended 31 December 2019 the Group and the Company recognised as cost of sales write-down of book value of the goods for resale to their net realizable value of EUR 3 199 thousand and EUR 1 810 thousand respectively (31 December 2018 – EUR 2 669 thousand and EUR 1 492 thousand, respectively).

At 31 December 2019 inventories of the Group and the Company have been pledged as security for outstanding loans from financial institutions (Note 24). The total carrying amount of Group's pledged inventories as at 31 December 2019 was EUR 11 296 thousand, Company's - EUR 7 896 thousand (EUR 11 296 thousand and EUR 7 896 thousand as at 31 December 2018, respectively).

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

16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2019 and 2018 non-current assets held for sale consisted of the 91 per cent ownership in UAB Palangos Varuna. As at 31 December 2019, Group and Company recognized impairment losses of EUR 244 thousand for the non-current assets held for sale (EUR 134 thousand as at 31 December 2018).

17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	GROUP		COMPANY	
	2019	2018	2019	2018
Prepayments	2 331	2 262	1 256	980
Less non-current portion of prepayments	(940)	(733)	(200)	(80)
Current portion of prepayments	1 391	1 529	1 056	900

The major share of prepayments are prepayments to suppliers for goods and deposits related to internet sales.

18. FINANCIAL INSTRUMENTS BY CATEGORY

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

	GROUP		COMPANY	
	Category - Financial assets at amortised cost		Category - Financial assets at amortised cost	
Assets as per statement of financial position:	2019	2018	2019	2018
Trade and other receivables	2 139	2 924	13 359	9 806
Cash and cash equivalents	6 712	7 009	4 557	3 119
Total	8 851	9 933	17 916	12 925
	Category - at fair value		Category - at fair value	
Shares of LIM Verslo Trikampio NT Fondas UAB (level 2)	2 200	2 000	2 200	2 000
Long-term Government bonds (level 1)	732	732	732	732
Total	2 932	2 732	2 932	2 732
Total assets	11 783	12 665	20 848	15 657

In 2014, the Company has acquired the Lithuanian Government issued the long-term bonds (redemption year - 2022), which are recorded as financial assets at fair value through other comprehensive income. In June 2018, the Company acquired shares of the investment company UAB LIM Verslo Trikampio NT Fondas, which are recognized as financial assets at fair value through profit or loss. Refer to the accounting policies in Note 2.13, *Financial assets and liabilities*.

Total investments in the Lithuanian Government issued the long-term bonds amounted to EUR 732 thousand on 31 December 2019 (EUR 732 thousand on 31 December 2018). Investments in shares of the UAB LIM Verslo Trikampio NT Fondas amounted to EUR 2 200 thousand as at 31 December 2019 (EUR 2 000 thousand on 31 December 2018).

	GROUP		COMPANY	
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
	2019	2018	2019	2018
Liabilities as per statement of financial position:				
Borrowings	800	1 100	4 525	3 678
Lease liabilities	69 776	-	26 333	-
Trade and other payables	13 190	11 175	4 030	4 057
Total	83 766	12 275	34 888	7 735

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

19. CREDIT QUALITY OF FINANCIAL ASSETS

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Financial assets at fair value	2 932	2 732	2 932	2 732
Trade and other receivables with no history of counterparty defaults	1 877	2 689	702	1 074
Receivables from related parties (note 27)	262	240	12 657	8 732
Cash at bank or their parent companies that have high credit ratings (cash on hand or in transit is excluded)	4 579	4 599	4 093	2 664
Total	9 650	10 260	20 384	15 202

20. TRADE AND OTHER RECEIVABLES

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Trade receivables from subsidiaries (note 27)	-	-	6 940	6 441
Loans to subsidiaries (note 27)	-	-	5 455	2 051
Loans and other receivables from related parties (note 27)	262	240	262	240
Trade receivables from unrelated parties	964	1 316	150	119
Advance income tax	457	870	457	457
Other receivables	456	498	95	498
Total	2 139	2 924	13 359	9 806
Less non-current portion of other receivables	(4)	(8)	(4)	(8)
Current portion	2 135	2 916	13 355	9 798

There were no expected significant credit lossess identified and, consequently, no allowance was formed as at 31 December 2019 and 2018. There were no receivables past due in 2018 and 2019, except receivables from related party of EUR 248 thousand (2018: EUR 235 thousand), for which allowance was not formed.

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

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

The interest rate at 31 December 2019 is 1.5 per cent (2018: 1.5 per cent), maturity date – 31 December 2020 (2018: 31 December 2019).

In the opinion of management, the carrying amount of the receivables approximates their fair value due to short term maturities.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value due to short term maturities (Level 3);

b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (Level 3);

c) The value of investment funds is calculated as the number of fund units held multiplied by the value of the fund unit as at reporting date (Level 2).

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

21. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Cash at bank	4 579	4 599	4 093	2 664
Cash on hand	467	489	148	163
Cash in transit	1 666	1 921	316	292
Total	6 712	7 009	4 557	3 119

Cash in certain bank accounts and future cash inflows into these accounts were pledged to banks as security for credit facilities granted. At 31 December 2019, the cash balances of the Group and the Company in the pledged accounts amounted to EUR 4 093 thousand (2018: EUR 2 663 thousand) (Note 24).

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Cash and cash equivalents	6 712	7 009	4 557	3 119
Total	6 712	7 009	4 557	3 119

Presented below is the analysis of the credit quality of balances of cash and cash equivalents, except cash on hand and cash in transit, based on ratings established by the rating agency S&P:

	GROUP		COMPANY	
	2019	2018	2019	2018
A+	4 561	4 530	4 093	2 664
BBB+	18	69	-	-
Total	4 579	4 599	4 093	2 664

22. SHARE CAPITAL

At 31 December 2019 issued share capital of the Company consisted of 55 291 960 (2017 and 2018: 55 291 960) ordinary shares at par value of EUR 0.29 each. All issued shares are fully paid.

Subsidiaries did not hold any shares of the Company as of 31 December 2019 and 2018. The Company did not hold its own shares as of 31 December 2019 and 2018.

23. LEGAL RESERVE AND PROFIT DISTRIBUTION

Under Lithuanian Law on Companies the Company has to allocate 1/20 of its net profit to the legal reserve until it reaches 1/10 of the Company's authorised capital (up to EUR 1 604 thousand as at 31 December 2019).

On 30 April 2019 the Company's shareholders' meeting decided to pay out EUR 7 188 thousand in dividends and EUR 180 thousand annual bonuses (On 27 April 2018 the Company's shareholders' meeting decided to pay out EUR 9 400 thousand in dividends and EUR 180 thousand annual bonuses).

In respect of the current year, the Board of directors propose not to pay dividends to the shareholders.

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

24. BORROWINGS

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Long term borrowings				
Bank credit lines and loans	500	800	500	800
Total	500	800	500	800
Short term borrowings				
Bank credit lines and loans	300	300	300	300
Borrowings from subsidiaries	-	-	3 725	2 578
Total	300	300	4 025	2 878
Total borrowings	800	1 100	4 525	3 678

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

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

The weighted average interest rates at the end of the reporting period were as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
Bank credit lines and loans	1.2%	1.2%	1.2%	1.2%
Bank overdraft	1.4%	1.1%	1.4%	1.1%
Borrowings from subsidiaries	-	-	0.0%	0.0%

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

Interest rate of majority of the borrowings is based on market interest rate, therefore, in the opinion of the management, carrying amount of borrowings do not materially differ from their fair value (level 3).

The Group's and the Company's borrowing facilities contracted but undrawn as at the end of the reporting period were EUR 20 833 thousand (2018: EUR 18 922 thousand).

25. Trade and other payables

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

	GROUP		COMPANY	
	2019	2018	2019	2018
Payables to subsidiaries	-	-	84	-
Payables to other related parties	16	109	100	109
Trade payables	8 256	5 763	2 639	2 588
Employee benefits and related payables	4 718	4 245	2 451	2 318
Contract liabilities	344	404	111	91
Refund liabilities	386	-	85	-
Taxes payable	3 646	3 389	1 127	1 085
Accrued expenses and other payables	4 532	5 303	1 122	1 360
Total	21 898	19 213	7 719	7 551

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

26. LEASES

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	Group			Company		
	Premises	Vehicles	In total	Premises	Vehicles	In total
As at 1 January 2019	60 588	182	60 770	30 801	182	30 983
Additions	20 475	226	20 701	209	129	338
Impairment (charge) reversal	(180)	-	(180)	-	-	-
Depreciation (expense)	(12 559)	(136)	(12 695)	(5 184)	(106)	(5 290)
As at 31 December 2019	68 324	272	68 596	25 826	205	26 031

The Group and the Company has tested right-of-use assets for impairment in accordance with the accounting policies stated in note 2.9. Estimation of the value in use was calculated using the same method and using the same indicators as in Note 12.

Based on the calculations performed the management concluded that impairment in the amount of EUR 450 thousand for the Group (As at 1 January 2019: EUR 270 thousand) and EUR 64 thousand for the Company (As at 1 January 2019: EUR 64 thousand) should be recorded against right-of-use assets in the statement of financial position as at 31 December 2019. The Group in 2019 have recognised the impairment loss of right-of-use assets of EUR 180 thousand (the Company did not recognized the impairment loss of right-of-use assets). Impairment of right-of-use assets is recognized in the statement of comprehensive income under selling costs.

If 5 per cent of the EBITDA growth rate would be used for the calculation of future cash flows in 2020 and in later years, the Group and the Company in 2019 would have recognised by EUR 45 thousand and EUR 19 thousand higher impairment loss against right-of-use assets.

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1 per cent higher than management estimates (for example 12 per cent instead of 11 per cent), the Group and the Company in 2019 would have recognised by EUR 11 thousand and EUR 4 thousand higher impairment loss against right-of-use assets.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	Group	Company
As at 1 January 2019	61 040	31 047
Additions	20 701	338
Accretion of interest	915	422
Payments	(12 880)	(5 474)
As at 31 December 2019	69 776	26 333
Current	13 117	5 286
Non-current	56 659	21 047

The following are the amounts recognized in profit or loss:

	Group	Company
	2019	
Depreciation expense of right-of-use assets (included in selling costs)	12 695	5 290
Interest expense on lease liabilities (included in finance costs)	915	422
Expenses relating to short-term leases (included in selling costs)	1 844	313
Impairment charge (included in selling costs)	180	-
Variable lease payments (included in selling costs)	5 850	1 824
Total amount recognized in profit or loss	21 484	7 849

The Company/Group has lease contracts for Premises that contains variable payments based on the turnover of stores located in those Premises. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Company's/Group's variable lease payments in 2019, including the magnitude in relation to fixed payments:

	Group			Company		
	Fixed payments	Variable payments	In total	Fixed payments	Variable payments	In total
Variable rent with minimum payment	12 050	3 185	15 235	3 824	1 123	4 947
Variable rent only	-	2 665	2 665	-	701	701
Total	12 050	5 850	17 900	3 824	1 824	5 648

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

27. RELATED PARTY TRANSACTIONS

The parties are considered related when one party has the possibility to control the other or have significant influence over the other party in making financial and operating decisions. There is no allowance for intercompany receivables as expected credit losses are immaterial.

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

Related parties	Accounts payable		Accounts receivable and loans granted		Income		Purchases	
	2019	2018	2019	2018	2019	2018	2019	2018
UAB Koncernas MG Baltic (the ultimate parent company)	12	17	-	-	-	-	111	160
As per ultimate parent company associated companies:								
UAB Mineraliniai vandenys	-	3	-	-	-	-	18	19
UAB MG Baltic Investment	5	5	-	-	-	-	53	53
UAB Palangos Varūna	-	-	248	235	-	-	-	-
LNK Group	-	-	14	5	20	11	13	11
UAB Eminta	83	84	-	-	-	-	835	494
UAB MGVT	-	-	-	-	-	-	3	1
Total	100	109	262	240	20	11	1 033	738

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

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

Subsidiaries	Borrowings and accounts payable		Loans and accounts receivable		Income		Purchases	
	2019	2018	2019	2018	2019	2018	2019	2018
UAB Apranga LT	1 903	2 139	-	37	3 307	3 959	77	64
UAB Apranga BPB LT	261	141	-	8	615	603	17	14
UAB Apranga PLT	302	-	-	471	255	247	11	7
UAB Apranga SLT	347	-	-	377	456	430	16	7
UAB Apranga MLT	594	-	-	210	962	1 060	26	23
UAB Apranga HLT	83	-	6	101	76	79	3	2
UAB Apranga OLT	97	-	1	129	36	27	2	1
UAB Apranga Ecom LT	3	-	-	1	-	1	-	-
SIA Apranga	-	-	4 535	3 199	12 659	11 382	71	63
SIA Apranga LV	8	-	816	31	1 549	2 020	39	32
SIA Apranga BPB LV	1	-	250	4	107	169	4	2
SIA Apranga PLV	1	-	489	6	190	226	2	-
SIA Apranga SLV	-	-	501	108	62	76	3	1
SIA Apranga MLV	-	-	1 072	9	175	429	10	11
SIA Apranga HLV	-		323		14		-	
SIA Apranga OLV	-	-	475	-	28	-	-	-
SIA Apranga Ecom LV	-	-	-	2	1	1	-	-
OU Apranga	-	-	2 381	3 059	6 107	5 661	29	54
OU Apranga Estonia	11	-	1 414	420	1 273	1 298	37	35
OU Apranga BEE	55	9	-	2	220	61	5	5
OU Apranga PB Trade	24	289	-	1	200	210	4	3
OU Apranga ST Retail	42	-	-	77	130	50	7	4
OU Apranga MDE	73	-	2	38	337	339	6	8
OU Apranga HEST	-	-	130	202	35	40	-	-
OU Apranga Ecom EE	4	-	-	-	-	1	-	-
Total	3 809	2 578	12 395	8 492	28 794	28 369	369	336

Prevailing types of intra-group transactions are centralised supplies of goods for resale, management service fees, centralised purchasing of services (telecommunications, IT, utilities and etc.), financing, distribution of earnings. Dividend income in amount of EUR 6 840 thousand received from the subsidiaries in 2019 is presented in '*Income received*' together with other income (2018: EUR 8 200 thousand). This article also accounted for sales of goods to subsidiaries SIA Apranga and OU Apranga, which in 2019 amounted to EUR 11 103 thousand and EUR 5 431 thousand respectively (EUR 9 945 thousand and EUR 5 037 thousand in 2018, respectively).

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

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

The Company has concluded short-term loan agreements with its subsidiaries, which, in case of need, are borrowed for 1 month Euribor plus margin interests (Notes 20 and 24).

Guarantees provided on behalf of related parties

Guarantees provided on behalf of related parties are disclosed in Note 28.

Compensation of key management personnel

The General Director and other Directors of the Company are considered to be the key management of the Group. There were 7 members of the key management as at 31 December 2019 (7 members of the key management as at 31 December 2018). 3 of them also belong to the Management Board, which consists of 6 members.

	GROUP		COMPANY	
	2019	2018	2019	2018
Short-term employee benefits	1 879	1 189	1 807	1 150
Social security	22	377	21	364
Average number of key managers	7	7	7	7

On 30 April 2019 the Company's shareholders' meeting decided not to pay out annual bonuses to the key management (EUR 180 thousand paid in 2018).

28. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As of 31 December 2019 and 2018 the Company and the Group were not involved in any legal process, which in the opinion of management, would have a material impact on the financial statements.

Guarantees

As of 31 December 2019 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers amounted EUR 14 362 thousand (31 December 2018: EUR 14 661 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2019 amounted to EUR 16 167 thousand (31 December 2018: EUR 16 078 thousand).

As of 31 December 2019 and 2018 the Company's had no guarantees to the credit institutions issued to secure the obligations of subsidiaries. As of 31 December 2019 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled EUR 792 thousand (31 December 2018: EUR 761 thousand).

The management of the Group believes that the subsidiaries on behalf of which guarantees and warranties were issued will meet their liabilities to the creditors, therefore, no provisions in respect of these guarantees were accounted for in the financial statements as at 31 December 2019 and 31 December 2018.

Options granted

<u>Options for assets</u>

The Group issued irrevocable call options to INDITEX Group granting the right to purchase assets (leasehold improvements and PPE located in the premises of shops and inventory) of subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, UAB Apranga HLT, UAB Apranga OLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, SIA Apranga OLV, SIA Apranga HLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade, OU Apranga ST Retail, OU Apranga MDE and OU Apranga HEST operating brands of INDITEX Group (ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO). The options are exercisable in 2022 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

The Group issued irrevocable call options to company PROMOD SAS granting the right to purchase assets (PPE located in the premises of shops and inventory) of Company and subsidiaries SIA Apranga and OU Apranga operating the brand of PROMOD. The options are exercisable in 2021 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

The Group also issued irrevocable call options to ALDO Group granting the right to purchase assets (PPE located in the premises of shops and inventory) of Company and subsidiaries SIA Apranga and OU Apranga operating the brand of ALDO. The options are exercisable in 2022 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

<u>Options for lease rights</u>

Subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, UAB Apranga HLT, UAB Apranga OLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, SIA Apranga OLV, SIA Apranga HLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade, OU Apranga ST Retail, OU Apranga MDE and OU Apranga HEST operating brands of INDITEX Group (ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO) granted irrevocable options exercisable in 2022 by virtue of which INDITEX Group might acquire the lease rights and might become lessee in all or part of the lease agreements for the premises where ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO stores are located.

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

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

Company and its subsidiaries SIA Apranga and OU Apranga operating brand ALDO granted irrevocable options exercisable in 2022 by virtue of which ALDO Group might acquire the lease rights and might become lessee in the lease agreements for the premises where ALDO stores are located.

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

	Group		Company	
	2019	2018	2019	2018
Lease payable within:				
One year	5 578	5 786	236	289
From second to fifth year	18 677	16 979	344	560
Thereafter	11 693	7 713	-	41
Total	35 948	30 478	580	890

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

Based on historical information and numerous extentions of the cooperation agreements and terms of cooperation the management of the Group believes that the agreement parties will not use any above options.

29. EVENTS AFTER THE REPORTING PERIOD

In January 2020, the Group and Inditex have agreed to prolong franchise agreements regarding Zara, Bershka, Pull and Bear, Stradivarius, Massimo Dutti, Oysho and Zara Home brands development in the Baltic States until 2022.

The outbreak of the coronavirus (COVID-19) at the beginning of 2020 will have an impact on the Company's future business operations. As disclosed in Note 2.2, this non-adjusting subsequent event was not reflected in the significant estimates and assumptions as of 31 December 2019 and might result in significant change in these estimates in the next upcoming financial statements. However, it has not yet been possible to assess its possible effect due to the uncertainty of the situation at the date of issue of these financial statements.

Based on the Government act Regarding Quarantine Declaration in the Territory of the Republic of Lithuania (identification code: 2020-05466) since March 16th all Apranga Group stores in Lithuania are closed due to epidemic coronavirus (COVID-19) infection. Also, according to the resolution of the Government of the Republic of Estonia, all Group stores operating in shoping malls in Estonia are closed from 27th March 2020. Since 28th March 2020, stores in Latvia operating in shopping malls can no longer work on weekends.

Due to uncertainty of the situation, and the unknown coronavirus effect to the country's economy, and the unknown period of closure of the stores the Group's management cannot evaluate the effect to Group's results in 2020. In spite of that, the management thinks that coronavirus will have a significant negative effect on Group results in the 1st and 2nd quarter of 2020. The Group takes action and seeks to minimize all operating costs. The Group suspended projects for the reconstruction of stores or setting up the new ones. Assuming that stores will not operate until 1st June 2020, the Group's turnover will be 30-35% lower than initially planned in 2020. Other indicators cannot be assessed by the Group due to the uncertainty of the situation, the unknown outcome of ongoing negotiations on rent cost reductions and the uncertainty of compensation mechanisms for employees in different countries.

APRANGA

GROUP

APB APRANGA

Consolidated Annual Report

For the year ended 31 December 2019

1. GENERAL INFORMATION

Consolidated annual report is prepared for the year ended 31 December 2019.

Name of the Issuer:	public limited liability trade company "Apranga"
Legal form:	public limited liability company
Date and place of registration:	1^{st} March 1993, Board of Vilnius City
Code of Enterprise:	121933274
Registered office:	Ukmerges str. 362, Vilnius, LT-14311, Lithuania
Telephone number:	+370 5 2390808
E-mail address:	info@apranga.lt
Internet address:	www.aprangagroup.com

At 31 December 2019 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its 100 per cent owned 25 subsidiaries. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Structure of the Group at 31 December 2019:

APB "APRANGA"

LITHUANIA	LATVIA	ESTONIA
	SIA "Apranga"	OÜ "Apranga"
UAB "Apranga LT"	SIA "Apranga LV"	OÜ "Apranga Estonia"
UAB "Apranga BPB LT"	SIA "Apranga BPB LV"	OÜ "Apranga BEE"
UAB "Apranga PLT"	SIA "Apranga PLV"	OÜ "Apranga PB Trade"
UAB "Apranga SLT"	SIA "Apranga SLV"	OÜ "Apranga ST Retail"
UAB "Apranga MLT"	SIA "Apranga MLV"	OÜ "Apranga MDE"
UAB "Apranga HLT"	SIA "Apranga HLV"	OÜ "Apranga HEST"
UAB "Apranga OLT"	SIA "Apranga OLV"	
UAB "Apranga Ecom LT"	SIA "Apranga Ecom LV"	OÜ "Apranga Ecom EE"

For more information on subsidiaries refer to Note 1 and Note 14 to Consolidated financial statements.

2. OPERATING HIGHLIGHTS

In 2019, the Group sought to ensure faster revenue growth, implement the largest chain expansion and renewal in its history, and consistently develop internet sales to further strengthen the Group's competitiveness and market leadership.

2.1 RETAIL MARKET OVERVIEW

The turnover of the retail chain operated by Apranga Group reached EUR 248.0 million (incl. VAT) in 2019, and increased by 9.4% comparing to the year 2018.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in Baltic States in 2019 was fastest growing in Lithuania (+5%) and in Estonia (+5%). In Latvia in the same period, the growth rate of retail trade was slower and amounted to 3%. European Union (28 countries) retail trade in 2019 increased by 3% (i.e. slightly more than in the corresponding period of 2018, when it grew by 2%).

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

Country	12 months 2019	12 months 2018	12 months 2017	2019/2018, %	2019/2017, %
Lithuania	147 470	133 811	130 630	10,2%	12,9%
Latvia	59 363	52 671	52 850	12,7%	12,3%
Estonia	41 124	40 158	39 371	2,4%	4,5%
Total:	247 957	226 640	222 851	9,4%	11,3%

In 2019, the turnover of the retail chain operated by Apranga Group amounted to EUR 147.5 million in the main domestic market of Lithuania, or by 10.2% more than in 2018. The share of Lithuanian chain turnover comprised 59.5%, or by 0.5 point more than in 2018.

The retail turnover of the Apranga Group chain in foreign markets (Latvia and Estonia) reached EUR 100.5 million in 2019, or by 8.2% more, than in 2018. The foreign turnover share in total Group's turnover has decreased from 41.0% to 40.5% during the year.

The retail turnover of the Apranga Group chain in Latvia has made EUR 59.4 million in 2019 and has increased by 12.7% during the year. The significant increase in turnover was due to the large expansion of the chain in Riga in 2019. The retail turnover of the Apranga Group chain in Estonia amounted to EUR 41.1 million and has increased by 2.4% in comparison to 2018.

The highest growth rate in 2019 was recorded in Latvia (+12.7%). Netherweless, within two years the highest turnover increase was in Lithuania (+12.9%).

The retail turnover of Apranga Group in 2018-2019, by quarters:

	Q1	Q2	Q3	Q4	Year
2019	49 800	58 861	66 834	72 462	247 957
2018	46 560	54 683	60 302	65 094	226 640
Total change, %	7,0%	7,6%	10,8%	11,3%	9,4%

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

Chain	12 months 2019	12 months 2018	12 months 2017	2019/2018, %	2019/2017, %
Economy[1]	31 991	30 488	31 312	4,9%	2,2%
Youth[2]	57 571	48 679	44 288	18,3%	30,0%
Footwear	6 660	6 421	6 216	3,7%	7,1%
Business[3]	44 802	39 562	39 781	13,2%	12,6%
Luxury[4]	23 416	21 983	23 503	6,5%	-0,4%
Zara	72 507	68 331	66 816	6,1%	8,5%
Outlets	11 010	11 176	10 935	-1,5%	0,7%
Total	247 957	226 640	222 851	9,4%	11,3%

[1] Apranga, Promod, s.Oliver, Tom Tailor, Orsay;
[2] Aprangos galerija, Moskito, Mango, Bershka, Pull & Bear, Stradivarius, Desigual, Oysho;
[3] City, Massimo Dutti, Strellson, Marella, Pennyblack, Coccinelle, Tommy Hilfiger, Zara Home, Karen Millen, Calvin Klein Underwear, Liu Jo;
[4] Burberry, Emporio Armani, Hugo Boss, Ermenegildo Zegna, MaxMara, Weekend MaxMara, A|X Armani Exchange, Marina Rinaldi, Mados linija, Nude, Sandro, Maje.

In 12 months 2019, Youth and Business chain's turnover increased mostly (respectively by 18.3%, and 13.2%). In the two-year period, highest increase was recorded by Youth chain (+30.0%).

2.2 DEVELOPMENT AND MODERNIZATION OF THE RETAIL CHAIN

In 2015-2019 the dynamics of the number of stores and sales area was as follows:

	31 12 2015	31 12 2016	31 12 2017	31 12 2018	31 12 2019
The number of stores	169	183	182	182	186
Stores area (thousand sq. m.)	78,6	83,6	84,3	82,6	93,8

During the year 2019 the Group opened 25, renovated 13 and closed 21 stores. In 2019 the Group has completed the largest chain development and restructuring program in its history. The total area of realized projects exceeded 25 thousand square m. The Group opened or reconstructed 9 stores in Lithuania, 4 stores in Estonia and 25 stores in Latvia. As a result, 65% of all Latvian stores are completely refurbished to the latest standards.

The total sales area operated by the Group during the year 2019 increased by 13.5% or by 11 thousand sq. m. In principle, the entire increase in sales area was due to: the ongoing restructuring of the chain in Latvia and the opening of 11 stores in the new Akropole shopping center in Riga in April 2019; the opening of 5 new stores in the Alfa shopping center in Riga in September 2019, and the opening of 2 new stores in the Ulemiste shopping center in Tallinn.

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

Country	31 12 2019	31 12 2018	31 12 2017	2019/2018, %	2019/2017, %
Lithuania	51,2	50,1	49,6	2,3%	3,3%
Latvia	26,8	18,2	20,4	46,8%	31,5%
Estonia	15,8	14,3	14,3	10,4%	10,4%
Total:	93,8	82,6	84,3	13,5%	11,3%

On 4th April 2019, the Group opened 11 new stores in the Latvian capital of Riga with a total sales area of over 8.5 thousand sq. m. New Apranga, Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti, Oysho, Mango, Orsay, Moskito and Aldo stores opened at the Riga Akropole shopping center.

In expanded Tallinn's largest shopping center Ulemiste, the Group opened a 1 000 sq. m Apranga store (on 18th June 2019) and 500 sq. m Mango store (on 3rd October 2019).

On 13th May 2019, the Group started online sales on a new e-commerce platform Soulz.lt. The new online store in Lithuanian market combines major part of brands assortment of Apranga, Aprangos galerija, City, Tommy Hilfiger, Aldo and other shops, presents variety of style combinations and latest collections.

In September 2019, the Group launched a partnership with Farfetch, an online luxury goods platform. This has enabled the launch of online sales from 5 luxury stores and greatly expanded sales geography.

On 23rd August 2019, in Vilnius Akropolis shopping center the Group after renovation opened the largest in Lithuania latest Zara concept store. The area of this store has increased by 1.5 thousand sq. m. to 3.3 thousand sq. m.

On 5th September 2019, the Group opened 8 stores in Riga's Alfa shopping center. There was opened the first Zara Home store in Latvia, as well as new Massimo Dutti, Oysho, Stradivarius and Moskito stores. Pull&Bear, Bershka and the latest 2,900 sq. m. Zara concept store have been moved to the new part of the shopping center.

At the end of the year 2019, in Rotermann Quarter in Tallinn the Group after expansion and full renovation opened the largest in Baltic States 775 sq. m Pull&Bear store.

The number of stores by countries was as follows:

Country	31 12 2019	31 12 2018	31 12 2017	2019/2018, %	2019/2017, %
Lithuania	108	111	107	-2,7%	0,9%
Latvia	50	42	46	19,0%	8,7%
Estonia	28	29	29	-3,4%	-3,4%
Total:	186	182	182	2,2%	2,2%

At 31 December the number of stores by chains was as follows:

Chain	31 12 2019	31 12 2018	31 12 2017	2019/2018, %	2019/2017, %
Economy	33	32	36	3,1%	-8,3%
Youth	49	45	44	8,9%	11,4%
Footwear	14	14	15	0,0%	-6,7%
Business	42	42	39	0,0%	7,7%
Luxury	28	29	27	-3,4%	3,7%
Zara	11	11	12	0,0%	-8,3%
Outlets	9	9	9	0,0%	0,0%
Total	186	182	182	2,2%	2,2%

Net investments into development of the chain amounted to EUR 12.8 million in 2019. Investments (acquisitions) by assets type are presented in Note 12 ("Property, plant and equipment") and Note 13 ("Intangible assets") of Notes to consolidated and Company's financial statements. Investments (acquisitions) by segments are disclosed in Note 4 ("Segment information"). The Group is not engaged in activities related to research and experimental development, except to the extent of process improvement.

2.3 MAIN INDICATORS

Solid annual and quarterly sales growth rates, effectively managed chain expansion and reorganization, favorable weather conditions in the apparel business in the Baltics, and efficiently controlled cost management (primarily rent and payroll) enabled us to achieve better financial results in 2019 than in 2018.

From 1 January 2019, the Group implemented a new International Financial Reporting Standard (IFRS) 16 "Leases". Due to the application of this standard, the Group's and Company's rent expenses decreased but depreciation and amortization charges and interest expenses increased. Accordingly, it also influenced the calculation of indicators. The impact of the new standard on the Statements of Comprehensive Income and Statements of Financial Position is disclosed in more detail in Note 26, IFRS 16 Leases.

The Group has earned EUR 11.0 million of *EBT* in 2019, while profit before taxes was EUR 9.3 million in 2018, the increase by 18.6%. The negative impact of IFRS 16 "Leases" on the Group's profit before tax amounted to EUR 910 thousand in 2019.

EBITDA of the Group totalled EUR 30.7 million in 2019, and it was EUR 15.6 million in corresponding previous year period. The positive impact of IFRS 16 "Leases" on the Group's EBITDA ratio was EUR 13.8 million. EBITDA margin has increased from 8.3% to 15.1% during the year. ROE and ROA ratios reached 15.8% and 6.0%, respectively.

Main Group Indicators	2019	2018	2017	2016	2015
Net sales, EUR thousand	205 005	187 207	182 265	172 592	158 748
Net sales in foreign markets, EUR thousand	83 197	76 740	75 157	70 068	62 205
Like-for-like sales, %	5,4%	0,4%	0,5%	1,7%	1,6%
Gross profit, EUR thousand	89 210	81 010	81 792	78 203	72 487
Gross margin, %	43,5%	43,3%	44,9%	45,3%	45,7%
Operating profit, EUR thousand	11 929	9 199	16 578	13 372	12 522
Operating profit margin, %	5,8%	4,9%	9,1%	7,7%	7,9%
EBT, EUR thousand	10 994	9 266	16 555	13 340	12 433
EBT margin, %	5,4%	4,9%	9,1%	7,7%	7,8%
Profit (loss) for the period, EUR thousand	9 240	7 565	13 875	11 160	10 399
Profit (loss) for the period margin, %	4,5%	4,0%	7,6%	6,5%	6,6%
EBITDA, EUR thousand	31 006	15 563	23 075	19 529	18 391
EBITDA margin, %	15,1%	8,3%	12,7%	11,3%	11,6%
Earnings (losses) per share (EPS), EUR	0,17	0,14	0,25	0,20	0,19
Price-to-Earnings ratio (P/E), times	12,6	11,7	10,2	12,7	13,7
Dividend / Profit for the period*, %	0,0%	95,0%	63,8%	79,3%	63,8%
Return on equity (end of the period), %	15,8%	13,3%	23,7%	20,8%	21,2%
Return on assets (end of the period), %	6,0%	9,6%	17,4%	15,6%	15,2%
Net debt to equity, %	-10,1%	-10,4%	-10,9%	-9,3%	3,2%
Current ratio, times	1,4	2,7	2,9	2,8	2,8

The *operating expenses* of the Group totalled EUR 77.3 million during 2019 and increased by 7.6%, comparing to the same period 2018, or less than sales, which grew by 9.5%. The Group had EUR 0.8 million of financial debts at the end of the reporting period (EUR 1.1 million at the end of the year 2018).

Main Group Indicators	2019	2018	Change
Net sales, EUR thousand	205 005	187 207	9,5%
Net sales in foreign markets, EUR thousand	83 197	76 740	8,4%
Gross profit, EUR thousand	89 210	81 010	10,1%
Operating expenses	(77 281)	(71 811)	7,6%
Operating profit, EUR thousand	11 929	9 199	29,7%
EBT, EUR thousand	10 994	9 266	18,6%
Net profit (losses), EUR thousand	9 240	7 565	22,1%
EBITDA, EUR thousand	31 006	15 563	99,2%

The Group's level of inventories during the year decreased by 1.1% (the decrease from EUR 40.6 million to EUR 40.1 million). Company's inventories decreased by 3.7%. The Group's inventories decreased due to more efficient inventory management.

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

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

2.4 PERSONNEL

The number of employees on 31 December 2019 and average salary by categories in 2019 were as follows:

	Group	Company	Group	Company
Employee category	Number of employees		Average monthly salary, EUR	
Administration	187	120	2 491	3 277
Stores' personnel	2 118	615	896	975
Logistics	62	62	1 238	1 238
Total	2 367	797	1 052	1 338

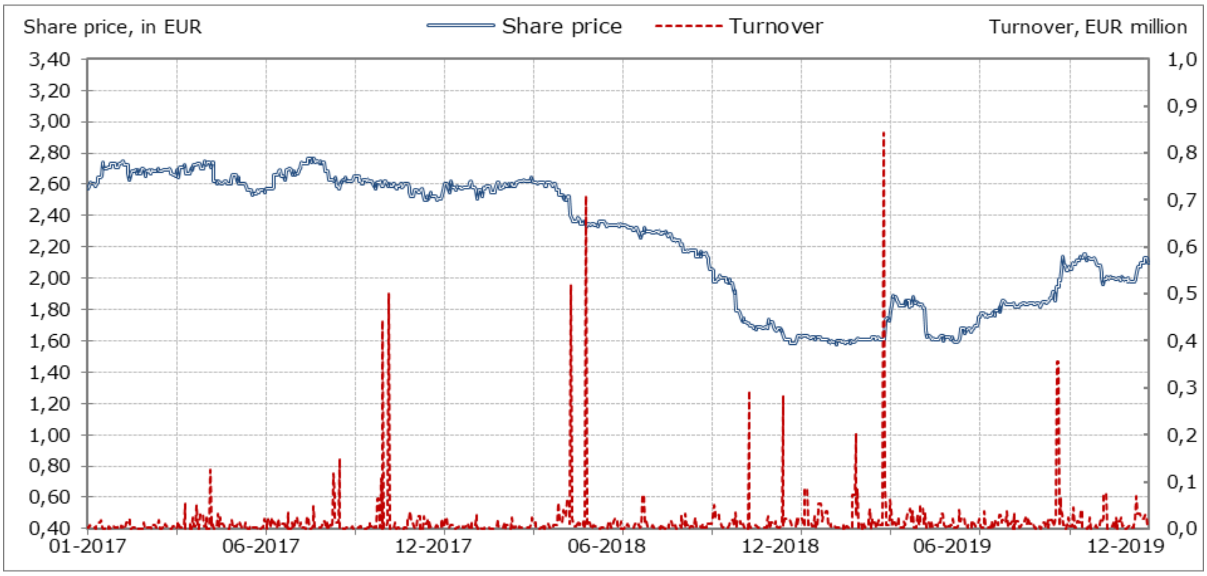
In 2019 the number of employees in the Group and the Company has increased by 193 (+8.9%) and decreased by 9 (-1.1%) people respectively. The number of employees by education level on 31 December 2019 was as follows:

Education level	Group	Company
Higher	462	247
Professional	314	136
Secondary	634	146
Primary	39	2
Student	918	266
Total:	2 367	797

2.5 TRADING INFORMATION

The price of the Company share during the year 2019 increased by 32% from EUR 1.60 per share (the maximum share price during the year was EUR 2.17 per share) to EUR 2.11 per share (the minimum share price during the year was EUR 1.56 per share). In this way, the market capitalization of the Company decreased from EUR 88 million at the beginning of the year to EUR 117 million at the end of December 2019. The weighted average price of share during the year 2019 was EUR 1.77 per 1 share. Company's share turnover was EUR 8.8 million during the year.

Company share price and share turnover during the period 2017-2019:



Company and OMX Baltic Benchmark GI index change for the period 2015-2019:

3. OPERATING PLANS

Apranga Group plans to reach EUR 263 million turnover (including VAT) in 2020, or by 6% more than actual the year 2019 turnover.

In 2020 Apranga Group plans to renovate or open 13-17 stores. The net investment is planned to be about EUR 5-7 million.

NOTE. Group plans were developed and approved prior to the start of epidemic coronavirus infection (COVID-19). For more information, see Notes 2.2 and 29 of Notes to consolidated and Company's financial statements.

4. BUSINESS PHILOSOPHY

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

5. ENVIRONMENTAL PROTECTION

Group uses the latest technology and the latest technology processes that meet environmental standards and help reduce the negative impact on the environment (for example, the Group uses the paper packaging materials instead of plastic in 79% of its stores), promote rational management and use of resources. It constantly seeks way to cut electricity costs at the stores, the headquarters and logistic warehouse. All stores use energy-efficient LED bulbs that not only have a longer service life but also use less electricity. Spaces in the administration building are segmented to use the lighting as efficiently as possible and to have it only in those areas where employees are present. In 2019, the Group's electricity consumption in all stores fell by 7.1 percent on average (kWh / sq. m).

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

Group in all cases supports ethical and transparent working environment, seeks to work with suppliers who supports ethical treatment of animals. The Group take in these criteria when forming an assortment of the stores and always seek for animal and environment friendly alternatives. Since 2020 "Apranga" and "Aprangos Galerija" stores will not sell real fur.

More information about the Group's environmental protection is presented in the Group's 2019 Consolidated Social Responsibility Report.

6. CONSOLIDATION

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

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

7. SECURITIES

All 55 291 960 ordinary shares of nominal value EUR 0.29 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Baltic equity list of Nasdaq Vilnius Stock Exchange. For more information on the share capital of the Company refer to Note 22 to Consolidated financial statements.

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

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

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

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

At 31 December 2019 the Company had 2 899 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were as follows:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	34 442 189	62,3%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	6 397 059	11,6%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	3 719 099	6,7%

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

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

At 24 July 2017 the Company concluded an open-ended agreement with SEB bankas AB (entity code: 112021238, address: Gedimino 12, LT-01103 Vilnius) on supervision of securities accounts.

8. GOVERNANCE REPORT

For the Governance Report and the full text of Compliance Report with the Governance Code for the companies listed on the Nasdaq Vilnius stock exchange refer to Annex "Governance Report" to this annual report.

9. CONSOLIDATED SOCIAL RESPONSIBILITY REPORT

The Group's Consolidated Social Responsibility Report is provided in Annex "Social Responsibility Report" to this annual report.

10. ALTERNATIVE PERFORMANCE MEASURES

With regard to the requirements of the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures, Apranga APB provides an overview of the Alternative Performance Measures (APM) used, their definition and calculation on Apranga APB website at: http://aprangagroup.lt/en/investors/investor-relations/alternative-performancemeasures

11. PUBLICLY ANNOUNCED INFORMATION

The Company in 2019 publicly announced and broadcasted through Nasdaq Vilnius Globe Newswire and own webpage the following information:

Date	Title
2019-01-02	Turnover of Apranga Group in December 2018 and total year 2018
2019-01-07	Apranga Group's new office: a modern logistics centre built with attention to employees
2019-02-01	Turnover of Apranga Group in January 2019
2019-02-28	Apranga Group interim information for 12 months of 2018
2019-03-01	Turnover of Apranga Group in February 2019
2019-03-21	Establishment of subsidiary of Apranga APB in Latvia
2019-03-28	CORRECTION: Apranga Group investor's calendar for the year 2019
2019-04-01	Turnover of Apranga Group in March 2019 and 1st quarter 2019
2019-04-04	Shoppers in Riga will be the first to see what is new from Apranga Group
2019-04-08	Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 30th, 2019
2019-04-08	Notice of the Annual General Meeting of APB "APRANGA" shareholders
2019-04-10	CORRECTION: Notice of the Annual General Meeting of APB "APRANGA" shareholders
2019-04-26	Apranga Group interim report for three months of 2019
2019-04-30	Resolutions of the Annual General Meeting of Apranga APB shareholders
2019-04-30	Apranga APB annual information 2018
2019-05-02	Turnover of Apranga Group in April 2019
2019-05-07	Dividend payment ex-date of Apranga APB
2019-05-13	Apranga Group presents new brand and starts online sales on new platform Soulz
2019-06-03	Turnover of Apranga Group in May 2019
2019-07-01	Turnover of Apranga Group in June 2019
2019-07-30	Apranga Group interim information for the six months of 2019
2019-08-01	Turnover of Apranga Group in July 2019
2019-08-28	Notification on manager's transactions
2019-08-29	Notification on manager's transactions
2019-09-02	Notification on manager's transactions
2019-09-02	Notification on manager's transactions
2019-09-02	Turnover of Apranga Group in August 2019
2019-09-05	In Riga – the second stage of Apranga Group expansion: opening eight stores, including Latvia's first Zara Home
2019-09-05	Notification on manager's related party transactions
2019-09-05	Notification on manager's transactions
2019-09-06	Notification on manager's related party transactions

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

2019-09-12	Notification on manager's related party transactions
2019-09-16	Notification on manager's related party transactions
2019-09-18	Notification on manager's related party transactions
2019-09-19	Notification on manager's related party transactions
2019-09-30	Notification on manager's related party transactions
2019-10-01	Turnover of Apranga Group in September 2019
2019-10-30	Apranga Group interim information for the nine months of 2019
2019-11-04	Turnover of Apranga Group in October 2019
2019-11-28	The turnover and expansion plans of Apranga Group in 2020
2019-12-02	Turnover of Apranga Group in November 2019
2019-12-13	Notification on manager's related party transactions
2019-12-13	Notification on manager's related party transactions
2019-12-16	Notification on Apranga APB manager's related party transactions
2019-12-17	Notification on manager's related party transactions
2019-12-18	Notification on manager's related party transactions
2019-12-19	Notification on manager's related party transactions
2019-12-23	Notification on manager's related party transactions
2019-12-27	Notification on manager's related party transactions
2019-12-30	Notification on manager's related party transactions
2019-12-31	Apranga Group investor's calendar for the year 2020

Contents of above mentioned announcements can be obtained on Nasdaq Vilnius Stock Exchange webpage https://nasdaqbaltic.com/statistics/en/instrument/LT0000102337/news? and on Company's webpage http://aprangagroup.lt/en/investors/news-and-material-events.

APRANGA
GROUP

2019 GOVERNANCE REPORT

The public trade company APRANGA (hereinafter referred to as the "Company") essentially follows the Corporate Governance Code for the Companies Listed on the Nasdaq Vilnius stock exchange adopted and valid as on 31 December 2019. Corporate Governance Code is publicly available at: https://nasdaqbaltic.com/market-regulation/nasdaq-vilnius-rules/

RISKS

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

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

The competition-related risk. In its activities the Group is exposed to increasingly intense competition in the clothing market. The Group, in order to manage this risk and to meet the customer service quality standard requirements, continuously carries out chain expansion and modernization, improves its sales and marketing strategies, carries out market research, improves customer service and implements a consistent business process optimization and cost reduction program. In its activities, the Group consistently follows the principles of transparency and fair competition.

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

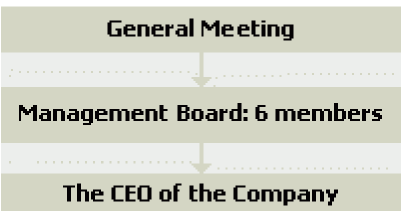
The main features of the Group's internal control and risk management systems related to preparation of consolidated financial statements.

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

The types of *financial risks* that Group faces and risk management are described in Note 3 to the Consolidated Financial Statements. The latest information on the risks related to the Group is also provided in Note 2.2 and Note 29 to the Consolidated Financial Statements.

CORPORATE GOVERNANCE

The management bodies of the Company specified in the Articles of Association are as follows: General Shareholders' Meeting, a collegial management body – Board, and a single-person management body – Manager of the Company. The Law of the Republic of Lithuania on Companies provides that Lithuanian companies at their discretion could have only one collegial governing body. There is no Supervisory Council in the Company. The Board consists of six members who are elected for the term of four years, represents the shareholders, and performs supervision and control functions.



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

1) Amend the Articles of Association of the Company;

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

General Shareholders' Meeting has a right to amend the Articles of Association under the qualified majority of votes, which may not be less than 2/3 of all votes the shareholders attending at the Meeting, except for the exceptions specified by Law on Companies. For more information on the rights and restrictions granted to shareholders, see Note 7, *Securities*.

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

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

Each member of the Board is entitled to initiate convening of the Board meeting. The Board may adopt resolutions and its meeting shall be deemed to have taken place when the meeting is attended by 2/3 and more 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.

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

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

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

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

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

The Manager of the Company organises daily activities of the Company, hires and dismisses employees, concludes and terminates employment contracts with them, provides incentives and imposes penalties. The Manager of the Company is responsible for preparation of the draft share subscription agreement and its data correctness. The Manager of the Company issues authorizations and procurations within the scope of its competence.

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

MANAGEMENT OF THE COMPANY

On 27 April 2018 the Annual General Meeting of Company shareholders elected Company's members of the Board for new 4-year term. 27 April 2022 is the end term of all Company's members of the Board.

BOARD OF THE COMPANY

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) and MG Baltic Investment UAB (Code of Enterprise: 123249022; Registered office: Jasinskio 16B, Vilnius) he has 40 839 248 shares, representing 73.86% of the share capital and votes.

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
UAB Koncernas MG Baltic	125459336	J. Jasinskio g. 16, Vilnius, Lithuania	President - the main position
UAB MV GROUP	125313192	J. Jasinskio g. 16, Vilnius, Lithuania	Chairman of the Board

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

APB Apranga	121933274	Ukmergės g. 362, Vilnius, Lithuania	Chairman of the Board
UAB Mediafon	124424581	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Chairman of the Board
UAB DARNU GROUP	123010339	Ąžuolyno g. 7, Vilnius, Lithuania	Chairman of the Board

Information on shareholdings in other companies above 5%:
Concern MG Baltic UAB - 100% of the share capital;
Minvista UAB – 100% of the share capital.

Information about participation in other organizations:
President of Honour of the Lithuanian Tennis Union.

Rimantas Perveneckas
Member of the Board, General Director

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

Ilona Šimkūnienė
Member of the Board, Purchasing Director

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

Information on positions in other companies:

Company name	Company code	Registered office	Current position
UAB Apranga LT	300021271	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga BPB LT	300509648	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga PLT	300551572	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga SLT	301519684	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga MLT	302627022	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga HLT	304042131	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga OLT	304757395	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
UAB Apranga Ecom LT	304184173	Ukmergės 362, Vilnius, Lithuania	Chairman of the Board
Apranga LV SIA	40003672631	Elizabetes iela 51, Riga, Latvia	Chairman of the Board
Apranga BPB LV SIA	40003887840	Elizabetes iela 51, Riga, Latvia	Chairman of the Board
Apranga PLV SIA	40003887747	Elizabetes iela 51, Riga, Latvia	Chairman of the Board
Apranga SLV SIA	50103201281	Elizabetes iela 51 - 1A, Riga, Latvia	Chairman of the Board
Apranga MLV SIA	40103486301	Elizabetes iela 51 - 1A, Riga, Latvia	Chairman of the Board
Apranga HLV SIA	40203202205	Elizabetes iela 51 - 1A, Riga, Latvia	Chairman of the Board
Apranga OLV SIA	50203162031	Elizabetes iela 51 - 1A, Riga, Latvia	Chairman of the Board
Apranga Ecom LV SIA	40103972857	Elizabetes iela 51 - 1A, Riga, Latvia	Chairman of the Board
Apranga Estonia OU	11026132	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga BEE OU	11419148	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga PB Trade OU	11530250	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga ST Retail OU	11530037	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga MDE OU	12617929	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga HEST OU	14075697	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga Ecom EE OU	14004869	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board

Has no shareholdings in other companies above 5%.

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

Vidas Lazickas
Member of the Board

Vidas Lazickas (born in 1965) - Member of the Board of APB Apranga since 29 April 2011. Education: Vilnius University, Faculty of Economics, specialization in Production Management and Organization. He has 200 000 shares of the Company, representing 0.36% of the share capital and votes.

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
UAB Koncernas MG Baltic	125459336	J. Jasinskio g. 16, Vilnius, Lithuania	Economics and Finance Director - the main position
UAB MG Baltic Investment	123249022	J. Jasinskio g. 16, Vilnius, Lithuania	General Director
UAB Eminta	303140423	J. Jasinskio g. 16, Vilnius, Lithuania	Director
UAB Euvalda	123248988	J. Jasinskio g. 16, Vilnius, Lithuania	Director
UAB MG Baltic Media	211616910	J. Jasinskio g. 16, Vilnius, Lithuania	General Director
UAB Minvista	110685692	J. Jasinskio g. 16, Vilnius, Lithuania	Director
UAB Mineraliniai vandenys	121702328	J. Jasinskio g. 16F, Vilnius, Lithuania	Chairman of the Board
UAB Laisvas ir nepriklausomas kanalas	123026090	Šeškinės g. 20, Vilnius, Lithuania	Chairman of the Board
UAB Mediafon Carrier Services	304065315	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Chairman of the Board
UAB Mediafon Datapro	304065322	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Chairman of the Board
UAB Mitnija	134511472	Jonavos g. 60c, Kaunas, Lithuania	Chairman of the Board
UAB MV GROUP	125313192	J. Jasinskio g. 16, Vilnius, Lithuania	Member of the Board
UAB MV GROUP Asset Management	304145213	J. Jasinskio g. 16F, Vilnius, Lithuania	Member of the Board
Įmonių grupė Alita AB	302444238	Miškininkų g. 17, Alytus, Lithuania	Member of the Board
AB Gubernija	144715765	Dvaro g. 179, Šiauliai, Lithuania	Member of the Board
MV Eesti OU	11021347	Kalmari tee 10, Rae vald, Harjumaa, Estonia	Member of the Board
MV Latvia SIA	40003787568	Medus iela 7, Ryga, Latvia	Member of the Board
MV Poland S.P.z.o.o.	140330387	Przasnyska 6b, 01-756 , Warsaw, Poland	Member of the Board
AB MV GROUP Production	132082782	J. Jasinskio g. 16F, Vilnius, Lithuania	Member of the Board
APB Apranga	121933274	Ukmergės g. 362, Vilnius, Lithuania	Member of the Board
UAB Mediafon"	124424581	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Member of the Board
UAB DARNU GROUP	123010339	Ąžuolyno g. 7, Vilnius, Lithuania	Member of the Board

Has no shareholdings in other companies above 5%.

Marijus Strončikas
Member of the Board

Marijus Strončikas (born in 1974) - Member of the Board of APB Apranga since 30 April 2010. Education: Kaunas Technical University, Faculty of Informatics, master of IT Science. He has 4 450 shares of the Company, representing 0.01% of the share capital and votes. Has no positions in other companies.

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
Alantic UAB	304754844	Geležinio Vilko 18A, Vilnius, Lithuania	Director

Information on shareholdings in other companies above 5%:
Alantic UAB - 47% of the share capital.

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

Ramūnas Gaidamavičius
Member of the Board, Development Director

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

Information on positions in other companies:

Company name	Company code	Registered office	Current position
UAB Apranga LT	300021271	Ukmergės 362, Vilnius, Lithuania	Member of the Board
Apranga SIA	40003610082	Elizabetes iela 51, Riga, Latvia	Chairman of the Board
Apranga LV SIA	40003672631	Elizabetes iela 51, Riga, Latvia	Member of the Board
Apranga BPB LV SIA	40003887840	Elizabetes iela 51, Riga, Latvia	Member of the Board
Apranga PLV SIA	40003887747	Elizabetes iela 51, Riga, Latvia	Member of the Board
Apranga SLV SIA	50103201281	Elizabetes iela 51 - 1A, Riga, Latvia	Member of the Board
Apranga MLV SIA	40103486301	Elizabetes iela 51 - 1A, Riga, Latvia	Member of the Board
Apranga HLV SIA	40203202205	Elizabetes iela 51 - 1A, Riga, Latvia	Member of the Board
Apranga OLV SIA	50203162031	Elizabetes iela 51 - 1A, Riga, Latvia	Member of the Board
Apranga Ecom LV SIA	40103972857	Elizabetes iela 51 - 1A, Riga, Latvia	Member of the Board
Apranga OU	11274427	Rotermanni mnt 18/1, Tallinn, Estonia	Chairman of the Board
Apranga Estonia OU	11026132	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board
Apranga BEE OU	11419148	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board
Apranga PB Trade OU	11530250	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board
Apranga ST Retail OU	11530037	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board
Apranga MDE OU	12617929	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board
Apranga HEST OU	14075697	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board
Apranga Ecom EE OU	14004869	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board

Has no shareholdings in other companies above 5%.

MANAGEMENT OF THE COMPANY AND THE GROUP

The key management members of the Company and the Group as of 31 December 2019:

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

** with related parties*

Information about CFO of the Company and the Group:

Saulius Bačauskas
Chief Financial Officer

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

Information on positions in other companies:

Company name	Company code	Registered office	Current position
UAB Apranga LT	300021271	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga BPB LT	300509648	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga PLT	300551572	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga SLT	301519684	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga MLT	302627022	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga HLT	304042131	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga OLT	304757395	Ukmergės 362, Vilnius, Lithuania	Member of the Board
UAB Apranga Ecom LT	304184173	Ukmergės 362, Vilnius, Lithuania	Member of the Board
Apranga OU	11274427	Rotermanni mnt 18/1, Tallinn, Estonia	Member of the Board

Has no shareholdings in other companies above 5%.

Information about members of the management bodies on 31 December 2019 was as follows:

Name, Surname	Position	Number of shares owned and part in the share capital	Election date	End of term	Amounts received from the Company in 2019, EUR thousands
Darius Juozas Mockus	Chairman of the Board	- -	27 04 2018	27 04 2022	Receives no remuneration
Rimantas Perveneckas	Member of the Board, General Director	800 770 1.45%	27 04 2018	27 04 2022	-
Ilona Simkuniene	Member of the Board, Purchasing Director	- -	27 04 2018	27 04 2022	-
Ramunas Gaidamavicius	Member of the Board, Development Director	5 000 0.01%	27 04 2018	27 04 2022	-
Vidas Lazickas	Member of the Board	200 000 0,36%	27 04 2018	27 04 2022	Receives no remuneration
Marijus Strončikas	Member of the Board	4 450 0.01%	27 04 2018	27 04 2022	Receives no remuneration
Saulius Bačauskas	Chief Financial Officer	16 000 0.03%	-	-	-
Dividends and bonuses to members of the board and management, in total (6)					128
Dividends and bonuses to members of the board and management, on average (6)					21
Remuneration to members of the board and management, in total (4)					1 226
Remuneration to members of the board and management, on average (4)					306

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

AUDIT COMMITTEE

The Audit Committee consists of 3 members, 2 of them are independent. The Audit Committee is elected for a 4-year term. Members of the Audit Committee are elected and recalled by the Board of the Company, except the independent members of the Committee. The independent members of the Audit Committee is elected by the General Shareholders Meeting at the proposal of the Management Board.

The main functions of the Audit Committee are:
- To inform the General Director of the Company of the outcome of the statutory audit;
- To monitor the financial reporting process and submit recommendations to ensure its integrity;
- To monitor the effectiveness of the Company's internal quality control and risk management systems, having impact on the financial reporting of the Company;
- To monitor the statutory audit of the annual and consolidated financial statements;
- To review and monitor the independence of the statutory auditors or the audit firms;
- To be responsible for the procedure for the selection of statutory auditor(s) or audit firm(s).

The General Shareholders Meeting hold on 27 April 2017 approved the new Charter of the Audit Committee and also approved three members of the Audit Committee for the new 4-year term: Rasa Rulevičiūtė (Company management personnel, the deputy of chief financial officer), Daiva Paulavičienė (the independent member the Committee, Chairwoman of the committee) and Justina Puškorė (the independent member the Committee).

In 2019, 2 Audit Committee meetings were held. Both meetings were attended by all three Audit Committee members. Following issues were discussed during the meetings of the Committee: definition of selection criteria for the external audit company; discussing the notes of the external auditors' to the financial statements for 2018; the proposed auditor and remuneration for external audit services; preparation of the Audit Committee meeting by electronic means; and other issues.

Information on major share packages controlled either directly or indirectly
Details of the shares are provided in Note 14 to the Consolidated financial statements, *Investments In Subsidiaries*.

Information on transactions with related parties
No transactions with related parties as provided for in art. 37(2) of the Law on Companies of the Republic of Lithuania were concluded in 2019.

Information on shareholders having special control rights
All shares of the Company are of one class ordinary registered shares granting their owners (shareholders) equal rights. Details of the shares are provided in Note 7 to the Consolidated financial statements, *Securities* .

Information of amendments to the Company's Articles of Association
In 2019, no amendments were made to the Company's Articles of Association.

Information on all agreements between shareholders
The Company does not have any information on agreements between shareholders.

Information on the varied policy applicable to the election of the Company's chief manager, the members of governing and supervisory boards
The Company does not have the variety policy applicable to the election of the chief manager and the members of governing and supervisory bodies. During the procedure of selection of candidates to the Company's board of directors, governing and supervisory boards, the candidates shall be subject to requirements that do not discriminate a candidate on grounds of age, sex, education, or professional experience. During the selection of a candidate, the Company does not set any restrictions for nomination of a candidature on grounds of sex or age. Considering the specificity of the Company's business activity and the status of a state-owned company, unbiased requirements which are only related to the functions and competences of the members of a governing or supervisory boards and the professional experience and education proportionate to these functions and competences are set. General and independence requirements to candidates to the Company's supervisory board are set by the Description of Selection of Candidates to the Boards of State or Municipal Companies and Candidates to the Collegial Supervisory or Governing Board of a Company That Is under Control of a State or Municipal Company Elected by the General Meeting as adopted by Decision No 631 of 17 June 2015 of the Government of the Republic of Lithuania.

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

The public trade company APRANGA (hereinafter referred to as the "Company"), acting in compliance with Article 12(3) of the Law of the Republic of Lithuania on Securities and paragraph 24.5 of the Listing Rules of AB NASDAQ OMX Vilnius, hereby discloses how it complies with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius as well as its specific provisions or recommendations. In case of non-compliance with this Code or some of its provisions or recommendations, the specific provisions or recommendations that are not complied with must be indicated and the reasons for such non-compliance must be specified. In addition, other explanatory information indicated in this form must be provided.

Summary of the Corporate Governance Report:

Apranga APB is the parent company of the Group, registered in the Republic of Lithuania. At the end of 2019, it managed 25 daughter companies established in the three Baltic States. The Group's core business is the retail sale of clothing. Of the 26 companies that make up the Group, 21 represent specific brands (Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti, Zara Home and Oysho) on the basis of franchise agreements concluded with Inditex, a leader in the global apparel retail market. The other three companies (APB Apranga, SIA Apranga and OÜ Apranga) represent brands other than Inditex (single-brand stores) as well as their own retail chains (multi-brand stores): Apranga, Apranga Galerija, City and Mados Linija.

Corporate governance activities are concentrated in the Group's parent company, APB Apranga, which coordinates finances, legal, strategic planning and control, human resources and training, business management and development, information technology, ordering and pricing, marketing and advertising, and other general areas within the Group's companies. The Group uses a centralized management model, and practically all management functions are concentrated at the Group's headquarters in Vilnius.

The Group's main company, APB Apranga, has been listed on the Nasdaq Vilnius Stock Exchange since 1997. The company has been on the Baltic Main List since 2005. The total authorized capital of APB Apranga is 55,291,960 ordinary registered shares with a nominal value of EUR 0.29 (ISIN code LT0000102337).

On 31 December 2019, APB Apranga had 2,899 shareholders. The main parent company, whose financial statements are made public, is UAB Koncernas MG Baltic. The main person controlling the Group is Mr. D. J. Mockus, who, together with related companies, holds 40,839,248 APB Apranga shares, accounting for 73.86% of the authorized capital and total votes.

According to the Company's articles of association, the bodies of the Company are the general meeting of shareholders, the collegial management body – the management board, and the sole management body – the manager of the Company. A supervisory board is not formed at the Company. Six members are elected to the management board by the general meeting of shareholders for a maximum period of four years. The composition of the management board did not change during the reporting period. The Company's management board was made up of board chair D.J. Mockus and board members Rimantas Perveneckas (the Company's general director), Ilona Šimkūnienė, Vidas Lazickas, Marijus Strončikas and Ramūnas Gaidamavičius. The management board elects and removes the manager of the Company – the general director.

The Company has an audit committee consisting of three members, two of whom are independent. The audit committee is elected for a period of four years. The members of the committee are appointed and removed by the Company's general meeting of shareholders on the recommendation of the Company's management board. On 27 April 2017, the authority of the audit committee and the composition of the audit committee consisting of three (3) members were approved by the decision of the general meeting of shareholders. Members of the audit committee: Rasa Rulevičiūtė (an employee of the Company), Daiva Paulavičienė (independent member, Chairwomen of the Committee) and Justina Puškorė (independent member).

Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company adheres to the Information Disclosure Guidelines and provides important information to investors in a timely, accurate, clear and comprehensive manner on its website https://aprangagroup.lt/lt/investuotojams, in the Nasdaq Vilnius Information Disclosure System, in the Central Storage Facility, and in presentations to investors by the manager and senior management of the Company, thus providing equal access to it to all of the Company's shareholders. The Company complies with the requirements provided in the Law on Companies concerning the right of shareholders to information and the provision thereof. The Company adheres to the decision-making procedures prescribed to the competence of the general meeting of shareholders by the Law on Companies as well as the Company's articles of association, and gives shareholders equal opportunities to vote on the adoption of relevant decisions at general meetings of shareholders (it is permitted to vote by completing a ballot, represent a shareholder by proxy, etc.; information about upcoming general meetings of shareholders and related material is also published in English).
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's capital only consists of ordinary registered intangible shares, which grant each shareholder equal voting, ownership, dividend and other rights, depending on the number of shares held.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company provides information concerning the rights attached to newly or previously issued shares in preliminary prospectuses, in its annual and interim reports, and on its website.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	Decisions on the transfer, lease, investment, pledge or mortgage of fixed assets with a book value of more than 1/20 of the authorized capital in accordance with the Company's articles of association, which were approved by decision the general meeting of shareholders, are taken by the Company's management board. The competence of the general meeting of shareholders provided for in the Company's articles of association does not differ from its competence as provided for in the Law on Companies. In any event, under the Law on Companies, approval of the general meeting of shareholders does not relieve the management board of responsibility for decisions made.

1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	Shareholders are informed about upcoming general meetings of shareholders in accordance with the requirements of legislation and the Company's articles of association – adhering to the notification deadlines and methods and means of announcement. The opportunity to participate in the meeting is supplemented by the option of voting by ballot or authorizing another person to represent the shareholder. All shareholders are also notified about upcoming general meetings of shareholders in advance on the Investor Calendar. The general meeting of shareholders is always held at the Company's headquarters. A working day is always chosen for the date, and the time is always during the first half of the day or around lunchtime, so public transport can also be used to attend. In the notice of the general meeting of shareholders being convened, the Company does not restrict the right of shareholders to submit new draft decisions either before or during the meeting, and this is clearly stated in the notice of the general meeting of shareholders being convened in both Lithuanian and English.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The notice of the general meeting of shareholders being convened, draft decisions, the general voting ballot, and other related documents (for example, when amending the articles of association – the articles of association and the proposed amendments) are published/presented not only in Lithuanian, but in English as well (thus far, there has not been a need to prepare documents in other foreign languages). Minutes of the general meeting of shareholders (decisions taken during the meeting) are also published on the Company's website in English (for example: https://aprangagroup.lt/en/investors/corporate-governance/shareholders-meetings/3755-resolutions-of-the-annual-general-meeting-of-apranga-apb-shareholders-9)
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders are furnished with these opportunities – information is provided about them in advance in the notice of the general meeting of shareholders being convened. The general voting ballot can also be completed in English.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	Shareholders are not yet provided with these conditions because the security of transmitted information and identification of the participating and voting person must first be ensured by necessary and proportionate means. The Company has not yet introduced such electronic means of communication. We believe that these opportunities to vote at the meeting: - voting in person at the meeting; - voting by proxy; - voting upon concluding a voting trust agreement; voting in advance by completing the general voting ballot (in English as well), including its transmission to the Company via electronic means of communication; are versatile and sufficient for the time being, and that shareholders' rights to participate and vote at the meeting are properly implemented.

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

1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes/No	If these issues are on the agenda of the general meeting of shareholders, new candidatures of members of the collegial body and the proposed audit company are specified in the draft decisions of the general meeting of shareholders. All candidates for members of the Company's collegial body also inform the general meeting of shareholders what position they hold and where, and how their other activities are related to the Company and other legal entities related to the Company, as defined in Article 19(9) of the Law on Companies. The last time the management board and/or members thereof were elected was during the 2018 annual general meeting of shareholders, and there were not yet any recommendations to disclose their proposed remuneration. Proposed candidates for members of the collegial body usually provide information about their educational background and work experience during the meeting, when introducing themselves to the shareholders.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	Members of the Company's collegial body, heads of the administration, or other competent persons related to the Company take part in the general meeting of shareholders if they can provide information related to the agenda of the general meeting of shareholders. Proposed candidates for members of the collegial body also participate whenever possible.
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	A supervisory board is not formed at the Company. The formation of a supervisory board or the Company's management board performing the supervisory functions provided for in Article 34(11) of the Law on Companies will be considered and decided by the end of the term of office of the current management board, which was legally elected and is operating at the Company in accordance with the legislative requirements in force at the time of the election of the management board, i.e. by the annual general meeting of shareholders that will take place in 2022. The Company has publicly stated, inter alia, that it will make efforts to elect a supervisory board or management board performing the supervisory functions provided for in Article 34(11) of the Law on Companies elected at the Company without waiting for the term of office of the current management board to expire, as the Bank of Lithuania Supervision Service has recommended.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	See answer given in 2.1.1.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.

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

2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	See answer given in 2.1.1.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	See answer given in 2.1.1.
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	See answer given in 2.1.1.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	See answer given in 2.1.1.
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	See answer given in 2.1.1.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	See answer given in 2.1.1.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	See answer given in 2.1.1.

[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

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

2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	See answer given in 2.1.1.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	See answer given in 2.1.1.
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	See answer given in 2.1.1.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	See answer given in 2.1.1.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes/No	The Company does not prepare or approve a separate Company strategy. The Company prepares, approves and publishes the Company's one-year operational plans. Company's objectives are disclosed in the Company's annual reports and notifications of material events, which are published in the same sources as provided in the answer to 1.1.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes/No	As a collegial management body of the Company, the management board performs the functions assigned to it by the Law and in the articles of association of the Company. Even though a supervisory board is not formed at the Company, the management board of the Company does not perform the supervisory functions provided for in the Law; also see the answer to 2.1.1. In performing the functions assigned to it, the management board takes into account the needs of the Company, shareholders, employees and other interest groups; the objective of the management board is essentially to achieve sustainable business development. At the end of the year, the Company's management board approves next year's budget, considering not only expansion and planned investments, but also potential staff salary increases, allocation of investments for employee training and development, implementation of IT systems and security, etc.

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

3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes/No	Compliance with the provisions of laws and the Company's internal policies is ensured by the management board, as well as by the person or persons delegated by the management board, and department heads and/or jurists, within the scope of activities of the laws/policies.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance[3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes/No	Some of the measures are applied. In 2019, the management board approved and published the Code of Ethics and Conduct, which contains, in addition to the OECD Good Practice Guidance, other rules relevant to the Company's operations. In 2019, corruption prevention training was organized for the company's employees. The code of ethics will be reviewed by the management board regularly and updated as necessary.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the manager of the Company, the management board takes into account the appropriate balance between the candidate's qualifications, experience and competence.
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes	The management board is made up of persons of different professional experience and competences. The management board is composed of experts in corporate governance, economics and finance, procurement, expansion and development, and information technology who clearly possess the diverse knowledge, opinions and experience necessary for the proper and effective functioning of the management board and the interests of the Company. All members of the management board are closely acquainted with the activities of the Company, and three out of six members of the management board are employees of the Company – heads of administration. Even though only one of the six members of the management board is a woman, there are no requirements for the composition of the management board that may discriminate on the basis of sex in any way.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes/No	The names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest are disclosed to the general meeting of shareholders in accordance with the requirements of the legislation regulating the processing of personal data and the internal legislation approved by the Company establishing the principles of data protection and processing, in all cases with the prior informed consent of the individual. If there are no changes, this information is not included in the annual report.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	New members of the management board are familiarized with their duties, the structure and operations of the Company, and other information relevant to the activities of a management board member.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the management board are appointed for a four-year term or, when electing individual members – until the end of the term of office of the current management board. Members of the management board who have responsibly carried out their duties, devoted time to the work of the management board, and participated in meetings,

[3] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

		and who would like to continue to play an active role in the activities of the management board, always have the opportunity to be nominated and re-elected.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The chair of the management board is a person who has never been the manager of the Company. The chair of the Company's management board is not an employee of the Company and is a shareholder representative. It is the Company's belief that these facts are sufficient to state that the chair of the management board is capable of acting impartially and taking decisions which represent and protect the rights of shareholders.
3.2.6. Each member should devote sufficient time and attention to the performance of duties as a member of the management board. If a member of the management board has attended less than half of the meetings of the management board over the course of the Company's financial year, the Company's supervisory board – or, if a supervisory board is not formed at the Company, the general meeting of shareholders – should be informed.	Yes	The Company believes that each member devotes sufficient time and attention to their duties as member of the management board, actively participates in the meetings of the management board, and devotes time to prepare for them. Thus far, there have been no members who have attended less than half of the meetings of the management board over the course of the Company's financial year, but such information could be submitted to the general meeting of shareholders.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	At present, the Company does not have a supervisory board or a management board made up of the corresponding number of independent members and not including the manager of the Company, as established by the Law on Companies, in order to ensure the supervisory function. See also the answer in item 2.1. This provision will be complied with once the relevant requirements have been implemented.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	At present, the members of the management board do not receive additional remuneration for their activities on the management board or participation in meetings. Should it be decided to introduce such remuneration, it, or the procedure for its calculation, will be provided for in the remuneration policy approved by the general meeting of shareholders.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes/No	The Company believes that the members of the management board act in good faith, with care and responsibility for the benefit and the interests of the Company and its shareholders with due regard to other stakeholders, and that they do not act in their personal interest when adopting decisions. The Company is of the opinion that the duties of confidentiality that the members of the management board are subject to by law are sufficient to ensure their loyalty and trustworthiness, so non-compete agreements are not concluded with the members of the management board and their activities are not additionally restricted by such agreements. The members of the Company's management board are prohibited by law from using the business information or opportunities related to the Company's operations in violation of the company's interests.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working	No	The management board does not carry out an annual assessment of its activities.

[4] For the purposes of this Code, the criteria of independence of the members of the board are interpreted as the criteria of unrelated persons defined in Article 33(7) of the Law on Companies of the Republic of Lithuania.

procedures in observance of the legal acts regulating the processing of personal data.		
Principle 4: Rules of procedure of the supervisory board and the management board of the company **The rules of procedure of the supervisory board, if it is formed at the company, and of the management board should ensure efficient operation and decision-making of these bodies and promote active cooperation between the company's management bodies.**		
4.1. The management board and the supervisory board, if the latter is formed at the company, should act in close cooperation in order to attain benefit for the company and its shareholders. Good corporate governance requires an open discussion between the management board and the supervisory board. The management board should regularly and, where necessary, immediately inform the supervisory board about any matters significant for the company that are related to planning, business development, risk management and control, and compliance with the obligations at the company. The management board should inform he supervisory board about any derogations in its business development from the previously formulated plans and objectives by specifying the reasons for this.	Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1.
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes/No/ Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1. Meetings of the management board are convened as needed upon giving the members of the management board advance notice thereof. The Company's management board does not see the need to set the frequency of meetings, since meetings of the management board are convened at such intervals and in such cases so as to ensure uninterruptable resolution of the Company's essential governance issues.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes/ Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1. The members of the management board are notified of the meeting of the management board being convened in advance so that they have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion can be held. Along with the notice of the meeting being convened, all materials relevant to the issues on the agenda of the meeting are submitted to the members of the management board, and the members of the management board can always request additional information if they consider that the information provided is inadequate.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1.

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

Principle 5: Nomination, remuneration and audit committees

5.1. Purpose and formation of committees

The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.

Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.

5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Yes/No	Nomination and remuneration committees are not formed at the Company, as the Company believes that the management board, in performing its functions, partially performs the functions of the said committees. The Company's management board selects and appoints the manager of the Company, and makes recommendations to the manager of the Company on the appointment of senior management. With the entry into force of legislative changes in 2020, the management board will provide feedback and suggestions on the remuneration policy prepared by the manager. The Company's management board approves the Company's strategic and budget plans and controls their implementation, and analyzes and evaluates the reports of the Company's manager and senior management on implementation of the Company's approved budget plans and the use of funds. In compliance with the requirements of the Law on the Audit of Financial Statement (Official Gazette, 2008, No. 82-3233), the Company has formed an audit committee consisting of three members, two of whom are independent. The audit committee is elected for a period of four years. The members of the committee are appointed and removed by the Company's general meeting of shareholders on the recommendation of the Company's management board. On 27 April 2017, the authority of the audit committee and the composition of the audit committee were approved by the decision of the general meeting of shareholders.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	See answer to 5.1.1.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	See answer to 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes/No	Yes, as far as the audit committee is concerned. See answer to 5.1.1. The chair of the audit committee is not the chair of the management board; furthermore, the chair of the audit committee is an independent member of the audit committee.

[5] The legal acts may provide for the obligation to form a respective committee. For example, the Law on the Audit of Financial Statements of the Republic of Lithuania provides that public-interest entities (including but not limited to public limited liability companies whose securities are traded on a regulated market of the Republic of Lithuania and/or of any other Member State) are under the obligation to set up an audit committee (the legal acts provide for the exemptions where the functions of the audit committee may be carried out by the collegial body performing the supervisory functions).

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

5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number of meetings and attendance over the year as well as the main directions of their activities and performance.	Yes/No	The authority of the audit committee laying down the procedure for the formation of the committee, the number and composition of members and requirements for members, the period of membership of the committee, the rights and obligations of the committee, the procedure for organizing meetings and making decisions, the scale of the information provided to the committee and the procedure for its provision, etc. are approved by the body that elected this body (its members) – the general meeting of shareholders. The members of the audit committee are presented to the meeting by the management board. The authority of the audit committee defining its role and specifying its rights and duties was made public after it was approved in 2017, and is not additionally published by the Company every year if there are no changes. Thus far, the Company has not included in its annual reports the statements of the existing committees (the audit committee) on their composition, the number of meetings and attendance over the past year, as well as the main directions of their activities and performance, but shall do so in the Company's report for 2019.
5.1.6. With a view to ensure the independence and impartiality of the committees, the members of the collegial body who are not members of the committees should normally have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or request that certain employees of the company or experts would participate in the meeting. Chair of each committee should have the possibility to maintain direct communication with the shareholders. Cases where such practice is to be applied should be specified in the rules regulating the activities of the committee.	Yes	It is the audit committee's right and prerogative to decide who to invite to participate in meetings of the management board (excerpts from the Audit Committee Charter): "4.3. The Company's general director, the chair of the management board and/or members of the management board and external auditors may participate in the meetings of the Committee. In addition, the Company's finance and economics director and other employees of the Company may be invited to participate in the meetings of the Committee." "3.8. The Committee shall be accountable to the Company's general meeting of shareholders. The Committee shall submit an activity report to the general meeting of shareholders together with the complete set of financial statements submitted by the management board for approval."
5.2. **Nomination committee**		
5.2.1. The key functions of the nomination committee should be the following: 1) to select candidates to fill vacancies in the membership of supervisory and management bodies and the administration and recommend the collegial body to approve them. The nomination committee should evaluate the balance of skills, knowledge and experience in the management body, prepare a description of the functions and capabilities required to assume a particular position and assess the time commitment expected; 2) assess, on a regular basis, the structure, size and composition of the supervisory and management bodies as well as the skills, knowledge and activity of its members, and provide the collegial body with recommendations on how the required changes should be sought; 3) devote the attention necessary to ensure succession planning.	Not applicable	See answer to 5.1.1.
5.2.2. When dealing with issues related to members of the collegial body who have employment relationships with the company and the heads of the administration, the manager of the company should be consulted by granting him/her the right to submit proposals to the Nomination Committee.	Not applicable	See answer to 5.1.1.

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

5.3. Remuneration committee		
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Not applicable	See answer to 5.1.1. The remuneration policy will be drafted and approved as provided by the amendments to the Law on Companies.
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The approved Audit Committee Charter provides for the following: "3.3. The Committee shall be entitled: 3.3.1. to obtain any information or documents when performing the Committee's duties; 3.3.2. to obtain full information related to the specific features of the Company's accounting, finances and operations. At the request of the members of the Committee or at its own initiative, the Company's administration should inform the Committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches, as well as about activities in preferential trade areas and/or activities carried out through special-purpose entities (companies, organizations) in order to determine whether these activities are justified. 3.4. The Committee shall submit requests for information or documents to the Company's general director. The Company's general director shall provide the Committee member(s) with access to the information or documents." The Audit Committee Charter does not provide for any exceptions in which information may be withheld. The audit committee or its members may exercise these established rights without restriction.

[6] Issues related to the activities of audit committees are regulated by Regulation No. 537/2014 of the European Parliament and the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities, the Law on the Audit of Financial Statements of the Republic of Lithuania, and the Rules Regulating the Activities of Audit Committees approved by the Bank of Lithuania.

5.4.3. The audit committee should decide whether the participation of the chair of the management board, the manager of the company, the chief finance officer (or senior employees responsible for finance and accounting), the internal and external auditors in its meetings is required (and, if required, when). The committee should be entitled, when needed, to meet the relevant persons without members of the management bodies present.	Yes	The audit committee is free to choose who to invite to its meetings, or to meet without inviting anyone to the meeting. The participation of members of the management bodies is only possible at the direction of the audit committee. Since there is one employee of the Company on the audit committee, the committee may, if necessary, arrange a meeting with the necessary employee of the Company without members of the management bodies present. The committee is free to decide on meetings with other necessary persons (not employees) and acts independently. See also answer to 5.1.1.
5.4.4. The audit committee should be informed about the internal auditor's work program and should be furnished with internal audit reports or periodic summaries. The audit committee should also be informed about the work program of external auditors and should receive from the audit firm a report describing all relationships between the independent audit firm and the company and its group.	Not applicable /Yes	The Company does not have any internal auditors. The audit committee is informed about the work program of external auditors and receives from the audit firm a report describing all relationships between the independent audit firm and the Company and its group.
5.4.5. The audit committee should examine whether the company complies with the applicable provisions regulating the possibility of lodging a complaint or reporting anonymously his/her suspicions of potential violations committed at the company and should also ensure that there is a procedure in place for proportionate and independent investigation of such issues and appropriate follow-up actions.	No	The procedure for reporting suspicions of potential violations committed at the Company is established and posted on the Company's website, as regulated by the Law on Whistleblower Protection. There is an internal channel for the proportionate and independent investigation of such issues and appropriate follow-up actions, and there are reporting rules in place (link below). In the rules, the audit committee is not designated as a supervisory body for compliance with the relevant provisions of the Company and has not done so thus far. More about reports: https://aprangagroup.lt/lt/investuotojams/bendroves-valdymas/apb-apranga-valdymo-principai#gdpr_taisykles
5.4.6. The audit committee should submit to the supervisory board or, where the supervisory board is not formed, to the management board its activity report at least once in every six months, at the time that annual and half-yearly reports are approved.	No	The committee is accountable to the Company's general meeting of shareholders. The committee submits an activity report to the general meeting of shareholders together with the complete set of financial statements submitted by the management board for approval.
Principle 6: Prevention and disclosure of conflicts of interest **The corporate governance framework should encourage members of the company's supervisory and management bodies to avoid conflicts of interest and ensure a transparent and effective mechanism of disclosure of conflicts of interest related to members of the supervisory and management bodies.**		
Any member of the company's supervisory and management body should avoid a situation where his/her personal interests are or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory or management body should, within a reasonable period of time, notify other members of the same body or the body of the company which elected him/her or the company's shareholders of such situation of a conflict of interest, indicate the nature of interests and, where possible, their value.	Yes	To the Company's knowledge, the members of the Company's management body avoid situations in which their personal interests are or may be in conflict with those of the Company. The members of the Company's management body are informed of their duty to report, within a reasonable period of time, such a conflict of interest to the other members of the same body, or to the body of the Company that elected them, or to the shareholders of the Company. This requirement, inter alia, is provided in the Company's Code of Ethics and Conduct (the Declaration of Interests form is in the coordination stage). More about avoiding conflict of interest: https://aprangagroup.lt/images/download/APRANGA_Etikos_ir_elgesio_kodeksas_2019.pdf
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		

7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	The company's remuneration policy should be approved at the Company's next annual general meeting of shareholders, as provided by the new version of the Law on Companies. After the remuneration policy is approved, it will be published as provided for by law. Its review will take place in accordance with statutory requirements.
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes	The remuneration policy is planned to be drafted and adopted in accordance with the requirements of the Law on Companies.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Not applicable	To date, the Company does not have any collegial bodies which perform supervisory functions. See answer to 2.1.1.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	Not applicable	The final text of the remuneration policy is not yet available.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	Not applicable	The final text of the remuneration policy is not yet available, and no financial incentive scheme, as defined by the Law on Markets in Financial Instruments, is applied at the Company.
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Not applicable	This will become applicable at least one year after the approval and publication of the remuneration policy, when its implementation can be evaluated.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	Approval of the remuneration policy or any major change of the policy is within the competence of the general meeting of shareholders.

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

Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*stakeholders*" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company respects the rights of different stakeholders and their rights entrenched in the laws.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company has never prohibited or restricted the right, and always strives to create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. For example, a work council has been formed at the Company which represents the interests of employees and participates in corporate governance within its competence.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	No	The company has a general procedure for reporting violations, see the answer to 5.4.5, as established by the Law on Whistleblower Protection. A supervisory body is not currently formed at the company (see answer to 2.1.1).
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	–	The information referred to below in this recommendation is disclosed in notifications of material events published through the Nasdaq Vilnius Information Disclosure System, the Company's website, and the Company's annual and interim information documents, to the extent required by legislation and the International Financial Reporting Standards applicable in the European Union. The information is also disclosed in presentations to investors by the manager and senior management of the Company.
9.1.1. operating and financial results of the company;	Yes	
9.1.2. objectives and non-financial information of the company;	Yes	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes/No	All information is published on the Company's website. Independent members are not singled out.

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

9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes/No	See the answer given in 5.1.5.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	
9.1.7. the company's transactions with related parties;	Yes	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes/No	Most of this information is disclosed in the Company's corporate social responsibility report (Annex 2).
9.1.9. structure and strategy of corporate governance;	Yes/No	The Company's governance structure and management principles are published on the Company's website and in its financial statements. One-year operational plans are publicly disclosed.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	Information is disclosed about the Company and the consolidated results of its daughter companies.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	All information is on the Company's website; also see the answers to 3.2.2 and 7.1.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	All information is disclosed as provided for in 9.1 and related answers; no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information is disclosed to all parties concerned at the same time. Information is disclosed in accordance with the applicable legislation of the Republic of Lithuania. The Company makes information publicly available through the Nasdaq Vilnius Information Disclosure System, thus ensuring simultaneous disclosure to investors. Information is also immediately placed in the Central Storage Facility. Notifications of material events are disclosed in Lithuanian and English, before or after the Nasdaq Vilnius Stock Exchange trading session. The Company also publishes the information published through the Nasdaq Vilnius Information Disclosure System

		and placed in the Central Storage Facility on the Company's designated investor website http://apranga.lt/lt/investuotojams, where the information is presented in Lithuanian and English.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	An independent audit firm audits the complete set of consolidated financial statements for the Company and its group of companies in accordance with the International Financial Reporting Standards applicable in the European Union. The audit firm also performs an audit of the annual report.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The audit firm is proposed to the general meeting of shareholders by the Company's management board.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Not applicable	The Company's audit firm did not provide non-audit services to the Company during the reporting year and did not receive remuneration from the Company for this.

APRANGA

GROUP

SOCIAL RESPONSIBILITY 2019

TABLE OF CONTENT

1.

ABOUT APRANGA GROUP

Apranga Group is the retail clothing leader in the Baltic States. Every year, we set the highest goals for ourselves, so we understand that our commitments and responsibility to our employees, customers, shareholders, the public and the environment around us are growing every year as well.

Respect for people and the environment is the most important part of the future of our business. Our goal is to give people the joy of dressing up, and in doing so we want to create a better environment, so we are seriously committed to following a policy of sustainability, acting honestly, and adhering to high standards of business ethics in our activities. Last year, we went even further to ensure that our commitments are met and that we live up to the expectations of our employees and customers.

We strive to ensure efficient management of our sales network by implementing cutting-edge technology and making decisions that enable us to contribute to preserving our world for future generations.

OUR CORE VALUES:

HONESTY

TRANSPARENCY

RESPONSIBILITY

These form the foundation that we are building the Apranga Group of the future on.

Fashion is not only our passion, but also a commitment to ensuring that Apranga Group's relationships with all stakeholders are friendly, transparent and based on trust.

Going into 2019, we knew that it wasn't going to be just another year. We had set ourselves very high goals and planned work that we wanted to be proud of. Now that the year is over, I am happy to say that I am working with the most professional and motivated team I have ever worked with.

Not only were we able to accomplish all of our goals – we also achieved record results, further strengthening our position throughout the Baltic States.

Just as fashion moves in a circle, so does business, and that is why the decisions made yesterday or today have an impact on what kind of tomorrow we will all have. Apranga Group strives not only to be the retail clothing leader in the Baltic States, but also to be an example of how the fashion industry can help change the environment around us.

We accomplished many goals last year, including record expansion of the network by opening 38 new or refurbished stores. At every step, we thought about the future – the impact of our actions and ways that we can contribute to fostering communities and the environment. We set goals on how to contribute to reducing social exclusion, ensuring a healthy lifestyle and equal rights, and preserving natural resources through the implementation of socially responsible policy.

In facing new challenges, we want all of our employees to feel like they are a part of the Apranga Group family and to take pride in our joint achievements. We believe that Apranga's values also contribute to the growth of a better and more equal society.

Apranga Group General Director
Rimantas Perveneckas

	2019	2018
	186 STORES	182 STORES
	200 BRANDS	200 BRANDS
	3 COUNTRIES	3 COUNTRIES
	2367 EMPLOYEES	2174 EMPLOYEES
	EUR 248 MILLION TURNOVER OF THE GROUP	EUR 227 MILLION TURNOVER OF THE GROUP

The business model for the Apranga Group (hereinafter – the Group) did not change last year. The Group consists of the main company, APB Apranga, which is established and operating in Lithuania, as well as 25 subsidiaries (one more than in 2018) established in Lithuania, Latvia and Estonia. Apranga HLV SIA, which is the Zara Home store operator in Latvia, was established in 2019. The Group does not have any associated companies that participate in its management. The core business of all of the Group's companies is the retail sale of clothing. The main company, APB Apranga, has been listed on the Nasdaq Vilnius Stock Exchange since 1997. The company has been on the Baltic Main List since 2005.

APB Apranga is a member of the following organisations: Association of Lithuanian Trade Enterprises (ALTE), Lithuanian Business Confederation (LBC).

THE SUBSIDIARIES ARE DIVIDED INTO TWO GROUPS:

23
COMPANIES

(the operators of Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Zara Home in each of the three Baltic States, and of Oysho/Uterqüe in Lithuania and Latvia) which represent a specific brand and operate under franchise agreements concluded with one of the largest clothing suppliers in the world – Inditex Group (hereinafter – franchisees);

2
COMPANIES

(SIA Apranga, OÜ Apranga) which operate outside of franchise agreements or with a relatively small number of franchise agreements (hereinafter – non-franchise companies).

Franchisees are supplied with goods by the Inditex Group. SIA Apranga and OÜ Apranga, non-franchise companies which operate in the Latvian and Estonian markets, are supplied by APB Apranga (with rare exceptions when goods are delivered to SIA Apranga and OÜ Apranga directly from the suppliers).

The non-franchise companies sell goods on the Latvian and Estonian markets, while APB Apranga sells the goods itself in Lithuania. Over the past year, the operating model of the subsidiaries has not changed.

The Group's sales revenue includes revenue from the retail chain (186 stores in Lithuania, Latvia and Estonia) and revenue from online sales. As in previous years, more than 95% of sales revenue comes from sales in specialised clothing stores. The remaining sales revenue comes from footwear and household goods sales in the corresponding specialised stores.

Essential business functions and management are concentrated at the main company, APB Apranga. The subsidiaries only carry out a small part of the functions and employ a minimum number of administrative personnel. Meanwhile, APB Apranga employs an absolute majority of the Group's administrative staff and all logistics and warehouse staff.

APB APRANGA		
LITHUANIA	LATVIA	ESTONIA
	SIA Apranga	OÜ Apranga
UAB Apranga LT	SIA Apranga LV	OÜ Apranga Estonia
UAB Apranga BPB LT	SIA Apranga BPB LV	OÜ Apranga BEE
UAB Apranga PLT	SIA Apranga PLV	OÜ Apranga PB Trade
UAB Apranga SLT	SIA Apranga SLV	OÜ Apranga ST Retail
UAB Apranga MLT	SIA Apranga MLV	OÜ Apranga MDE
UAB Apranga HLT	SIA Apranga HLV	OÜ Apranga HEST
UAB Apranga OLT	SIA Apranga OLV	
UAB Apranga Ecom LT	SIA Apranga Ecom LV	OÜ Apranga Ecom EE

In carrying out its activities and committing to socially responsible behaviour, the Group follows four guiding principles. We apply them inextricably with one another, understanding that the position of market leader comes with additional responsibilities and obligations. These are the fundamental principles defining all activities and areas related to the Group and all stakeholders. They are long-term principles, but are reviewed and evaluated on an annual basis, and may be adjusted to reflect changing circumstances and major issues, such as fashion sustainability or environmental initiatives.

DECISIONS

We never compromise on those decisions that will affect welfare of our employees and society or produce an impact on the environment

IMPLEMENTATION

In selecting our partners, we assume responsibility for striving for sustainable development. We are market leaders that seek to use our advantages in promoting changes for a better future.

RESULTS

We are open - we wish to learn from our best practices and share our knowledge.

IMPACT

We seek to create best working and service conditions in our stores. With our employees and customers in mind, we choose optimality and highest European standards of technologies and innovation.

We are a part of the societies in which we operate and want to grow and improve together. Only by openly declaring our aspirations and commitments will we understand each other properly and be able to learn from each other. We understand that only decisions based on mutual respect and the ability to listen will help build a cohesive society, conserve natural resources and improve working conditions.

Risk is an integral part of business development. By planning responsibly and learning from our own experiences and best practices, we are increasing our efforts every year to avoid and manage risks which could affect the results and expectations of the public, customers, employees and shareholders. The Group faces a variety of risks in its operations (regulatory, business, investment, market, supply chain, competition, cyclical, macroeconomic, etc.). The risks associated with climate change and changes in weather patterns are increasing every year, directly impacting business development as well as the environment around us and the diversity of nature and wildlife.

Risk identification, prevention and preparation for problem solving help us fulfil our responsibilities to our employees and customers. We make decisions responsibly in order to manage the threats that are emerging today, as well as to plan ahead so that we can avoid threatening consequences and prevent obstacles to implementing responsible business policies and honouring our commitments.

ECONOMIC RISK

The Group operates in open economies that are highly dependent on external factors related to the entire economy of the community (the European Union). As we predicted, the Baltic States maintained sustainable growth in 2019 which even surpassed expert expectations. Based on analytical forecasts, we expect a similar scenario in 2020, but with less chance that the real economic situation will be even more optimistic than already anticipated. In anticipating potential risks, we are looking at the effects of the withdrawal of the United Kingdom from the European Union, the prospects for growth in major global economies, and regional risks that could affect us or third countries. We do this so that we can make sure that we meet our commitments, regardless of potential changes and economic challenges.

RISKS RELATED TO PARTNERS AND ACTIVITIES

The Group declares its commitments openly and honestly to its suppliers and partners and expects them not only to respect fundamental human rights principles, but also to be fair to their employees, adhere to environmental standards, and respect the societies of the countries where they operate. The Code of Ethics and Conduct that the Group adopted last year ensures that we strive for our partners to also uphold the values that are important to us and behave honestly and responsibly. The Group is prepared to respond to ensure the best interests of its employees and customers in view of the potential risks associated with third parties with which the Group has business relationships.

COMPETITION RISK

As the market leader, the Group openly declares its commitment to continue and promote socially responsible business policies that are not influenced by adverse competitive practices or increased competition in the retail clothing market. In order to manage potential risks and meet the requirements for the quality of services provided, the Group is developing and modernising its retail chain in accordance with market needs, continuously improving sales and marketing strategies, conducting market research, continuously improving customer service, periodically optimising operational processes, and looking for ways to reduce costs. In its activities, Apranga Group complies with the principles of transparency and fair competition. We are open to working with our competitors to find solutions for how to contribute to global climate change mitigation and other environmental initiatives. We respect our competitors.

RISKS RELATED TO EMPLOYEES

One of the most pressing threats to economic growth in the Baltic States is the tension in the labour markets related to staff shortages, relatively low unemployment, and rapidly growing remuneration. Apranga Group has identified the employee-related risks in all of the markets it operates in, and takes these risks into account when developing its strategic directions.

RISKS RELATED TO EMPLOYEES:

- recruiting employees;
- smooth integration into work processes;
- retaining employees, reducing turnover;
- increasing employee satisfaction.

Our guiding principle is mutual respect and fulfilment of obligations. We value our employees and make every effort to evaluate their contribution to the prosperity of the company. In 2019, unemployment continued to decline, while the average salary increased and the minimum wage grew in individual markets – all this also led to growing employee expectations. In view of this, the Group continued to actively strengthen employee relations by emphasising fringe benefits and career opportunities for current and future employees, encouraging mother and fathers to return to the labour market after parental leave, and increasing the remuneration budget.

The Company is continuing its successful employee performance evaluation and training system. It is now being used from the moment the employee begins work. New employees are given mentors and first-week assignments; achievements are evaluated and surveys are conducted. Based on their results, problems are identified and work is done with the employee to find the most effective solution. We offer a variety of training programmes for employees who have been with us longer, and involve our most experienced employees in the process as mentors so they can share their knowledge with their colleagues. More about training programmes, both in terms introducing employees into the team and promoting improvement, can be found in the Competence Development section.

2.

COMPANY EMPLOYEES

It is our fundamental conviction that our long-term success depends on our employees. In its activities, Apranga Group does not tolerate violations of human rights, provides equal working conditions regardless of nationality, gender, race, religion or political beliefs, has a fair and transparent remuneration policy, and complies with the laws governing the duration of working time. The company creates opportunities for individuals of all ages and educational and professional backgrounds to become employed and succeed.

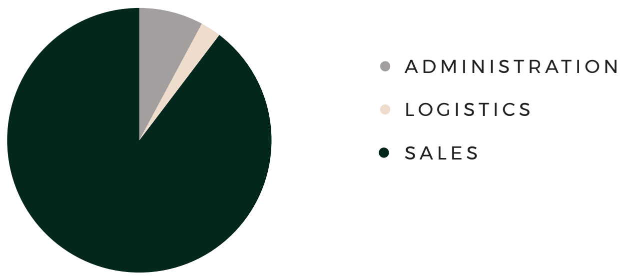
Over the past year, the number of Apranga Group employees increased. Compared to 2018, there was also an increase in the employee turnover rate, mainly due to the increasing tension in the labour market because of the growing employment rate of the working age population, as hiring went up in all of the Baltic States.

In order to more quickly identify the reasons for employee turnover, the Group conducts employee exit surveys, and we are very pleased that according to the surveys conducted, even employees leaving the company usually value their experience in the Group very much, and the needs of one of the largest groups of employees (students) related to vocational education or the nature of work are usually given as the main reason for leaving.

As of 31 December 2019, there were 2,367 employees working for Apranga Group in Lithuania, Latvia and Estonia. In 2019, the number of employees in the Group increased significantly, by almost 9%. This change is largely attributable to the Group's intensive expansion and new store openings; the total amount of retail space managed also increased last year, so the Group employed more sales staff.

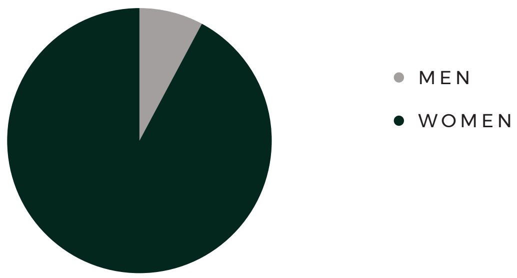
UNIT	NUMBER OF EMPLOYEES IN 2019	NUMBER OF EMPLOYEES IN 2018	CHANGE
ADMINISTRATION	187	172	+15
LOGISTICS	62	58	+4
SALES	2 118	1 944	+174
TOTAL	**2 367**	**2 174**	**+193**

Figure 1
Distribution
of employees
by unit in 2019



92% of the Group's employees are women, while 8% are men. The ratio remained similar to last year, when it was 93% women and 7% men, and has hardly changed for several consecutive years. The gender distribution among store managers is similar. Of the 186 store directors, 11 are men and 175 are women. This represents 6% and 94%, respectively. Gender distribution within the directorate (the directors of the main divisions and the general director) is nearly balanced, with four women and three men.

Figure 2
Distribution
of employees
by gender in 2019



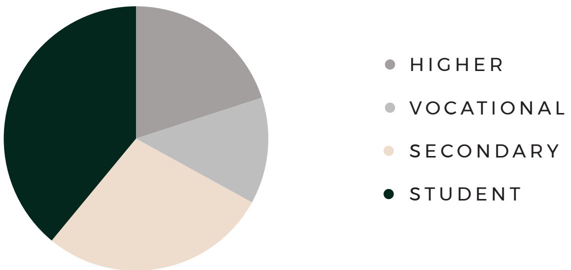
The average age of employees within the Group is 25 years and 10 months, which is virtually the same as in 2018. The bulk of employees – approximately 67% – work in Apranga Group stores as sales consultants, visual merchandisers and sales experts. The Group regularly carries out mandatory occupational risk assessments to ensure safe and healthy workplaces for employees. Seminars on stress management and wellness are organised as well. Health checks are conducted regularly, and a flu shot programme is available for employees who are interested.

Last year, 240 employees took advantage of the free flu shot programme, and 100 employees took advantage of the free eye tests. Approximately 100 administrative employees and 140 store employees took advantage of the free flu shot programme.

As of 31 December 2019, the number of Group employees by education level was:

EDUCATION	NUMBER OF GROUP EMPLOYEES IN 2019	NUMBER OF GROUP EMPLOYEES IN 2018	CHANGE
HIGHER	462	515	-10 %
VOCATIONAL	314	346	+10 %
SECONDARY	673	304	+121 %
STUDENT	918	1 009	-9 %
TOTAL	**2 367**	**2 174**	**+9 %**

Figure 3
Number of employees by education level in 2019



It is important for us that our employees perform their duties professionally, but that they also feel like they are part of the Group and are able to realise their professional and creative potential. In both administration and sales, we implement training programmes where employees can develop professionally and gain knowledge from colleagues and external specialists. We invest in the health and well-being of our employees, and we also provide opportunities to choose working time and workload, where possible.

We strive to create a friendly working environment that contributes to open communication. We employ a lot of different people so that there is mutual agreement among employees, and in the retail network, we are able to ensure work schedule selection both on weekdays and during later hours or weekends. According to the specifics of our activities, which are also determined by shopping centre working hours, we strive to offer our employees the opportunity to coordinate their schedules with their personal and family needs, full-time studies or vocational education and training. We have noticed that the Group has an increasing number of people of all ages who coordinate work with other activities, whether it is studies, vocational education and training or something else.

Administrative staff are also given the opportunity to choose when they begin and end their workday, and to coordinate their hours with their current needs. Pleased with the staff's overwhelming response, we will be continuing the system where administrative employees are provided with additional opportunities to adjust their work schedules in summer so that they can choose when they begin and end their workday and set their own work intensity in order to shorten the workday on Fridays. These arrangements are expected to continue, and we will also look for new opportunities to apply flexible work scheduling principles in positions where this would create added value.

At the Most Attractive Employer 2018 awards in Lithuania, APB Apranga came in second in the Retail Sale of Clothing in Specialised Stores category. The awards selection process was changed last year, combining large and small businesses into a single rating, so it is impossible to compare results for 2018 and 2019. Two years ago, companies with fewer than 250 employees were rated in a separate category. APB Apranga was ranked 59th among companies in the retail sector.

For the awards, companies were ranked according to indicators over 2018 and year-on-year growth: sales revenue, sales revenue growth, pre-tax profit, pre-tax profit growth, profitability, and remuneration compared to that offered by companies engaged in the same activity.

APB Apranga came in 528th in the overall ranking of Lithuanian companies.

At the TOP Employer awards held in Estonia, OÜ Apranga came in an impressive 15th place in 2019.

The company has continued its tradition of promoting long-term horizontal and vertical career growth and developing talents. What is particularly gratifying is the stable figure that has held on for a number of years, showing that 95% of store managers started their careers as sales consultants or in a similar position. We see this as our strength, which contributes to the development and training of young talents entering the labour market.

The long-term stability of this indicator shows that employee turnover, which is partly an integral part of our business due to the young age of our employees, is not interfering with work processes, and the Group almost always has talented employees on hand who are ready to fill positions requiring more skills and responsibility. Talent development and smooth management of the employee turnover process within the Group is one of the top priorities of the HR department.

In 2019 the Group's total employee turnover was 105%:

COUNTRY	EMPLOYEE TURNOVER IN 2019	EMPLOYEE TURNOVER IN 2018	CHANGE
LITHUANIA	85%	83%	+2 %
LATVIA	109%	110%	-1 %
ESTONIA	175%	129%	+35 %
GROUP:	**105%**	**97%**	**+8 %**

Employee turnover has historically been highest at the Group's stores, and 2019 was no exception. At 26%, turnover in the administration grew last year – in addition to staff changes, this was also due to network expansion and the creation of new positions which were filled by hiring new employees or promoting existing ones.

In the Latvian and Lithuanian markets, employee turnover rates were broadly in line with long-term indicators, i.e. there were only minor changes. In Estonia, employee turnover was 35% higher than in 2018, which can be explained by the tense situation in the Estonian economy and labour market. The unemployment rate in Estonia is the lowest in the European Union, which has led to extremely high average wage growth and posed additional challenges in tackling the issue of employee turnover in Estonia.

The employee turnover rate at stores increased by eight percentage points to 115% in 2019, which was partly due to the intensive network development: managers of newly opened stores were first recruited from existing employees who were qualified for a higher position, and new sales consultants or other professionals were hired to take their places. When closing stores, some employees also chose not to continue their careers in the positions they were offered. Over 2019, employee turnover in the logistics sector remained broadly unchanged at 13%, which is one percentage point lower than in 2018.

We would also like to note that the overall employee turnover not only includes Group employees who were promoted over the year, but also ones who changed positions at a horizontal level by choosing to work in another city or store.

In order to better understand employees and know their expectations and the reasons for their decisions, we ask people who have decided to change their workplace to complete a questionnaire. Based on the findings, we draw conclusions and invest in solutions that improve working conditions for existing employees. Data also shows that employee turnover among students and younger people working within the Group is integral to the business model and the specifics of its operations – most of the younger employees who leave the company gives reasons which are based on the need to change their job in line with their education or profession.

UNIT	EMPLOYEE TURNOVER IN 2019	EMPLOYEE TURNOVER IN 2018
ADMINISTRATION	26%	17%
LOGISTICS	13%	14%
SALES	115%	107%

	ADMINISTRATION	LOGISTICS	SALES
2018	26%	13%	115%
2019	17%	14%	107%

When we need new employees, we give priority to existing employees, thus encouraging employee growth. If there are no candidates who meet the requirements within the company, then the recruitment is done outside of the company.

In evaluating labour market challenges and the specifics of our company operations, leading to new employees joining our ranks each year, some of whom have no work experience or are still in education, we focus on employee competence development, training and mentoring programmes. Our goal is to not only provide a job and train on the fundamental principles of it, but also to drive employee growth that benefits both the company and society.

Smooth employee integration helps to meet and mitigate the challenges raised by employee turnover and broaden opportunities for employees.

In 2019, the Group held 164 different employee trainings (30 sessions more than in 2018). In total, the trainings covered 38 different topics, while the average rating of the training obtained through surveys was 4.7 out of a possible five (the same as in 2018).

Thanks to the success of the idea of integrated training that covers a wider range of topics, the training programme was updated, leading to more training and recruitment in 2019. The training programme aims to achieve greater employee integration and greater familiarity with different aspects of company operations. The main purpose of the training programme update is to help employees discover their talents and notice their strengths.

164 TRAININGS

38 TOPICS

4,7/5 AVERAGE RATING

In order to improve our employees' knowledge, we continued the project, inviting the employees to train with professionals and external partners. We also included in-house experts in the training process, who shared valuable experiences with younger colleagues. Programme 'Aprenk mintis. Pokalbiai su profesionalais' (Dress Your Thoughts. Interviews with Professionals) generated even more interest and was more successful, with 16 sessions held last year or 25% more than in 2018.

The Training Academy of Apranga Group, founded three years ago, was also continued by employing in-house trainers, comprising colleagues working in the Group and having extensive professional and personal experience. Last year, five coaches gave 15 trainings to their colleagues and shared their experiences.

The project ‘Pasimatuok karjerą’ (Try a Career) continues to be very popular among employees, having attracted almost twice as many candidates this year. We are delighted with the growing number of employees who see their career at the Group and seek opportunities to gain more experience and take on new responsibilities. Growing interest in the project ‘Pasimatuok karjerą’ confirms that the Group can offer new challenges and opportunities for employees.

In 2019, 167 employees put their competencies to test, leading to the discovery of 97 new talents. Although the ratio of discovered talents to participants has dropped to 40%, their absolute number is twice as high as in 2018, while the number of successful participants has remained almost unchanged at around 60%. This is an achievement for our long-term corporate policy and dividends for our investment in employees.

2019	167 PARTICIPATED	97 NEW TALENTS	40% ADVANCED THEIR CAREERS
2018	90 PARTICIPATED	56 NEW TALENTS	60% ADVANCED THEIR CAREERS

We continue the initiative that aims to enable the children of employees over the age of 17 to try their hand at Apranga Group, thus facilitating their future career choices. A flexible work schedule is offered, which makes it easy to combine new responsibilities with studies. This project is an excellent opportunity to introduce employees’ families and their relatives with the Group and its activities.

Apranga Group understands the importance of family to the well-being of the society, thus in order to encourage mothers or fathers to return to the labour market following a parental leave, it is working to offer them flexible working arrangements that enable them to combine work with raising a child.

We are celebrating the third year of the project 'Apranga Ambasadoriai' (Ambassadors of Apranga) and we are delighted that the project is gaining interest, and the staff appreciates the opportunity to become public relations representatives for the Group. In 2019, eight employees were selected to represent the Group on social networks, in events and within the company. The project involved staff from all three Baltic countries, both from stores and from the administration.

The eight ambassadors participated in a photo-shoot and refined their knowledge of the company and its activities. By seizing the opportunity to go beyond their direct responsibilities, the ambassadors became acquainted with new professional fields and were given the opportunity to realise their undisclosed talents.

The Group's ambassadors also engaged in social projects and helped introduce other employees to the company's social activities.

In addition to being actively involved in their activities over the past year, the new Ambassadors came up with suggestions on how to make the project more productive and visible, generating the most benefit to the community as a whole.

We have prepared a comprehensive training programme for new employees in sales, logistics and administration. We regularly update and innovate in occupational safety to ensure the right of all employees to a safe working environment. We do not compromise in this area and do our utmost to have employees, clients and all third parties promote a safe and healthy work culture.

The staff is provided with safety training and informed about changes in safety legislation. We improve the qualification of those responsible to keep their knowledge up to date and to be sure that we have done our best to prevent any accidents.

Every year we pay more and more attention to the promotion of health and fitness culture among our employees, encourage our employees to choose an active and healthier lifestyle, carry out disease prevention programmes and offer free vaccinations against seasonal viral diseases.

In 2019, the Group recorded four accidents classified as minor. In each case, all necessary measures were taken to identify its causes, to prevent them and to take additional measures to avoid any future accidents. Compared to 2018, the number of accidents remained unchanged.

We remain committed to the principle that even a single accident is one too many, and we will continue to work actively to raise employee awareness and invest in a safe working environment.

3.

ANTI-CORRUPTION ACTIVITIES

In 2019, a Code of Ethics and Conduct was developed and published, binding on all Group employees. Also prepared and issued last year were the Whistleblowing Rules, which ensure anonymity for Whistleblowers and the obligation to act on potential breaches.

In implementing the requirements of the Whistleblowers Protection Law, which entered into force in Lithuania, the Group created anonymous trust communication channels for reporting potential breaches of law or other violations. No reports were received in 2019.

Regardless of any circumstances, should the actions taken by the employees contravene the Group's declared obligations, the Group undertakes to continue to comply with them and to seek to minimise any harm caused by the employee related to the companies by his intentional or unintentional acts.

In order to ensure transparency and publicity of its activities, Apranga Group is engaged in corruption prevention, aimed at preventing the occurrence and development of corruption in the activities of the Group and its companies. The company advocates transparent business, encouraging the public to pay attention to progressive and responsible businesses in Lithuania that creates proper working conditions.

The Group has zero tolerance for all forms of active and passive corruption and bribery, including promising, offering or settling by a payment or a gift to an intermediary, a business partner, an officer, a political party or any other third party for the purpose of bribing the recipient and/or the supplier to fail to duly perform its functions, duties, or decisions, and vice versa. The Group also advocates fair, transparent and direct communication with public authorities.

We promote fair intra-company business policies and transparent communication with customers, suppliers, contractors, subcontractors and other third parties. All procurements inside the company always follow the four-eye principle, preventing any fraudulent practices.

The risk of corruption within the company is also reduced by the existence of integrated internal control mechanisms and preventive training for employees to identify potential risk factors for corruption. The company carries out constant internal control of its activities and improves its operating procedures.

In 2019, 27 preventive trainings were held for Apranga Group employees, which focused on protecting tangible assets, defining the risks of corrupt practices, instructing on how to deal with and report potential cases of corruption. Specialised trainings on compliance were held for senior executives and heads of units to discuss the latest regulatory requirements and instruct on responsible behaviour in the face of any form of corruption.

In 2019, one case related to the protection of tangible assets within the Group companies was recorded, which was five times less than in 2018. As in the past, the principle of zero tolerance was applied to this single case. No other cases of corruption or bribery of any form were recorded.

4.

PROTECTION AND PRIVACY OF PERSONAL DATA

In accordance with the requirements of the General Data Protection Regulation (GDPR) of the European Union, we adhered to all of its provisions and paid extra attention to the training of staff on the processing and responsible use of personal data.

We prepared for the requirements of the Regulation even before they came into effect, but in order to ensure their effective application, we organised training for our employees in 2019, aimed at consolidating the principles of employee and customer data protection in our operations. We focused primarily on HR and IT specialists, for whom the processing of personal data is part of their daily job.

We also enshrined the fundamental principles of personal data protection in the new Code of Ethics and Conduct.

We process the personal data entrusted to us by our clients with great care and use it only for the purposes for which we have obtained their consent. In each country in which we operate, we adhere to the statutory principles of personal data protection.

All personal data processing rules were overseen by the Data Protection Officer, who is part of the Legal Department and enforces legal requirements.

In 2019, no incidents related to personal data protection or breaches of personal privacy were recorded.

We respect our customers and employees and thus process their personal data responsibly.

5.

ADDED VALUE FOR SHAREHOLDERS

For over 20 years, Apranga Group has set an example for companies already in the Nasdaq Baltic capital market or considering entering it. We have received multiple awards and are known for excellent communication with our shareholders. The company is a recognised leader in providing information to investors. The board of the company acts responsibly and ensures respect for the interests of all shareholders and application of good corporate governance practices as well as compliance with global best practices.

During 2019, a year of record investment and development, we succeeded at securing shareholder interests and growing our turnover and profit ratios. The company aims to create long-term shareholder value, openly share key information with investors, and create a better business environment in the countries where it operates.

APB Apranga allocates some of its profits to dividends, since annual dividends ensure investment stability and equity liquidity.

The majority stake in APB Apranga is owned by investment holding company MG Baltic Investment. Shareholders of the company who control over 5% of the votes at the General Meeting of Shareholders:

SHAREHOLDER	VOTING SHARE, %
MG BALTIC INVESTMENT, UAB	62,3
MINVISTA, UAB	11,6
SWEDBANK AS (ESTONIA) CLIENTS	6,7

6.

ADDED VALUE FOR THE SOCIETY

For more than two decades, we have been contributing to the creation of a better Lithuania; as our Group grows, our responsibility increases too, and Apranga Group understands and accepts its responsibility to create benefit for the society through its activities. We live and change together with the society, responding to the most pressing issues and seeking to contribute to their resolution. Our goal is not only to promote the country's economic growth, but also to foster a cultural and educational environment, while maintaining focus on fashion business sustainability and environmental protection.

THE GROUP'S MAIN AREAS OF SOCIAL RESPONSIBILITY ARE:

- Education of the younger generation;
- Helping socially vulnerable groups;
- Promotion of cultural activities;
- Sports and active lifestyle.

Apranga Group continued the programme on the promotion of physical activity in Lithuania and sponsorship of sports organisations, by providing support to Dalia Kutkaitė Artistic Gymnastics Academy and Capital Basketball School.

Support was provided to the Lithuanian Basketball League (LKL), which is the main national league, serving as a starting point for many Lithuanian basketball stars.

Retail chain City owned by Apranga Group successfully continued its cooperation with Kaunas Žalgiris organisation. We are honoured to be a partner and sponsor of the club and to contribute to the promotion of our country in Euroleague. City brand is the official pre-match outfit for home and away matches of Kaunas Žalgiris in Euroleague. In cooperation with the Kaunas team, we have selected suits for all players and coaches of the main team. The suits were individually tailored to each team member to best fit their needs. Second-team coaches were also supported.

We very much appreciate the cooperation with the team that has been cherishing the long-standing Lithuanian traditions and we are pleased to have the opportunity to contribute to its image building and pursuit of victories on the court.

Popular athletes often become role models for the younger generation, so we, as fashion lovers, are delighted to create an even stronger image of basketball players.

The Group also cooperates with various cultural initiatives, contributes to art, book and textbook publishing projects, and provides support to socially vulnerable groups. Among other things, the Group grants charity to individuals, orphanages and organisations.

In 2019, in cooperation with the project 'Vaikų svajonės' (Children's Dreams), we gave away warm jackets or coats to a hundred children as a Christmas gift. Every kid got the jacket he/she wanted the most. Employees of the Group who had no direct responsibility for the implementation of the project became involved in it. We invited willing employees to join the initiative and help pack clothes and prepare them for delivery to children.

Last year we also launched an initiative to celebrate the 1st of September. We contacted the charity and support fund 'SOS vaikų kaimai Lietuvoje' (SOS Children's Villages Lithuania) and offered to give away new uniforms to children about to start school 2019. For each child, we specially selected combinations of uniforms from the available range to match the school's rules as much as possible.

Last year we continued the support initiative in cooperation with the Vilnius College of Design. Collaboration with young developers has proven to be very effective, enabling us to make meaningful use of defective products that do not meet the manufacturer's quality requirements. Many of the clothes, accessories and shoes were used for educational purposes, while some of them were upcycled and became part of the fashion created by Lithuanian developers.

Thousands of products became a learning tool for young developers instead of turning into waste. They were used as materials for their ideas, experiments and bold improvisations, some of which will undoubtedly find their way into our stores eventually.

This cooperation not only allowed us to abandon the aimless disposal of non-marketable products and increasing the amount of waste, but also made it possible to contribute to the education of young professionals. We are pleased with the joint solution found together with Vilnius College of Design on how working together can help ensure a cleaner and safer environment for all of us and provide learning tools for students.

The company aims to not only introduce world-famous brands and make them accessible to the people within the Baltic region, but also promotes the growth of Lithuanian developers and the consumption of local production.

The company works with various Lithuanian textile manufacturers and cooperates in the introduction of Lithuanian designer collections at retail chains (2Ru2Ra, Babe Universe and Agnė Gilytė collection products unveiled last year).

In cooperation with the fashion show ‘Mados infekcija’ (Fashion Infection), in 2019 we supported young fashion talent competition ‘Injekcija’ (Injection). We are pleased to have had the opportunity not only to contribute to the project, but also to share our commercial experience through a Group representative participating in the tender evaluation process. We gave one of the prizewinners of 2018 the opportunity to realise his creative idea and designed employee uniforms based on his design.

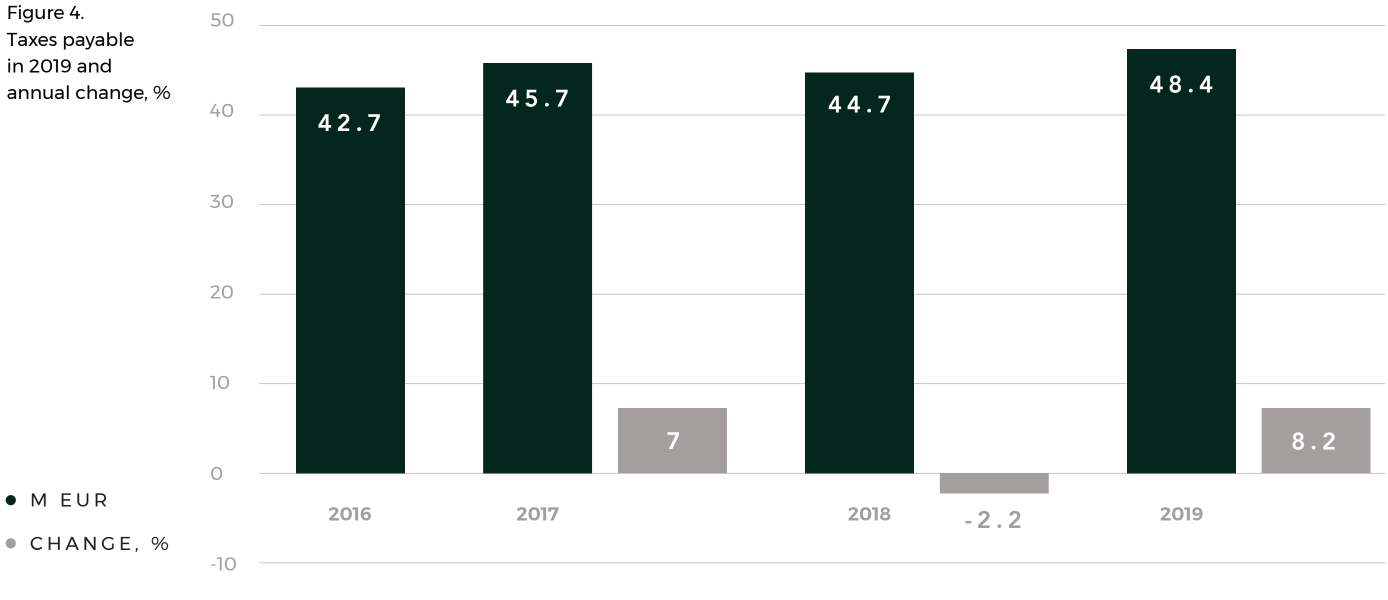
In 2017, Apranga allocated EUR 27,646 for support. In 2018, a total of EUR 26,141 was allocated for support. In 2019, we provided EUR 84,890 for support, which was more than 3 times the amount in 2018.

During 2019, the Group’s payables to the budget totalled EUR 48.4 million and were 8.2% higher than in 2018 (EUR 44.7 million). Higher payables to the budget were due to the Group’s higher turnover, increased number of employees and higher profit. In 2016, payables to the budget amounted to LTL 45.7 million.

In 2019, the employee payroll fund was increased. Salaries were increased in accordance with the results of the Group and the countries where it operates. Payroll fund for all employees grew by 7%. Salaries were raised for both the sales department and the administration. Decisions to increase salary were made on a case-by-case basis, based on the personal achievements of the employees, the performance of the stores and the time worked.

TAXES PAYABLE BY THE GROUP

Figure 4.
Taxes payable in 2019 and annual change, %



7.

ENVIRONMENTAL PROTECTION

Apranga Group takes responsibility for its activities effect on environment, acts in accordance with social responsibility and obeys to all laws.

Apranga Group applies high environmental standards to its daily operations. Last year, we also set ourselves high quality goals and sought to integrate high international sales standards in local markets. Responsible and sustainable business principles are integrated throughout the company's business processes.

The Group uses state-of-the-art technology in its activities and implements processes that meet environmental standards and help reduce the environmental impact, promote rational resource management and use, and is constantly seeking ways to reduce electricity costs in chain stores, the headquarters, and logistics warehouses.

Apranga Group in all cases supports ethical and transparent working environment, seeks to work with suppliers who supports ethical treatment of animals. The Group take in these criteria when forming an assortment of the stores and always seek for animal and environment friendly alternatives. Since 2020 "Apranga" and "Aprangos Galerija" stores does not sell real fur.

When opening new stores or refurbishing existing ones, we use only state-of-the-art technology that meets best environmental practices and standards. We adhere to them not only when choosing the equipment for the retail stores, but also during the installation process. All stores use energy-efficient LED bulbs that not only have a longer service life but also use less electricity. Spaces in the administration building are segmented to use the lighting as efficiently as possible and to have it only in those areas where employees are present.

When setting up new stores or refurbishing existing ones, we seek to use only those solutions that are safe for customers, employees and the environment, to implement commercial innovations that would save energy, and to look for state-of-the-art retail and architectural solutions.

In 2019, the Group's electricity consumption in all stores fell by 7.1 percent on average (kWh / sq. m). Electricity consumption per square meter of retail space decreased most in Latvia (12%), where large-scale chain development was implemented by replacing old stores with more efficient new ones or reconstructing them with the latest energy-saving technologies. Decreases in the average energy consumption per square meter were recorded in other countries too: 2.5% In Lithuania and 6.7% in Estonia.

Each year, we invest in increasingly sophisticated technologies that reduce the consumption of natural resources, and seek to contribute to their conservation. In developing the Group's chain of stores, we not only consider technological solutions but also educate our staff about the benefits and importance of saving.

All of the Group's stores located in supermarkets and many others located in the central parts of the city use only green energy produced from renewable energy sources. In each of them, the use of clean energy is ensured by a green energy certificate.

In refurbishing our stores, we seek to be guided by the principle that, regardless of the decisions we make, we must install technologies that reduce or at least do not increase resource consumption.

Because of our stance that we need to solve problems ourselves and build on the principles of sustainable business in our daily operations, we purposefully seek to eliminate the use of plastic bags and replace them with paper ones.

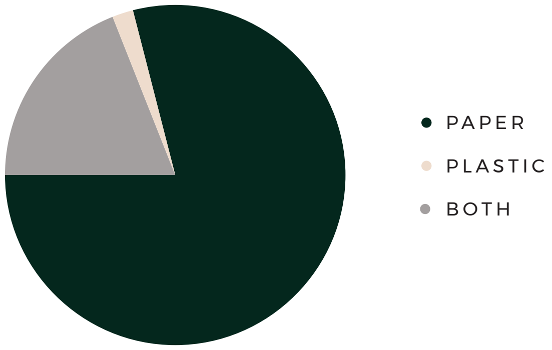
By 2019, more than half of the stores were using paper bags only, and last year we improved this figure to 79%. Only four of the 186 stores had a plastic bags only policy, which was a mere 2% of all the stores operated by the Group.

Last year, as many as 53 stores eliminated plastic bags, with the total number of stores reaching 145. We aim to eliminate the use of plastic bags in all Group stores as soon as possible.

The plastics used in the Group are accounted for accurately and we aim to achieve an absolute volume of zero kilograms per year in our Group operations.

TYPE OF BAGS	NUMBER OF STORES IN 2019	NUMBER OF STORES IN 2018	CHANGE	SHARE OF STORES IN THE GROUP IN 2018
PAPER	145	92	+53	79%
PLASTIC	4	34	-30	2%
BOTH	37	54	-17	19%
TOTAL	**186**	**182**		**100%**

Figure 5. Distribution of bags in stores in 2019



8.

INFORMATION ON THE NOTES TO THE REPORT

The Corporate Responsibility Report contains non-financial information of the Group to its stakeholders. The Report shall be drawn up once a year and accompanied by the annual performance results. The Report is publicly available on the company's website in Lithuanian and English. The Report has been drawn up in accordance with the requirements of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings and the European Commission guidelines on non-financial reporting. All comments and inquiries with regard to the Report can be emailed at **marketingas@apranga.lt**. No comments were received regarding the 2018 Corporate Social Responsibility Report.

APRANGA

GROUP