

# APRANGA

## G R O U P

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APB APRANGA The Consolidated Interim Report and  
Interim Consolidated Financial Statements  
For the Six months period ended 30 June 2019

(UNAUDITED)

## INFORMATION ABOUT COMPANY

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APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius

<b>NAME OF THE COMPANY</b>	Apranga APB
<b>LEGAL FORM</b>	Public limited liability company
<b>DATE OF REGISTRATION</b>	1 <sup>st</sup> March 1993
<b>CODE OF COMPANY</b>	121933274
<b>SHARE CAPITAL</b>	EUR 16 034 668.40
<b>REGISTERED OFFICE</b>	Ukmerges 362, LT-14311 Vilnius, Lithuania
<b>NAME OF REGISTER OF LEGAL ENTITIES</b>	Registrų centras VJ, Vilnius branch
<b>TELEPHONE NUMBER</b>	+370 5 239 08 08
<b>FAX NUMBER</b>	+370 5 239 08 00
<b>E-MAIL</b>	<a href="mailto:info@apranga.lt">info@apranga.lt</a>
<b>INTERNET ADDRESS</b>	<a href="http://www.aprangagroup.lt">www.aprangagroup.lt</a>
<b>MAIN ACTIVITIES</b>	Retail trade of apparel
<b>AUDITOR</b>	ERNST & YOUNG BALTIC UAB

## **T A B L E O F C O N T E N T**

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**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019**  
 (all tabular amounts are in EUR thousands unless otherwise stated)

## INTERIM CONSOLIDATED REPORT

### GENERAL INFORMATION

Interim consolidated report is prepared for the period January – June 2019.

Name of the Issuer:	APB Apranga
Legal form:	public limited liability company
Date and place of registration:	1993 03 01 Board of Vilnius City
Code of Enterprise:	121933274
Registered office:	Ukmerges str. 362, Vilnius, LT-14311, Lithuania
Telephone number:	+370 5 2390808
Fax number:	+370 5 2390800
E-mail address:	<a href="mailto:info@apranga.lt">info@apranga.lt</a>
Internet address:	<a href="http://aprangagroup.lt">http://aprangagroup.lt</a>

At 30 June 2019 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its wholly owned subsidiaries listed below. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Name	Country	Ownership interest in % 30 06 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 <sup>1</sup>	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%

<sup>1</sup> The Company directly owns 22.37% shares and indirectly through its subsidiary OU Apranga Estonia owns the rest 77.63% of shares.

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.

### OPERATING HIGHLIGHTS

The retail turnover (including VAT) of Apranga Group reached EUR 108.6 million in 1<sup>st</sup> half 2019 or by 7.3% more than in 1<sup>st</sup> half 2018. The highest growth rates were recorded in Lithuania (9.6%), when growth rates in Latvia and Estonia were 6.4% and 1.4%, respectively.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in Baltic States in 6 months 2019 was fastest growing in Lithuania (+7%). In Latvia and Estonia in the same period, the growth rate of retail trade was slightly slower and amounted to 4% and 5%, respectively. In 2<sup>nd</sup> quarter 2019, retail trade growth rates were practically identical to those of the first half-year (about 7% in Lithuania, 6% in Estonia, and 4% in Latvia). European Union (28 countries) retail trade in 1<sup>st</sup> half 2019 increased by 3% (i.e. slightly more than in the corresponding period of 2018, when it grew by 2%).

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The retail turnover of the Group's stores in first half of 2019 by countries was as follows (EUR thousand, VAT included):

Country	6 months 2019	6 months 2018	6 months 2017	2019/2018, %	2019/2017, %
Lithuania	64 485	58 862	58 393	9,6%	10,4%
Latvia	25 435	23 913	23 533	6,4%	8,1%
Estonia	18 719	18 469	17 347	1,4%	7,9%
<b>Total:</b>	<b>108 639</b>	<b>101 243</b>	<b>99 274</b>	<b>7,3%</b>	<b>9,4%</b>

The retail turnover of the Group's stores by countries during the second quarter of 2019 was (EUR thousand, VAT included):

Country	Q2 2019	Q2 2018	Q2 2017	2019/2018, %	2019/2017, %
Lithuania	33 974	32 025	30 167	6,1%	12,6%
Latvia	14 722	12 604	12 171	16,8%	21,0%
Estonia	10 153	10 055	9 094	1,0%	11,6%
<b>Total:</b>	<b>58 849</b>	<b>54 683</b>	<b>51 431</b>	<b>7,6%</b>	<b>14,4%</b>

The retail turnover of the Group's stores by chains in first half of 2019 was as follows (EUR thousand, VAT included):

Chain	6 months 2019	6 months 2018	6 months 2017	2019/2018, %	2019/2017, %
Economy <sup>1</sup>	14 190	14 064	13 926	0,9%	1,9%
Youth <sup>2</sup>	24 572	20 837	19 087	17,9%	28,7%
Footwear	3 302	3 155	2 922	4,7%	13,0%
Business <sup>3</sup>	18 845	17 397	17 915	8,3%	5,2%
Luxury <sup>4</sup>	10 477	10 032	10 692	4,4%	-2,0%
Zara	32 346	30 815	29 769	5,0%	8,7%
Outlets	4 907	4 943	4 963	-0,7%	-1,1%
<b>Total</b>	<b>108 639</b>	<b>101 243</b>	<b>99 274</b>	<b>7,3%</b>	<b>9,4%</b>

<sup>1</sup> Apranga, Promod, s.Oliver, Tom Tailor, Orsay;

<sup>2</sup> Aprangos galerija, Moskito, Mango, Bershka, Pull & Bear, Stradivarius, Desigual, Oysho;

<sup>3</sup> City, Massimo Dutti, Strellson, Marella, Pennyblack, Coccinelle, Tommy Hilfiger, Zara Home, Karen Millen, Calvin Klein Underwear;

<sup>4</sup> Burberry, Emporio Armani, Hugo Boss, Ermenegildo Zegna, MaxMara, Weekend MaxMara, A|X Armani Exchange, Marina Rinaldi, Mados linija, Nude, Sandro, Maje.

In 1st half 2019, Youth and Business chain's turnover increased mostly (respectively by 17.9%, and 8.3%). In the two-year period, highest increase was recorded by Youth chain (+28.7%).

In 6 months 2019, Apranga Group opened 16 stores (total area 10.5 thousand sq. m), renovated 6 stores (total area 2.3 thousand sq. m) and closed 9 stores (total area 3.1 thousand sq. m).

On 4<sup>th</sup> 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.

On 13<sup>th</sup> May 2019, the Group started online sales on a new e-commerce platform Souz.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.

The capital expenditure of the retail chain expansion amounted to EUR 6.8 million in first half 2019 (see Note 4 "Investments into non-current assets"). Investments (acquisitions) by segments are disclosed in Note 3 ("Segment information"). The Group is not engaged in activities related to research and experimental development, except to the extent of process improvement. Group uses the latest technology and the latest technology processes that meet environmental standards and help reduce the negative impact on the environment.

The number of stores by countries was as follows:

Country	30 06 2019	30 06 2018	30 06 2017	2019/2018, %	2019/2017, %
Lithuania	111	110	105	0,9%	5,7%
Latvia	49	44	47	11,4%	4,3%
Estonia	29	29	30	0,0%	-3,3%
<b>Total:</b>	<b>189</b>	<b>183</b>	<b>182</b>	<b>3,3%</b>	<b>3,8%</b>

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The number of stores by chains was as follows:

Chain	30 06 2019	30 06 2018	30 06 2017	2019/2018, %	2019/2017, %
Economy	33	36	34	-8,3%	-2,9%
Youth	48	45	46	6,7%	4,3%
Footwear	14	14	14	0,0%	0,0%
Business	45	40	40	12,5%	12,5%
Luxury	28	27	27	3,7%	3,7%
Zara	12	12	12	0,0%	0,0%
Outlets	9	9	9	0,0%	0,0%
<b>Total</b>	<b>189</b>	<b>183</b>	<b>182</b>	<b>3,3%</b>	<b>3,8%</b>

The total *sales area* operated by the Group has increased by 7.1% or by 6.0 thousand sq. m during the year period until 30 June 2019. In principle, the entire increase in sales area was due to the ongoing restructuring of the chain in Latvia and the opening of 11 new stores with an area of 8.5 thousand sq. m in the new Akropole shopping center in Riga in April 2019. Thus, the area of stores in Latvia compared to June 2018 increased by 26%.

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

Country	30 06 2019	30 06 2018	30 06 2017	2019/2018, %	2019/2017, %
Lithuania	50,0	50,1	49,3	-0,2%	1,5%
Latvia	25,2	20,0	20,8	26,1%	20,8%
Estonia	15,1	14,3	14,5	5,9%	4,0%
<b>Total:</b>	<b>90,4</b>	<b>84,4</b>	<b>84,7</b>	<b>7,1%</b>	<b>6,7%</b>

From 1 January 2019, the Company 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 6, IFRS 16 Leases.

The Group has earned EUR 3.7 million of *profit before income tax* in six months 2019, while profit before taxes amounted to EUR 2.7 million in six months of 2018 (the increase by 38.2%). The negative impact of IFRS 16 "Leases" on the Group's profit before tax amounted to EUR 285 thousand in H1 2019.

In second quarter the profit before income tax increased from EUR 3.9 million in 2018 to EUR 4.5 million in 2019 (+15.2%). The negative impact of IFRS 16 "Leases" on the Group's profit before tax amounted to EUR 145 thousand in Q2 2019.

*EBITDA* of the Group was EUR 13.2 million in six months 2019, and it was EUR 5.9 million in corresponding previous year period. The positive impact of IFRS 16 "Leases" on the Group's EBITDA ratio was EUR 6.4 million. EBITDA margin has increased from 7.1% to 14.7% during the year.

Main Group Indicators	6 months 2019	6 months 2018	6 months 2017
Net sales	89 840	83 237	80 757
Net sales in foreign markets	36 586	34 987	32 875
Like-for-like sales, %	4,5%	0,5%	1,0%
Gross profit	38 704	35 208	36 668
Gross margin, %	43,1%	42,3%	45,4%
Operating profit (loss)	4 061	2 668	5 189
Operating profit margin, %	4,5%	3,2%	6,4%
EBT	3 666	2 653	5 179
EBT margin, %	4,1%	3,2%	6,4%
Profit (loss) for the period	2 996	2 144	4 272
Profit for the period margin, %	3,3%	2,6%	5,3%
EBITDA	13 196	5 898	8 428
EBITDA margin, %	14,7%	7,1%	10,4%
Return on equity (end of the period), %	5,7%	4,2%	8,7%
Return on assets (end of the period), %	2,2%	3,0%	6,1%
Net debt to equity, %	121,2%	-3,5%	1,8%
Current ratio, times	1,4	2,4	2,2

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Main Group Indicators	Q2 2019	Q2 2018	Q2 2017
Net sales	48 682	44 920	41 873
Net sales in foreign markets	20 635	18 695	17 142
Like-for-like sales, %	1,7%	4,4%	0,0%
Gross profit	23 204	21 036	19 806
Gross margin, %	47,7%	46,8%	47,3%
Operating profit (loss)	4 686	3 904	2 969
Operating profit margin, %	9,6%	8,7%	7,1%
EBT	4 491	3 897	2 964
EBT margin, %	9,2%	8,7%	7,1%
Profit (loss) for the period	3 785	3 377	2 499
Profit for the period margin, %	7,8%	7,5%	6,0%
EBITDA	9 369	5 532	4 594
EBITDA margin, %	19,2%	12,3%	11,0%
Return on equity (end of the period), %	7,2%	6,6%	5,1%
Return on assets (end of the period), %	2,7%	4,7%	3,6%
Net debt to equity, %	121,2%	-3,5%	1,8%
Current ratio, times	1,4	2,4	2,2

The *operating expenses* of the Group totaled EUR 34.6 million in 6 months 2019 and increased by 6.5%, comparing to the same period 2018. Thus, operating expenses grew in line with sales, which grew by 7.9%. The Group had EUR 3.7 million of *debts to financial institutions* at the end of the reporting period (EUR 1.3 million at 30 June 2018). Debts to financial institutions increased due to higher investment in 2019.

Main Group Indicators	6 months 2019	6 months 2018	Change
Net sales	89 840	83 237	7,9%
Net sales in foreign markets	36 586	34 987	4,6%
Gross profit	38 704	35 208	9,9%
Operating (expenses)	(34 643)	(32 540)	6,5%
Operating profit (loss)	4 061	2 668	52,2%
EBT	3 666	2 653	38,2%
Profit (loss) for the period	2 996	2 144	39,7%
EBITDA	13 196	5 898	123,7%

Main Group Indicators	Q2 2019	Q2 2018	Change
Net sales	48 682	44 920	8,4%
Net sales in foreign markets	20 635	18 695	10,4%
Gross profit	23 204	21 036	10,3%
Operating (expenses)	(18 518)	(17 132)	8,1%
Operating profit (loss)	4 686	3 904	20,0%
EBT	4 491	3 897	15,2%
Profit (loss) for the period	3 785	3 377	12,1%
EBITDA	9 369	5 532	69,4%

The Group's *level of inventories* during the last 12 months grew by 1.8% to EUR 37.8 million. Company's inventories grew by 0.3%. Due to more efficient inventory management, the Group's inventories grew more slowly than turnover.

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The number of employees at 30 June 2019 and the average monthly salary by categories in 1<sup>st</sup> half 2019 were as follows:

Employee category	Group	Company	Group	Company
	Number of employees		Average monthly salary, EUR	
Administration	180	117	2 125	2 484
Stores' personnel	2 140	640	756	915
Logistics	58	58	1 175	1 175
<b>Total</b>	<b>2 378</b>	<b>815</b>	<b>874</b>	<b>1 164</b>

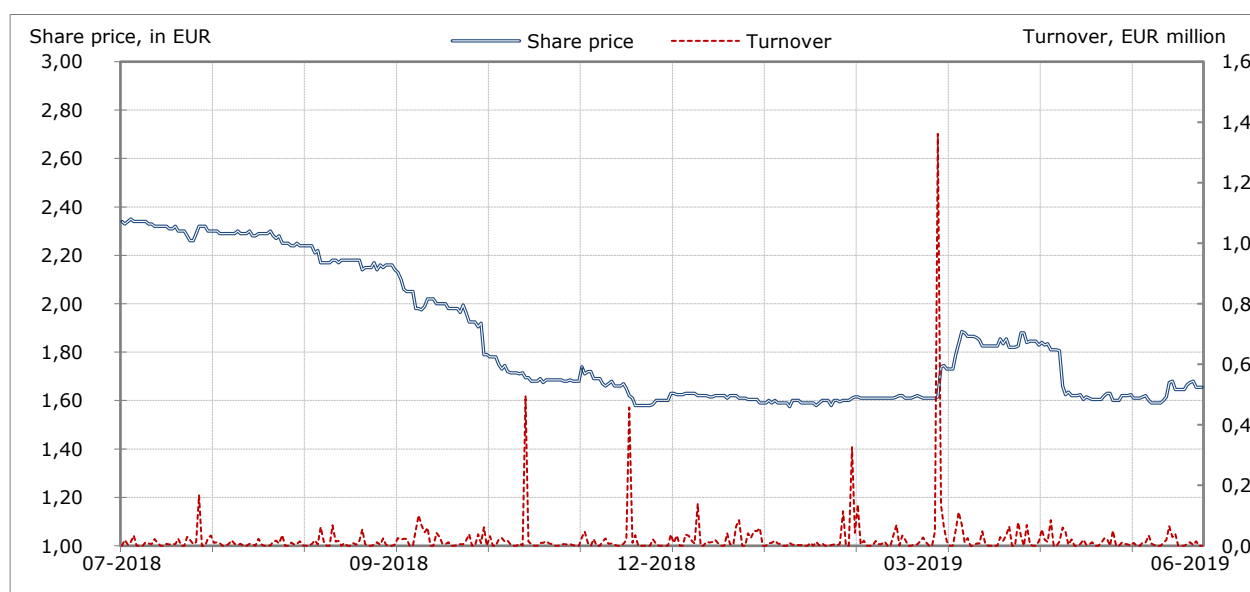
The number of employees during the year till 30 June 2019 in the Group has increased by 226 to 2 378 (+10.5%) and has increased in Company by 28 to 815 (+3.6%). During the second quarter 2019 the number of employees increased by 249 (+11.7%) in the Group, and by 14 (+1.7%) in the Company. The growth in the number of employees in the Group was mainly driven by the opening of 11 new stores in the new Akropole shopping center in Riga in early April 2019.

Education of employees by categories on 30 June 2019 was as follows:

Education level	Group	Company
Higher	451	261
Professional	285	104
Secondary	660	138
Primary	13	2
Student	969	310
<b>Total:</b>	<b>2 378</b>	<b>815</b>

The price of the Company share during 6 months 2019 increased by 3.4% from EUR 1.60 per share to EUR 1.66 per share. The maximum share price during the six months period was EUR 1.89 per share, minimum share price - EUR 1.60 per share. The market capitalization of the Company increased from EUR 88 million at the beginning of the year to EUR 92 million at the end of June 2019. The weighted average price of 1 share during the reporting period was EUR 1.65. Company's share turnover was EUR 4.9 million in 6 months 2019. The share price during the last 12 months decreased from EUR 2.34 to EUR 1.66 per share, or by 29.3%.

Apranga APB share price in 12 months period from 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019:





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## OPERATIONAL PLANS

Apranga Group plans to reach EUR 242.6 million turnover (including VAT) in 2019, or by 7.0% more than actual the year 2018 turnover.

In 2019 Apranga Group plans to renovate or open 35-40 stores. The net investment is planned to be about EUR 12-15 million.

## RISK MANAGEMENT

### Financial risk factors

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

The financial risks relate to the following financial instruments: trade receivables, cash and cash equivalents, trade and other payables, bonds and borrowings. The accounting policy with respect to these financial instruments is the same as it was in 2018.

### Credit risk

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with high credit ratings are accepted. Sales to wholesale customers are rare and immaterial; therefore, risk control only assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to retail customers are settled in cash or using major credit cards.

Company's credit risk arising from trade receivables from subsidiaries and loans to subsidiaries is managed by controlling financial performance of subsidiaries on a monthly basis.

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

### Liquidity risk

Liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

### Market risk

#### *Cash flow and fair value interest rate risk*

As the Group has no significant interest-bearing assets, its income and operating cash flows are substantially independent of changes in market interest rates. The Company has loans to subsidiaries with floating interest rates, but the cash flow risk is mitigated by applying the same variable element of interest rate on those loans as the banks are charging the Company.

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

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

Trade and other receivables and payables are interest-free and have settlement dates within one year.

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

Based on the simulations performed, management considers the impact on post-tax profit of a 0.5% shift in interest rates to be not material to the financial statements of the Group and the Company.

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#### *Foreign exchange risk*

The Company and the Group has a policy to synchronize the cash flows from expected sales in the future with the expected purchases and other expenses in each foreign currency. Substantially all the Group's payables and receivables are short-term and in addition revenues and expenses in foreign currencies are insignificant (less than 10%) as compared to those in Euro. At the moment the Company and the Group to some extent uses derivative financial instruments in order to control foreign currencies exchange risk. The use of derivative financial instruments is limited to forward foreign currency (US dollar) purchase transactions with maturities of less than 30 days.

The Group operates in Lithuania, Latvia and Estonia, and during the reporting period used Euro currency. Since Estonia, Latvia and Lithuania introduced the Euro (respectively, since 1st January 2011, 1st January 2014 and 1st January 2015), so there is no exchange rate fluctuations.

#### *Price risk*

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

#### Capital risk management

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

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

Pursuant to the Lithuanian Law on Companies the authorized share capital of a public limited liability company must be not less than EUR 40 thousand and of a private limited liability company must be not less than EUR 2.5 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 30 June 2019, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorized share capital of a private limited liability company must be not less than EUR 2.8 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 30 June 2019, all the Company's Latvian subsidiaries complied with these requirements.

Pursuant to the Estonian Commercial Code the authorized share capital of a private limited liability company must be not less than EUR 2.5 thousand. In addition, the shareholders' equity should not be lower than 50 per cent of the company's share capital. As at 30 June 2019, all the Company's Estonian subsidiaries (except Apranga OU) complied with these requirements. The Group management decided to increase the share capital of Apranga OU in order to comply with the statutory requirements.

In addition, the Group should comply with the financial covenants imposed in the agreements with SEB bankas AB and Luminor Bank AB. The Group and the Company followed the covenants as at 30 June 2019.

## **SECURITIES**

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

Each owner of the ordinary registered share has the following property rights:

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

Each owner of the ordinary registered share has the following non-property rights:

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- 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.

As of 30 June 2019, the Company had 3 003 shareholders. Company's shareholders that control over 5% votes in General Shareholder Meeting were as follows:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MC Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	34 442 189	62,3%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	5 942 826	10,7%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	3 670 992	6,6%

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

General Shareholders' Meeting has a right to amend the Articles of Association under the qualified majority of votes, which may not be less than 2/3 of all votes the shareholders attending at the Meeting, except for the exceptions specified by Law on Companies.

## CORPORATE GOVERNANCE

The management bodies of the Company are as follows: General Shareholders' Meeting, a collegial management body – Board, and a single-person management body – Manager of the Company.

Competence of *General Shareholders' Meeting* is the same as specified by the Law on Companies.

*The Board*, consisting of six members, is elected by General Shareholders' Meeting for a 4 year term. Company's Board members election and revocation procedure is the same as specified by Law on Companies.

Company's Board activity is conducted by chairman of the Board. The Board elects its chairman from among its members.

The Board continues in office for the period established in the Articles of Association or until a new Board is elected and assumes the office but not longer than until the annual General Shareholders' Meeting during the final year of its term of office.

Board of Company considers and approves:

- 1) The activity strategy of the Company;
- 2) The annual report of the Company;
- 3) The management structure of the Company and the positions of the employees;
- 4) The positions to which employees are recruited by competition;
- 5) Regulations of branches and representative offices of the Company.

The Board adopts the following resolutions:

- 1) Resolutions for the Company to become an incorporator or a member of other legal entities;
- 2) Resolutions to establish branches and representative offices of the Company;
- 3) Resolutions to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction);
- 4) Resolutions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated for the total amount of transactions);
- 5) Resolutions to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the share capital of the Company;
- 6) Resolutions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the share capital of the Company;
- 7) Resolutions to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
- 8) Resolutions regarding issuance of debenture of the Company (except issuance of convertible debenture);
- 9) Other resolutions within the competence of the Board as prescribed by the Articles of Association or the resolutions of the General Shareholders' Meeting.

The Board analyses and assesses the documents submitted by the Manager of the Company on:

- 1) The implementation of the activity strategy of the Company;
- 2) The organization of the activities of the Company;

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- 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 or more members of the Board. The resolution of the Board is adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Board shall have the casting vote. The member of the Board is not entitled to vote when the meeting of the Board discusses the issue related to his/her activities on the Board or the issue of his/her responsibility.

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

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

In his/her activities the Manager of the Company complies with laws and other legal acts, Articles of Association, General Shareholders' Meeting resolutions, Board resolutions, his/her job descriptions.

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

The Manager of the Company is responsible for:

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

The Manager of the Company organizes daily activities of the Company, hires and dismisses employees, concludes and terminates employment contracts with them, provides incentives and imposes penalties.

The Manager of the Company is responsible for preparation of the draft share subscription agreement and its data correctness. The Manager of the Company issues authorizations and procuration within the scope of its competence.

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

## BOARD OF THE COMPANY

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

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**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 40 385 015 shares, representing 73.04% of the share capital and votes.



**Rimantas Perveneckas**  
Member of the Board, General Director

Rimantas Perveneckas (born in 1960) - Apranga Group General Director, Member of Board of APB Apranga since 23 February 1993, in the Company since 1983. Education: Vilnius University, Faculty of Trade, specialization in Trade Economics. He has 800 770 shares of the Company, representing 1.45% of the share capital and votes.



**Ilona Šimkūnienė**  
Member of the Board, Purchasing Director

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



**Vidas Lazickas**  
Member of the Board

Vidas Lazickas (born in 1965) - Member of Board of APB Apranga since 29 April 2011. Education: Vilnius University, Faculty of Economics, specialization in Production Management and Organization He has 175 000 shares of the Company, representing 0.32% of the share capital and votes.



**Marijus Strončikas**  
Member of the Board

Marijus Strončikas (born in 1974) - Member of Board of APB Apranga since 30 April 2010. Education: Kaunas Technical University, Faculty of Informatics, master of IT Science. He has 4 450 shares of the Company, representing 0.01% of the share capital and votes.

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**Ramūnas Gaidamavičius**

Member of the Board, Development Director

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

## RELATED PARTY TRANSACTIONS

The Company's transactions with related parties are disclosed in Note 9 to interim consolidated and Company's financial statements.

## COMPLIANCE WITH THE GOVERNANCE CODE

In six months 2019, there were no essential changes related to Apranga APB report for year 2018 concerning the compliance with the Governance Code for the companies listed on the regulated market.

## PUBLICLY ANNOUNCED INFORMATION

During the period from the start of 2019 to 30<sup>th</sup> June 2019 Company publicly announced and broadcasted through Nasdaq Vilnius stock exchange information distribution system Globe Newswire and own webpage the following information:

Date	Title
02.01.2019	Turnover of Apranga Group in December 2018 and total year 2018
07.01.2019	Apranga Group's new office: a modern logistics centre built with attention to employees
01.02.2019	Turnover of Apranga Group in January 2019
28.02.2019	Apranga Group interim information for 12 months of 2018
01.03.2019	Turnover of Apranga Group in February 2019
21.03.2019	Establishment of subsidiary of Apranga APB in Latvia
28.03.2019	CORRECTION: Apranga Group investor's calendar for the year 2019
01.04.2019	Turnover of Apranga Group in March 2019 and 1st quarter 2019
04.04.2019	Shoppers in Riga will be the first to see what is new from Apranga Group
08.04.2019	Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 30th, 2019
08.04.2019	Notice of the Annual General Meeting of APB "APRANGA" shareholders
10.04.2019	CORRECTION: Notice of the Annual General Meeting of APB "APRANGA" shareholders
26.04.2019	Apranga Group interim report for three months of 2019
30.04.2019	Resolutions of the Annual General Meeting of Apranga APB shareholders
30.04.2019	Apranga APB annual information 2018
02.05.2019	Turnover of Apranga Group in April 2019
07.05.2019	Dividend payment ex-date of Apranga APB
13.05.2019	Apranga Group presents new brand and starts online sales on new platform Soulz
03.06.2019	Turnover of Apranga Group in May 2019

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

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## STATEMENTS OF COMPREHENSIVE INCOME

	Note	GROUP		COMPANY	
		6 months 2019	6 months 2018	6 months 2019	6 months 2018
Revenue from contracts with customers	7	89 840	-	37 430	-
Revenue	3	-	83 237	-	31 780
Cost of sales		(51 136)	(48 029)	(23 034)	(21 108)
<b>GROSS PROFIT</b>		<b>38 704</b>	<b>35 208</b>	<b>14 396</b>	<b>10 672</b>
Operating (expenses)		(34 716)	(32 817)	(13 524)	(12 781)
Other income		76	290	6 918	10 590
Net foreign exchange gain (loss)		(3)	(13)	(3)	(13)
<b>OPERATING PROFIT (LOSS)</b>		<b>4 061</b>	<b>2 668</b>	<b>7 787</b>	<b>8 468</b>
Finance income (costs)	6, 8	(395)	(15)	(177)	(15)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>3 666</b>	<b>2 653</b>	<b>7 610</b>	<b>8 453</b>
Income tax (expense)		(670)	(509)	125	(76)
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>3</b>	<b>2 996</b>	<b>2 144</b>	<b>7 735</b>	<b>8 377</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2 996</b>	<b>2 144</b>	<b>7 735</b>	<b>8 377</b>
Total comprehensive income attributable to:					
Owners of the Company		2 996	2 144	7 735	8 377
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share (in EUR)		0,05	0,04	0,14	0,15

	Note	GROUP		COMPANY	
		Q2 2019	Q2 2018	Q2 2019	Q2 2018
Revenue from contracts with customers	7	48 682	-	18 322	-
Revenue	3	-	44 920	-	16 035
Cost of sales		(25 478)	(23 884)	(10 207)	(9 862)
<b>GROSS PROFIT</b>		<b>23 204</b>	<b>21 036</b>	<b>8 115</b>	<b>6 173</b>
General and administrative expenses		(18 587)	(17 223)	(6 975)	(6 841)
Other income		64	110	6 906	9 494
Net foreign exchange gain (loss)		5	(19)	5	(19)
<b>OPERATING PROFIT (LOSS)</b>		<b>4 686</b>	<b>3 904</b>	<b>8 051</b>	<b>8 807</b>
Finance costs	6, 8	(195)	(7)	(81)	(7)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>4 491</b>	<b>3 897</b>	<b>7 970</b>	<b>8 800</b>
Income tax expense		(706)	(520)	152	53
<b>PROFIT (LOSS) FOR THE YEAR</b>	<b>3</b>	<b>3 785</b>	<b>3 377</b>	<b>8 122</b>	<b>8 853</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>3 785</b>	<b>3 377</b>	<b>8 122</b>	<b>8 853</b>
Total comprehensive income attributable to:					
Owners of the Company		3 785	3 377	8 122	8 853
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share (in EUR)		0,07	0,06	0,15	0,16

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## STATEMENTS OF FINANCIAL POSITION

ASSETS		GROUP		COMPANY	
ASSETS	Note	30 06 2019	31 12 2018	30 06 2019	31 12 2018
Property, plant and equipment	4	26 921	23 257	14 320	15 116
Intangible assets		235	166	216	165
Investments in subsidiaries	5	-	-	4 963	4 913
Prepayments		834	733	172	80
Trade and other receivables		8	8	8	8
Right of use the assets	6	62 951	-	28 807	-
Financial assets		2 000	2 000	2 000	2 000
<b>Total non-current assets</b>		<b>92 949</b>	<b>26 164</b>	<b>50 486</b>	<b>22 282</b>
<b>CURRENT ASSETS</b>					
Inventories		37 782	40 563	21 321	21 924
Financial assets		716	732	716	732
Prepayments		2 064	1 529	1 480	900
Trade and other receivables		2 001	2 916	13 216	9 798
Cash and cash equivalents		3 185	7 009	767	3 119
<b>Total current assets</b>		<b>45 748</b>	<b>52 749</b>	<b>37 500</b>	<b>36 473</b>
Non-current assets held for sale		190	190	190	190
<b>TOTAL ASSETS</b>	<b>3</b>	<b>138 887</b>	<b>79 103</b>	<b>88 176</b>	<b>58 945</b>
<b>EQUITY AND LIABILITIES</b>					
EQUITY		GROUP		COMPANY	
EQUITY	Note	30 06 2019	31 12 2018	30 06 2019	31 12 2018
Ordinary shares		16 035	16 035	16 035	16 035
Legal reserve		1 604	1 604	1 604	1 604
Foreign currency translation reserve		( 53)	( 53)	-	-
Retained earnings		34 986	39 178	29 760	29 213
<b>Total equity</b>		<b>52 572</b>	<b>56 764</b>	<b>47 399</b>	<b>46 852</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	8	650	800	650	800
Deferred tax liabilities		1 657	1 436	285	311
Financial lease liabilities	6	50 744	-	23 570	-
Non-current employee benefits		208	552	208	552
<b>Total non-current liabilities</b>		<b>53 259</b>	<b>2 788</b>	<b>24 713</b>	<b>1 663</b>
<b>CURRENT LIABILITIES</b>					
Borrowings	8	3 016	300	4 767	2 878
Financial lease liabilities	6	12 492	-	5 345	-
Current income tax liability		327	38	33	1
Trade and other payables		17 221	19 213	5 919	7 551
<b>Total current liabilities</b>		<b>33 056</b>	<b>19 551</b>	<b>16 064</b>	<b>10 430</b>
<b>Total liabilities</b>		<b>86 315</b>	<b>22 339</b>	<b>40 777</b>	<b>12 093</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>138 887</b>	<b>79 103</b>	<b>88 176</b>	<b>58 945</b>



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## 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
<b>Comprehensive income:</b>						
Profit for the 6 months 2018	3				2 144	2 144
<b>Total comprehensive income</b>		-	-	-	<b>2 144</b>	<b>2 144</b>
<b>Transactions with owners:</b>						
Dividends paid					(9 400)	(9 400)
Balance at 30 June 2018		16 035	1 604	( 53)	33 757	51 343
Balance at 1 January 2019		16 035	1 604	( 53)	39 178	56 764
<b>Comprehensive income:</b>						
Profit for the 6 months 2019	3				2 996	2 996
<b>Total comprehensive income</b>		-	-	-	<b>2 996</b>	<b>2 996</b>
<b>Transactions with owners:</b>						
Dividends paid	11				(7 188)	(7 188)
Balance at 30 June 2019		16 035	1 604	( 53)	34 986	52 572

COMPANY		Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2018		16 035	1 604	29 519	47 158
<b>Comprehensive income:</b>					
Profit for the 6 months 2018				8 377	8 377
<b>Total comprehensive income</b>		-	-	<b>8 377</b>	<b>8 377</b>
<b>Transactions with owners:</b>					
Dividends paid				(9 400)	(9 400)
Balance at 30 June 2018		16 035	1 604	28 496	46 135
Balance at 1 January 2019		16 035	1 604	29 213	46 852
<b>Comprehensive income:</b>					
Profit for the 6 months 2019				7 735	7 735
<b>Total comprehensive income</b>		-	-	<b>7 735</b>	<b>7 735</b>
<b>Transactions with owners:</b>					
Dividends paid	11			(7 188)	(7 188)
Balance at 30 June 2019		16 035	1 604	29 760	47 399

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## STATEMENTS OF CASH FLOW

OPERATING ACTIVITIES	Note	GROUP		COMPANY	
		6 months 2019	6 months 2018	6 months 2019	6 months 2018
Profit (loss) before income taxes		3 666	2 653	7 610	8 453
<b>ADJUSTMENTS FOR:</b>					
Depreciation and amortization	6	9 135	3 230	4 150	1 441
Impairment charge (reverse)		(21)	(21)	(21)	-
Change in allowances for slow-moving inventories		350	347	346	377
(Gain) on disposal of property, plant and equipment		(9)	-	(4)	-
Write-off of property, plant and equipment		41	43	35	39
Dividends income		-	-	(6 899)	(8 200)
Interest expenses (income)	6	395	(4)	177	(16)
<b>Total</b>		<b>13 557</b>	<b>6 248</b>	<b>5 394</b>	<b>2 094</b>
<b>CHANGES IN OPERATING ASSETS AND LIABILITIES:</b>					
Decrease (increase) in inventories		2 431	776	257	(1 463)
Decrease (increase) in receivables		295	2 565	(2 875)	5 451
Increase (decrease) in payables		(2 336)	68	(1 976)	442
<b>Cash generated from operations</b>		<b>13 947</b>	<b>9 657</b>	<b>800</b>	<b>6 524</b>
Income taxes paid		(160)	(869)	131	(588)
Interest paid	8	(30)	(15)	(30)	(15)
<b>Net cash from operating activities</b>		<b>13 757</b>	<b>8 773</b>	<b>901</b>	<b>5 921</b>
<b>INVESTING ACTIVITIES</b>					
Interest received		23	19	36	31
Dividends received		-	-	6 899	8 200
Loans granted		(26 050)	(27 500)	(36 984)	(13 025)
Loans repayments received		26 050	27 200	35 787	11 370
Purchases of PPE and intangible assets	4	(10 274)	(2 793)	(788)	(1 948)
Proceeds on disposal of PPE	4	3 435	205	4	3
Purchases of financial assets at fair value		-	(2 000)	-	(2 000)
Proceeds on disposal of financial assets at fair value		-	933	-	933
Investment in subsidiaries	5	-	-	(50)	(50)
<b>Net cash used in investing activities</b>		<b>(6 816)</b>	<b>(3 936)</b>	<b>4 904</b>	<b>3 514</b>
<b>FINANCING ACTIVITIES</b>					
Dividends paid	11	(7 188)	(9 400)	(7 188)	(9 400)
Proceeds from borrowings		2	-	24 848	21 036
Repayments of borrowings		(152)	(150)	(25 825)	(24 547)
Repayments of obligations under finance leases	6	(6 143)	-	(2 708)	-
<b>Net cash from financing activities</b>		<b>(13 481)</b>	<b>(9 550)</b>	<b>(10 873)</b>	<b>(12 911)</b>
<b>NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS</b>		<b>(6 540)</b>	<b>(4 713)</b>	<b>(5 068)</b>	<b>(3 476)</b>
<b>CASH AND BANK OVERDRAFTS:</b>					
<b>AT THE BEGINNING OF THE PERIOD</b>		<b>7 009</b>	<b>7 763</b>	<b>3 119</b>	<b>4 799</b>
<b>AT THE END OF THE PERIOD</b>		<b>469</b>	<b>3 050</b>	<b>(1 949)</b>	<b>1 323</b>

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## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. General information

APB Apranga, (hereinafter "the Company"), was incorporated and commenced its operations in March 1993. The Company's main office is situated in Ukmerges 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 30 June 2019 the Group consisted of the Company and 25 subsidiaries:

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

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The principle accounting policies applied in the preparation of Interim financial statements are the same to those applied in preparation of the Annual financial statements.

The financial statements for the period ended 30 June 2019 are not audited.

In the financial statements all figures are presented in thousands of euro, unless indicated otherwise.

### 3. Segment information

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

All financial information, including the measure of profit and total assets, is analyzed on a country basis. The segment information provided to the Directors for the reportable segments for the 6 months 2019 is as follows:

6 months 2019	Lithuania	Latvia	Estonia	Total	Inter- company elimina- tions	Total in consolidated financial statements
Total segment revenue	60 395	21 521	15 894	97 810	-	
Inter-segment revenue	(7 317)	( 533)	( 296)	(8 146)	-	
Revenue from external customers (note 7)	53 078	20 988	15 598	89 664	-	89 664
Gross margin	42,3%	43,9%	43,8%	43,0%		43,0%
Profit (loss) for the year	2 271	709	16	2 996	-	2 996
Total assets	106 051	24 206	22 830	153 087	(14 200)	138 887
Additions to non-current assets (other than financial instruments and prepayments for leases)	1 625	7 963	694	10 282	( 8)	10 274

6 months 2018	Lithuania	Latvia	Estonia	Total	Inter- company elimina- tions	Total in consolidated financial statements
Total segment revenue	54 836	20 045	15 694	90 575	-	
Inter-segment revenue	(6 586)	( 448)	( 304)	(7 338)	-	
Revenue from external customers	48 250	19 597	15 390	83 237	-	83 237
Gross margin	41,5%	43,2%	43,6%	42,3%		42,3%
Profit (loss) for the year	1 379	603	162	2 144	-	2 144
Total assets	62 308	10 609	9 489	82 406	(10 442)	71 964
Additions to non-current assets (other than financial instruments and prepayments for leases)	2 497	161	135	2 793	-	2 793

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#### 4. Investments into non-current assets

Net investments of the Group amounted to EUR 6.8 million in 6 months 2019. The Company's investments have reached EUR 0.8 million, daughter companies – EUR 6.0 million.

#### 5. Investments into subsidiaries

In March 2019, the Company established a subsidiary SIA APRANGA HLV, which will operate Zara Home stores in Latvia. The share capital of the subsidiary is EUR 50 thousand. All shares have been fully paid in cash. The Company controls 100% of the subsidiary's capital and voting rights.

#### 6. IFRS 16 "Leases"

New IFRS 16 "Leases" is effective for annual periods beginning on 1 January 2019. The Group and the Company apply the new standard using the modified retrospective approach, which means that comparative figures are not restated. IFRS 16 has a significant impact on the Group's and the Company's Statements of financial position and moderate impact on Statement of comprehensive income.

The impact on the Statement of financial position (increase / (decrease)) as of 30 June 2019:

	GROUP	COMPANY
ASSETS:		
Right of use the assets	62 951	28 807
NON-CURRENT LIABILITIES:		
Financial lease liabilities	50 744	23 568
CURRENT LIABILITIES:		
Financial lease liabilities	12 492	5 345
Impact on Equity	( 285)	( 106)

The impact on the Statement of comprehensive income (increase / (decrease)) for H1 2019:

	GROUP	COMPANY
Depreciation expenses	6 040	2 631
Rent expenses	(6 143)	(2 708)
OPERATING PROFIT	103	77
Finance costs	388	183
PROFIT FOR THE YEAR	( 285)	( 106)

#### 7. Income

For the H1 2019 revenue from contracts with customers consisted of the following:

	GROUP		COMPANY	
	6 months 2019	6 months 2018	6 months 2019	6 months 2018
Stores income	89 664	-	28 064	-
Wholesale income	-	-	6 952	-
Management fees	-	-	2 319	-
Gain from disposal of fixed assets, net	9	-	4	-
Other income	167	-	91	-
Total revenue from contracts with customers	89 840	-	37 430	-

#### 8. Borrowings

In August and November 2017, the Company and SEB bank signed the amendments to the previously concluded credit line agreement. According to these amendments, the earlier credit line of EUR 20 500 thousand was reduced to EUR 20 000 thousand, and together a new long-term EUR 1 500 thousand business credit was issued. Credit repayment terms, respectively, 30 November 2019 and 23 August 2022. The interests are paid for the amount used, and the interest rate is calculated as 1-3 months EURIBOR plus margin. There is fixed interest rate set for amount used for the issuance of guarantees and letters of credit.

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In June 2019, the Company and LUMINOR bank signed two new financial liability limit agreements, which replaced the previous financial liability limit agreement. Under the new agreements, the financial liability limits are EUR 10 000 thousand and EUR 5 000 thousand, respectively. Limits expires on 30 June 2020. For the drawdown amount of the overdraft a floating interest rate calculated as the 1-month EURIBOR plus margin is being paid. There is fixed interest rate set for amount used for the issuance of guarantees.

### 9. Related party transactions

The Company's and the Group's transactions with related parties and balances arising from these transactions as of 30 June 2019 were as follows:

Related parties	Accounts payable		Accounts receivable and loans granted		Income received		Purchases	
	2019	2018	2019	2018	2019	2018	2019	2018
UAB Koncernas MG Baltic (the ultimate parent company)	11	21	-	-	-	-	58	85
<b>As per ultimate parent company associated companies:</b>								
UAB Mineraliniai vandenys	-	-	-	-	-	-	8	7
UAB MG Baltic Investment	5	5	-	-	-	-	26	26
UAB Palangos Varūna	-	-	242	225	-	-	-	-
LNK Group	-	-	4	6	6	7	7	6
UAB Eminta	84	-	-	-	-	-	414	-
UAB MGVTV	-	-	-	-	-	-	2	-
<b>Total</b>	<b>100</b>	<b>26</b>	<b>246</b>	<b>231</b>	<b>6</b>	<b>7</b>	<b>515</b>	<b>124</b>

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

The Company's transactions with subsidiaries and balances arising from these transactions as of 30 June 2019 were as follows:

Subsidiaries	Borrowings and accounts payable		Loans and accounts receivable		Income received		Purchases	
	2019	2018	2019	2018	2019	2018	2019	2018
UAB Apranga LT	369	658	87	43	2 855	3 477	2	42
UAB Apranga BPB LT	-	-	254	260	504	494	10	11
UAB Apranga PLT	-	-	20	106	178	170	9	4
UAB Apranga SLT	34	-	6	55	375	357	9	4
UAB Apranga MLT	-	-	227	330	828	924	18	16
UAB Apranga HLT	-	-	123	365	37	34	-	1
UAB Apranga OLT	-	-	66	256	19	8	-	-
UAB Apranga Ecom LT	5	-	-	-	-	-	-	-
SIA Apranga	-	-	4 113	3 274	5 634	4 896	32	50
SIA Apranga LV	-	397	433	25	1 294	1 744	1	21
SIA Apranga BPB LV	-	20	39	5	70	130	2	1
SIA Apranga PLV	-	90	209	7	152	184	-	-
SIA Apranga SLV	-	81	371	1	25	61	1	1
SIA Apranga MLV	-	151	990	3	67	361	5	8
SIA Apranga HLV	30	-	-	-	-	-	-	-
SIA Apranga OLV	-	-	495	-	9	-	-	-
SIA Apranga Ecom LV	-	-	5	6	1	1	-	-
OU Apranga	-	-	3 271	2 872	2 433	2 416	11	41
OU Apranga Estonia	471	-	848	472	1 041	1 037	1	23
OU Apranga BEE	153	-	164	125	188	29	3	2
OU Apranga PB Trade	389	277	164	4	183	184	1	1
OU Apranga ST Retail	94	-	82	154	104	23	3	2
OU Apranga MDE	202	-	249	36	286	288	5	6
OU Apranga HEST	-	-	170	280	18	19	-	-
OU Apranga Ecom EE	4	-	-	-	-	-	-	-
<b>Total</b>	<b>1 751</b>	<b>1 674</b>	<b>12 386</b>	<b>8 679</b>	<b>16 301</b>	<b>16 837</b>	<b>113</b>	<b>234</b>

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Prevailing types of intra-group transactions are centralized supplies of goods for resale, management service fees, centralized purchasing of services (telecommunications, IT, utilities and etc.), financing, and distribution of earnings. Dividend income in amount of EUR 6 899 thousand received from the subsidiaries in six months 2019 is presented in 'Income received' together with other income (2018: EUR 8 200 thousand).

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

As of 30 June 2019, guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totaled EUR 15 185 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 30 June 2019 amounted to EUR 16 765 thousand (31 December 2018: EUR 16 078 thousand).

As of 30 June 2019, the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totaled EUR 737 thousand (31 December 2018: EUR 761 thousand).

#### **11. Profit distribution**

The Annual shareholders meeting of APB Apranga held on 30 April 2019 has resolved to pay EUR 7 188 thousand in dividends (EUR 0.13 per share) for the year 2018.

#### **12. 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-performance-measures>.