5 April 2018
Vilnius

CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

Hereby we confirm, that by our knowledge Consolidated Financial Statements for the year 2017 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 2017 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

APB APRANGA

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

for the year ended 31 December 2017

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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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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 separate 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 2017, 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 Company's and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as off 31 December 2017 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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (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.

Other Matter

The financial statements of the Company and the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on 4 April 2017.

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.

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Key audit matters	How the matter was addressed in the audit
1. Impairment assessment of property, plant and equipment	
Property, plant and equipment (PPE) amounted to EUR 14 551 thousand and EUR 24 407 thousand in the statement of financial position of the Company and the Group as at 31 December 2017, respectively. As disclosed in Note 12 to the financial statements, management of the Group performed an annual impairment test of these assets as at 31 December 2017 based on the value in use estimation of the Group's cash generating units (CGUs). 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 represent more than 23% and 30% of the total assets of the Company and the Group as at 31 December 2017. Based on the outcome of this impairment test, the Company and the Group have recognized an impairment amounting to EUR 193 thousand and EUR 394 thousand in the statement of financial position (Note 12).	We obtained understanding of management's procedures in relation to the impairment assessment of the property, plant and equipment. Among other procedures for the assessment of the management's annual impairment test, we involved a valuation specialist to assist us with the assessment of the impairment model structure and composition as well as the assessment of 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 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 Note 12 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 2017 the Company's and the Group's inventory balance amounted to EUR 20 141 thousand and EUR 38 233 thousand, respectively, in the statement of financial position of the Company and the Group as at 31 December 2017. 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 32% and 47% of the total assets of the Company and the Group in the statement of financial position as at 31 December 2017.	We obtained understanding of management's procedures in relation to the inventory write down to net realizable value. Among other procedures, we reviewed the adequacy of the management's assumptions used in valuation of inventory and recording write down to net realizable value. Our procedures included testing the subsequent sales of inventory to identify items sold below their cost between January and the middle of March 2018 and comparing the actual results with the management's estimate. We analyzed the inventory ageing by seasonality of goods and analyzed the data of prior periods to identify any unusual variations. We also tested the reliability of the inventory ageing report and recalculated the inventory allowance for accuracy. Furthermore, we have considered the adequacy of the disclosures in the financial statements in this area (Note 15).

Other information

Other information consists of the information included in the Consolidated Group's 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.

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In connection to 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 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 Group's internal control.

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• 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/or 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.

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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 chosen for the first time to carry out the audit of the Company's financial statements and the Group's consolidated financial statements for the year 2017. For this opinion date, the period of total uninterrupted engagement is 1 year.

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

5 April 2018

(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	2017	2016	2017	2016
Revenue	4	182 265	172 592	72 389	69 894
Cost of sales	5	(100 473)	(94 389)	(47 332)	(44 628)
Gross profit		**81 792**	**78 203**	**25 057**	**25 266**
Selling (costs)	5	(58 651)	(55 995)	(19 769)	(19 705)
General and administrative (expenses)	5	(10 728)	(9 584)	(7 701)	(6 979)
Other income	6	4 124	751	16 649	13 434
Net foreign exchange gain (loss)		41	(3)	43	(3)
Operating profit		**16 578**	**13 372**	**14 279**	**12 013**
Finance (costs)	7	(23)	(32)	(23)	(32)
Profit before income tax		**16 555**	**13 340**	**14 256**	**11 981**
Income tax (expense)	8	(2 680)	(2 180)	(963)	(539)
Profit for the year	11	**13 875**	**11 160**	**13 293**	**11 442**
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		**13 875**	**11 160**	**13 293**	**11 442**
Total comprehensive income attributable to:		**13 875**	**11 160**	**13 293**	**11 442**
Owners of the Company		13 875	11 160	13 293	11 442
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share (in EUR)	11	**0,25**	**0,20**	**0,24**	**0,21**

The notes on pages 12 to 42 are an integral part of these financial statements.

These financial statements were approved by Management Board on 5 April 2018 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

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

STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		As at 31 December		As at 31 December	
	Note	2017	2016	2017	2016
ASSETS					
Non-current assets					
Property, plant and equipment	12	24 407	25 197	14 551	15 113
Intangible assets	13	252	386	204	249
Investments in subsidiaries	14	-	-	4 813	4 798
Prepayments	17	685	411	68	68
Trade and other receivables	20	9	18	9	18
		25 353	**26 012**	**19 645**	**20 246**
Current assets					
Inventories	15	38 236	35 469	20 180	19 429
Available for sale financial assets	18	1 598	1 602	1 598	1 602
Prepayments	17	1 059	833	951	781
Trade and other receivables	20	5 329	2 360	14 625	11 623
Cash and cash equivalents	21	7 763	4 976	4 799	3 055
		53 985	**45 240**	**42 153**	**36 490**
Non-current assets held for sale	16	324	324	324	324
TOTAL ASSETS		**79 662**	**71 576**	**62 122**	**57 060**
EQUITY AND LIABILITIES					
Equity					
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		41 013	35 985	29 519	25 073
		58 599	**53 571**	**47 158**	**42 712**
Non-current liabilities					
Borrowings	24	1 100	-	1 100	-
Deferred tax liabilities	9	927	1 125	202	361
Non-current employee benefits		478	443	478	443
		2 505	**1 568**	**1 780**	**804**
Current liabilities					
Borrowings	24	300	-	5 334	6 977
Current income tax liability		808	332	588	80
Trade and other payables	25	17 450	16 105	7 262	6 487
		18 558	**16 437**	**13 184**	**13 544**
Total liabilities		**21 063**	**18 005**	**14 964**	**14 348**
TOTAL EQUITY AND LIABILITIES		**79 662**	**71 576**	**62 122**	**57 060**

The notes on pages 12 to 42 are an integral part of these financial statements.

These financial statements were approved by Management Board on 5 April 2018 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

(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 2016		**16 035**	**1 601**	**(53)**	**31 463**	**49 046**
Comprehensive income						
Profit for the year 2016		-	-	-	11 160	11 160
Total comprehensive income		**-**	**-**	**-**	**11 160**	**11 160**
Transactions with owners						
Transfer to legal reserve		-	3	-	(3)	-
Dividends	**10, 23**	-	-	-	(6 635)	(6 635)
Balance at 31 December 2016		**16 035**	**1 604**	**(53)**	**35 985**	**53 571**
Comprehensive income						
Profit for the year 2017		-	-	-	13 875	13 875
Total comprehensive income		**-**	**-**	**-**	**13 875**	**13 875**
Transactions with owners						
Dividends	**10, 23**	-	-	-	(8 847)	(8 847)
Balance at 31 December 2017		**16 035**	**1 604**	**(53)**	**41 013**	**58 599**

COMPANY	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2016		**16 035**	**1 601**	**20 269**	**37 905**
Comprehensive income					
Profit for the year 2016		-	-	11 442	11 442
Transactions with owners					
Transfer to legal reserve		-	3	(3)	-
Dividends	**10, 23**	-	-	(6 635)	(6 635)
Balance at 31 December 2016		**16 035**	**1 604**	**25 073**	**42 712**
Comprehensive income					
Profit for the year 2017		-	-	13 293	13 293
Transactions with owners					
Dividends	**10, 23**	-	-	(8 847)	(8 847)
Balance at 31 December 2017		**16 035**	**1 604**	**29 519**	**47 158**

The notes on pages 12 to 42 are an integral part of these financial statements.

These financial statements were approved by Management Board on 5 April 2018 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

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

STATEMENTS OF CASH FLOW

		Group		Company	
		Year ended 31 December		Year ended 31 December	
	Note	2017	2016	2017	2016
OPERATING ACTIVITIES					
Profit (loss) before income taxes		16 555	13 340	14 256	11 981
Adjustments for:					
Depreciation and amortization	5	6 497	6 157	2 791	2 816
Impairment charge (reverse)	12	(176)	395	(151)	299
Change in allowances for slow-moving inventories	5	748	183	189	108
(Gain) on disposal of property, plant and equipment	6	(3 506)	(10)	(3 506)	(4)
Write-off of property, plant and equipment		146	11	99	9
Dividends income	6	-	-	(8 050)	(8 616)
Interest income, net of interest expenses	6, 7	(34)	(34)	(93)	(80)
		20 230	**20 042**	**5 535**	**6 513**
Changes in operating assets and liabilities:					
Decrease (increase) in inventories	5	(3 515)	(2 422)	(940)	(1 150)
Decrease (increase) in receivables		676	(1 208)	(1 047)	864
Increase (decrease) in payables		1 360	1 937	790	539
Cash generated from operations		**18 751**	**18 349**	**4 338**	**6 766**
Income taxes paid		(2 399)	(2 093)	(611)	(525)
Interest paid	7	(23)	(32)	(23)	(32)
Net cash from operating activities		**16 329**	**16 224**	**3 704**	**6 209**
INVESTING ACTIVITIES					
Interest received		64	66	123	112
Dividends received	6	-	-	8 050	8 616
Loans granted	26	(38 250)	(14 400)	(52 622)	(26 354)
Loans repayments received	26	38 250	14 400	54 502	24 635
Purchases of property, plant and equipment and intangible assets	12, 13	(8 263)	(7 450)	(3 640)	(2 308)
Proceeds on disposal of property, plant and equipment	6	2 084	3 305	1 012	322
Proceeds on disposal of available-for-sale financial assets	18	-	1 065	-	1 065
Investment in subsidiaries	14	-	-	(15)	(57)
Net cash used in investing activities		**(6 115)**	**(3 014)**	**7 410**	**6 031**
FINANCING ACTIVITIES					
Dividends paid		(8 827)	(6 648)	(8 827)	(6 648)
Proceeds from borrowings		8 264	28 836	57 167	82 663
Repayments of borrowings		(6 864)	(30 836)	(57 710)	(84 149)
Net cash from financing activities		**(7 427)**	**(8 648)**	**(9 370)**	**(8 134)**
NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS		**2 787**	**4 562**	**1 744**	**4 106**
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE PERIOD	21	**4 976**	**414**	**3 055**	**(1 051)**
AT THE END OF THE PERIOD	21	**7 763**	**4 976**	**4 799**	**3 055**

The notes on pages 12 to 42 are an integral part of these financial statements.

These financial statements were approved by Management Board on 5 April 2018 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 Kirtimų str. 51, 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:

	2017		2016	
	Number of shares	**% of total ownership**	**Number of shares**	**% of total ownership**
UAB MG Baltic investment	34 262 189	62,0	33 321 529	60,3
UAB Minvista	5 442 826	9,8	5 470 944	9,9
Swedbank AS (Estonia) clients	3 908 574	7,1	5 219 621	9,4
Other	11 678 371	21,1	11 279 866	20,4
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 2017 the Group consisted of the Company and the following its wholly owned subsidiaries:

Name	Country	Headquarters	Principal activity
UAB Apranga LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga BPB LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga PLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga SLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga MLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga HLT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
UAB Apranga Ecom LT	Lithuania	Kirtimu 51, Vilnius	Retail trade of apparel
SIA Apranga	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga BPB LV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga PLV	Latvia	Elizabetes 51, Riga	Retail trade of apparel
SIA Apranga SLV	Latvia	Terbatas 30, Riga	Retail trade of apparel
SIA Apranga MLV	Latvia	Terbatas 30, Riga	Retail trade of apparel
SIA Apranga Ecom LV	Latvia	Terbatas 30, Riga	Retail trade of apparel
OU Apranga[1]	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga Estonia	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga BEE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga PB Trade	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga ST Retail	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga MDE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga HEST	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel
OU Apranga Ecom EE	Estonia	Pärnu mnt 10/Väike-Karja 12 Tallinn	Retail trade of apparel

[1] The Company directly owns 22.37% shares and indirectly through its subsidiary owns the rest 77.63% of shares (Note 14)

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

	Total number of shops		Shops, where premises are owned by Group	
Country	**2017**	**2016**	**2017**	**2016**
Lithuania	107	107	6	6
Latvia	46	47	-	-
Estonia	29	29	-	-
Total	**182**	**183**	**6**	**6**

At 31 December 2017 the Group and the Company employed 2 168 and 783 people respectively (2016: 2 112 and 777 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.

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 available for sale financial assets stated at fair value.

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) Income taxes

Tax authorities have right to examine accounting records of the Company and its Lithuanian subsidiaries at anytime during the 5 year period after the current tax year (the Latvian and Estonian subsidiaries - 3 and 5 year period after the current year respectively) and account for additional taxes and fines. In the opinion of the Company's management, currently there are no circumstances which would raise substantial liability in this respect to the Company and to the Group.

(b) Related party transactions

In the normal course of business the Company and the Group enters into transactions with its related parties. These transactions, except for the Company's transactions with its subsidiaries, are priced predominantly at market rates. Judgement is applied in determining if transactions are priced at market or non-market rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties.

The Company's transactions with its subsidiaries are priced predominantly at cost. Annual management fees are charged to the subsidiaries for an estimated amount which adjusts pricing of all transactions carried out with subsidiaries during the year to the market rates.

(c) 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 the sales price after discounts, with any related costs charged to expenses. Where the Company or the Group would act on a consignment basis in a transaction, revenue would be recognised on the net basis and inventory held on consignment is not recognised in the statement of the financial position.

(d) 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.

(e) Impairment of property, plant and equipment

Each shop is considered to represent a separate cash generating unit for impairment test. The Group and the Company has tested its leasehold improvements and other fixed assets 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 (note 12).

(f) 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.

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 2017.

(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2017:

- *IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments).* The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The Amendments were not applicable for the Group and the Company.

- *IAS 7: Disclosure Initiative (Amendments).* The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The Amendments have impact on these financial statements , additional disclosure is presented (see note 3).

(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:

- *IFRS 9 Financial Instruments: Classification and Measurement.* The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has preliminary evaluated the impact of the implementation of this standard and according management, preliminary no material effect for financial statements is expected.

- *IFRS 15 Revenue from Contracts with Customers*. The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. Based on the preliminary analyses performed, the Group and the Company does not expect significant impacts on its Financial Statements as the Group and the Company does not have long-term contracts with multi-element arrangements, no take-or-pay agreements, no sales incentives are provided, no material contract costs are generally incurred or upfront payments made, contract modifications are rare.

- *IFRS 15: Revenue from Contracts with Customers (Clarifications).* The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. Management has assessed the application of the clarification and concluded, that this clarification will not have significant impact for financial statements.

- *IFRS 16: Leases.* The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Company and the Group has not yet evaluated the impact of the implementation of this standard.

- *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 has not yet evaluated the impact of the implementation of this amendment.

- *IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments).* The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. 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 this amendment.

- *IAS 40: Transfers to Investment Property (Amendments).* The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of this amendment.

- *IFRS 9: Prepayment features with negative compensation (Amendments).* The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. 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. These Amendments have not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of this amendment.

- *IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments).* The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. 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. These Amendments have not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of this amendment.

- *IAS 19: Plan Amendment, Curtailment or Settlement (Amendments).* The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. 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. These Amendments have not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of this amendment.

- *IFRIC INTERPETATION 22: Foreign Currency Transactions and Advance Consideration.* The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of this standard.

- *The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2017 for IFRS 12 Disclosure of Interests in Other Entities (adopted in 2018) and on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These amendments will not have any impact on the financial statements of the Group and the Company.
  - *IFRS 12 Disclosure of Interests in Other Entities:* The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.
  - *IFRS 1 First-time Adoption of International Financial Reporting Standards:* This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - *IAS 28 Investments in Associates and Joint Ventures:* The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- *IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments.* The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. 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. This Interpretation has not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of this interpretation.

- *The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. The Company and Group has not yet evaluated the impact of the implementation of these improvements.
  - *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.

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.

(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 valued at acquisition cost less subsequent accumulated amortisation.

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 is stated at historical cost, less accumulated depreciation and impairment losses.

Lease hold improvements, that meet definition of an non current assets, are capitalised in the statement of financial position and depratiated as per rent period.

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 fixed assets 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 fixed assets	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 property, plant and equipment 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 the statement of comprehensive income within operating profit.

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 fixed assets to determine whether there is any indication (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 separate Company's 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

Financial assets and financial liabilities are recognized on the Company's and Group's statement of financial position when the Company or the Group becomes a party to the contractual provisions of the instrument.

The Group and the Company classifies all its financial assets into the category of loans and receivables and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's and the Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. All "regular way" purchases and sales of financial assets are recognised using trade date accounting.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the statement of comprehensive income.

(b) Available for sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other financial assets categories.

After initial recognition available-for-sale financial assets are measured at fair value based on available market prices or quotes of brokers. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. The result of revaluation of available-for-sale securities is recognised in other comprehensive income.

Revaluation of available-for-sale debt securities is calculated as difference between market value and amortised cost calculated using the original effective interest rate. When the securities are disposed of, the related accumulated fair value revaluation is included in the statement of comprehensive income as gain (loss) from sale of available-for-sale securities. If there is objective evidence that the value of an investment has been impaired, the cumulative net loss that has been recognised directly in equity is charged to profit (loss) for the year. Interest earned while holding available-for-sale financial assets is reported as interest income.

The Group and the Company assess at each date of preparation of the statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Available for sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(c) 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. Bank overdrafts are included into cash and cash equivalents on the statement of financial position.

(d) Bank and subsidiaries borrowings

Interest-bearing bank and subsidiaries loans and overdrafts are initially measured at fair value. Bank and subsidiaries borrowings are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of comprehensive income.

Borrowings are classified as current liabilities unless the Company or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

(e) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

In relation to trade and other receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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. Since 1st January 2010 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 used this option in 2016, as one company in Lithuania incurred tax losses (EUR 1 thousand). The Group companies have not used this option in 2017, 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 2016 and in 2017. Income tax rate on reporting period and prior taxable profits in Latvia is 15 per cent and in Estonia nil. In 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 Estonia are taxed at the withholding tax rate of 20% as at 31 December 2017 (20% as at 31 December 2016).

As the object of taxation 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 differed tax liability on retain earnings, as disclosed in Note 9.

On 28 July 2017 the Latvian tax reform guidelines and further progress of tax system has been approved by the Parliament. As per government's position, all changes will enter into force on 1 January 2018, with appropriate transitional period for certain tax positions. The framework of the tax reform suggests transformation of the corporate income tax (CIT) system, thus consequently deferred tax computations affected and deferred tax is derecognized as at 31 December 2017. The new system introduces new tax base, tax rate, and payment principle. In particular, the new tax framework dismisses temporary adjustments, non-deductible expenses are taxed at fraction rate 0.8/0.2 on monthly basis, while only profit distribution (for the profit earned after 31 December 2017) will be taxed at 20% rate. The undistributed profit not taxed with CIT. Except for deffered tax liability on retain earnings, as disclosed in Note 9.

(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.

2.17 LEASES

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.

(a) the Company or the Group as lessor

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease (Note 12).

(b) 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. Starting from 1 January 2013 after the amendments to IAS 19 became effective, 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 and the Company 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

Revenues are recognized as income on an accrual basis when earned. Expenses are charged to operations as incurred.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received of receivable for goods and services provided net of value-added tax, rebates and discounts.

Revenue is recognized as follows:

(a) Sales of goods – retail

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.

(b) Sales of services

Revenue from services is recognised on performance of the services.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) Dividend income

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

(e) Rental income

Payments received under operating leases (net of any incentives given to the lessee) are credited to the statement of comprehensive income on a straight-line basis over the period of the lease.

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 applies:

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 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: available for sale financial assets, 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, available for sale financial assets 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. All the subsidiaries having Company's loans have been profitable during the financial year (except, SIA Apranga Ecom LV), therefore, in the management's opinion, the credit risk is not related to the aforementioned amounts. SIA Apranga Ecom LV had only immaterial loan debt (EUR 6 thousand) at the end of the reporting period, thus not impairing significant credit risk.

Available for sale financial assets is invested only to Lithuanian government bonds.

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

<u>Liquidity risk</u>

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

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

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 **As at 31 December 2017**	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Total**
Borrowings	1	3	13	1 461	1 478
Trade and other payables	6 828	2 935	780	-	10 543
Total	**6 829**	**2 938**	**793**	**1 461**	**12 021**
As at 31 December 2016					
Trade and other payables	6 829	2 419	75	-	9 323
Total	**6 829**	**2 419**	**75**	**-**	**9 323**

COMPANY **As at 31 December 2017**	**Less than 1 month**	**Between 1 and 3 months**	**Between 3 and 12 months**	**Between 1 and 2 years**	**Total**
Borrowings	1	3	5 047	1 461	6 512
Trade and other payables	2 741	984	740	-	4 465
Total	**2 742**	**987**	**5 787**	**1 461**	**10 977**
As at 31 December 2016					
Borrowings	-	-	6 977	-	6 977
Trade and other payables	2 714	592	41	-	3 347
Total	**2 714**	**592**	**7 018**	**-**	**10 324**

Change in liabilities arising from financial activities:

GROUP	**As at 31 December 2016**	**Dividends declared**	**Cash flow**	**As at 31 December 2017**
Borrowings	-	-	1 400	1 400
Dividends payable	108	8 847	(8 827)	128
Total	**108**	**8 847**	**(7 427)**	**1 528**

COMPANY	**As at 31 December 2016**	**Dividends declared**	**Cash flow**	**As at 31 December 2017**
Borrowings	6 977	-	(543)	6 434
Dividends payable	108	8 847	(8 827)	128
Total	**7 085**	**8 847**	**(9 370)**	**6 562**

Market risk

Cash flow and fair value interest rate risk

As the Group and the Company most significant interest-bearing assets are available for sale financial assets, however, 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.

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 55 thousand in 2017 (2016: null) for the Group and the maximum increase or decrease of EUR 79 thousand (2016: EUR 25 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 revenues and 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 2017, the Company and all its Lithuanian subsidiaries complied with these requirements. As at 31 December 2016 UAB Apranga Ecom LT had not complied with the requirements. In August 2017 the share capital of UAB Apranga Ecom LT was increased to EUR 10 thousand, i.e. enough to maintain the requirements of the law.

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 2017 and 31 December 2016, 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 2017, all of the Company's Estonian subsidiaries complied with these requirements. As at 31 December 2016 OU Apranga and OU Apranga Ecom EE had not complied with the requirements. In November 2017 the share capitals of OU Apranga and OU Apranga Ecom EE were increased to EUR 2 000 thousand and to EUR 10 thousand correspondently, 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 Nordea Bank AB. The Group and the Company was in compliance with the covenants as at 31 December 2016 and 2017.

(c) Fair value estimation

Fair value represents the amount at which an asset could be exchanged or liability settled on an arm's length basis.

Fair value measurement is determined in following 3 levels:

Level 1. The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair values of available for sale financial assets are estimated with reference to average of bid and ask quoted market prices.

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

Level 2. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The Group and the Company does not have financial assets or liabilities assigned to this level.

Level 3. Fair value determined by such valuation methods which use one or more of the significant inputs is not based on observable market data. Fair value of all receivables and payables as well as borrowings are assigned to this level.

Where, in the opinion of the management, the fair value of financial assets and liabilities differs materially from their book value, such fair values are separately disclosed in the notes to the financial statements.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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.

The segment information provided to the Directors for the reportable segments for the year ended 31 December is as follows:

31 December 2017	**Lithuania**	**Latvia**	**Estonia**	**Total**	**Inter-company elimina-tions**	**Total in consolidated financial statements**
Total segment revenue	122 609	43 636	33 208	199 453	-	
Inter-segment revenue	(15 501)	(912)	(775)	(17 188)	-	
Revenue from external customers	**107 108**	**42 724**	**32 433**	**182 265**	**-**	**182 265**
Gross margin	**43,9%**	**46,1%**	**46,4%**	**44,9%**		**44,9%**
Other income and expenses:						
Rent and utilities	12 013	5 052	3 716	20 781		20 781
Renumeration and social security contributions	17 204	5 292	4 141	26 637		26 637
Depreciation and amortisation	3 770	1 412	1 315	6 497		6 497
PPE impairment charges (reversal)	(151)	12	(37)	(176)		(176)
Other income and expenses	2 518	4 900	4 115	11 533		11 533
Finance income	116	-	-	116	(59)	57
Finance costs	(36)	(14)	(32)	(82)	59	(23)
Income tax expense	1 815	508	357	2 680		2 680
Profit (loss) for the year	**9 949**	**2 505**	**1 421**	**13 875**	**-**	**13 875**
Total assets	69 841	13 492	11 313	94 646	(14 984)	79 662
Additions to non-current assets (other than financial instruments and prepayments for leases)	5 910	619	1 874	8 403	(140)	8 263

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

31 December 2016	Lithuania	Latvia	Estonia	Total	Inter-company elimina-tions	Total in consolidated financial statements
Total segment revenue	116 357	41 613	29 933	187 903	-	
Inter-segment revenue	(13 833)	(959)	(519)	(15 311)	-	
Revenue from external customers	**102 524**	**40 654**	**29 414**	**172 592**	**-**	**172 592**
Gross margin	**44,6%**	**46,3%**	**46,5%**	**45,3%**		**45,3%**
Other income and expenses:						
Rent and utilities	11 754	4 995	3 466	20 215		20 215
Renumeration and social security contributions	15 649	4 901	3 596	24 146		24 146
Depreciation and amortisation	3 519	1 435	1 203	6 157		6 157
PPE impairment charges (reversal)	299	4	92	395		395
Other income and expenses	5 583	4 646	3 755	13 984		13 984
Finance income	112	-	-	112	(46)	66
Finance costs	(37)	(12)	(29)	(78)	46	(32)
Income tax expense	1 382	445	353	2 180		2 180
Profit for the year	**7 576**	**2 402**	**1 182**	**11 160**	**-**	**11 160**
Total assets	64 904	13 822	10 310	89 036	(17 460)	71 576
Additions to non-current assets (other than financial instruments and prepayments for leases)	3 980	986	2 588	7 554	(104)	7 450

In 2017, due to a one-off profit from the sale of real estate, the Group's profitability before taxes of the reporting period increased significantly and amounted to 9.1% (2016: 7.7%). Accordingly, the profitability increased in Lithuania and amounted to 11.0% (2016: 8.7%). Profit margin in Latvia remained stable at 7.0% in both 2016 and 2017. Profitability in Estonia was the lowest of the three countries. However, in 2017, it increased by 0.3%, reaching 5.5%.

The total non-current assets other than financial instruments and deferred tax assets located in Lithuania is EUR 18 389 thousand (2016: EUR 18 400 thousand), and the total of these non-current assets located in other countries is EUR 6 963 thousand (2016: EUR 7 611 thousand).

5. EXPENSES BY NATURE

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Cost of goods sold	99 725	94 206	47 143	44 520
Write-down of inventories to net realisable value	748	183	189	108
Total cost of sales	**100 473**	**94 389**	**47 332**	**44 628**

A positive impact on inventory write-down to net realizable value was influenced by the sales of goods, which value was earlier wrote-down.

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

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Rent and utilities	20 781	20 215	7 297	7 152
Remuneration	17 029	15 523	5 758	5 428
Social security contributions	4 920	4 428	1 706	1 563
Depreciation and amortization (Note 12, 13)	6 497	6 157	2 791	2 816
Impairment charge (reversal) (Note 12)	(176)	395	(151)	299
Advertising and marketing	2 363	2 338	1 171	1 105
Franchise expenses	4 186	4 116	106	189
Bank commissions	963	1 033	314	312
Labelling, packing and repairing	885	869	321	356
Logistics and distribution	561	233	77	77
Business trips	642	688	379	408
Total selling costs	**58 651**	**55 995**	**19 769**	**19 705**

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Remuneration	3 561	3 189	3 526	3 154
Social security contributions	1 127	1 006	1 116	995
IT and communications	819	739	452	376
Repair and maintenance	2 326	1 966	1 036	853
Taxes (excluding income tax)	208	179	128	134
Consulting and audit expense	465	415	384	350
Other expenses	2 222	2 090	1 059	1 117
Total general and administrative expenses	**10 728**	**9 584**	**7 701**	**6 979**

6. OTHER INCOME

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Rent income	212	198	219	205
Management fees	-	-	4 514	4 127
Gain from disposal of fixed assets, net	3 507	10	3 507	4
Interest income	57	66	116	112
Dividends	-	-	8 050	8 616
Other income	348	477	243	370
Total other income	**4 124**	**751**	**16 649**	**13 434**

In August 2017, the Company sold real estate and other non-current assets located in Kirtimu str. 51 in Vilnius. The total value of the transaction of the sale of assets amounted to EUR 6.05 million (including VAT). The transaction's positive impact on Company's and Group's accounting period results - almost EUR 3.5 million. The profit of the transaction is recorded under the item "Gain from disposal of fixed assets" in Other income. The paid transaction amount at the end of the reporting period was EUR 2.05 million. The remaining part of the payment to be paid under the contract amounted to EUR 4.0 million. Which is accounted under Trade and other receivales in the financial statements.

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

7. FINANCE COSTS

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Interest on bank borrowings	23	32	23	32
Total finance costs	**23**	**32**	**23**	**32**

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	
	2017	**2016**	**2017**	**2016**
Profit (loss) before tax	16 555	13 340	14 256	11 981
Tax at the domestic income tax rate	2 483	2 001	2 138	1 797
Tax effect of income not subject to tax	(23)	(9)	(1 216)	(1 301)
Tax effect of expenses that are not deductible in determining taxable profit	191	57	41	43
Unrecognised deferred tax asset from accrued losses	-	54	-	-
Deferred tax liabilities (reversal)	(60)	-	-	-
Effect of different tax rates of foreign subsidiaries	89	77	-	-
Tax expense	**2 680**	**2 180**	**963**	**539**
Effective income tax rate	16,2%	16,3%	6,8%	4,5%

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Current income tax expense	2 878	2 288	1 122	588
Deferred tax	(198)	(108)	(159)	(49)
Total income tax expense	**2 680**	**2 180**	**963**	**539**

9. DEFERRED INCOME TAX

The movement in deferred income tax account was as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
At beginning of year	(1 125)	(1 228)	(361)	(410)
Income statement (charge) credit	198	103	159	49
At end of year	**(927)**	**(1 125)**	**(202)**	**(361)**

In 2016 and 2017 deferred income tax asset and liability related to the entities operating in Lithuania and Latvia (only in 2016) were calculated at 15 per cent rate. Deferred income tax liability related to the entities operating in Estonia were calculated at 20 per cent rate as at 31 December 2016 and as at 31 December 2017 for the accrued undistributed profit of these subsidiaries, since these indistributes profits are planned to be paid out as dividends during the years 2018-2019.

Deferred tax assets and liabilities recognised as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
Deferred tax assets:				
Inventory write down	288	269	235	206
Accruals	144	201	136	153
Total deferred tax assets	**432**	**470**	**371**	**359**
Deferred tax liability:				
Undistributed profits of subsidiaries	(647)	(590)	-	-
Depreciation of property, plant and equipment	(712)	(1 005)	(573)	(720)
Total deferred tax liabilities	**(1 359)**	**(1 595)**	**(573)**	**(720)**
Total deferred tax (liabilities) assets, net	**(927)**	**(1 125)**	**(202)**	**(361)**

Deferred income tax assets are recognised only to the extent that realization of the related tax benefit is probable in the foreseeable future.

	Group		Company	
	2017	**2016**	**2017**	**2016**
Deferred tax assets:				
Deferred tax asset to be recovered after more than 12 months	71	66	71	66
Deferred tax asset to be recovered within 12 months	361	404	300	293
	432	**470**	**371**	**359**
Deferred tax liabilities:				
Deferred tax liability to be settled after more than 12 months	(721)	(1 044)	(376)	(569)
Deferred tax liability to be settled within 12 months	(638)	(551)	(197)	(151)
	(1 359)	**(1 595)**	**(573)**	**(720)**
Deferred tax (liabilities) assets, net	**(927)**	**(1 125)**	**(202)**	**(361)**

10. DIVIDENDS PER SHARE

	2017	**2016**
Approved dividends	8 847	6 635
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292
Approved dividends per share, EUR	**0.160**	**0.120**

In 2017 dividends of EUR 0.16 per share was paid to the shareholders (EUR 0.12 per share in 2016).

In respect of the current year, the Board of Directors propose a dividend of EUR 0.16 per share to be paid to the shareholders (Note 23). This dividend is subject to approval by the shareholders at the Annual Shareholder's Meeting and has not been included as a liability in these financial statements.

11. EARNINGS PER SHARE

	Group		Company	
	2017	**2016**	**2017**	**2016**
Profit (loss) for the year	13 875	11 160	13 293	11 442
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	**0.25**	**0.20**	**0.24**	**0.21**

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

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 fixed assets**	**Construc-tion in progress**	**Total**
Cost						
At 31 December 2015	**11 719**	**490**	**16 839**	**37 213**	**123**	**66 384**
Additions	3	-	1 002	2 158	4 239	7 402
Disposals and write-offs	-	-	(895)	(797)	(2 700)	(4 392)
Transfers	158	8	735	761	(1 662)	-
At 31 December 2016	**11 880**	**498**	**17 681**	**39 335**	**-**	**69 394**
Additions	-	5	1 901	3 249	3 050	8 205
Disposals and write-offs	(2 221)	(258)	(1 535)	(3 433)	-	(7 447)
Transfers	-	-	442	2 454	(2 896)	-
At 31 December 2017	**9 659**	**245**	**18 489**	**41 605**	**154**	**70 152**
Accumulated depreciation						
At 31 December 2015	**3 771**	**447**	**9 957**	**24 556**	**-**	**38 731**
Charge for the year	334	10	2 007	3 630	-	5 981
Disposals and write-offs	-	-	(355)	(730)	-	(1 085)
At 31 December 2016	**4 105**	**457**	**11 609**	**27 456**	**-**	**43 627**
Charge for the year	309	9	2 059	3 946	-	6 323
Disposals and write-offs	(782)	(251)	(458)	(3 108)	-	(4 599)
At 31 December 2017	**3 632**	**215**	**13 210**	**28 294**	**-**	**45 351**
Impairment charge						
At 31 December 2015	**-**	**-**	**90**	**85**	**-**	**175**
Charge for the year			109	286		395
At 31 December 2016	**-**	**-**	**199**	**371**	**-**	**570**
Charge for the year (reversal)			(33)	(143)		(176)
At 31 December 2017	**-**	**-**	**166**	**228**	**-**	**394**
Carrying amount						
At 31 December 2015	**7 948**	**43**	**6 792**	**12 572**	**123**	**27 478**
At 31 December 2016	**7 775**	**41**	**5 873**	**11 508**	**-**	**25 197**
At 31 December 2017	**6 027**	**30**	**5 113**	**13 083**	**154**	**24 407**

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

COMPANY	Buildings	Plant and equipment	Leasehold improve-ments	Other fixed assets	Construc-tion in progress	Total
Cost						
At 31 December 2015	**11 719**	**490**	**7 467**	**12 878**	**123**	**32 677**
Additions	3	-	-	1 007	1 259	2 269
Disposals and write-offs	-	-	(303)	(281)	(324)	(908)
Transfers	158	8	735	157	(1 058)	-
At 31 December 2016	**11 880**	**498**	**7 899**	**13 761**	**-**	**34 038**
Additions	-	5	12	2 969	596	3 582
Disposals and write-offs	(2 221)	(258)	(107)	(1 066)	-	(3 652)
Transfers	-	-	441	1	(442)	-
At 31 December 2017	**9 659**	**245**	**8 245**	**15 665**	**154**	**33 968**
Accumulated depreciation						
At 31 December 2015	**3 771**	**447**	**4 264**	**7 956**	**-**	**16 438**
Charge for the year	334	10	922	1 452	-	2 718
Disposals and write-offs	-	-	(296)	(279)	-	(575)
At 31 December 2016	**4 105**	**457**	**4 890**	**9 129**	**-**	**18 581**
Charge for the year	309	9	921	1 450	-	2 689
Disposals and write-offs	(782)	(251)	(73)	(940)	-	(2 046)
At 31 December 2017	**3 632**	**215**	**5 738**	**9 639**	**-**	**19 224**
Impairment charge						
At 31 December 2015	**-**	**-**	**45**	**-**	**-**	**45**
Charge for the year			31	268		299
At 31 December 2016	**-**	**-**	**76**	**268**	**-**	**344**
Charge for the year (reversal)			(7)	(144)		(151)
At 31 December 2017	**-**	**-**	**69**	**124**	**-**	**193**
Carrying amount						
At 31 December 2015	**7 948**	**43**	**3 158**	**4 922**	**123**	**16 194**
At 31 December 2016	**7 775**	**41**	**2 933**	**4 364**	**-**	**15 113**
At 31 December 2017	**6 027**	**30**	**2 438**	**5 902**	**154**	**14 551**

At 31 December 2017 the Group's and the Company's buildings with the carrying amount of EUR 6 003 thousand (2016: EUR 6 341 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

The Company's buildings with the total carrying amount of EUR 94 thousand as of 31 December 2017 (2016: EUR 486 thousand) was leased to third parties.

The disposal transaction of the buildings and other fixed assets is disclosed in Note 6 ("Other income").

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Plant and equipment	326	597	326	597
Leasehold improvements	6 256	5 349	2 663	2 146
Other fixed assets	16 052	16 640	4 713	4 835
Total	**22 634**	**22 586**	**7 702**	**7 578**

At 31 December 2017 the Group did not have the property, plant and equipment acquired under finance lease contracts (did not have at 31 December 2016).

The main cash generating unit of the Group and the Company is store. The Group and the Company has tested fixed assets 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 2018 and in later years, 10-20% of the EBITDA growth rate was used (2016 - the same growth rates). The weighted average cost of capital (further – WACC) of 6 per cent (2016: 6 per cent) 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 394 thousand for the Group (2016: EUR 570 thousand) and EUR 193 thousand for the Company (2016: EUR 344 thousand) should be recorded against fixed assets in the statement of financial position. The main reason for the reversal of the impairment in the financial year ended 31 December 2017 is the improved performance of the Group's stores.

If 5% of the EBITDA growth rate would be used for the calculation of future cash flows in 2018 and in later years, the Group and the Company in 2017 would have recognised by EUR 16 thousand and EUR 5 thousand higher impairment loss against fixed assets (2016: EUR 27 thousand and EUR 10 thousand respectively).

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1% higher than management estimates (for example 7 per cent instead of 6 per cent), the Group in 2017 would have recognised by EUR 2 thousand higher impairment loss against fixed assets (2016: EUR 6 thousand). The Company would have recognised by EUR 1 thousand higher impairment loss against fixed assets (2016: EUR 4 thousand).

The Management does not expect material changes in estimations made.

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 2015	**564**	**786**	**1 350**	**89**	**757**	**846**
Additions	20	28	**48**	20	25	**45**
Write-offs	-	(3)	**(3)**	-	-	**-**
At 31 December 2016	**584**	**811**	**1 395**	**109**	**782**	**891**
Additions	3	55	**58**	3	55	**58**
Write-offs	(76)	(5)	**(81)**	-	-	**-**
At 31 December 2017	**511**	**861**	**1 372**	**112**	**837**	**949**
Accumulated amortisation						
At 31 December 2015	**329**	**507**	**836**	**65**	**479**	**544**
Charge for the year	88	88	**176**	11	87	**98**
Write-offs	-	(3)	**(3)**	-	-	**-**
At 31 December 2016	**417**	**592**	**1 009**	**76**	**566**	**642**
Charge for the year	80	94	**174**	10	93	**103**
Write-offs	(58)	(5)	**(63)**	-	-	**-**
At 31 December 2017	**439**	**681**	**1 120**	**86**	**659**	**745**
Carrying amount						
At 31 December 2015	**235**	**279**	**514**	**24**	**278**	**302**
At 31 December 2016	**167**	**219**	**386**	**33**	**216**	**249**
At 31 December 2017	**72**	**180**	**252**	**26**	**178**	**204**

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Licenses	165	125	70	30
Software	198	188	178	164
Total	**363**	**313**	**248**	**194**

(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	Ownership %	Cost 2017	Cost 2016
UAB Apranga LT	Lithuania	100	724	724
UAB Apranga BPB LT	Lithuania	100	145	145
UAB Apranga PLT	Lithuania	100	87	87
UAB Apranga SLT	Lithuania	100	87	87
UAB Apranga MLT	Lithuania	100	87	87
UAB Apranga HLT	Lithuania	100	75	75
UAB Apranga Ecom LT	Lithuania	100	10	2
SIA Apranga	Latvia	100	2 175	2 175
SIA Apranga LV	Latvia	100	153	153
SIA Apranga BPB LV	Latvia	100	86	86
SIA Apranga PLV	Latvia	100	86	86
SIA Apranga SLV	Latvia	100	85	85
SIA Apranga MLV	Latvia	100	86	86
SIA Apranga Ecom LV	Latvia	100	3	3
OU Apranga[1]	Estonia	100	447	447
OU Apranga Estonia	Estonia	100	128	128
OU Apranga BEE	Estonia	100	96	96
OU Apranga PB Trade	Estonia	100	96	96
OU Apranga ST Retail	Estonia	100	96	96
OU Apranga MDE	Estonia	100	2	2
OU Apranga HEST	Estonia	100	50	50
OU Apranga Ecom EE	Estonia	100	10	2
Total investments			**4 813**	**4 798**

[1] The Company directly owns 22.37% shares and indirectly through its subsidiary owns the rest 77.63% of shares.

The changes in investments are as follows:

	2017	2016
Beginning of the year	**4 798**	**4 741**
Establishment of UAB Apranga Ecom LT	-	2
Establishment of SIA Apranga Ecom LV	-	3
Establishment of OU Apranga Ecom EE	-	2
Establishment of OU Apranga HEST	-	50
Increase in share capital of UAB Apranga Ecom LT	7	-
Increase in share capital of OU Apranga Ecom EE	8	-
At end of the year	**4 813**	**4 798**

15. INVENTORIES

	Group 2017	Group 2016	Company 2017	Company 2016
Goods for resale	40 180	36 777	21 127	20 319
Write-down of goods for resale to net realisable value	(2 541)	(1 793)	(1 525)	(1 376)
Goods in transit	260	193	260	193
Materials and spare parts	337	292	318	293
Total	**38 236**	**35 469**	**20 180**	**19 429**

During the year ended 31 December 2017 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 2 541 thousand and EUR 1 525 thousand respectively (31 December 2016 – EUR 1 793 thousand and EUR 1 376 thousand, respectively). The reversal of write-down of book value of the goods for resale to net realizable value of EUR 1 793 thousand and EUR 1 376 thousand made during the year ended 31 December 2016 was credited to cost of sales of the Group and the Company in 2015 (EUR 1 610 thousand and EUR 1 263 thousand in 2015).

At 31 December 2017 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 2017 was EUR 7 896 thousand, Company's - EUR 5 896 thousand (EUR 7 896 thousand and EUR 5 896 thousand as at 31 December 2016, respectively).

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

16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2017 and 2016 non-current assets held for sale consisted of the 91 per cent ownership in UAB Palangos Varuna. Purchase of shares in the entity was not considered to be a business combination as the entity did not constitute a business. In substance it was the purchase of the non-current assets. There were no impairment charge on non-current assets held for sale in 2017 and 2016, as the cost of investments did not exceed their fair value as of 31 December 2017 and 2016.

17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	Group		Company	
	2017	**2016**	**2017**	**2016**
Prepayments	1 744	1 244	1 019	849
Less non-current portion of prepayments	(685)	(411)	(68)	(68)
Current portion of prepayments	**1 059**	**833**	**951**	**781**

18. FINANCIAL INSTRUMENTS BY CATEGORY

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

	Group		Company	
	Category - Loans and receivables		Category - Loans and receivables	
Assets as per statement of financial position:	**2017**	**2016**	**2017**	**2016**
Trade and other receivables (level 3)	5 338	2 378	14 634	11 641
Cash and cash equivalents (level 3)	7 763	4 976	4 799	3 055
Total	**13 101**	**7 354**	**19 433**	**14 696**
	Category - Available for sale		Category - Available for sale	
Available for sale financial assets (level 2)	1 598	1 602	1 598	1 602
Total	**1 598**	**1 602**	**1 598**	**1 602**
Total assets	**14 699**	**8 956**	**21 031**	**16 298**

In 2012-2014, the Company has acquired the Lithuanian Government issued the long-term bonds (redemption years various from 2019 to 2022), which are recorded as Available for sale financial assets.

Total investments in the Lithuanian Government issued the long-term bonds amounted to EUR 1 598 thousand on 31 December 2017 (EUR 1 602 thousand on 31 December 2016).

	Group		Company	
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
Liabilities as per statement of financial position:	**2017**	**2016**	**2017**	**2016**
Borrowings (level 3)	1 400	-	6 434	6 977
Trade and other payables (level 3)	10 543	9 323	4 465	3 347
Total	**11 943**	**9 323**	**10 899**	**10 324**

(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	
	2017	**2016**	**2017**	**2016**
Available for sale financial assets	1 598	1 602	1 598	1 602
Trade and other receivables with no history of counterparty defaults	5 117	2 172	4 511	1 020
Receivables from related parties (note 26)	221	206	10 123	10 621
Cash at bank that have high credit ratings (cash on hand is excluded)	4 356	2 472	3 660	2 216
Total	**11 292**	**6 452**	**19 892**	**15 459**

20. TRADE AND OTHER RECEIVABLES

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Trade receivables from subsidiaries (note 26)	-	-	7 702	6 335
Loans to subsidiaries (note 26)	-	-	2 200	4 080
Loans and other receivables from related parties (note 26)	221	206	221	206
Trade receivables from unrelated parties	4 373	1 152	4 045	313
Other receivables	744	1 020	466	707
Total	**5 338**	**2 378**	**14 634**	**11 641**
Less non-current portion of other receivables	(9)	(18)	(9)	(18)
Current portion	**5 329**	**2 360**	**14 625**	**11 623**

Trade receivables that are less than three months past due are not considered impaired. There were no impaired amounts and, consequently, no allowance was formed as at 31 December 2017 and 2016. There were no receivables past due in 2016 and 2017, except receivables from related party of EUR 216 thousand (2016: EUR 200 thousand), for which allowance was not formed.

As of 31 December 2016 and 31 December 2017, none of trade receivables were impaired and provided for by the Group. The other classes within trade and other receivables do not contain impaired assets.

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 2017 is 1.5 per cent (2016: 1.5 per cent), maturity date – 31 December 2018 (2016: 31 December 2017).

In the opinion of management, the carrying amount of the receivables approximates their fair value (level 3).

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;
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.

(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	
	2017	**2016**	**2017**	**2016**
Cash at bank	4 356	2 472	3 660	2 216
Cash on hand	438	406	131	135
Cash in transit	2 969	2 098	1 008	704
Total	**7 763**	**4 976**	**4 799**	**3 055**

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 2017, the cash balances of the Group and the Company in the pledged accounts amounted to EUR 3 660 thousand (2016: EUR 2 215 thousand) (Note 24).

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Cash and cash equivalents	7 763	4 976	4 799	3 055
Total	**7 763**	**4 976**	**4 799**	**3 055**

22. SHARE CAPITAL

At 31 December 2017 issued share capital of the Company consisted of 55 291 960 (2015 and 2016: 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 2017 and 2016. The Company did not hold its own shares as of 31 December 2017 and 2016.

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 2017).

On 27 April 2016 the Company's shareholders' meeting decided to pay out EUR 8 847 thousand in dividends and EUR 180 thousand annual bonuses (On 28 April 2016 the Company's shareholders' meeting decided to pay out EUR 6 635 thousand in dividends, EUR 210 thousand annual bonuses and allocate EUR 3 thousand to legal reserve).

In respect of the current year, the Board of directors propose a dividend of EUR 8 847 thousand to be paid to the shareholders. This dividend amount is subject to approval by shareholders at the Annual Shareholder's Meeting.

(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	
	2017	**2016**	**2017**	**2016**
Long term borrowings				
Bank credit lines and loans	1 100	-	1 100	-
Total	**1 100**	**-**	**1 100**	**-**
Short term borrowings				
Bank credit lines and loans	300	-	300	
Borrowings from subsidiaries	-	-	5 034	6 977
Total	**300**	**-**	**5 334**	**6 977**
Total borrowings	**1 400**	**-**	**6 434**	**6 977**

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	
	2017	**2016**	**2017**	**2016**
Bank credit lines and loans	1.2%	1.1%	1.2%	1.1%
Bank overdraft	1.1%	1.1%	1.1%	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 approximates to 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 18 564 thousand (2016: EUR 16 187 thousand).

25. TRADE AND OTHER PAYABLES

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Payables to other related parties	49	42	45	39
Trade payables	4 354	4 655	2 065	2 301
Employee benefits and related payables	4 011	3 738	2 167	2 097
Advances received	335	277	108	96
Taxes payable	2 561	2 767	522	947
Accrued expenses and other payables	6 140	4 626	2 355	1 007
Total	**17 450**	**16 105**	**7 262**	**6 487**

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

26. 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.

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

	Accounts payable		Accounts receivable and loans granted		Income received		Purchases	
Related parties	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
UAB Koncernas MG Baltic (the ultimate parent company)	22	13	-	-	-	-	140	112
As per ultimate parent company associated companies:								
UAB Mineraliniai vandenys	6	4	-	-	-	-	19	14
UAB Mediafon	-	5	-	-	-	-	-	30
UAB MG Baltic Investment	15	15	-	-	-	-	173	172
UAB MG Valda	-	5	-	-	-	-	45	48
UAB Palangos Varūna	-	-	216	200	-	-	-	-
LNK Group	-	-	5	6	-	10	9	5
UAB Mediafon Mobi	6	-	-	-	-	-	41	-
MV Latvia SIA	-	-	-	-	-	-	-	1
UAB Teniso pasaulis	-	-	-	-	-	-	-	1
UAB MGVT	-	-	-	-	-	-	3	3
Total	**49**	**42**	**221**	**206**	**-**	**10**	**430**	**386**

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:

	Borrowings and accounts payable		Loans and accounts receivable		Income received		Purchases	
Subsidiaries	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
UAB Apranga LT	2 760	4 022	191	168	3 895	3 325	75	72
UAB Apranga BPB LT	-	244	158	36	697	879	24	28
UAB Apranga PLT	-	-	146	436	133	532	13	7
UAB Apranga SLT	150	-	25	27	263	355	20	23
UAB Apranga MLT	-	-	219	81	1 068	1 042	18	12
UAB Apranga HLT	-	-	286	538	75	53	3	2
SIA Apranga	-	-	3 779	4 618	10 875	10 843	91	49
SIA Apranga LV	1 325	1 350	100	73	1 924	1 661	38	39
SIA Apranga BPB LV	90	43	16	11	170	210	2	5
SIA Apranga PLV	197	225	16	13	270	248	-	2
SIA Apranga SLV	106	67	4	2	43	19	3	3
SIA Apranga MLV	92	207	22	17	532	525	12	16
SIA Apranga Ecom LV	-	4	6	1	1	1	-	-
OU Apranga	-	-	3 230	3 651	5 659	4 434	40	11
OU Apranga Estonia	-	79	731	84	1 303	1 645	38	36
OU Apranga BEE	-	233	353	8	131	196	5	10
OU Apranga PB Trade	314	308	7	9	209	150	10	3
OU Apranga ST Retail	-	195	307	6	122	123	9	6
OU Apranga MDE	-	-	31	191	185	106	5	5
OU Apranga HEST	-	-	275	438	42	15	1	-
OU Apranga Ecom EE	-	-	-	1	1	-	-	-
Total	**5 034**	**6 977**	**9 902**	**10 409**	**27 598**	**26 362**	**407**	**329**

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 8 050 thousand received from the subsidiaries in 2017 is presented in '*Income received*' together with other income (2016: EUR 8 616 thousand). This article also accounted for sales of goods to subsidiaries SIA Apranga and OU Apranga, which in 2017 amounted to EUR 9 571 thousand and EUR 5 076 thousand respectively (EUR 9 331 thousand and EUR 3 876 thousand in 2016, 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 and the 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 27.

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 2017 (7 members of the key management as at 31 December 2016). 3 of them also belong to the Management Board, which consists of 6 members.

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
Short-term employee benefits	1 677	1 439	1 642	1 404
Social security	528	452	517	441
Average number of key managers	7	7	7	7

On 27 April 2017 the Company's shareholders' meeting decided to pay out annual bonuses of EUR 180 thousand to the key management (EUR 210 thousand paid in 2016).

27. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As of 31 December 2017 and 2016 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 2017 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers amounted EUR 14 520 thousand (31 December 2016: EUR 11 173 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2017 amounted to EUR 16 436 thousand (31 December 2016: EUR 13 313 thousand).

As of 31 December 2017 and 2016 the Company's had no guarantees to the credit institutions issued to secure the obligations of subsidiaries. As of 31 December 2017 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled EUR 747 thousand (31 December 2016: EUR 840 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 2017 and 31 December 2016.

Lease commitments

The Company and the Group has entered into 77 and 176 rental agreements of stores respectively (2016: 77 and 177). The agreements' termination period differs from 1 to 6 months.

At 31 December the future aggregate minimum lease payments under operating leases in connection with the rent of premises where the Group and the Company is a lessee were as follows:

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
Lease payable within:				
One year	23 049	22 738	8 051	7 852
From second to fifth year	52 660	55 988	20 275	20 070
Thereafter	14 395	14 161	6 331	5 986
Total	**90 104**	**92 887**	**34 657**	**33 908**

Minimum lease payments may be dependent on the turnover of goods in leased premises, or indexed at appropriate inflation rate.

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

Options granted

Options for assets

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, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, 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 and MASSIMO DUTTI). The options are exercisable in 2020 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.

Options for lease rights

Subsidiaries UAB Apranga LT, UAB Apranga BPB LT, UAB Apranga PLT, UAB Apranga SLT, UAB Apranga MLT, UAB Apranga HLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, 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 and MASSIMO DUTTI) granted irrevocable options exercisable in 2020 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 and MASSIMO DUTTI stores are located.

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 operating 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**	
	2017	**2016**	**2017**	**2016**
Lease payable within:				
One year	11 741	11 768	680	730
From second to fifth year	24 822	28 402	1 504	1 676
Thereafter	5 316	5 550	126	61
Total	**41 879**	**45 720**	**2 310**	**2 467**

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

The management of the Group believes that the agreement parties will not use this agreement condition.

28. EVENTS AFTER THER REPORTING PERIOD

In January 2018, the Company established a subsidiary UAB Apranga OLT, which will operate Oysho stores in Lithuania. The share capital of the subsidiary is EUR 50 thousand. The Company controls 100% of the subsidiary's capital and voting rights.

In January 2018, the Group and Inditex have agreed to prolong franchise agreements regarding Zara, Bershka, Pull and Bear, Stradivarius, Massimo Dutti and Zara Home brands development in the Baltic States until 2020.

APB APRANGA

Consolidated Annual Report

for the year ended 31 December 2017

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

1. GENERAL INFORMATION

Consolidated annual report is prepared for the year ended 31 December 2017.

Name of the Issuer:	public limited liability trade company "Apranga"
Legal form:	public limited liability company
Date and place of registration:	1993 03 01 Board of Vilnius City
Code of Enterprise:	121933274
Registered office:	Kirtimu str. 51, Vilnius, LT-02244, Lithuania
Telephone number:	+370 5 2390808
Fax number:	+370 5 2390800
E-mail address:	info@apranga.lt
Internet address:	www.apranga.lt

At 31 December 2017 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its 100 per cent owned subsidiaries listed below. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Title	Legal form	Date and place of registration	Enterprise code	Register-ed office	Telephone, fax, e-mail, www
UAB Apranga LT	Private limited liability company	27 04 2004 State enterprise Centre of Registers of the Republic of Lithuania	300021271	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga BPB LT	Private limited liability company	29 11 2005 State enterprise Centre of Registers of the Republic of Lithuania	300509648	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga PLT	Private limited liability company	21 03 2007 State enterprise Centre of Registers of the Republic of Lithuania	300551572	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga SLT	Private limited liability company	14 01 2008 State enterprise Centre of Registers of the Republic of Lithuania	301519684	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga MLT	Private limited liability company	13 05 2011 State enterprise Centre of Registers of the Republic of Lithuania	302627022	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga HLT	Private limited liability company	14 05 2015 State enterprise Centre of Registers of the Republic of Lithuania	304042131	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
UAB Apranga Ecom LT	Private limited liability company	25 02 2016 State enterprise Centre of Registers of the Republic of Lithuania	304184173	Kirtimų 51, Vilnius, Lithuania	Tel. 370 5 2390808 Fax. 370 5 2390808 info@apranga.lt www.apranga.lt
SIA Apranga	Private limited liability company	20 11 2002 Enterprise Register of the Republic of Latvia	40003610082	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga LV	Private limited liability company	30 03 2004 Enterprise Register of the Republic of Latvia	40003672631	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga BPB LV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887840	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga PLV	Private limited liability company	10 01 2007 Enterprise Register of the Republic of Latvia	40003887747	Elizabetes 51, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga SLV	Private limited liability company	19 11 2008 Enterprise Register of the Republic of Latvia	50103201281	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
SIA Apranga MLV	Private limited liability company	30 11 2011 Enterprise Register of the Republic of Latvia	40103486301	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt

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

Title	Legal form	Date and place of registration	Enterprise code	Register-ed office	Telephone, fax, e-mail, www
SIA Apranga Ecom LV	Private limited liability company	29 02 2016 Enterprise Register of the Republic of Latvia	40103972857	Terbatas 30, Riga, Latvia	Tel. 371 6 7240020 Fax. 371 6 7240019 info@apranga.lt www.apranga.lt
OU Apranga	Private limited liability company	19 07 2006 Tallinn City Court Register department	11274427	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga Estonia	Private limited liability company	12 04 2004 Tallinn City Court Register department	11026132	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga BEE	Private limited liability company	04 09 2007 Tallinn City Court Register department	11419148	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga PB Trade	Private limited liability company	21 08 2008 Tallinn City Court Register department	11530250	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga ST Retail	Private limited liability company	21 08 2008 Tallinn City Court Register department	11530037	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga MDE	Private limited liability company	21 02 2014 Tallinn City Court Register department	12617929	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga HEST	Private limited liability company	05 07 2016 Tallinn City Court Register department	14075697	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt
OU Apranga Ecom EE	Private limited liability company	01 03 2016 Tallinn City Court Register department	14004869	Pärnu 10, Tallinn, Estonia	Tel. 372 6663444 Fax. 372 6663445 info@apranga.lt www.apranga.lt

At the end of 2017, the Group consisted of 23 companies.

Structure of the Group at 31 December 2017:

APB APRANGA

LITHUANIA	**LATVIA**	**ESTONIA**
	SIA Apranga	OU Apranga
UAB Apranga LT	SIA Apranga LV	OU Apranga Estonia
UAB Apranga BPB LT	SIA Apranga BPB LV	OU Apranga BEE
UAB Apranga PLT	SIA Apranga PLV	OU Apranga PB Trade
UAB Apranga SLT	SIA Apranga SLV	OU Apranga ST Retail
UAB Apranga MLT	SIA Apranga MLV	OU Apranga MDE
UAB Apranga HLT		OU Apranga HEST
UAB Apranga Ecom LT	SIA Apranga Ecom LV	OU Apranga Ecom EE

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

2. OPERATING HIGHLIGHTS

In 2017, facing the changes in consumption, Apranga Group focused on increase in sales, optimization and modernization of the retail chain, strengthening the competitiveness of the Group.

2.1 RETAIL MARKET OVERVIEW

The turnover of the retail chain operated by Apranga Group reached EUR 222.9 million (incl. VAT) in 2017, and increased by 4.0% comparing to the year 2016.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in Baltic States during the 12 months 2017 grew the most in Latvia (+4%) and Lithuania (+4%). In Estonia the retail trade growth was slower at around +2%. In the fourth quarter 2017 the retail trade growth was +4% in Lithuania, +6% in Latvia, and +1% in Estonia. European Union (28 countries) retail trade grew by 2% in last quarter 2017, and increased by 3% in 12 months 2017 (the year before retail trade also grew by 3%).

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

Chain	12 months 2017	12 months 2016	12 months 2015	2017/2016, %	2017/2015, %
Lithuania	130 630	126 759	120 801	3,1%	8,1%
Latvia	52 850	51 112	48 513	3,4%	8,9%
Estonia	39 371	36 324	29 609	8,4%	33,0%
Total:	**222 851**	**214 195**	**198 923**	**4,0%**	**12,0%**

In 2017, the turnover of the retail chain operated by Apranga Group amounted to EUR 130.6 million in the main domestic market of Lithuania, or by 3.1% more than in 2016. The share of Lithuanian chain turnover comprised 58.6%, or by 0.6 point less than in 2016.

The retail turnover of the Apranga Group chain in foreign markets (Latvia and Estonia) reached EUR 92.2 million in 2017, or by 5.5% more, than in 2016. The foreign turnover share in total Group's turnover has increased from 40.8% to 41.4% during the year.

The retail turnover of the Apranga Group chain in Latvia has made EUR 52.9 million in 2017 and has increased by 3.4% during the year.

The retail turnover of the Apranga Group chain in Estonia amounted to EUR 39.4 million and has increased by 8.4% in comparison to 2016.

The highest growth rates in 2017 were recorded in Estonia (+8.4%). Within two years, turnover has increased by 33% in Estonia. High growth rates in Estonia were largely influenced by the relatively high number of stores opened in 2016-2017 (opened 5 new stores in 2016 and 1 store in 2017).

The retail turnover of Apranga Group in 2016-2017, by quarters:

	Q1	Q2	Q3	Q4	Year
2017	47 849	51 425	60 091	63 486	222 851
2016	44 121	50 231	59 447	60 396	214 195
Total change, %	**8,4%**	**2,4%**	**1,1%**	**5,1%**	**4,0%**

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

Chain	12 months 2017	12 months 2016	12 months 2015	2017/2016, %	2017/2015, %
Economy[1]	31 312	30 754	31 201	1,8%	0,4%
Youth[2]	44 288	43 793	43 794	1,1%	1,1%
Footwear	6 216	6 500	7 219	-4,4%	-13,9%
Business[3]	39 781	37 502	32 598	6,1%	22,0%
Luxury[4]	23 503	23 886	24 062	-1,6%	-2,3%
Zara	66 816	61 899	51 120	7,9%	30,7%
Outlets	10 935	9 862	8 928	10,9%	22,5%
Total	**222 851**	**214 195**	**198 923**	**4,0%**	**12,0%**

1 Apranga, Promod, s.Oliver, Tom Tailor, Mexx, Orsay;
2 Aprangos galerija, Moskito, Mango, Bershka, Pull & Bear, Stradivarius, Desigual;
3 City, Massimo Dutti, Strellson, Marella, Pennyblack, Coccinelle, Tommy Hilfiger, Zara Home;
4 Burberry, Emporio Armani, Hugo Boss, Ermenegildo Zegna, MaxMara, Weekend MaxMara, Armani Jeans, Marina Rinaldi, Mados linija, Nude, Sandro, Maje.

In January-December 2017, Zara, Outlets and Business chain's turnover increased mostly (respectively by 7.9%, 10.9% and 6.1%). In the two-year period, highest increases were recorded also by the same Zara, Outlets and Business chains (respectively by 30.7%, 22.5% and 22.0%).

2.2 DEVELOPMENT AND MODERNIZATION OF THE RETAIL CHAIN

In 2013-2017 the dynamics of the number of stores and sales area was as follows:

	31 12 2013	31 12 2014	31 12 2015	31 12 2016	31 12 2017
The number of stores	148	161	169	183	182
Stores area (thousand sq. m.)	69,7	73,2	78,6	83,6	84,3

During the year 2017 the Group opened 6, renovated 6 and closed 7 stores. The total sales area operated by the Group during the year 2017 increased by 0.7%.

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

Country	31 12 2017	31 12 2016	31 12 2015	2017/2016, %
Lithuania	49,6	49,5	47,4	0,2%
Latvia	20,4	20,7	20,5	-1,5%
Estonia	14,3	13,5	10,7	6,1%
Total:	**84,3**	**83,6**	**78,6**	**0,7%**

In 2017, the Group opened three Orsay stores of the Economy segment (in Vilnius, Kaunas and Panevėžys), one Weekend MaxMara store in Klaipėda shopping center Akropolis, one Aldo store in Vilnius (in shopping center Europa), and one "Apranga" chain store in Lounakeskus shopping center in Tartu.

In 2017, the Group, following the latest store trends, sought to expand and renovate stores in the best supermarkets. The Group expanded and renovated Zara store in Klaipėda shopping center Akropolis, City store in Riga shopping center Spice, Bershka store in Kaunas (shopping center Akropolis), and Pull & Bear and Stradivarius stores in Tallinn, Rotermann Quarter.

The number of stores by countries was as follows:

Country	31 12 2017	31 12 2016	31 12 2015	2017/2016, %
Lithuania	107	107	100	0,0%
Latvia	46	47	45	-2,1%
Estonia	29	29	24	0,0%
Total:	**182**	**183**	**169**	**-0,5%**

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

Chain	31 12 2017	31 12 2016	Change
Economy	36	33	9,1%
Youth	44	47	-6,4%
Footwear	15	15	0,0%
Business	39	40	-2,5%
Luxury	27	27	0,0%
Zara	12	12	0,0%
Outlets	9	9	0,0%
Total	**182**	**183**	**-0,5%**

Net investments into development of the chain amounted to EUR 7.2 million in 2017. 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

Despite the unfavorable trends in clothing market, falling prices and corresponding gross margins, the Group managed to maintain stable economic-financial indicators in 2017.

The Group has earned EUR 16.6 million of *profit before income tax* in 2017, while profit before taxes was EUR 13.3 million during 2016, the increase by 24.1%. Profit growth was most influenced by an agreement signed on the sale of administrative and warehouse buildings in August 2017. In this transaction, the Group earned the profit of EUR 3.5 million.

EBITDA of the Group totalled EUR 23.1 million during 2017, and it was EUR 19.5 million in corresponding previous year period. EBITDA margin has increased from 11.3% to 12.7% during the year. ROE and ROA ratios reached 23.7% and 17.4% correspondently.

Main Group Indicators	2017	2016	2015	2014	2013
Net sales, EUR thousand	182 265	172 592	158 748	146 280	135 158
Net sales in foreign markets, EUR thousand	75 157	70 068	62 205	57 618	50 774
Like-to-like sales, %	0,5%	1,7%	1,6%	1,7%	1,7%
Gross profit, EUR thousand	81 792	78 203	72 487	68 487	63 418
Gross margin, %	44,9%	45,3%	45,7%	46,8%	46,9%
Operating profit, EUR thousand	16 578	13 372	12 522	13 341	13 170
Operating profit margin, %	9,1%	7,7%	7,9%	9,1%	9,7%
EBT, EUR thousand	16 555	13 340	12 433	13 261	13 133
EBT margin, %	9,1%	7,7%	7,8%	9,1%	9,7%
Profit (loss) for the period, EUR thousand	13 875	11 160	10 399	11 219	11 043
Profit (loss) for the period margin, %	7,6%	6,5%	6,6%	7,7%	8,2%
EBITDA, EUR thousand	23 075	19 529	18 391	18 906	18 563
EBITDA margin, %	12,7%	11,3%	11,6%	12,9%	13,7%
Earnings (losses) per share (EPS), EUR	0,25	0,20	0,19	0,20	0,20
Price-to-Earnings ratio (P/E), times	10,2	12,7	13,7	12,9	13,0
Dividend / Profit for the period*, %	63,8%	79,3%	63,8%	64,1%	72,5%
Return on equity (end of the period), %	23,7%	20,8%	21,2%	24,5%	25,9%
Return on assets (end of the period), %	17,4%	15,6%	15,2%	16,5%	18,7%
Net debt to equity**, %	-10,9%	-9,3%	3,2%	11,1%	-2,2%
Current ratio, times	2,9	2,8	2,8	1,9	2,3

* The year 2017 dividends not aproved
** (Interest bearing liabilities less cash) / Equity

The *operating expenses* of the Group totalled EUR 68.7 million during 2017 and increased by 6.0%, comparing to the same period 2016, or a bit less than sales, which grew by 5.6%.

Main Group Indicators	2017	2016	Change
Net sales, EUR thousand	182 265	172 592	5,6%
Net sales in foreign markets, EUR thousand	75 157	70 068	7,3%
Gross profit, EUR thousand	81 792	78 203	4,6%
Operating expenses	(68 709)	(64 831)	6,0%
Operating profit, EUR thousand	16 578	13 372	24,0%
EBT, EUR thousand	16 555	13 340	24,1%
Net profit (losses), EUR thousand	13 875	11 160	24,3%
EBITDA, EUR thousand	23 075	19 529	18,2%

The finance costs of the Group were EUR 0.02 million in 12 months 2017. The Group had EUR 1.4 million of financial debts at the end of the reporting period (The Group had no financial debts at the end of the year 2016).

The Group's level of inventories during the year grew by 7.8% (the increase from EUR 35.5 million to EUR 38.2 million). Company's inventories grew by 3.9%. The growth of inventories was a bit stronger than the rise in turnover.

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

Average number of employees and average salary by categories in 2017 were as follows:

	Number of employees		Average monthly salary, EUR	
Employee category	**Group**	**Company**	**Group**	**Company**
Administration	169	107	1 986	2 667
Stores' personnel	1 945	622	692	664
Logistics	54	54	816	816
Total	**2 168**	**783**	**819**	**946**

The average monthly salary in the Group has increased by 4.5% during the year.

During the 2017 the number of employees in the Group and the Company has increased by 56 (+2.7%) and by 6 (+0.8%) people respectively. The main reason for the growth in number of employees is the increasing turnover.

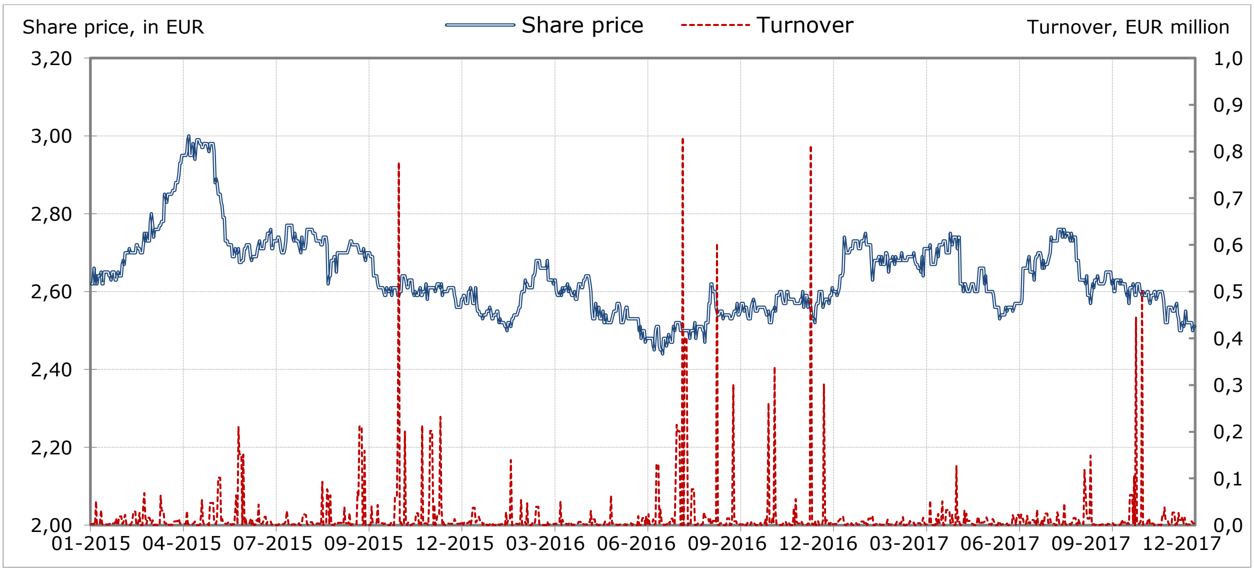
Average number of employees by education level in 2017 was as follows:

Education level	**Group**	**Company**
Higher	535	259
Professional	304	131
Secondary	250	76
Primary	27	2
Student	1 052	315
Total:	**2 168**	**783**

2.5 TRADING INFORMATION

The price of the Company share during the year 2017 decreased by 1.6% from EUR 2.57 per share (the maximum share price during the year was EUR 2.77 per share) to EUR 2.53 per share (the minimum share price during the year was EUR 2.50 per share). In this way, the market capitalization of the Company decreased from EUR 142 million at the beginning of the year to EUR 140 million at the end of December 2017. The weighted average price of share during the year 2017 was EUR 2.62 per 1 share. Company's share turnover was EUR 8.5 million during the year.

Company share price and share turnover during the period 2015-2017:



Company and OMX Baltic Benchmark GI index change for the period 2013-2017:

3. OPERATING PLANS

Apranga Group plans to reach EUR 231 million turnover (including VAT) in 2018, or by 3.6% more, than actual the year 2017 turnover.

Apranga Group plans to reconstruct or open 10-17 stores during 2018. Investments are planned to amount to about EUR 5-10 million.

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. 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.

6. 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 most of its stores). In 2017, the Group's consumption of electricity decreased by 2%, when the store area increased by 1%. Consumption of heat energy also decreased - by 2%.

7. 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.

8. 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;

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

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.

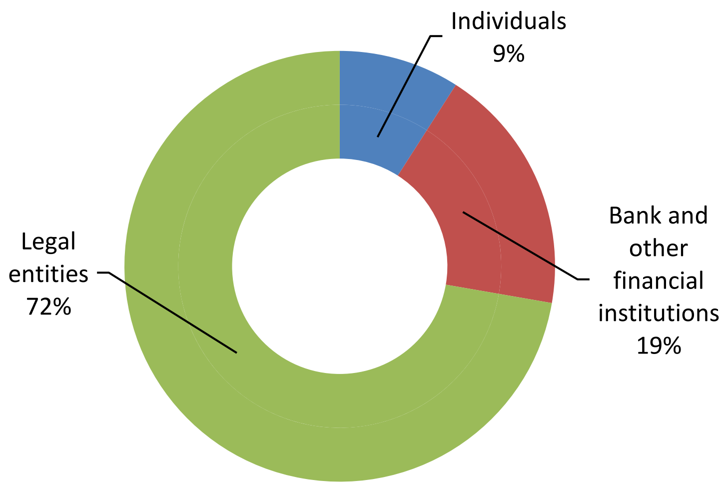
Each owner of the ordinary registered share has the following non-property rights:

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 2017 the Company had 2 586 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	34 262 189	62,0%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	5 442 826	9,8%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	3 908 574	7,1%

Distribution of holdings according to holder groups at 31 December 2017:

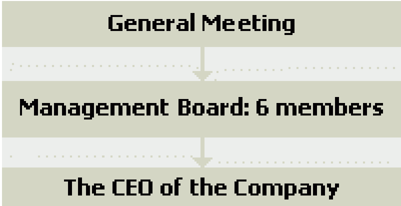


There are no material agreements where the Company is a counterparty and which may come into force, or may change, or may end with the change of control over the Company. Information about related party transactions is provided in the Note 26 to the Consolidated financial statements.

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.

9. 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.



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.

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 more than 2/3 of the members of the Board. The resolution of the Board is adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Board shall have the casting vote. The member of the Board is not entitled to vote when the meeting of the Board discusses the issue related to his/her activities on the Board or the issue of his/her responsibility.

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

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

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

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

The Manager of the Company 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.

10. MANAGEMENT OF THE COMPANY

On 29 April 2014 the Annual General Meeting of Company shareholders elected Company's members of the Board for new 4-year term. 28th April 2018 is the end term of all Company's members of the Board.

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 39 705 015 shares, representing 71.82% of the share capital and votes.

Information on positions in other companies:
President and Chairman of the Board of concern MG Baltic UAB;
Chairman of the Board of holding MG Baltic Investment UAB;
General Director and Chairman of the Board of holding MG Baltic Trade UAB;
Chairman of the Board of MV group production AB;
Member of the Board of MG Valda AB
Chairman of the Board of Mineraliniai vandenys UAB;
Member of the Board of Mediafon UAB;
Chairman of the Board of Minvista UAB.

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:
Chairman of the Board of Apranga LT UAB;
Chairman of the Board of Apranga BPB LT UAB;

Chairman of the Board of Apranga PLT UAB;
Chairman of the Board of Apranga SLT UAB;
Chairman of the Board of Apranga MLT UAB;
Chairman of the Board of Apranga HLT UAB;
Chairman of the Board of Apranga Ecom LT UAB
Chairman of the Board of Apranga LV SIA;
Chairman of the Board of Apranga BPB LV SIA;
Chairman of the Board of Apranga PLV SIA;
Chairman of the Board of Apranga SLV;
Chairman of the Board of Apranga MLV;
Chairman of the Board of Apranga Ecom LV;
Chairman of the Board of Apranga Estonia OU;
Chairman of the Board of Apranga BEE OU;
Chairman of the Board of Apranga PB Trade OU;
Chairman of the Board of Apranga ST Retail OU;
Chairman of the Board of Apranga MDE OU;
Chairman of the Board of Apranga HEST OU;
Chairman of the Board of Apranga Ecom EE OU.

Has no shareholdings in other companies above 5%.

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 135 000 shares of the Company, representing 0.24% of the share capital and votes.

Information on positions in other companies:
Director of Economy and Finances of concern MG Baltic UAB;
General Director and Member of the Board of holding MG Baltic Investment;
Director and Member of the Board of Minvista UAB;
Member of the Board of MV Eesti OU;
Member of the Board of MV Latvia SIA;
Member of the Board of MV Poland S.P.z.o.o.;
Member of the Board of MG BALTIC MEDIA UAB;
Member of the Board of LNK UAB;
Chairman of the Board of Mitnija UAB;
Member of the Board of MG Valda UAB;
Member of the Board of MG Group UAB;
Chairman of the Board of Alita AB.

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.

Information on positions in other companies:
IT and Purchasing Director of concern MG Baltic UAB;
Member of the Board of Alita AB.

Has no shareholdings in other companies above 5%.

(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:
Chairman of the Board of Apranga SIA;
Chairman of the Board of Apranga OU;
Member of the Board of Apranga LT UAB;
Member of the Board of Apranga LV SIA.
Member of the Board of Apranga BPB LV SIA;
Member of the Board of Apranga PLV SIA;
Member of the Board of Apranga SLV SIA;
Member of the Board of Apranga MLV SIA;
Member of the Board of Apranga Ecom LV SIA;
Member of the Board of Apranga Estonia OU;
Member of the Board of Apranga BEE OU;
Member of the Board of Apranga PB Trade OU;
Member of the Board of Apranga ST Retail OU;
Member of the Board of Apranga MDE OU;
Member of the Board of Apranga HEST OU;
Member of the Board of Apranga Ecom EE OU.

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 2017:

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:
Member of the board of Apranga LT UAB;
Member of the board of Apranga BPB LT UAB;
Member of the board of Apranga PLT UAB;

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

Member of the board of Apranga SLT UAB;
Member of the board of Apranga MLT UAB;
Member of the board of Apranga HLT UAB;
Member of the board of Apranga Ecom LT UAB;
Member of the board of Apranga OU.

Has no shareholdings in other companies above 5%.

Information about members of the management bodies on 31 December 2017 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 2017, EUR
Darius Juozas Mockus	Chairman of the Board	- -	29 04 2014	28 04 2018	Receives no remuneration
Rimantas Perveneckas	Member of the Board, General Director	800 770 1.45%	29 04 2014	28 04 2018	-
Ilona Simkuniene	Member of the Board, Purchasing Director	- -	29 04 2014	28 04 2018	-
Ramunas Gaidamavicius	Member of the Board, Development Director	5 000 0.01%	29 04 2014	28 04 2018	-
Vidas Lazickas	Member of the Board	135 000 0.24%	29 04 2014	28 04 2018	Receives no remuneration
Marijus Strončikas	Member of the Board	4 450 0.01%	29 04 2014	28 04 2018	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)					**328 035**
Dividends and bonuses to members of the board and management, on average (6)					**54 673**
Remuneration to members of the board and management, in total (4)					**1 110 902**
Remuneration to members of the board and management, on average (4)					**277 726**

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.

11. 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) and Justina Rasimavičiūtė (the independent member the Committee).

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

12. COMPLIANCE WITH THE GOVERNANCE CODE

Company essentially follows a recommendatory Corporate Governance Code for the Companies Listed on the Nasdaq Vilnius stock exchange adopted and valid as on 31 December 2017. According to the By-Laws of the Company the governing bodies of the Company are the General Shareholder's Meeting, the Board and the General Manager. 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.

For the full text of Compliance Report with the Governance Code for the companies listed on the Nasdaq Vilnius stock exchange refer to Annex 1.

13. CONSOLIDATED SOCIAL RESPONSIBILITY REPORT

The Group's Consolidated Social Responsibility Report is provided in Annex 2 to this annual report.

14. PUBLICLY ANNOUNCED INFORMATION

The Company in 2017 publicly announced and broadcasted through Nasdaq Vilnius Globe Newswire and own webpage the following information:

Date	Title	Category of announcement
2017-01-02	Turnover of Apranga Group in December 2016 and total year 2016	Investor News
2017-02-01	Turnover of Apranga Group in January 2017	Investor News
2017-02-28	Apranga Group interim information for the twelve months of 2016	Interim information
2017-03-01	Turnover of Apranga Group in February 2017	Investor News
2017-04-03	Turnover of Apranga Group in March 2017 and 1st quarter 2017	Investor News
2017-04-04	Notice of the Annual General Meeting of APB "APRANGA" shareholders	General meeting of shareholders
2017-04-05	Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 27th, 2017	General meeting of shareholders
2017-04-27	Resolutions of the Annual General Meeting of Apranga APB shareholders	General meeting of shareholders
2017-04-27	Apranga APB annual information 2016	Annual information
2017-04-28	Apranga Group interim report for three months of 2017	Interim information
2017-05-02	Turnover of Apranga Group in April 2017	Investor News
2017-05-17	Apranga Group introducing the new brand Orsay to Lithuanian market	Press release
2017-06-01	Turnover of Apranga Group in May 2017	Investor News
2017-07-03	Turnover of Apranga Group in June 2017	Investor News
2017-07-28	Apranga Group interim information for the six months of 2017	Half-Yearly information
2017-08-01	Turnover of Apranga Group in July 2017	Investor News
2017-08-03	Apranga APB has signed an agreement on sale of Kirtimu Street property	Notification on material event
2017-09-01	Turnover of Apranga Group in August 2017	Investor News
2017-09-19	Notification on manager's related party transaction	Notifications on transactions concluded by managers of the companies

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

2017-09-19	Notification on manager's transactions	Notifications on transactions concluded by managers of the companies
2017-10-02	Turnover of Apranga Group in September 2017	Investor News
2017-10-27	Apranga Group interim information for the nine months of 2017	Interim information
2017-11-02	Notification on APB Apranga manager's related party transaction	Notifications on transactions concluded by managers of the companies
2017-11-02	Notification on APB Apranga manager's transaction	Notifications on transactions concluded by managers of the companies
2017-11-02	Turnover of Apranga Group in October 2017	Investor News
2017-11-03	Notification on manager's related party transaction	Notifications on transactions concluded by managers of the companies
2017-11-03	Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies
2017-11-09	Notification on Apranga APB manager's related party transactions	Notifications on transactions concluded by managers of the companies
2017-11-16	Notification on the disposal of voting rights	Acquisition or disposal of a block of shares
2017-12-01	Turnover of Apranga Group in November 2017	Investor News
2017-12-15	The turnover and expansion plans of Apranga Group in 2018	Notification on material event

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.

Rimantas Perveneckas
General Director

5 April 2018

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

The public trade company APRANGA (hereinafter referred to as the "Company"), acting in compliance with Article 21(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:

APB Apranga is the parent company of Apranga Group, registered in the Republic of Lithuania. At the end of 2017, it owned 22 subsidiaries founded in the three Baltic States. The principal activity of the Group is retail trade of apparel. 20 out of total 23 Group's companies represent the specific trade mark (Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Zara Home) based under franchise contracts with world's leading fashion retailer, Inditex Group. Other 3 companies (APB Apranga, SIA Apranga and OÜ Apranga) represent other than Inditex brands (monobrand stores) and the own retail chains (multibrand stores): Apranga, Aprangos galerija, City and Mados Linija.

Corporate governance activities are focused in the parent company of the Group – APB Apranga, which in Group companies coordinates the areas of finance, law, strategic planning and control, human resources management and training, business management and development, information technology, ordering and pricing of goods, marketing and advertising, and other common areas. The Group uses a centralized management model, practically all management functions are concentrated in the Group's office in Vilnius.

The Group's main company APB Apranga is listed on Nasdaq Vilnius Stock Exchange since 1997. From 2005, the company has been listed on the Baltic Equity list; currently it is included in the OMX Baltic 10 (OMXB10GI) index. Company's share capital comprises 55 291 960 ordinary shares of nominal value EUR 0.29 each (ISIN code LT0000102337).

At 31 December 2017 the Company had 2 586 shareholders. 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. With related companies he has 39 705 015 shares, representing 71.81% of the share capital and votes.

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 Company has no Supervisory Board. The Board, consisting of 6 members, is elected by General Shareholders' Meeting for a 4 year term. During the financial year, the composition of the Board remained unchanged. The Board of the Company comprised Chairman of the Board D. J. Mockus and the Board members Rimantas Perveneckas, Ilona Šimkūnienė, Vidas Lazickas, Marijus Strončikas and Ramūnas Gaidamavičius. The Board elects and removes from office the Manager of the Company.

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 General Shareholders Meeting at the proposal of the Board. During the financial year, on April 27, 2017 by the decision of General Shareholder Meeting new charter of Audit Committee and new composition of Audit Committee have been approved. The members of the Audit Committee: Rasa Rulevičiūtė (Company management personnel), Daiva Paulavičienė (the independent member the Committee) and Justė Rasimavičiūtė (the independent member of the Committee).

More information on the management bodies and its members, rights of shareholders, the responsibilities of the Board and the Manager of the Company, committees etc. is provided in the 8-11 sections of the Consolidated Annual Report and in the table below, in which information on compliance with the Corporate Governance Code for the Companies listed on Nasdaq Vilnius is disclosed.

Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
Principle I: Basic Provisions **The overriding objective of a company should be to operate in common interests of all the shareholders by optimizing over time shareholder value.**		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimize shareholder value.	Yes	Affirmed Company's development strategy and objectives are published in Company's annual report, in announcements on material events which are published in Company's website http://aprangagroup.lt/en/investors, in Nasdaq Vilnius Stock Exchange information disclosure system, in Central

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
		Storage Facility, as well as in presentations to investors by chief executive officer and senior management.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimize shareholder value.	Yes	
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The Company implements this recommendation insofar as it is concerned with the close cooperation of Company's management board and chief executive officer and senior management.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected.	Yes	
Principle II: The corporate governance framework **The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.**		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholders' meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	No	The bodies of the Company are general shareholders' meeting, management board and chief executive officer. Supervisory board is not constituted in the Company. Such structure of bodies was approved by shareholders decision during general shareholders meeting, when approving articles of association of the Company. In Company's opinion, such structure of bodies ensures less administrative burden and operative decision making. The accountability and control of the single management body - the chief executive officer – is ensured by Company's management board.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	Company's collegial management body – management board – is responsible for strategic management of the Company and performs other key functions of corporate governance. The management board is responsible for the effective supervision of the Company's management bodies insofar as it is concerned with the supervision of the activity of chief executive officer.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	No	The Company has one collegial body and that is management board. See commentary of 2.1. recommendation.
2.4. The collegial supervisory body to be elected by the general shareholders' meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes/No	Recommendations defined in Principles III and IV are not implemented in full extent, however the Company complies with all requirements prescribed by legal acts for formation of collegial management body, i.e. board. See commentaries of III and IV principles' recommendations.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	Company's management board consists of 6 (six) members, 3 (three) of whom are representatives of shareholders and the other 3 (three) are chief executive officer and senior managers. In Company's opinion, the number of the management board members is sufficient considering Company's activity extent and number of shareholders.

PRINCIPLES/ RECOMMENDATIONS	**YES/NO /NOT APPLICABLE**	**COMMENTARY**
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Not applicable	Supervisory board is not constituted in the Company. See commentaries of 2.1. recommendation.
2.7. Chairman of the collegial body elected by the general shareholders' meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholders' meeting. When a company chooses to departure from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	The chairman of the management board and chief executive officer of the Company are different persons. The chairman of the management board has never been appointed as chief executive officer of the Company.
Principle III: The order of the formation of a collegial body to be elected by a general shareholders' meeting **The order of the formation a collegial body to be elected by a general shareholders' meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.**		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	The mechanism of the formation of Company's management board ensures objective and fair supervision of the Company's single management body, chief executive officer, and senior management as well as representation of minority shareholder's interests.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholders' meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes/No	The information about management board members positions taken or participation in other companies activities is continually collected and on the expiration of each year this information is specified and renewed by querying each board member, and such information is disclosed in Company's annual and interim reports and Company's website. Information about education of board members is also disclosed in Company's reports and website. When electing board member in 2014, the names and surnames of candidates have been disclosed together with draft decisions of general shareholder meeting, i.e. at least 10 days before general shareholders meeting. Additionally, when electing board members in 2014, in accordance with Law on Companies the candidates provided to general shareholder meeting information about the positions he/she holds or participations in activities of other companies. Other/additional information procedure other than established by legal acts is not stipulated in the Company. However this information was not submitted exclusively to general shareholder's meeting before their election. There was no necessity in the Company to disclose factors affecting candidate's independence.
3.3. Should a person be nominated for members of a	Yes/No	See commentary of 3.2 recommendation

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.		
3.4 In order to maintain a proper balance in terms of the current qualifications possessed by its members, the desired composition of the collegial body shall be determined with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies. At least one of the members of the remuneration committee should have knowledge of and experience in the field of remuneration policy.	Yes/No	See commentaries of 3.5. and 4.7. recommendations.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member with his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	No	There was no demand in Company to offer tailored programs to new board members focused on introducing a member with his/her duties, corporation organization and activities. In 2014 the board has been elected from the kandidates who were familiar with Company's organization and activities. Annual review of management board members' knowledge is not conducted whereas the management board members, i.e. chief executive officer and senior managers, are professionals and improve their skills and knowledge by conducting their duties in the Company. The skills and knowledge of management board members representing shareholders is reviewed by shareholders themselves before proposing candidates to Company's board.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	The issue of election of independent management board members never been topical and raised in the Company and accordingly the "sufficient" number of independent management board members was never assessed either.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following: 1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) of the company or any associated company and has not been	Not applicable	See commentary of 3.6 recommendation

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
such during the last five years; 2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees; 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations); 4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1); 5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counselling and consulting services), major client or organization receiving significant payments from the company or its group; 6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company; 7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies; 8) He/she has not been in the position of a member of the collegial body for over than 12 years; 9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholders' meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents. 3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.		
3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	Not applicable	See commentary of 3.6. recommendation. Moreover, thus far the assessment and disclosure of the independence of management board members, in accordance with the criteria established by this Code, was not applicable in Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	Not applicable	See commentary of 3.6. recommendation
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholders' meeting should approve the amount of such remuneration.	Not applicable	See commentary of 3.6. recommendation.
Principle IV: The duties and liabilities of a collegial body elected by the general shareholders' meeting **The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholders' meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.**		
4.1. The collegial body elected by the general shareholders' meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	This recommendation is implemented by Company's management board insofar as the management board issues recommendations to chief executive officer and to senior management and monitors and controls their activity.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company-not-pertaining body (institution).	Yes	According to the Company's available data, management board members act in good will in respect of Company, in the interests of the Company and its shareholders, thus maintaining independence of their decision making.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial year of the company, shareholders of the company should be notified.	Yes	According to the Company's data, all management board members attended board meetings and devoted sufficient time to perform their duties as members of the board.
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Company's shareholders are informed about the Company's affairs, strategies, risk management and resolution of conflicts of interest in a manner prescribed by legal acts.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or	Yes/No	The transactions are concluded in standard terms in pursuance of regular Company's activities. Company's board decides on transactions as stipulated in articles of association and in this respect

PRINCIPLES/ RECOMMENDATIONS	**YES/NO /NOT APPLICABLE**	**COMMENTARY**
managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.		the competence of board does not differ from the competence established in Law on Companies. There are no independent members in the Company's board. See commentary of 3.6. recommendation.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees. When using the services of a consultant with a view to obtaining information on market standards for remuneration systems, the remuneration committee should ensure that the consultant concerned does not at the same time advice the human resources department, executive directors or collegial management organs of the company concerned.	Yes/No	The Company does not implement this recommendation in so far as it is related with formation of Remuneration committee. See commentary of 4.7. recommendation.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	Yes/No	Nomination and Remuneration committees indicated in 4.12-4.13 recommendations are not established in the Company, whereas, in Company's opinion, the management board by performing its functions partially performs functions of Nomination and Remuneration committees. Company's management board selects a candidate for chief executive officer position and appoints chief executive officer, provides recommendations to chief executive officer regarding appointment of senior managers and their remuneration policy. Company's management board affirms Company's strategic plans and objectives and controls their implementation. Moreover, Company's management board affirms Company's budget plans and analyse and assess chief executive officer's and senior management's reports on budget plans' implementation and fund utilization. In pursuance of requirements of Law on Audit (Official Gazette, 2008, No. 82-53233) the Audit committee composed of two members is established in Company.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should exercise independent judgement and integrity when exercising its functions as well as present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from	Yes/No	See commentary of 4.7. recommendation. The recommendation is implemented insofar as it is related with Audit committee activity in Company.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.		
4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of two members. Majority of the members of each committee should be constituted from independent members of the collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors. Chairmanship and membership of the committees should be decided with due regard to the need to ensure that committee membership is refreshed and that undue reliance is not placed on particular individuals.	Yes/No	See commentary of 4.7. recommendation. Audit committee is exceptionally composed of two members.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	See commentary of 4.7. recommendation. Audit committee's authority, rights and obligations are stipulated in Internal rules of Audit committed pursuant to applicable legal acts and Audit committee's authority, rights and obligations are approved by general shareholders' meeting. Audit committee's authority, rights and obligations stipulated in Internal rules of Audit committee do not differ from those stipulated in legal acts.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	Yes/No	See commentary of 4.7. recommendation. It is stipulated in Internal rules of Audit committed that Company's board members, chief executive officer, chief financial officer, employees of the Company, auditors may be invited to meetings of committee.
4.12. Nomination Committee. 4.12.1. Key functions of the nomination committee should be the following: • Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company; • Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes; • Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body; • Properly consider issues related to succession planning; • Review the policy of the management bodies for selection and appointment of senior management. 4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial	No	Nomination Committee is not established in Company. (See commentary of 4.7. recommendation).

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
body elected by the general shareholders' meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.		
4.13. Remuneration Committee. 4.13.1. Key functions of the remuneration committee should be the following: • Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation, including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body; • Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies; • Ensure that remuneration of individual executive directors or members of management body is proportionate to the remuneration of other executive directors or members of management body and other staff members of the company; • Periodically review the remuneration policy for executive directors or members of management body, including the policy regarding share-based remuneration, and its implementation; • Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies; • Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors); • Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies. 4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should: • Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body; • Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting; • Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has. 4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the	No	Remuneration Committee is not established in Company. (See commentary of 4.7. recommendation).

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies. 4.13.4. The remuneration committee should report on the exercise of its functions to the shareholders and be present at the annual general meeting for this purpose.		
4.14. Audit Committee. 4.14.1. Key functions of the audit committee should be the following: 1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group); 2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided; 3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually; 4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholders' meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations; 5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee; 6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter. 4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose vehicles (organizations) and justification of such operations.	Yes/No	Audit committee's rights and obligations stipulated in Internal rules of Audit committee do not differ from those stipulated in legal acts (Law on Audit, Official Gazette, 2008, No. 82-3233). Internal rules of Audit committee have been approved by decision of general shareholders meeting.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present. 4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors. 4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit. 4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action. 4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	There is no practice in Company on internal assessments of management board activities and notification on it.
Principle V: The working procedure of the company's collegial bodies **The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.**		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	Company's management board is conducted by chairman of the management board.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the	Yes/No	Company's management board meetings

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.		are convened depending on the necessity, in such a way as to ensure an interrupted resolution of the essential corporate governance issues. In Company's opinion, covening of management board meeting depending on the necessity ensures operative decision making.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents 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 are present or certain issues of great importance to the company require immediate resolution.	Yes	
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-coordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	No	The Company does not implement this recommendation whereas only management board is constituted in the Company. See commentary of 2.1. recommendation.
Principle VI: The equitable treatment of shareholders and shareholder rights **The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.**		
6.1. 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 their holders.	Yes	The Company's capital consists of ordinary registered shares which grant equal rights to their owners.
6.2. 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 informs about the rights attached to the shares of the new issue or those issued earlier in prospects of the shares of new issue, in annual and interim reports and in Company's website. See commentaries of X principle's recommendations.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholders' meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed.	No	The management board of the Company adopts resolutions for transactions regarding transferring, investment, pledge or other type of the encumbrance of the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company. Such procedure is stipulated in Company's articles of association which were approved by decision of general shareholders meeting. Additionally, such decision making procedure (without shareholders approval) ensures less administrative burden and operative decision making.
6.4. Procedures of convening and conducting a general shareholders' meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders.	Yes	
6.5. If is possible, in order to ensure shareholders living	Yes	Company's general shareholders' meeting

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
abroad the right to access to the information, it is recommended that documents on the course of the general shareholders' meeting should be placed on the publicly accessible website of the company not only in Lithuanian language, but in English and /or other foreign languages in advance. It is recommended that the minutes of the general shareholders' meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in Lithuanian, English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.		draft resolutions are published in pursuance of applicable legal acts, i.e. not later than 21 (twenty one) days before shareholders' meeting. General shareholders' meeting draft resolutions and its adopted resolutions are published throughout NASDAQ Vilnius Stock Exchange information disclosure system and are placed on publicly accessible Company's website, in Lithuanian and English. General shareholders' meeting draft resolutions are also placed in Central Storage Facility.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholders' meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The Company's shareholders are furnished with the opportunity to vote in general shareholders' meeting both personally and throughout duly authorized representatives. On demand of shareholders, the Company may furnish the opportunity to vote in general shareholders' meeting in writing in advance, pursuant to the Law on Companies.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholders' meetings, the companies are recommended to expand use of modern technologies by allowing the shareholders to participate and vote in general meetings via electronic means of communication. In such cases security of transmitted information and a possibility to identify the identity of the participating and voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially shareholders living abroad, with the opportunity to watch shareholder meetings by means of modern technologies.	No	In Company's opinion, thus far there was no necessity to use modern technologies in general shareholders' meeting participation and voting process via electronic means of communication. However, shareholders have the possibilities to vote through authorized person or by completing the general voting ballot.
Principle VII: The avoidance of conflicts of interest and their disclosure **The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.**		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholders' meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must	Yes	

PRINCIPLES/ RECOMMENDATIONS	**YES/NO /NOT APPLICABLE**	**COMMENTARY**
be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.		
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	
Principle VIII: Company's remuneration policy **Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.**		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement) which should be clear and easily understandable. This remuneration statement should be published as a part of the company's annual statement as well as posted on the company's website.	No	The Company does not prepare and publish remuneration statement. In Company's opinion, such information commercially is not published. Pursuant to law requirements, the Company publishes in Company's annual report information regarding total sums counted to management board members, chief executive officer and chief financial officer during reporting period.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	No	See commentary of 8.1. recommendation.
8.3. Remuneration statement should leastwise include the following information: • Explanation of the relative importance of the variable and non-variable components of directors' remuneration; • Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration; • An explanation how the choice of performance criteria contributes to the long-term interests of the company; • An explanation of the methods, applied in order to determine whether performance criteria have been fulfilled; • Sufficient information on deferment periods with regard to variable components of remuneration; • Sufficient information on the linkage between the remuneration and performance; • The main parameters and rationale for any annual bonus scheme and any other non-cash benefits; • Sufficient information on the policy regarding termination payments; • Sufficient information with regard to vesting periods for share-based remuneration, as referred to in point 8.13 of this Code; • Sufficient information on the policy regarding retention of shares after vesting, as referred to in point 8.15 of this Code; • Sufficient information on the composition of peer groups of companies the remuneration policy of which has been examined in relation to the establishment of the remuneration policy of the company concerned; • A description of the main characteristics of supplementary pension or early retirement schemes for directors; • Remuneration statement should not include commercially sensitive information.	No	See commentary of 8.1. recommendation.
8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the	No	See commentary of 8.1. recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
contracts executed with executive directors and members of the management bodies. It should include, inter alia, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.		
8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year. 8.5.1. The following remuneration and/or emoluments-related information should be disclosed: • The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting; • The remuneration and advantages received from any undertaking belonging to the same group; • The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted; • If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director; • Compensation receivable or paid to each former executive director or member of the management body as a result of his resignation from the office during the previous financial year; • Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points. 8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed: • The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application; • The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year; • The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights; • All changes in the terms and conditions of existing share options occurring during the financial year. 8.5.3. The following supplementary pension schemes-related information should be disclosed: • When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year; • When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year. 8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial report of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.	No	See commentary of 8.1. recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.6. Where the remuneration policy includes variable components of remuneration, companies should set limits on the variable component(s). The non-variable component of remuneration should be sufficient to allow the company to withhold variable components of remuneration when performance criteria are not met.	Not applicable	See commentary of 8.1. recommendation.
8.7. Award of variable components of remuneration should be subject to predetermined and measurable performance criteria.	Not applicable	See commentary of 8.1. recommendation.
8.8. Where a variable component of remuneration is awarded, a major part of the variable component should be deferred for a minimum period of time. The part of the variable component subject to deferment should be determined in relation to the relative weight of the variable component compared to the non-variable component of remuneration.	Not applicable	See commentary of 8.1. recommendation.
8.9. Contractual arrangements with executive or managing directors should include provisions that permit the company to reclaim variable components of remuneration that were awarded on the basis of data which subsequently proved to be manifestly misstated.	Not applicable	See commentary of 8.1. recommendation.
8.10. Termination payments should not exceed a fixed amount or fixed number of years of annual remuneration, which should, in general, not be higher than two years of the non-variable component of remuneration or the equivalent thereof.	Not applicable	See commentary of 8.1. recommendation.
8.11. Termination payments should not be paid if the termination is due to inadequate performance.	Not applicable	See commentary of 8.1. recommendation.
8.12. The information on preparatory and decision-making processes, during which a policy of remuneration of directors is being established, should also be disclosed. Information should include data, if applicable, on authorities and composition of the remuneration committee, names and surnames of external consultants whose services have been used in determination of the remuneration policy as well as the role of shareholders' annual general meeting.	Not applicable	See commentary of 8.1. recommendation.
8.13. Shares should not vest for at least three years after their award.	Not applicable	See commentary of 8.1. recommendation. Company's directors are not remunerated in shares.
8.14. Share options or any other right to acquire shares or to be remunerated on the basis of share price movements should not be exercisable for at least three years after their award. Vesting of shares and the right to exercise share options or any other right to acquire shares or to be remunerated on the basis of share price movements, should be subject to predetermined and measurable performance criteria.	Not applicable	See commentary of 8.1. recommendation. Company's directors are not remunerated in shares, share options or any other right to purchase Company's shares.
8.15. After vesting, directors should retain a number of shares, until the end of their mandate, subject to the need to finance any costs related to acquisition of the shares. The number of shares to be retained should be fixed, for example, twice the value of total annual remuneration (the non-variable plus the variable components).	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.16. Remuneration of non-executive or supervisory directors should not include share options.	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.17. Shareholders, in particular institutional shareholders, should be encouraged to attend general meetings where appropriate and make considered use of their votes regarding directors' remuneration.	Not applicable	See commentary of 8.1. recommendation.
8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.	Not applicable	See commentary of 8.1. recommendation.

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
8.19. Schemes anticipating remuneration of directors in shares, share options or any other right to purchase shares or be remunerated on the basis of share price movements should be subject to the prior approval of shareholders' annual general meeting by way of a resolution prior to their adoption. The approval of scheme should be related with the scheme itself and not to the grant of such share-based benefits under that scheme to individual directors. All significant changes in scheme provisions should also be subject to shareholders' approval prior to their adoption; the approval decision should be made in shareholders' annual general meeting. In such case shareholders should be notified on all terms of suggested changes and get an explanation on the impact of the suggested changes.	Not applicable	See commentaries of 8.1. and 8.14 recommendations.
8.20. The following issues should be subject to approval by the shareholders' annual general meeting: • Grant of share-based schemes, including share options, to directors; • Determination of maximum number of shares and main conditions of share granting; • The term within which options can be exercised; • The conditions for any subsequent change in the exercise of the options, if permissible by law; • All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms. Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.	Not applicable	
8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholders' approval.	Not applicable	
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.	Not applicable	
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.19, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's	Not applicable	

PRINCIPLES/ RECOMMENDATIONS	**YES/NO /NOT APPLICABLE**	**COMMENTARY**
website.		
Principle IX: The role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept "stakeholders" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.**		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	The Company respects the rights of interest holders, and the interest holders may participate in the management of the Company in the manner prescribed by legal acts.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.	Yes	
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
Principle X: Information disclosure and transparency **The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.**		
10.1. The company should disclose information on: 1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors; 6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations; 7) Material issues regarding employees and other stakeholders; 8) Governance structures and strategy. This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.	Yes	The information mentioned in this recommendation is disclosed in announcements on material events published throughout Nasdaq Vilnius Stock Exchange information disclosure system, in Company's website, and in Company's documents of annual and interim information in such scope as it is required by law as well as by International Financial Reporting Standards applicable in European Union. The information is also disclosed by chief executive officer and senior management in presentations to investors.
10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.	Yes	The Company provides information about consolidated results of the Company and its subsidiary companies.
10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.	Yes/No	See commentary of 3.2 recommendation of III principle. The Company does not prepare and publish remuneration statement, See commentary of 8.1. recommendation of VIII principle.
10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources,	Yes	Information is disclosed in Company's documents of annual and interim information in such scope as it is required by law as well as by International

PRINCIPLES/ RECOMMENDATIONS	YES/NO /NOT APPLICABLE	COMMENTARY
employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.		Financial Reporting Standards applicable in European Union. As well this information is disclosed by chief executive officer and senior management in presentations to investors.
10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.	Yes	The information is disclosed pursuant to the requirements of the laws of the Republic of Lithuania. The information is disclosed throughout Nasdaq Vilnius Stock Exchange information disclosure system, thus ensuring simultaneous disclosure of information to investors. The information is straight away placed in Central Storage Facility. The information is disclosed in Lithuanian and English, before or after a trading session on the Nasdaq Vilnius Stock Exchange.
10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.	Yes	See commentary of 10.5 recommendation. All the information disclosed throughout Nasdaq Vilnius Stock Exchange information disclosure system and posted in Central Storage Facility is placed on Company's website especially intended for the investors http://aprangagroup.lt/en/investors, in Lithuanian and English.
10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information about material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.	Yes	See commentary of 10.5 recommendation.
Principle XI: The selection of the company's auditor **The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.**		
11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.	Yes	The audit of annual Company's and its company group consolidated financial statements is performed by independent audit company according to International Financial Reporting Standards applicable in European Union. Audit company also performs the review of the annual report.
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholders' meeting.	Yes	The candidacy of audit company is proposed by Company's board to general shareholders meeting.
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholders' meeting.	Not applicable	The firm of auditors of the Company has not rendered non-audit services to Company during the reporting period and has not received any remuneration for it from the Company.

APRANGA

GROUP

2017 SOCIAL RESPONSIBILITY REPORT

TABLE OF CONTENTS

1. ABOUT APRANGA GROUP

Apranga Group is the leading clothing retailer in the Baltic States; therefore, we understand that we are responsible for our actions that affect our employees, clients, shareholders, the general public and the surrounding environment.

In all markets in which we operate, we develop our business in a fair, transparent way, adhere to high standards of business ethics, strive for effective management of the sales network and the retention and development of competent staff. The activities of our group can be defined in three words, which also best reflect our attitude to business, i.e. **honesty, transparency and responsibility**.

HONESTY	**TRANSPARENCY**	**RESPONSIBILITY**

Fostering these core values ensures transparent and trust-based relationships of Apranga Group with all stakeholders.

182 STORES

200 BRANDS

3 COUNTRIES

2168 EMPLOYEES

**EUR 223 MILLION
TURNOVER IN 2017**

Apranga Group (hereinafter referred to as the Group) consists of the main company APB Apranga, established and operating in Lithuania, and 22 subsidiaries, established in Lithuania, Latvia and Estonia. The main business of all the Group companies is retail clothing.

SUBSIDIARIES CAN BE DIVIDED INTO TWO GROUPS:

- **20 companies** (Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Oysho/Uterqüe operators in each of the three Baltic States and Zara Home in Lithuania and Estonia), which represent a specific brand and operate under franchise agreements with one of the world's largest clothing suppliers— Inditex Group (hereinafter referred to as the "franchised companies");

- **2 companies** (Apranga, SIA and Apranga, OÜ), which do not operate under franchise agreements or operate under a relatively small number of them (hereinafter referred to as the "non-franchised companies").

Franchised companies are supplied by Inditex Group. Non-franchised companies are supplied by Apranga, APB (except for rare exceptions when goods are delivered to non-franchised companies directly). Non-franchised companies sell their goods in Latvian and Estonian markets, while Apranga, APB sells them in Lithuania.

The Group's sales revenue consists exclusively of revenue from the retail chain of stores (182 stores in Lithuania, Latvia and Estonia). More than 95% of sales revenue consists of sales in specialised clothing stores. The remaining sales revenue consists of sales of footwear and household goods in the respective specialised stores.

The management of the Group is centralised in the main company Apranga, APB. Subsidiaries perform only a small part of the functions, employing a minimum number of administration staff. Meanwhile, Apranga, APB employs the overwhelming majority of the Group's administration and all logistics and warehouse staff.

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

IN PURSUIT OF ITS ACTIVITIES, THE GROUP IS GUIDED BY FOUR MAIN PRINCIPLES:

WE WORK AND AIM TO WORK ONLY WITH THE FASTEST GROWING, COMMERCIALLY MOST SUCCESSFUL GLOBAL BRAND NAMES OR NETWORKS OPERATING IN DIFFERENT MARKETS AND SUITABLE TO OUR MARKET.

WE NEVER MAKE COMPROMISES IN CHOOSING THE BEST PLACES TO OPEN STORES ("WE HAVE TO BE WHERE WE CANNOT AFFORD NOT TO BE").

WE AIM TO ESTABLISH STORES OF OPTIMAL SIZE IN ACCORDANCE WITH THE HIGHEST EUROPEAN DESIGN AND TECHNOLOGY REQUIREMENTS.

WE STRIVE TO MAKE OPTIMAL USE OF THE POWER OF AN APPARENT MARKET LEADER AND THE OPPORTUNITIES FOR RAPID EXPANSION IN A COMPETITIVE ENVIRONMENT.

In its activities, Apranga Group faces various risks (legal regulation, business, investment, market, competition, economic cycles, macroeconomic factors, etc.), but only some of them can have a more significant impact on the Group's performance.

Economic risk. The Group's activities are influenced by the economic situation of the countries in which the Group operates (especially the cyclicality of the economy). The Baltic economies have practically recovered from the economic crisis, but there is still uncertainty about the trends of global economic development and forthcoming regional or global crises. It is difficult to assess reliably how the Group's financial position will be affected by future developments of the global macroeconomic situation. However, it is believed that even minimal economic growth of the Baltic States allows to ensure normal operation and stable development of the Group.

Competition risk. In its activities, the Group faces increasing competition in the clothing market. In order to manage this risk and satisfy the quality requirements for the services provided, the Group carries out continuous development and modernisation of its chain of stores, constantly develops sales and marketing strategies, conducts market research, improves customer service, implements a coherent program of optimisation of business processes and cost reduction. In its activities, Apranga Group is guided by the principles of transparency and fair competition.

Weather risk. The Group's activities and its performance are also influenced by weather conditions to some extent. The Group plans its performance based on the assumption that the weather conditions will be normal, i.e. typical for the Baltic region. Unfavourable weather conditions can have a negative impact on the Group's turnover as well as its performance and inventory balances.

Apranga Group has also identified employee-related risks in all the markets in which it operates and takes these risks into account when developing its strategic lines of business.

EMPLOYEE-RELATED RISKS:

- recruitment and hiring;
- smooth integration into work processes;
- employee retention, turnover reduction;
- increasing employee satisfaction.

In 2017, the Group sought to actively strengthen its image as an employer, highlight additional benefits and career opportunities for current and future employees, and encouraged mothers and fathers to return to the labour market after maternity and paternity leave. During open days, it introduced opportunities and perspectives of working in stores in all three markets, whereas during marketing campaigns, it sought to facilitate the recruitment of new employees and the retention of existing ones.

The company has implemented and for the last few years been successfully operating a system for employee performance assessment and training. Together with professionals in their areas, external partners and company's internal specialists, the company periodically organises trainings and seminars, offers the program "Dress up your thoughts. Conversations with professionals". In the autumn of 2017, Apranga Group opened its "Training Academy", which started off with a program led by internal trainers, consisting of the Group's employees with diverse professional and personal experiences.

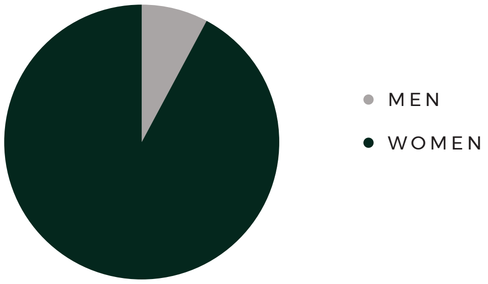
2.

COMPANY’S EMPLOYEES

Apranga Group is guided by the notion that the success of a business is determined by its employees, their sincere work and loyalty. In its activities, Apranga Group has zero tolerance for human rights violations, provides equal working conditions regardless of nationality, race, religion, political beliefs, applies honest and transparent wage policies, and adheres to the laws governing working time. The company provides opportunities for employment and successful work for people of all ages, education and experience.
According to the data of 31 December 2017, Apranga Group employed 2,168 employees in Lithuania, Latvia and Estonia. During 2017, the number of Group's employees increased by 5.2%.

UNIT	NUMBER OF EMPLOYEES
ADMINISTRATION	169
LOGISTICS	54
TRADE	1 945
TOTAL	**2 168**

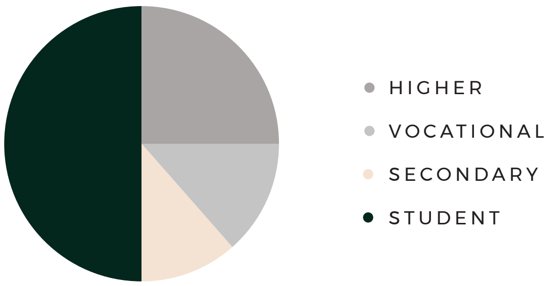
92% of the Group's employees are women and 8% are men. The number of women is higher in the Group due to the specifics of the Group's business.



The average age of employees in the Group is about 26 years. The majority, about 66% of employees are salesmen-consultants working at Apranga Group stores.

As of 31 December 2017, the number of employees in the Group by education was:

EDUCATION	NUMBER OF EMPLOYEES IN THE GROUP
HIGHER	535
VOCATIONAL	304
SECONDARY	250
STUDENT	1 079
TOTAL	**2 168**



In accordance with the general principles of the company, the aim is to ensure that Apranga Group employees realise their professional potential, have opportunities to expand boundaries of their competencies and contribute to the development of an open and friendly working environment and the increasing of the Group's competitiveness in the market.

The company values the accumulated experience of its employees, supports and encourages their long-term horizontal and vertical career aspirations and strives to develop talent. The majority of employees in the leading positions in the stores have been promoted internally. A staggering 95% of store managers began their careers as a seller-consultant. The development of talent within the company is one of the main tasks of the staff department.

In 2017, the Group's employee turnover was 109%:

COUNTRY	EMPLOYEE TURNOVER, %
LITHUANIA	92%
LATVIA	100%
ESTONIA	165%
GROUP:	**109%**

The greatest employee turnover in 2017 was recorded in the stores owned by the Group and amounted to 128%. Most of the employees in the stores are students who work on short-term contracts or seek to combine work with studies, thus choosing to work part-time. This number also includes Group's employees who were promoted up the career ladder during the year and now work in higher positions in stores or in the central office. Last year, 14% employee turnover was observed in the administration and only 7% in logistics.

UNIT	EMPLOYEE TURNOVER, %
ADMINISTRATION	14%
LOGISTICS	7%
TRADE	128%

ADMINISTRATION
14%

LOGISTICS
7%

TRADE
128%

In case the need for new employees arises, preference is always given to the existing employees, thus encouraging horizontal growth of employees. If there are no candidates within the company that meet the requirements, a search for employees outside the company begins.

In order to shorten the integration of new employees, the company has a mentoring program that contributes not only to faster and smoother integration of new employees, but also to the reduction of employee turnover. Continuous education and development of employees is ensured by constant assessment of achievements and competences that are in line with both the internal values of the company and the competences being promoted.

In 2017, 163 different trainings for employees on 43 different topics took place in the Group. The trainings were rated by the employees at 4.6 points out of a possible five.

163 TRAININGS

43 TOPICS

4.6/5 AVERAGE RATING

Every employee who sees his/her future at the company has great opportunities to reveal his/her potential and test his/her strengths in the “Try on a career” project. The aim is to create opportunities for employees to test their strengths in a wide range of positions, grow professionally, and thus encourage talent development within the company.

In 2017, 87 employees decided to test their strengths in this project, resulting in 43 new talents being discovered and 40% of the participants taking a new step in their careers.

87 PARTICIPATED

43 NEW TALENTS

40% CLIMBED UP THE CAREER LADDER

The Group provides employees’ children aged 17 or older with the opportunity to test their strengths at Apranga Group and thus make it easier to decide on a career choice. A flexible work schedule is offered, so the new job can be combined with studies.

Apranga Group understands the importance of family for the well-being of the society. Therefore, in order to encourage mothers or fathers to return to the labour market after maternal/paternal leave, it tries to offer them flexible working conditions, which enable them to combine work with the raising of the child.

In its activities, Apranga Group is guided by the principle that a safe working environment is one of the fundamental rights of workers and works on improving the occupational health and safety culture at the workplace as well as organises internal control of occupational health and safety at the company.

The Group maintains an active dialogue on the implementation of measures relating to the health care and monitoring of workers, safe and clean working environment and improvement of employee safety and culture. The introduction of compulsory and complementary measures in the areas of health care and provision of personal protective equipment for employees allows to avoid incidents.

3. ANTI-CORRUPTION ACTIVITIES

In order to ensure the transparency and publicity of its business, Apranga Group carries out corruption prevention, aimed at preventing the emergence and development of corruption in the Group's activities and in the companies belonging to the Group. The company advocates transparent business that encourages the public to focus on Lithuanian business that is advanced and responsible and creates proper working conditions.

The Group is strongly against any form of corruption and bribery, whether active or passive, including promising, offering or paying (including as a gift) to an intermediary, a business partner, a clerk, a political party or another third party in order to bribe the recipient or supplier so that it does not perform its functions, duties or decisions properly, and vice versa.

The Group also advocates fair, transparent and direct communication with state authorities. The company promotes fair business policy and transparent communication with customers, suppliers, contractors, subcontractors and other third parties. In procurements, the company always follows the "four-eye" principle and thus prevents any manifestation of unfair practices.

Corruption risk inside the company is also reduced by existing integrated internal control mechanisms, preventive training for employees, aimed at identifying potential corruption risk factors. The company constantly carries out internal control over its activities, improves its operations.
In 2017, 38 preventive trainings for Apranga Group employees took place, during which a great deal of attention was devoted to the protection of material values, as well as the definition of the risk of corrupt activities.

4.

SHAREHOLDER VALUE

In 1997, Apranga Group was officially listed on Nasdaq Vilnius exchange. Over the 20 years in the capital market, the Company has made a significant contribution to establishing the principles of transparent information provision, good corporate governance, active and transparent communication with investors. The company creates long-term value for its shareholders and contributes to the development of the Nasdaq Baltic capital market. Over more than two decades, the Group's experience in the securities market has become a good example for other companies that are considering going to the capital market.

The Company seeks to maintain a transparent relationship with existing and potential investors, providing relevant information to investors in a timely and periodic manner on the Company's website. Part of the profit is allocated by Apranga, APB for dividends. The company's shares are not only liquid, but also give the shareholders an excellent return—not only because of the price growth, but also because of dividends paid.

The Baltic Markets Awards project hosted by Nasdaq in the Baltic markets reveals that Apranga Group is one of the best companies in terms of provision of information and communication with investors, as rated by investors and capital market participants. In 2016, Apranga Group was announced having the "Best Investor Relations According to Market Professionals".

The company's transparency, highest standards of governance, and its investor relations have also been noticed by market professionals. In 2015, Apranga Group was recognised as the "the company that has made the greatest progress over 10 years", as judged by the market price and the recognition by the Baltic Market Awards. In September 2016, the Company was invited to the Nasdaq headquarters in New York to symbolically open the stock trading session. Apranga, APB is the first Lithuanian capital company to be granted this privilege.

5.

PUBLIC VALUE

Apranga Group understands its role and responsibility to the public and tries to contribute to the development of a better Lithuania.

Since the restoration of independence, the Group, together with the country, has experienced historical changes, consistently developed the business environment and contributed not only to the economic growth of the country, but also to the fostering of the cultural and educational environment.

THE MAIN AREAS OF SOCIAL RESPONSIBILITY OF THE GROUP ARE:

- education of the younger generation;
- assistance to socially vulnerable groups;
- promotion of cultural activities;
- sports and active lifestyle.

Apranga Group periodically contributes to the promotion of physical activity in Lithuania and supports various sports organisations and events (Lithuanian National Olympic Committee, Lithuanian Basketball Federation, Lithuanian Tennis Federation, Dalia Kutkaite Artistic Gymnastics Academy).

The group often collaborates with a variety of cultural initiatives (Cinema Under the Stars, Midsummer Festival), contributes to art, book and textbook publishing projects.

In order to contribute to the education of children and young people, the Group participates in various trainings, university projects and other initiatives of other organisations that help young people choose their career path.

The group also devotes much attention to fostering family values. For the last two years Apranga Group has been one of the sponsors of the Responsible Parenthood Conference and has also begun cooperation with the international project “Dress for Success”, which helps socially vulnerable women to return to the labour market.

Among other things, the Group gives charity to individuals, orphanages and organisations, cooperates with the “Children’s Dreams” project, constantly maintains dialogue with potential partners.
In 2016, Apranga Group provided assistance of nearly 27,000 euros and in 2017 the number was 27,646 euros.

The company aims to not only introduce world-famous brands and make them accessible to people in the Baltic region, but also encourages the growth of Lithuanian designers and the consumption of local products.

The company works with various Lithuanian textile manufacturers as well as collaborates in introducing collections by Lithuanian designers in store chains (such as D.Effect, 2Ru2Ra, Pando, Robert Kalinkin, Naked Bruce, etc.).

6. ENVIRONMENTAL PROTECTION

Apranga Group has high qualitative goals for its business, seeking not only to make world-famous brands accessible to people in the Baltic region, but also to integrate high standards of international trade in the local markets. Responsible and sustainable business principles are integrated at all stages of the company's operations.

In its activities, the Group uses the latest technology and implements technological processes that meet environmental standards and help reduce negative environmental impact, promotes rational management and use of resources, and constantly looks for ways to reduce electricity consumption in the Group's stores, central office and logistics warehouses.

By introducing more efficient lighting technologies, traditional light bulbs were replaced by sophisticated LEDs, not only extending their service life but also saving power consumption in the stores. In order to effectively use the existing lighting, stores and warehouses were divided into segments, thus avoiding unnecessary waste of electricity.

IN 2017, ELECTRICITY CONSUMPTION WAS DOWN BY 2.4%, WHILE THAT OF HEAT ENERGY WAS DOWN BY 2.3%.

When opening new or upgrading existing stores, the aim is to only use solutions that are safe for customers, employees and the environment, to implement trade innovations that would contribute to saving energy costs, and to seek out the latest trade and architectural solutions.

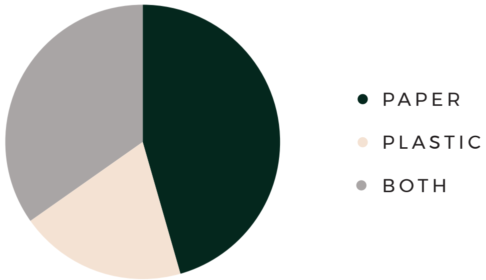
In 2016 in Vilnius began the construction of an innovative administrative and logistics centre of Apranga Group, which stands out for its high technical requirements and energy efficiency. In designing the new administrative and logistics complex, much attention was devoted to the analysis and application of international experience, innovations and latest technological solutions.

The administrative and logistics centre that will open its doors in the first half of 2018 meets class A energy performance requirements. The heating and ventilation of the buildings will be done by using geothermal heat pumps, which not only ensure efficient use of energy from water and soil, but are also a reliable and eco-friendly option. All ventilation cameras will operate on the principle of heat transfer, i.e. the heat of the exhaust air will be used to warm the supplied fresh air, so the ventilation system will work more efficiently. In order to create a safe, comfortable and environmentally friendly work environment for the employees, the building facade will be fitted with outdoor blinds that will automatically respond to the information provided by the sensors in weather stations and ensure a comfortable indoor microclimate. LED light sources will be used for artificial lighting of all rooms, the courtyard and the facades, and the luminaires installed in the offices will have built-in state and lighting sensors, which will automatically respond to changes in the lighting intensity in the environment and thus create a comfortable and convenient environment to work in.

The Group seeks to adhere to the principles of sustainable business in its everyday activities; therefore, for several years now it has been deliberately reducing the use of plastic bags and replacing them with paper ones.

In 2017, 46% of purchases from the Group's stores were packaged only in paper bags. In 35% of the stores, paper bags were replaced by plastic ones during clearance. Only one-fifth out of the 182 stores in the chain used plastic bags alone.

BAG TYPE	NUMBER OF STORES	SHARE, %
PAPER	83	45,6%
PLASTIC	36	19,7%
BOTH	63	34,6%
TOTAL	**182**	



In 2017, it was also decided to completely abandon plastic bags in Apranga chain stores and in the long run, in line with the Law on the Management of Packaging and Packaging Waste of the Republic of Lithuania, the intention is to continue to expand this good practice in all chain stores.

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