APRANGA

GROUP

APB APRANGA

Consolidated and Company’s Financial Statements, Consolidated Annual Report for the year ended 31 December 2021

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in the 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.

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2021
(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	2021	2020	2021	2020
Revenue from contracts with customers	6	189 745	169 958	77 558	67 164
Cost of sales	5	(107 515)	(98 812)	(45 272)	(42 688)
GROSS PROFIT		82 230	71 146	32 286	24 476
Selling (costs)	5	(56 575)	(52 132)	(19 597)	(16 213)
General and administrative (expenses)	5	(14 156)	(12 687)	(8 353)	(8 150)
Other income	6	2 779	711	500	4 439
OPERATING PROFIT		14 278	7 038	4 836	4 552
Finance income	7	32	32	58	89
Finance (costs)	7	(1 099)	(1 109)	(511)	(486)
PROFIT BEFORE INCOME TAX		13 211	5 961	4 383	4 155
Income tax (expense)	8	(2 315)	(1 025)	(703)	(89)
PROFIT FOR THE YEAR	4	10 896	4 936	3 680	4 066
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		10 896	4 936	3 680	4 066
Total comprehensive income attributable to:		10 896	4 936	3 680	4 066
Owners of the Company		10 896	4 936	3 680	4 066
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share (in EUR)	11	0,20	0,09	0,07	0,07

The notes on pages 7 to 43 are an integral part of these financial statements.
These financial statements were approved by Management Board on 5 April 2022 and signed by:

Rimantas Perveneckas
General Director

Gabrielius Morkūnas
Chief Financial Officer

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2021
(all tabular amounts are in EUR thousands unless otherwise stated)

STATEMENTS OF FINANCIAL POSITION

ASSETS		GROUP		COMPANY	
		As at 31 December		As at 31 December	
NON-CURRENT ASSETS	Note	2021	2020	2021	2020
Property, plant and equipment	12	24 900	25 999	13 165	12 705
Intangible assets	13	636	534	614	497
Investments in subsidiaries	14	-	-	4 963	4 963
Prepayments	17	416	414	188	187
Trade and other receivables	20	2 400	1 055	46	47
Right-of-use assets	26	64 194	64 203	28 060	24 951
Other financial assets	18	2 400	2 400	2 400	2 400
Total non-current assets		94 946	94 605	49 436	45 750
CURRENT ASSETS					
Inventories	15	35 909	35 434	18 525	19 759
Other financial assets	18	735	732	735	732
Prepayments	17	1 346	1 110	1 171	1 080
Trade and other receivables	20	3 076	2 143	12 363	11 817
Cash and cash equivalents	21	29 743	26 209	17 192	19 863
Total current assets		70 809	65 628	49 986	53 251
Non-current assets held for sale	16	-	71	-	71
TOTAL ASSETS		**165 755**	**160 304**	**99 422**	**99 072**

EQUITY AND LIABILITIES		GROUP		COMPANY	
EQUITY	Note	2021	2020	2021	2020
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		56 792	45 896	38 942	35 262
Total equity		74 378	63 482	56 581	52 901
NON-CURRENT LIABILITIES					
Borrowings	24	-	200	-	200
Tax liabilities	27	-	7 597	-	3 773
Deferred tax liabilities	9	2 067	1 008	389	96
Non-current lease liabilities	26	53 824	53 936	23 597	20 993
Non-current employee benefits	2.18	91	126	91	126
Total non-current liabilities		55 982	62 867	24 077	25 188
CURRENT LIABILITIES					
Borrowings	24	200	300	5 400	8 468
Tax liabilities	27	-	4 964	-	2 243
Current lease liabilities	26	13 251	12 758	5 261	4 897
Current income tax liability		211	938	134	2
Trade and other payables	25	21 733	14 995	7 969	5 373
Total current liabilities		35 395	33 955	18 764	20 983
Total liabilities		**91 377**	**96 822**	**42 841**	**46 171**
TOTAL EQUITY AND LIABILITIES		**165 755**	**160 304**	**99 422**	**99 072**

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(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 2020		16 035	1 604	(53)	40 960	58 546
Comprehensive income						
Profit for the year 2020		-	-	-	4 936	4 936
Total comprehensive income		**-**	**-**	**-**	**4 936**	**4 936**
Balance at 31 December 2020		16 035	1 604	(53)	45 896	63 482
Comprehensive income						
Profit for the year 2021		-	-	-	10 896	10 896
Total comprehensive income		**-**	**-**	**-**	**10 896**	**10 896**
Balance at 31 December 2021		16 035	1 604	(53)	56 792	74 378

COMPANY	Note	Share capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2020		16 035	1 604	31 196	48 835
Comprehensive income					
Profit for the year 2020		-	-	4 066	4 066
Total comprehensive income		**-**	**-**	**4 066**	**4 066**
Balance at 31 December 2020		16 035	1 604	35 262	52 901
Comprehensive income					
Profit for the year 2021		-	-	3 680	3 680
Total comprehensive income		**-**	**-**	**3 680**	**3 680**
Balance at 31 December 2021		16 035	1 604	38 942	56 581

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FOR THE YEAR ENDED 31 DECEMBER 2021
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STATEMENTS OF CASH FLOW

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
OPERATING ACTIVITIES	Note	2021	2020	2021	2020
Profit (loss) before income taxes		13 211	5 961	4 383	4 155
ADJUSTMENTS FOR:					
Depreciation and amortization	5	19 798	20 302	7 682	7 780
Impairment charge (reversal)	12, 26	(847)	1 583	(471)	673
Change in allowances for slow-moving inventories	5	(293)	1 422	(154)	318
(Gain) on disposal of property, plant and equipment	6	(38)	(26)	(39)	(24)
Write-off of property, plant and equipment		17	(7)	-	-
Fair value change of financial assets	18	(3)	(200)	(3)	(200)
Dividend income	6	(103)	(176)	(103)	(4 176)
Interest expenses	7	1 099	1 077	511	397
Total		32 841	29 936	11 806	8 923
CHANGES IN OPERATING ASSETS AND LIABILITIES:					
Decrease (increase) in inventories	15	(182)	3 250	1 388	1 045
Decrease (increase) in receivables	17, 20	(2 477)	(251)	(1 555)	(1 730)
Increase (decrease) in payables	25, 27	(8 259)	5 597	(4 368)	3 609
Cash generated from operations		21 923	38 532	7 271	11 847
Income taxes paid	8, 9	(1 983)	(663)	(278)	(315)
Interest paid	7	(1 099)	(1 109)	(511)	(486)
Net cash from operating activities		18 841	36 760	6 482	11 046
INVESTING ACTIVITIES					
Interest received		32	32	58	89
Dividends received	6	103	176	103	4 176
Loans granted		-	(12 800)	(10 723)	(30 042)
Loans repayments received		-	12 800	11 653	33 257
Purchases of property, plant and equipment and intangible assets	12, 13	(7 953)	(5 261)	(4 147)	(2 377)
Proceeds on disposal of property, plant and equipment		2 989	884	1 205	143
Net cash from investing activities		(4 829)	(4 169)	(1 851)	5 246
FINANCING ACTIVITIES					
Proceeds from borrowings		-	-	60	17 927
Repayments of borrowings	24	(300)	(300)	(3 328)	(13 784)
Payment of principal portion of lease liabilities	26	(10 178)	(12 794)	(4 034)	(5 129)
Net cash from financing activities		(10 478)	(13 094)	(7 302)	(986)
NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS		3 534	19 497	(2 671)	15 306
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE PERIOD	21	26 209	6 712	19 863	4 557
AT THE END OF THE PERIOD	**21**	**29 743**	**26 209**	**17 192**	**19 863**

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1. GENERAL INFORMATION

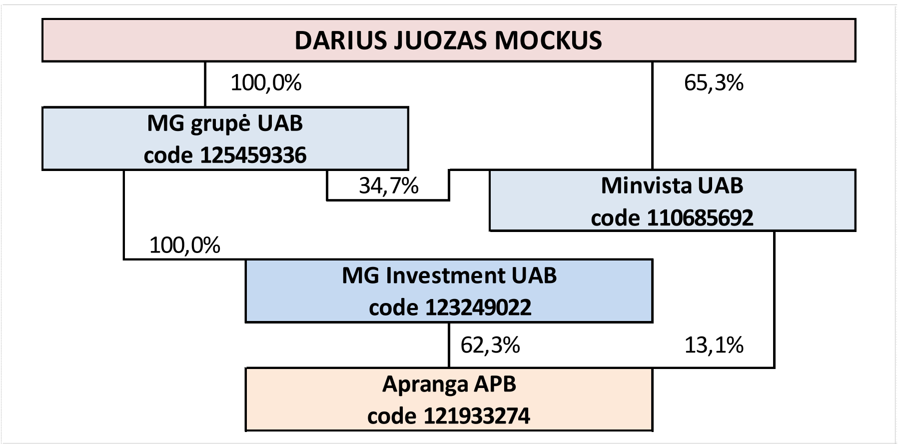
APB Apranga, (hereinafter "the Company"), was incorporated and commenced its operations in March 1993 in Lithuania. The Company's main office is situated in Ukmerges str. 362, Vilnius, Lithuania. The Company has legal form of public limited liability company under the Law on Companies of Republic of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

The share capital of APB Apranga is EUR 16,034,668.40 and it is divided into 55,291,960 ordinary registered shares with a nominal value of EUR 0.29 each, where each share grants to its owner 1 vote (in total 55,291,960 voting shares), all shares are paid in full and give the owners equal rights. 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.

At 31 December 2021, the Company had 4 119 shareholders . At 31 December the Company's shareholders were:

	Number of shares	% of total ownership	Number of shares	% of total ownership
Shareholder	2021		2020	
UAB MG Baltic investment	34 442 189	62,3	34 442 189	62,3
UAB Minvista	7 264 661	13,1	6 671 838	12,1
Swedbank AS (Estonia) clients	3 665 861	6,6	3 256 899	5,9
Other	9 919 249	17,9	10 921 034	19,8
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 MG Grupė. The ultimate controlling individual of the Group is Mr. D. J. Mockus:



At 31 December 2021 the Group consisted of the Company and the following its wholly owned subsidiaries:

Name	Country	Ownership interest in % 31 12 2021	Ownership interest in % 31 12 2020
UAB Apranga LT	Lithuania	100%	100%
UAB Apranga BPB LT	Lithuania	100%	100%
UAB Apranga PLT	Lithuania	100%	100%
UAB Apranga SLT	Lithuania	100%	100%
UAB Apranga MLT	Lithuania	100%	100%
UAB Apranga HLT	Lithuania	100%	100%
UAB Apranga OLT	Lithuania	100%	100%
UAB Apranga Ecom LT	Lithuania	100%	100%
SIA Apranga	Latvia	100%	100%
SIA Apranga LV	Latvia	100%	100%
SIA Apranga BPB LV	Latvia	100%	100%
SIA Apranga PLV	Latvia	100%	100%
SIA Apranga SLV	Latvia	100%	100%
SIA Apranga MLV	Latvia	100%	100%
SIA Apranga HLV	Latvia	100%	100%
SIA Apranga OLV	Latvia	100%	100%
SIA Apranga Ecom LV	Latvia	100%	100%

Name	Country	Ownership interest in % 31 12 2021	Ownership interest in % 31 12 2020
OU Apranga*	Estonia	100%	100%
OU Apranga Estonia	Estonia	100%	100%
OU Apranga BEE	Estonia	100%	100%
OU Apranga PB Trade	Estonia	100%	100%
OU Apranga ST Retail	Estonia	100%	100%
OU Apranga MDE	Estonia	100%	100%
OU Apranga HEST	Estonia	100%	100%
OU Apranga Ecom EE	Estonia	100%	100%

** At 31 December 2021 the Company directly owned 14.91% shares and indirectly through its subsidiary owned the rest 85.09% of shares (At 31 December 2020: 14.91% and 85.09%, respectively)*

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

	Total number of shops		Shops, where premises are owned by Group	
Country	2021	2020	2021	2020
Lithuania	102	104	5	5
Latvia	46	48	-	-
Estonia	21	27	-	-
Total	169	179	5	5

At 31 December 2021 the Group and the Company employed 1 992 and 732 people respectively (2020: 1 956 and 682 people respectively).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2.1 BASIS OF PREPARATION

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

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

These financial statements comprise the Group's consolidated financial statements and the Company's separate financial statements. The Group and Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

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) Impact of COVID-19 and war in Ukraine

General information on the impact of COVID-19 on the Company's and Group's operations
Due to epidemic coronavirus (COVID-19) infection, from 16 December 2020, all the Group's stores in Lithuania were temporarily closed. Stores in Lithuania with a separate entrance from outside and a sales area not exceeding 300 square meters had been open since 15 February 2021. All stores with a separate entrance from outside had been open since 15 March 2021. All Group's stores have been reopened

in Lithuania from 19 April 2021, however, stores operating in shopping malls were not allowed to work on weekends, unless they had separate entrance from outside. Eventually, all Group's stores have been open in Lithuania as of 29 May 2021. In Latvia, stores were temporarily closed from 19 December 2020. Stores with a separate entrance from outside and an area not exceeding 7,000 square meters have been open in Latvia from 7 April 2021. Group's stores that operate in shopping malls and have separate entrance from outside were reopened as of 22 May 2021. Eventually, all Group's stores have been open in Latvia as of 3 June 2021. However, due to the aggravation of the coronavirus situation, from 14 October 2021 the operation of stores in shopping malls on weekends were banned in Latvia, and from 21 October 2021 all Group's stores in Latvia were temporarily closed. All Group's stores have been reopened in Latvia from 15 November 2021, however, stores operating in shopping malls were not allowed to work on weekends, unless they had separate entrance from outside. All Group's stores were allowed to also work on weekends as of 25 December 2021. In Estonia, all Group's stores were temporarily closed from 11 March 2021, and from 6 March 2021 to 11 March 2021 stores were not allowed to work on weekends. All Group's stores have been reopened in Estonia from 3 May 2021. These temporary store closures had a significant impact on the Group's generated turnover, earned profit and, accordingly, financial performance.

Going concern

As a result of the above-mentioned situation caused by COVID-19, the Company's and the Group's sales were below year 2019 level, however, increased by 15% and 12% respectively comparing to year 2020. Company's profit decreased by EUR 386 thousand, while Group's profit improved by EUR 5 960 thousand comparing with previous year. The Group took actions to manage the risks by expanding online trading, negotiated rent discounts, applied for subsidies, increased effectiveness for inventories management, and has borrowing facilities contracted but undrawn (Note 24). In 2021, the Company did not pay dividends to shareholders. Current liquidity ratio of the Company and the Group (currect assets / current liabilities) as at 31 December 2021 was 2.7 and 2.0 respectively, quick ratio (current assets-inventories) / current liabilities) was equal to 1.7 and 1.0 respectively. The Company's management forecasts positive result for the Company and the Group next year. The management of the Group concluded that current situation does not have significant impact on the Group's and Company's ability to continue as a going concern.

Assessment of the impact of the Russian military invasion of the Republic of Ukraine

As mentioned in Subsequent events (Note 30), the EU and rest of the world, including global bodies, are taking measures to respond to the military aggression of the Russian Federation against the Republic of Ukraine. The management of the Company has assessed that these restrictive measures will not have a significant impact on the Company's and the Group's ability to continue as a going concern, since the restrictive measures imposed are currently not having an adverse effect on the Company and the Group.
In addition, the management has concluded that these events are non-adjusting subsequent events and therefore their potential impact was not considered when making estimates and assumptions about the recoverable amount of property, plant and equipment, assets measured at fair value and inventory write-down to net realizable value as at 31 December 2021, as disclosed below. However, this matter might have a significant impact on these estimates in the next financial period. At the date of authorisation of these financial statements, the management is not yet able to reasonably quantify the extent of potential changes in accounting estimates in 2022 due to the rapidly changing situation, great level of uncertainty and the possible overall negative economic effect. In any case, the Company's management is ready to respond promptly to the changing situation by making the necessary decisions to ensure the stability of operations.

(b) 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 of the Group/Company is that of principal in a transaction. The gross basis represents sales price after discounts, with any related costs charged to expenses.

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

(c) 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 useful life.

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

Each shop is considered to represent a separate cash generating unit for impairment test. Cash generating units, which had indications of impairment loss, i.e. suffered operational loss, are tested. The Group and the Company has tested its leasehold improvements, right-of-use assets and other property, plant and equipment, whether those posess impairment loss, in accordance with the accounting policies stated in Note 2.9. The Group and the Company has used "value in use" calculations to test for impairment as information on fair value less costs to sell was not available. These calculations require the use of estimates as described in Note 12.
The management reviewed the main assumptions used for the measurement of the recoverable value of property, plant and equipment and right-of-use assets. Since all restrictions related to operations in physical stores were lifted, COVID-19 has no material impact on the assumptions made for future cash flows. Results of impairment assessment are disclosed in Note 12 and Note 26.

(e) 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 subsequent results of inventory items sold below costs. Net realisable values are disclosed in Note 15.
Management has assessed the level of inventories and determined that the book value of inventories as of 31 December 2021 does not exceed the net realisable value. Since all restrictions related to operations in physical stores were lifted, COVID-19 has no material impact on the assumptions made for net realisable value. Results of inventories write-down to net realizable value are disclosed in Note 15.

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

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

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

(g) Leases - Estimating the incremental borrowing rate

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

The Company/Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific or country-specific adjustments. IBR used in 2021 varies from 1.0 to 2.5 per cent (from 1.0 to 2.5 per cent in 2020).

(h) Options granted

The Company/Group has options granted for non-financial assets and lease rights, which are not recognized as they do not meet the criteria of a financial instrument. Based on historical information and numerous extentions of the cooperation agreements and intensions of cooperation, the management of the Group believes that the agreement parties will not use any above options. In the unlikely event of happening, the selling price would be approximate fair value of the items/goods. For more details, refer to Note 29.

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 2021.

(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2021:

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. Management concluded that the Amendments had no impact for financial statements.

- **IFRS 16 Leases-C *o* vid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**
  The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Group and the Company early adopted this amendment since 1 January 2021 as allowed (Note 26).

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

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

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the IASB has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The Company and the Group has not yet evaluated the impact of the implementation of these amendments.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

  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 these amendments.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. Company and the Group has not yet evaluated the impact of the implementation of these amendments.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Company and the Group has not yet evaluated the impact of the implementation of these amendments.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Amendments have not yet been endorsed by the EU. Company and the Group has not yet evaluated the impact of the implementation of these amendments.

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

2.4 CONSOLIDATION

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

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

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

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

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

2.5 SEGMENT REPORTING

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

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity and subsidaries 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 Group, and the presentation currency for the consolidated financial statements.

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

(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 measured at cost less subsequent accumulated amortisation and impairment losses.

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

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

Amortisation is accounted for as selling expense.

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

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

2.10 INVESTMENTS IN SUBSIDIARIES

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

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

2.11 NON-CURRENT ASSETS HELD FOR SALE

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

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

2.12 INVENTORIES

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

2.13 FINANCIAL ASSETS AND LIABILITIES

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

Financial assets

<u>Initial recognition and measurement</u>

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

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

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

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

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

Subsequent measurement

After initial recognition, the Group/Company measures a financial asset at:
a) Amortised cost (debt instruments);
b) Fair value through other comprehensive income (OCI) with recycling of cumulative gains and losses upon derecognition (debt instruments), see Note 18;
c) Fair value through other comprehensive income (OCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments). The Group/Company did not have such items as at 31 December 2021 and 2020;
d) Fair value through profit or loss, see Note 18.

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through profit or loss

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

The Group/Company in order to make efficient use of the available free cash, in 2018 acquired collective investment scheme (fund units), which fair value (level 3) as at 31 December 2021 is EUR 2 400 thousand (Note 18).

Financial assets at fair value through OCI (debt instruments)

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

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

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

Expected credit losses for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets. According to management's assessment this asset was not impaired as at 31 December 2020 and 2021.

Impairment of financial assets

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

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

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

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

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

In 2020 and 2021 there were no transfers between the different stages.

In 2020 and 2021 there were no financial instruments which credit risk significantly increased.

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

For trade receivables, the Group/Company applies a simplified approach in calculating ECLs. Therefore, the Group/Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For that purpose the Group/Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group/Company considers a financial asset in default when contractual payments are 90 days past due or when indications exist that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group/Company did not recognize allowance for trade receivables, intercompany trade receivables, loans and other receivables because based on historical as well as forward looking information the allowance is not material.

Cash and cash equivalents

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

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

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

Loans, borrowings and other payables

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

Offsetting of financial instruments

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

Derecognition of financial instruments

Financial assets

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

When the Group/Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group/Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group/Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group/Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group/Company could be required to repay (amount of the guarantee).

Financial liabilities

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

2.14 SHARE CAPITAL

(a) Ordinary shares

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

2.15 RESERVE

(a) Foreign currency translation reserve

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

(b) Legal reserves

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

2.16 INCOME TAX

(a) Current income tax

The Group companies are taxed individually irrespective of the overall results of the Group. The Group companies in Lithuania may transfer the estimated tax losses (or part thereof) to another Group company in Lithuania, which has a right to reduce the taxable profit with the respective amount of the tax looses transferred for the same taxable period. In 2020 and 2021, the Group company UAB Apranga ECOM LT took advantage of this opportunity and transferred tax losses to another Group company.

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 2020 and in 2021. In Latvia and Estonia income tax rate on reporting period and prior taxable profits is nil. In Latvia and Estonia, the taxation of profit of operating subsidiaries is deferred until the profit appropriation moment, i.e. payment of dividends. The dividends paid by the Group's companies in Latvia and Estonia are taxed at the withholding tax rate of 20% of their gross amounts as at 31 December 2021 (20% as at 31 December 2020).

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

(b) Deferred income tax

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

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

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

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

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

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

2.17 LEASES

The Company or the Group as lessee

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

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

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

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

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

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

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

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

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

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

2.18 EMPLOYEE BENEFITS

(a) Social security contributions

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

(b) Long-term employee benefits

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

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

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

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

(c) Termination benefits

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

(d) Bonus plans

The Company and the Group recognise 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 and the Company have 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 and the Company re-evaluate 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 have a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

2.20 RECOGNITION of REVENUE AND RELATED EXPENSES

Revenue recognition

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

Sales of goods are recognized when the Company or another Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in operating expenses. Online sales of goods are recognized when the Company or another Group entity sends a product to the customer.

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

The Company recognises revenue from management services provided to subsidaries over time, based on expenses incured to measure provision of the services, because the customer simultaneously receives and consumes the benefits provided by the Company.

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

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

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

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

Right of return assets

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

Refund liabilities

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

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

Trade receivables

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

Contract liabilities – prepayments received

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

2.21 DIVIDEND DISTRIBUTION

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

2.22 EARNINGS PER SHARE

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

2.23 RELATED PARTIES

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

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

2.24 SUBSIDIES

Subsidies received as a compensation for the expenses or unearned income of the current or previous reporting period, also, all the subsidies, which are not subsidies related to assets, are considered as subsidies related to income. The income-related subsidies are recognised as used in parts to the extent of the expenses incurred during the reporting period to be compensated by that subsidy. Subsidies for the financing of working capital are recognized in other income caption in the statement of comprehensive income.

The balance of subsidies not received by the end of the reporting period is shown in the statements of financial position caption "Trade and other receivables".

In 2020 and in 2021, the Company and the Group was included in the list of taxpayers who may be subject to fiscal aid measures due to the COVID-19, established by the State Tax Inspectorate. Additionally, under the Law on Employment, the Company received subsidies to employers during and after the downtime, and subsidies to employers affected by the COVID-19, which are accounted for by reducing wage costs. The impact of the subsidies is reflected in selling costs, and in general and administrative expenses (Note 5). The Company and the Group in 2020 also received rental subsidies, which are accounted for by reducing rental costs in selling costs (Note 5). The Company and the Group in 2020 and in 2021 also received subsidies for the financing of working capital, which are recognized in other income caption in the statement of comprehensive income (Note 6). As per management judgement these working capital subsidies met income subsidy requirements and were accounted in 2021.

2.25 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.

2.26 SUBSEQUENT EVENTS

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

Credit risk

Credit risk is managed on Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, financial assets at fair value through other comprehensive income as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties (or subsidiaries of such parties) with high credit ratings are accepted. Sales to wholesale customers are rare and immaterial, therefore risk control only assesses the credit quality of the customer, taking into account its financial position, past experience and future factors. Sales to retail customers are settled in cash or using major credit cards, therefore there is no credit risk.

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

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

The Company and the Group have no significant concentration of credit risk, except for cash which is held in two banks having high credit ratings and loans granted to subsidiaries.

Liquidity risk

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

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

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

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.

GROUP	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	**Total**
As at 31 December 2021					
Borrowings	25	51	126	-	202
Lease liabilities	1 132	2 261	9 858	54 818	68 069
Trade and other payables	10 554	2 369	183	-	13 106
Total	11 711	4 681	10 167	54 818	81 377
As at 31 December 2020					
Borrowings	25	51	230	204	510
Lease liabilities	1 173	2 312	10 037	54 174	67 696
Trade and other payables	4 368	4 785	803	-	9 956
Total	5 566	7 148	11 070	54 378	78 162

COMPANY	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	**Total**
As at 31 December 2021					
Borrowings	25	51	5 326	-	5 402
Lease liabilities	459	909	3 893	24 003	29 264
Trade and other payables	2 570	1 462	183	-	4 215
Total	3 054	2 422	9 402	24 003	38 881
As at 31 December 2020					
Borrowings	25	51	8 397	204	8 677
Lease liabilities	441	873	3 845	21 110	26 269
Trade and other payables	1 591	1 821	32	-	3 444
Total	2 057	2 745	12 274	21 314	38 390

Change in liabilities arising from financing activities:

GROUP	As at 31 December 2020	Dividends declared	Cash flow	As at 31 December 2021
Borrowings	500	-	(300)	200
Dividends payable	116	-	-	116
Total	616	-	(300)	316

COMPANY	As at 31 December 2020	Dividends declared	Cash flow	As at 31 December 2021
Borrowings	8 668	-	(3 268)	5 400
Dividends payable	116	-	-	116
Total	8 784	-	(3 268)	5 516

Changes in lease liabilities are disclosed in Note 26.

<u>Market risk</u>

Cash flow and fair value interest rate risk

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

Loans granted and received at variable rates expose the Group to cash flow interest rate risk, which horewer has no material impact on profit or equity of the Group. Loans granted and received at fixed rates expose the Company to fair value interest rate risk, which horewer has no material impact on profit or equity of the Company.

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.

Foreign exchange risk

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

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

(b) Capital risk management

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

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

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than EUR 40 thousand and of a private limited liability company must be not less than EUR 2.5 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2020 the Company and all of the Lithuanian subsidiaries complied with these requirements. As at 31 December 2021 UAB Apranga Ecom LT had not complied with the requirements. Business activities of UAB Apranga Ecom LT are terminated.

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. As at 31 December 2020 and 31 December 2021, 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 2020 all of the Company's Estonian subsidiaries complied with these requirements. As at 31 December 2021 OU Apranga and OU Apranga Ecom EE had not complied with the requirements. The Group management decided to increase the share capital of OU Apranga and OU Apranga Ecom EE in order to comply with the statutory requirements. The additional share capital injection needed will be exactly calculated after General shareholders' meeting of the subsidiaries.

In addition, the Group has to comply with the equity to assets covenant imposed in the agreement with Luminor Bank AS. As at 31 December 2020 and as at 31 December 2021, the Group complied with the covenant.

(c) Fair value estimation

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Fair value measurements are disclosed in Notes 12, 18, 26.

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

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, as presented in the statment of the comprehensive income by brand name. Gross margins of different brands are not significantly different, therefore can be aggregated into one reportable segment. Geographically, Directors separately consider operations in Lithuania, Latvia and Estonia depending on where the stores are located. Different legislation, consumer habits and economic situation substantially affect the average sales and expenses in each country, therefore Directors believe that each country represents a separate reportable segment.

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

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

31 December 2021	Lithuania	Latvia	Estonia	Total	Inter-company elimina-tions	Total in consolidated financial statements
Total segment revenue	133 403	39 766	30 705	203 874	-	
Inter-segment revenue*	(12 371)	(1 368)	(601)	(14 340)	-	
Stores income from external customers (note 6)	121 032	38 398	30 104	189 534	-	189 534
Gross margin	43,5%	41,4%	44,7%	43,4%		43,4%
Other income (expenses):						
Rent (Note 26)	(1 550)	(91)	(197)	(1 838)	(23)	(1 861)
Utilities	(1 272)	(417)	(376)	(2 065)		(2 065)
Renumeration and social security contributions	(18 104)	(3 811)	(3 797)	(25 712)		(25 712)
Depreciation and amortisation	(11 531)	(4 833)	(3 434)	(19 798)		(19 798)
Impairment (charges)	473	106	268	847		847
Other income	5 642	1 998	187	7 827	(4 837)	2 990
Other (expenses)	(15 981)	(6 003)	(5 018)	(27 002)	4 860	(22 142)
Finance income	58	-	-	58	(26)	32
Finance (costs)	(727)	(251)	(147)	(1 125)	26	(1 099)
Income tax (expense)	(1 513)	(650)	(152)	(2 315)		(2 315)
Profit (loss) for the year	8 158	1 935	803	10 896	-	10 896
Total assets	128 784	34 192	19 304	182 280	(16 525)	165 755
Additions to non-current assets (except for leases)	6 989	755	214	7 958	(5)	7 953

inter-segment revenue consists of sales of the Company's goods to subsidiaries Apranga SIA and Apranga OU and subsidiaries sale of remnants of goods to the Company.

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31 December 2020	Lithuania	Latvia	Estonia	Total	Inter-company elimina-tions	Total in consolidated financial statements
Total segment revenue	111 966	43 825	28 664	184 455	-	
Inter-segment revenue*	(13 812)	(505)	(560)	(14 877)	-	
Stores income from external customers (Note 6)	98 154	43 320	28 104	169 578	-	169 578
Gross margin	40,9%	42,6%	43,5%	42,0%		42,0%
Other income (expenses):						
Rent (Note 26)	(846)	(934)	-	(1 780)		(1 780)
Utilities	(1 055)	(478)	(314)	(1 847)		(1 847)
Renumeration and social security contributions	(12 729)	(5 008)	(3 602)	(21 339)		(21 339)
Depreciation and amortisation	(11 362)	(5 061)	(3 879)	(20 302)		(20 302)
Impairment (charges)	(673)	(721)	(189)	(1 583)		(1 583)
Other income	5 009	376	56	5 441	(4 350)	1 091
Other (expenses)	(12 350)	(5 708)	(4 288)	(22 346)	4 350	(17 996)
Finance income	89	-	-	89	(57)	32
Finance (costs)	(698)	(297)	(171)	(1 166)	57	(1 109)
Income tax (expense)	(894)	(102)	(29)	(1 025)		(1 025)
Profit (loss) for the year	4 603	514	(181)	4 936	-	4 936
Total assets	125 768	33 550	20 408	179 726	(19 422)	160 304
Additions to non-current assets (except for leases)	3 123	1 688	466	5 277	(16)	5 261

In 2021, the Group's profitability before taxes increased to 7.0% (2020: 3.5%). The profitability in Lithuania increased from 5.6% to 8.0%. Profit margins in Latvia and Estonia increased from 1.4% and -0.5 % to 6.7% and 3.2%, respectively.

The total non-current assets located in Lithuania is EUR 63 220 thousand (2020: EUR 56 789 thousand), and the total of these non-current assets located in other countries is EUR 31 726 thousand (2020: EUR 37 816 thousand).

5. EXPENSES BY NATURE

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Cost of goods sold	107 808	97 390	45 426	42 370
Write-down (reversal) of inventories to net realisable value	(293)	1 422	(154)	318
Total cost of sales	107 515	98 812	45 272	42 688

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Rent*	1 861	1 780	391	247
Utilities	2 065	1 848	792	677
Remuneration **	18 168	14 733	8 048	4 384
Social security contributions	1 762	2 059	147	117
Depreciation and amortization	19 798	20 302	7 682	7 780
Impairment charge (reversal)	(847)	1 583	(471)	673
Advertising and marketing	2 173	2 021	1 590	1 396
Franchise expenses	4 501	3 945	98	84
Bank commissions	1 219	970	369	236

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Labelling, packing and repairing	1 139	840	473	317
Logistics and distribution	4 528	1 814	359	155
Business trips	208	237	119	147
Total selling costs	56 575	52 132	19 597	16 213

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Remuneration **	5 494	4 479	4 029	4 404
Social security contributions	288	68	93	67
IT and communications	1 186	968	750	578
Repair and maintenance	2 588	2 699	1 235	1 189
Taxes (excluding income tax)	192	191	110	107
Consulting and audit expense	367	315	245	223
Other expenses	4 041	3 967	1 891	1 582
Total general and administrative expenses	14 156	12 687	8 353	8 150

* In 2020, the Group received EUR 325 thousand of rental subsidies from the state in Lithuania, which reduced rental costs. The Company did not receive any rental subsidies. In 2021, the Group and the Company did not receive rental subsidies.

** In 2021, the Group in Lithuania, Latvia and Estonia received EUR 3 019 thousand of wage subsidies, which reduced wage costs, while in 2020 respectively received EUR 4 167 thousand of wage subsidies. The Company received EUR 927 thousand of wage subsidies (in 2020 received EUR 1 998 thousand).

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Stores income	189 284	169 578	60 559	49 878
Wholesale income	250	-	12 008	12 866
Management fees	-	-	4 803	4 299
Other income	211	380	188	121
Total revenue from contracts with customers	189 745	169 958	77 558	67 164

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

	GROUP		COMPANY	
Chain	2021	2020	2021	2020
Economy	18 624	19 279	12 815	11 997
Youth	45 189	39 355	14 156	9 983
Footwear	2 648	3 223	1 566	1 510
Business	35 284	31 624	11 729	10 130
Luxury	21 522	19 144	12 597	9 781
Zara	57 490	49 570	-	-
Outlets	8 527	7 383	7 696	6 477
Total	189 284	169 578	60 559	49 878

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Rent income	1	36	4	39
Gain from disposal of PPE, net	43	26	43	24
Changes in fair value of financial assets, net	-	200	-	200
Dividends	103	176	103	4 176
Other income	2 632	273	350	-
Total other income	2 779	711	500	4 439

Other income in 2021 includes the working capital subsidy of EUR 2 632 thousand received by the Group, respectively EUR 273 thousand in 2020. The Company received the working capital subsidy of EUR 350 thousand in 2021. All subsidies for operating restrictions in 2021 in Latvia are recognized in other income in 2021.

7. FINANCE INCOME AND COSTS

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Interest income	32	32	58	89
Total finance income	32	32	58	89

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Interest on bank borrowings	105	107	105	107
Interest expense on lease liabilities	994	1 002	406	379
Total finance costs	1 099	1 109	511	486

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	
	2021	2020	2021	2020
Profit before tax	13 211	5 961	4 383	4 155
Tax at the domestic income tax rate	1 982	894	657	623
Tax effect of income not subject to tax	(315)	(59)	(313)	(672)
Tax effect of expenses that are not deductible in determining taxable profit	474	132	359	132
Prior period income tax adjustment	-	6	-	6
Effect of different tax rates of foreign subsidiaries	174	52	-	-
Tax expense	2 315	1 025	703	89
Effective income tax rate	*17,5%*	*17,2%*	*16,0%*	*2,1%*

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Current income tax expense	1 256	1 402	410	235
Deferred tax	1 059	(377)	293	(146)
Total income tax expense	2 315	1 025	703	89

9. DEFERRED INCOME TAX

The movement in deferred income tax account was as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
At beginning of year	(1 008)	(1 385)	(96)	(242)
Comprehensive income statement (charge) credit	(1 059)	377	(293)	146
At end of year	(2 067)	(1 008)	(389)	(96)

In 2020 and 2021 deferred income tax asset and liability related to the entities operating in Lithuania were calculated at 15 per cent rate. Deferred income tax liability related to the entities operating in Latvia and Estonia were calculated at 20 per cent rate as at 31 December 2020 and as at 31 December 2021 for the accrued undistributed profit of these subsidiaries, since these undistributed profits are planned to be paid out as dividends during the coming years (Note 2.16). The 20 percent rate applies to gross dividends (25 per cent to net dividends).

Deferred tax assets and liabilities recognised as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
Deferred tax assets:				
Inventory write down	433	466	296	319
Accruals	16	64	16	64
Impairment of property, plant and equipment	18	85	18	70
Total deferred tax assets	467	615	330	453
Deferred tax liability:				
Undistributed profits of subsidiaries	(1 815)	(1 013)	-	-
Depreciation of property, plant and equipment	(719)	(610)	(719)	(549)
Total deferred tax liabilities	(2 534)	(1 623)	(719)	(549)
Total deferred tax (liabilities) assets, net	(2 067)	(1 008)	(389)	(96)

10. DIVIDENDS PER SHARE

	2021	2020
Approved dividends	-	-
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292
Approved dividends per share, EUR	0.00	0.00

In 2021 and 2020 dividends were not paid to the shareholders. In respect of the current year, the Board of Directors propose to pay 0.36 EUR dividend per share 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	
	2021	2020	2021	2020
Profit (loss) for the year	10 896	4 936	3 680	4 066
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	0.20	0.09	0.07	0.07

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

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12. PROPERTY, PLANT AND EQUIPMENT

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

GROUP	Buildings	Plant and equipment	Leasehold improve-ments	Other PPE	Construction in progress	Total
Cost						
At 31 December 2019	9 650	2 114	11 112	46 117	321	69 314
Additions	-	-	412	1 190	3 350	4 952
Disposals and write-offs	(239)	(3)	(1 382)	(2 791)	(118)	(4 533)
Transfers	-	-	1 722	1 307	(3 029)	-
At 31 December 2020	9 411	2 111	11 864	45 823	524	69 733
Additions	2	27	39	2 230	5 405	7 703
Disposals and write-offs	-	(14)	(3 642)	(4 689)	(1 056)	(9 401)
Transfers	394	-	3 367	925	(4 686)	-
At 31 December 2021	9 807	2 124	11 628	44 289	187	68 035
Accumulated depreciation						
At 31 December 2019	4 100	412	5 954	29 034	-	39 500
Charge for the year	214	133	1 739	4 595	-	6 681
Disposals and write-offs	(239)	(3)	(638)	(2 790)	-	(3 670)
At 31 December 2020	4 075	542	7 055	30 839	-	42 511
Charge for the year	248	135	1 637	4 512	-	6 532
Disposals and write-offs	-	(14)	(2 005)	(4 416)	-	(6 435)
At 31 December 2021	4 323	663	6 687	30 935	-	42 608
Impairment charge						
At 31 December 2019	-	-	100	130	-	230
Charge for the year (reversal)			528	465		993
At 31 December 2020	-	-	628	595	-	1 223
Charge for the year (reversal)			(335)	(362)		(696)
At 31 December 2021	-	-	294	234	-	527
Carrying amount						
At 31 December 2019	5 550	1 702	5 058	16 953	321	29 584
At 31 December 2020	5 336	1 569	4 181	14 389	524	25 999
At 31 December 2021	5 484	1 461	4 648	13 121	187	24 900

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COMPANY	Buildings	Plant and equipment	Leasehold improve-ments	Other PPE	Construction in progress	Total
Cost						
At 31 December 2019	9 650	2 114	5 641	14 427	38	31 870
Additions	-	-	10	718	1 364	2 092
Disposals and write-offs	(239)	(3)	(105)	(1 347)	(115)	(1 809)
Transfers	-	-	679	-	(679)	-
At 31 December 2020	9 411	2 111	6 225	13 798	608	32 153
Additions	2	27	15	1 559	2 290	3 893
Disposals and write-offs	-	(14)	(1 096)	(2 335)	(1 054)	(4 499)
Transfers	394	-	1 474	(24)	(1 844)	-
At 31 December 2021	9 807	2 124	6 618	12 998	-	31 547
Accumulated depreciation						
At 31 December 2019	4 100	412	3 214	10 724	-	18 450
Charge for the year	214	133	848	1 203	-	2 398
Disposals and write-offs	(239)	(3)	(105)	(1 343)	-	(1 690)
At 31 December 2020	4 075	542	3 957	10 584	-	19 158
Charge for the year	248	135	877	1 179	-	2 439
Disposals and write-offs	-	(14)	(1 096)	(2 224)	-	(3 334)
At 31 December 2021	4 323	663	3 738	9 539	-	18 263
Impairment charge						
At 31 December 2019	-	-	22	68	-	90
Charge for the year (reversal)			153	47		200
At 31 December 2020	-	-	175	115	-	290
Charge for the year (reversal)			(105)	(66)		(171)
At 31 December 2021	-	-	70	49	-	119
Carrying amount						
At 31 December 2019	5 550	1 702	2 405	3 635	38	13 330
At 31 December 2020	5 336	1 569	2 093	3 099	608	12 705
At 31 December 2021	5 484	1 461	2 810	3 410	-	13 165

The Group's and the Company's depreciation expense is recognized in the statements of comprehensive income under selling costs.

At 31 December 2021 the Group's and the Company's buildings with the carrying amount of EUR 4 735 thousand (2020: EUR 4 578 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

As of December 31 2021 and December 31 2020, the Company had no buildings leased to third parties.

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Plant and equipment	1 024	243	1 024	213
Other PPE	14 552	14 905	4 499	4 497
Total	15 576	15 148	5 523	4 710

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

Estimation of the value in use was based on the discounted post-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 2022 and in later years, each cash generating unit was assessed individually, whereas net sales and personnel costs growth was established on country or brand level (10 per cent of the earnings before interest, taxes, depreciation, and amortization growth rate was used for all cash generating units in 2020). The weighted average cost of capital (further – WACC) of 10 per cent post-tax (WACC of 12 per cent pre-tax - in 2020) was used for value in use estimation.

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Based on the calculations performed the management concluded that impairment in the amount of EUR 527 thousand for the Group (2020: EUR 1 223 thousand) and EUR 119 thousand for the Company (2020: EUR 290 thousand) should be recorded against PPE in the statement of financial position. The Group and the Company in 2021 reversed impairment losses of EUR 696 thousand and EUR 171 thousand respectively (2020: recognised impairment losses of EUR 993 thousand and EUR 200 thousand for the Group and the Company respectively).

Impairment losess reversed in the period were mostly related to non-current assets of CGUs, which were closed during the year, as well as to the decrease of carrying value of non-current assets associated to operating CGUs due to depreciation. There were also few cases, where due to earning performance, estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior year are fully or partially reversed.

If future operating cash flows in 2022 and in later years were reduced by 5 per cent, the Group and the Company in 2021 would have recognized additional PPE impairment amounting to EUR 17 thousand and EUR 2 thousand, respectively.

If the estimated post-tax discount rate applied to the discounted cash flows for cash generating units had been 1 per cent higher than management estimates (for example 11 per cent instead of 10 per cent), the Group and the Company in 2021 would have recognised by EUR 17 thousand and EUR 2 thousand higher impairment against PPE, respectively.

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

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 2019	292	993	**1 285**	197	973	**1 170**
Additions	144	165	**309**	120	165	**285**
Write-offs	-	(1)	**(1)**	-	(1)	**(1)**
At 31 December 2020	436	1 157	**1 593**	317	1 137	**1 454**
Additions	71	179	**250**	75	179	**254**
Write-offs	(5)	-	**(5)**	-	-	**-**
At 31 December 2021	502	1 336	**1 838**	392	1 316	**1 708**
Accumulated amortisation						
At 31 December 2019	161	814	**975**	84	794	**878**
Charge for the year	45	40	**85**	40	40	**80**
Write-offs	-	(1)	**(1)**	-	(1)	**(1)**
At 31 December 2020	206	853	**1 059**	124	833	**957**
Charge for the year	71	72	**143**	65	72	**137**
Write-offs	-	-	**-**	-	-	**-**
At 31 December 2021	277	925	**1 202**	189	905	**1 094**
Carrying amount						
At 31 December 2019	131	179	**310**	113	179	**292**
At 31 December 2020	230	304	**534**	193	304	**497**
At 31 December 2021	225	411	**636**	203	411	**614**

The Group's and the Company's amortisation expense is recognized in the statements of comprehensive income under selling costs.

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Licenses	154	133	79	58
Software	821	797	804	780
Total	975	930	883	838

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14. INVESTMENTS IN SUBSIDIARIES

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

Name	Country of incorporation	Cost			
		2021	Ownership, %	2020	Ownership, %
UAB Apranga LT	Lithuania	724	100	724	100
UAB Apranga BPB LT	Lithuania	145	100	145	100
UAB Apranga PLT	Lithuania	87	100	87	100
UAB Apranga SLT	Lithuania	87	100	87	100
UAB Apranga MLT	Lithuania	87	100	87	100
UAB Apranga HLT	Lithuania	75	100	75	100
UAB Apranga OLT	Lithuania	50	100	50	100
UAB Apranga Ecom LT	Lithuania	10	100	10	100
SIA Apranga	Latvia	2 175	100	2 175	100
SIA Apranga LV	Latvia	153	100	153	100
SIA Apranga BPB LV	Latvia	86	100	86	100
SIA Apranga PLV	Latvia	86	100	86	100
SIA Apranga SLV	Latvia	85	100	85	100
SIA Apranga MLV	Latvia	86	100	86	100
SIA Apranga HLV	Latvia	50	100	50	100
SIA Apranga OLV	Latvia	50	100	50	100
SIA Apranga Ecom LV	Latvia	3	100	3	100
OU Apranga*	Estonia	447	100	447	100
OU Apranga Estonia	Estonia	128	100	128	100
OU Apranga BEE	Estonia	96	100	96	100
OU Apranga PB Trade	Estonia	96	100	96	100
OU Apranga ST Retail	Estonia	96	100	96	100
OU Apranga MDE	Estonia	2	100	2	100
OU Apranga HEST	Estonia	50	100	50	100
OU Apranga Ecom EE	Estonia	10	100	10	100
Total investments		4 963		4 963	

* *At 31 December 2021 the Company directly owned 14.91% shares and indirectly through its subsidiary owned the rest 85.09% of shares (At 31 December 2020: 14.91% and 85.09%, respectively)*

The changes in investments are as follows:

	2021	2020
Beginning of the year	4 963	4 963
At end of the year	4 963	4 963

15. INVENTORIES

	Group		Company	
	2021	2020	2021	2020
Goods for resale	38 850	38 818	19 834	21 313
Write-down of goods for resale to net realisable value*	(4 034)	(4 327)	(1 974)	(2 128)
Return assets	398	297	64	61
Goods in transit	43	93	43	93
Materials and spare parts	652	553	558	420
Total	35 909	35 434	18 525	19 759
**Acquisition cost of write-down of goods for resale to net realisable value*	19 426	18 979	9 912	10 891

At 31 December 2021 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 2021 was EUR 11 296 thousand, Company's - EUR 7 896 thousand (EUR 11 296 thousand and EUR 7 896 thousand as at 31 December 2020, respectively).

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16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2020 non-current assets held for sale consisted of the 91 per cent ownership in UAB Palangos Varuna. As at 31 December 2020, Group and Company recognized impairment losses of EUR 9 thousand for the non-current assets held for sale. In 2020, liquidation proceedings were initiated against UAB Palangos Varūna. In 2021, the liquidation procedure was completed, the net loss was EUR 0.6 thousand.

17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	GROUP		COMPANY	
	2021	2020	2021	2020
Prepayments	1 762	2 575	1 359	1 310
Less non-current portion of prepayments	(416)	(1 465)	(188)	(230)
Current portion of prepayments	1 346	1 110	1 171	1 080

The major share of prepayments are prepayments to suppliers for goods, which are subsequently used to settle amounts due.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items at 31 December below:

	GROUP		COMPANY	
	Category - Financial assets at amortised cost		Category - Financial assets at amortised cost	
Assets as per statement of financial position:	2021	2020	2021	2020
Trade and other receivables	5 476	2 147	12 409	11 821
Cash and cash equivalents	29 743	26 209	17 192	19 863
Total	35 219	28 356	29 601	31 684
	Category - at fair value		Category - at fair value	
Shares of Verslo Trikampis UAB (level 3)	2 400	2 400	2 400	2 400
Long-term Government bonds (level 1)	735	732	735	732
Total	3 135	3 132	3 135	3 132
Total financial assets	38 354	31 488	32 736	34 816

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

The management concluded that fair value of the investment in shares of UAB Verslo Trikampis corresponded to the book value, therefore the Group and the Company did not recognize income from change in value in 2021. In 2020, the Group and the Company recognized in profit EUR 200 thousand.

	GROUP		COMPANY	
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
	2021	2020	2021	2020
Liabilities as per statement of financial position:				
Borrowings	200	500	5 400	8 668
Lease liabilities	67 075	66 694	28 858	25 890
Trade and other payables	13 106	9 956	4 215	3 444
Total	80 381	77 150	38 473	38 002

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

a) The carrying amount of current trade and other accounts receivable, current trade and other accounts payable and current borrowings approximates their fair value due to short term maturities (Level 3);
b) The fair value of non-current debt is based on the quoted market price for the same or similar issues or on the current rates available for debt with the same maturity profile. The fair value of non-current borrowings with variable interest rates approximates their carrying amounts (Level 3);
c) The value of investment in Verslo trikampis UAB fund is calculated as the number of fund units held multiplied by the value of the fund unit as at reporting date (Level 3). The valuation of the fund is performed using DCF model.

19. CREDIT QUALITY OF FINANCIAL ASSETS

Total credit risk exposure of the Group and the Company is provided below. Since there are no material overdue or with increased credit risk items, provision matrix is not provided in these financial statements.

	GROUP		COMPANY	
	2021	2020	2021	2020
Financial assets at fair value	3 135	3 132	3 135	3 132
Trade and other receivables with no history of counterparty defaults	5 476	2 147	1 187	1 024
Receivables from related parties (Note 28)	-	-	11 222	10 797
Cash at bank or their parent companies that have high credit ratings (cash on hand or in transit is excluded)	27 152	24 522	16 642	19 830
Total	35 763	29 801	32 186	34 783

20. TRADE AND OTHER RECEIVABLES

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Trade receivables from subsidiaries (Note 28)	-	-	9 912	8 557
Loans to subsidiaries (note 28)	-	-	1 310	2 240
Trade receivables from unrelated parties	576	361	105	95
Advance income tax	-	70	-	41
Other receivables	4 900	1 716	1 082	888
Total	5 476	2 147	12 409	11 821
Less non-current portion of other receivables	(2 400)	(4)	(46)	(4)
Current portion	3 076	2 143	12 363	11 817

The major share of other receivable are deposits related to internet sales and receivables from suppliers for returned goods. At 31 December 2021 the Group accounted government subsidies of EUR 500 thousand under other receivables (at 31 December 2020 – EUR 0).

There were no expected significant credit lossess identified and, consequently, no allowance was accounted for as at 31 December 2021 and 2020. There were no receivables past due in 2020 and 2021.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above, except of advance income tax. 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 2021 is 1.5 per cent (2020: 1.5 per cent), maturity date – 31 December 2022 (2020: 31 December 2021).

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21. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Cash at bank	27 152	24 522	16 642	19 830
Cash on hand	564	189	249	39
Cash in transit	2 027	1 498	301	(6)
Total	29 743	26 209	17 192	19 863

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 2021, the cash balances of the Group and the Company in the pledged accounts amounted to EUR 11 641 thousand (2020: EUR 19 830 thousand) (Note 24).

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Cash and cash equivalents	29 743	26 209	17 192	19 863
Total	29 743	26 209	17 192	19 863

Presented below is the analysis of the credit quality of balances of cash and cash equivalents, except cash on hand and cash in transit, based on ratings established by the rating agency S&P (parent banks of the banks in whose accounts the Group's revenues are collected):

	GROUP		COMPANY	
	2021	2020	2021	2020
A+	27 152	24 504	16 642	19 830
BBB+	-	18	-	-
Total	27 152	24 522	16 642	19 830

22. SHARE CAPITAL

At 31 December 2021 issued share capital of the Company consisted of 55 291 960 (2019 and 2020: 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 2021 and 2020. The Company did not hold its own shares as of 31 December 2021 and 2020.

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 2021 and 31 December 2020). Legal reserve is fully formed.

On 29 April 2021 the Company's shareholders' meeting decided not to pay out dividends for 2020 year (On 30 April 2020 the Company's shareholders' meeting decided not to pay out dividends for 2019 year).

In respect of the current year, the Board of directors propose a dividend of EUR 19 905 thousand to be paid to the shareholders. This dividend amount is subject to approval by shareholders at the Annual Shareholder's Meeting.

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24. BORROWINGS

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Long term borrowings				
Bank credit lines and loans	-	200	-	200
Total	-	200	-	200
Short term borrowings				
Bank credit lines and loans	200	300	200	300
Borrowings from subsidiaries	-	-	5 200	8 168
Total	200	300	5 400	8 468
Total borrowings	200	500	5 400	8 668

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	
	2021	2020	2021	2020
Bank credit lines and loans	1.2%	1.2%	1.2%	1.2%
Bank overdraft	1.4%	1.4%	1.4%	1.4%
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.

The Group's and the Company's borrowing facilities contracted but undrawn as at the end of the reporting period were EUR 21 850 thousand (2020: EUR 21 137 thousand), out of which EUR 8 000 thousand can be utilised until 30 June 2022 and EUR 13 500 thousand – until 30 November 2023.

The Group has to comply with financial covenants imposed in the agreements with Luminor Bank AS and SEB bankas AB, such as equity to assets, financial debt to EBITDA as well as net financial debt to EBITDA. As at 31 December 2020 and as at 31 December 2021, the Group complied with all financial covenants.

25. Trade and other payables

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

	GROUP		COMPANY	
	2021	2020	2021	2020
Payables to other related parties	106	106	106	106
Trade payables	7 181	5 896	2 124	1 596
Employee benefits and related payables	4 279	2 821	2 316	1 475
Contract liabilities	550	364	185	119
Refund liabilities	645	471	117	100
Taxes payable	3 798	1 854	1 253	335
Accrued expenses and other payables	5 174	3 483	1 868	1 642
Total	21 733	14 995	7 969	5 373

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

26. LEASES

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

	Group			Company		
	Premises	Vehicles	In total	Premises	Vehicles	In total
As at 1 January 2021	63 936	267	64 203	24 748	203	24 951
Additions	12 831	129	12 960	7 793	122	7 915
Impairment (charge) reversal	151	-	151	300	-	300
Depreciation (expense)	(12 985)	(135)	(13 120)	(5 002)	(104)	(5 106)
As at 31 December 2021	63 933	261	64 194	27 839	221	28 060

	Group			Company		
	Premises	Vehicles	In total	Premises	Vehicles	In total
As at 1 January 2020	68 324	272	68 596	25 826	205	26 031
Additions	9 587	125	9 712	4 590	96	4 686
Impairment (charge) reversal	(569)	-	(569)	(464)	-	(464)
Depreciation (expense)	(13 406)	(130)	(13 536)	(5 204)	(98)	(5 302)
As at 31 December 2020	63 936	267	64 203	24 748	203	24 951

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

Based on the calculations performed the management concluded that impairment in the amount of EUR 868 thousand for the Group (As at 31 December 2020: EUR 1 019 thousand) and EUR 228 thousand for the Company (As at 31 December 2020: EUR 528 thousand) should be recorded against right-of-use assets in the statement of financial position as at 31 December 2021. The Group in 2021 have recognised the impairment reversal of right-of-use assets of EUR 151 thousand (impairment loss of EUR 569 thousand was recognized in 2020), the Company have recognised the impairment reversal of right-of-use assets of EUR 300 thousand (impairment loss of EUR 464 thousand was recognized in 2020). Impairment of right-of-use assets is recognized in the statement of comprehensive income under selling costs.

Impairment losess reversed in the period were mostly related to right-of-use assets of CGUs, which were closed during the year, as well as to the decrease of carrying value of right-of-use assets associated to operating CGUs due to depreciation. There were also few cases, where due to earning performance, estimated flows make it possible to recover the value of right-of-use assets associated with the CGUs and, consequently, the impairment losses recognised in prior year are fully or partially reversed.

If future operating cash flows in 2022 and in later years were reduced by 5 per cent, the Group and the Company in 2021 would have recognized additional right-of-use assets impairment amounting to EUR 48 thousand and EUR 5 thousand, respectively.

If the estimated post-tax discount rate applied to the discounted cash flows for cash generating units had been 1 per cent higher than management estimates (for example 11 per cent instead of 10 per cent), the Group and the Company in 2021 would have recognised by EUR 46 thousand and EUR 5 thousand higher impairment against right-of-use assets, respectively.

Set out below are the carrying amounts of lease liabilities (presented under “Current lease liabilities” and “Non-current lease liabilities”) and the movements during the period:

	Group	Company
As at 1 January 2021	66 694	25 890
Additions	12 960	7 915
Accretion of interest	994	406
Payments	(11 172)	(4 440)
Rent discounts	(2 401)	(913)
As at 31 December 2021	67 075	28 858
Current	13 251	5 261
Non-current	53 824	23 597
	67 075	28 858

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

	Group	Company
As at 1 January 2020	69 776	26 333
Additions	9 712	4 686
Accretion of interest	1 002	379
Payments	(13 521)	(5 508)
Rent discounts	(275)	-
As at 31 December 2020	66 694	25 890
Current	12 758	4 897
Non-current	53 936	20 993

The following are the amounts recognized in profit or loss:

	Group	Company
	2021	
Depreciation expense of right-of-use assets (included in selling costs)	13 120	5 106
Interest expense on lease liabilities (included in finance costs)	994	406
Expenses relating to short-term leases (included in selling costs)	-	-
Impairment charge (included in selling costs)	(151)	(300)
Variable lease payments (included in selling costs)	4 262	1 304
Rent discounts (included in selling costs)	(2 401)	(913)
Total amount recognized in profit or loss	15 824	5 603

	Group	Company
	2020	
Depreciation expense of right-of-use assets (included in selling costs)	13 536	5 302
Interest expense on lease liabilities (included in finance costs)	1 002	379
Expenses relating to short-term leases (included in selling costs)	146	146
Impairment charge (included in selling costs)	569	464
Variable lease payments (included in selling costs)	1 909	101
Rent discounts (included in selling costs)	(275)	-
Total amount recognized in profit or loss	16 887	6 392

The Company/Group has lease contracts for Premises that contain variable payments based on the turnover of stores located in those Premises. Management's objective is to align the lease expense with the revenue earned. The Company/Group accounted rent concessions obtained from lessors as negative variable lease payments (rent discounts) in accordance with practical expedient applied. The following provides information on the Company's/Group's variable lease payments in 2020 and 2021, including the magnitude in relation to fixed payments:

	Group			Company		
	Fixed payments	Variable payments	In total	Fixed payments	Variable payments	In total
Year ended 31 December 2021						
Variable rent with minimum payment	11 739	161	11 900	3 875	103	3 978
Variable rent only	-	1 700	1 700	-	288	288
Total	11 739	1 861	13 600	3 875	391	4 266
Year ended 31 December 2020						
Variable rent with minimum payment	12 050	-	12 050	4 193	-	4 193
Variable rent only	-	1 634	1 634	-	101	101
Total	12 050	1 634	13 684	4 193	101	4 294

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

27. TAX LIABILITIES

In 2021 and in 2020, the majority of the companies belonging to the Group exercised the right to conclude tax loan agreements (hereinafter - TLA) with the state's tax inspectorates of the respective countries on preferential terms. Interests are not charged on concluded TLA. The terms of the concluded contracts are from 14 to 36 months. TLA for the total amount of EUR 3.7 million were concluded in 2021 for the Group and EUR 1.4 million for the Company (respectively in 2020 -12.8 million and 6.0 million EUR) . In December 2021, the Group companies repaid the full remaining amount of TLA ahead of schedule. At the end of the previous reporting year, the amount of unpaid TLA taxes amounted to EUR 12.6 million in the Group and EUR 6.0 million in the Company.

28. RELATED PARTY TRANSACTIONS

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

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

Related parties	Accounts payable		Accounts receivable and loans granted		Income		Purchases	
	2021	2020	2021	2020	2021	2020	2021	2020
UAB Koncernas MG Baltic (the ultimate parent company)	10	14	-	-	-	-	109	118
As per ultimate parent company associated companies:								
UAB Mineraliniai vandenys	-	-	-	-	-	-	20	20
UAB Mediafon Technology	3	-	-	-	-	-	24	-
UAB MG Baltic Investment	4	5	1	-	-	-	52	53
UAB DARNU GROUP	-	-	-	-	-	-	-	8
LNK Group	4	3	-	-	1	29	2	42
UAB Eminta	85	84	-	-	-	-	674	638
Total	106	106	1	-	1	29	881	879

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

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

Subsidiaries	Borrowings and accounts payable		Loans and accounts receivable		Income		Purchases	
	2021	2020	2021	2020	2021	2020	2021	2020
UAB Apranga LT	2 049	4 524	66	13	1 006	2 330	116	82
UAB Apranga BPB LT	920	1 175	18	2	200	375	15	11
UAB Apranga PLT	609	659	14	1	141	313	13	8
UAB Apranga SLT	305	491	11	-	166	325	63	11
UAB Apranga MLT	895	897	27	-	275	468	63	23
UAB Apranga HLT	315	331	19	-	109	88	3	25
UAB Apranga OLT	107	107	5	2	43	85	2	3
UAB Apranga Ecom LT	-	-	-	-	-	-	-	-
SIA Apranga	-	-	6 029	5 251	7 558	9 134	122	100
SIA Apranga LV	-	-	35	53	459	1 445	20	42
SIA Apranga BPB LV	-	-	5	3	68	70	2	3
SIA Apranga PLV	-	-	6	163	52	66	1	3
SIA Apranga SLV	-	-	4	3	55	60	11	3
SIA Apranga MLV	-	-	117	295	148	174	5	13
SIA Apranga HLV	-	-	7	61	41	40	-	-
SIA Apranga OLV	-	-	114	294	30	38	1	-
SIA Apranga Ecom LV	-	-	-	-	-	-	-	-
OU Apranga	-	-	3 587	3 191	5 801	5 237	27	20
OU Apranga Estonia	-	-	332	518	411	381	16	29
OU Apranga BEE	-	-	139	67	42	243	-	2
OU Apranga PB Trade	-	-	584	723	45	51	1	3
OU Apranga ST Retail	-	-	87	111	35	233	11	3

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

Subsidiaries	Borrowings and accounts payable		Loans and accounts receivable		Income		Purchases	
	2021	2020	2021	2020	2021	2020	2021	2020
OU Apranga MDE	-	-	9	6	100	287	4	6
OU Apranga HEST	-	-	7	40	49	39	-	-
OU Apranga Ecom EE	-	3	-	-	-	-	-	-
Total	5 200	8 187	11 222	10 797	16 834	21 482	496	390

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 received from the subsidiaries is presented in '*Income received*' together with other income. In 2021, the Company did not receive dividend income from subsidiaries (in 2020 - EUR 4,000 thousand). This article also accounted for sales of goods to subsidiaries SIA Apranga and OU Apranga, which in 2021 amounted to EUR 6 673 thousand and EUR 5 085 thousand respectively (EUR 8 155 thousand and EUR 4 664 thousand in 2020, respectively).

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

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

Guarantees provided on behalf of related parties

Guarantees provided on behalf of related parties are disclosed in Note 29.

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 2021 (7 members of the key management as at 31 December 2020). 2 of them also belong to the Management Board, which consists of 6 members.

	GROUP		COMPANY	
	2021	2020	2021	2020
Remuneration	2 051	1 674	1 972	1 599
Social security	36	18	35	17
Average number of key managers	7	7	7	7

On 29 April 2021 and on 30 April 2020 the Company's shareholders' meetings decided not to pay out annual bonuses to the key management.

29. COMMITMENTS AND CONTINGENCIES

Legal proceedings

As of 31 December 2021 and 2020 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 2021, guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers totaled EUR 13 734 thousand (31 December 2020: EUR 14 159 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2021 amounted to EUR 15 150 thousand (31 December 2020: EUR 15 843 thousand).

As of 31 December 2021 and 2020 the Company had no guarantees to the credit institutions issued to secure the obligations of subsidiaries. As of 31 December 2021, the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totaled EUR 499 thousand (31 December 2020: EUR 818 thousand).

The management of the Group believes that the subsidiaries on behalf of which guarantees 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 2021 and 31 December 2020.

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, UAB Apranga OLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, SIA Apranga OLV, SIA Apranga HLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade, OU Apranga ST Retail, OU Apranga MDE and OU Apranga HEST operating brands of INDITEX Group (ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO). The options are exercisable in 2024 and are firmly and irrevocably granted thus the Group cannot waive 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 thus the Group cannot waive 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, UAB Apranga OLT, SIA Apranga LV, SIA Apranga BPB LV, SIA Apranga PLV, SIA Apranga SLV, SIA Apranga MLV, SIA Apranga OLV, SIA Apranga HLV, OU Apranga Estonia, OU Apranga BEE, OU Apranga PB Trade, OU Apranga ST Retail, OU Apranga MDE and OU Apranga HEST operating brands of INDITEX Group (ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO) granted irrevocable options exercisable in 2024 by virtue of which INDITEX Group might acquire the lease rights and might become lessee in all or part of the lease agreements for the premises where ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO stores are located.

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.

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

30. EVENTS AFTER THE REPORTING PERIOD

On 24 February 2022, the Russian Federation has launched an invasion of the Republic of Ukraine. Shortly after the invasion, the EU and rest of the world, including global bodies, imposed wide-ranging set of restrictive measures against Russia, which is updated and expanded on a regular basis. As disclosed in Note 2, this non-adjusting subsequent event was not reflected in the significant estimates and assumptions as at 31 December 2021. Until the date of authorisation of these financial statements, the restrictive measures imposed had no significant impact on the Company's and the Group performance, no operations had been suspended and no significant direct losses related to the restrictive measures had been incurred at the date of the financial statements.

APRANGA

GROUP

APB APRANGA

Consolidated Annual Report

For the year ended 31 December 2021

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

1. GENERAL INFORMATION

Consolidated annual report is prepared for the year ended 31 December 2021.

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

At 31 December 2021 Apranga Group (hereinafter the Group) consisted of the parent company APB Apranga (hereinafter the Company) and its 100 per cent owned 25 subsidiaries. The principal activity of the Company and its subsidiaries is retail trade of apparel.

Structure of the Group at 31 December 2021:

APB "APRANGA"

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

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

2. OPERATING HIGHLIGHTS

In 2021, operational priorities have been significantly changed by the impact of continuing global pandemic, with numerous blockages and restrictions on trade and human life. We have paid special attention to the safety and health of our employees and customers. Thanks to our dedicated team, we have been able to successfully cope with the biggest challenges of the pandemic, significantly increase e-commerce volumes, accelerate reconstruction and modernization of stores, quickly restore sales volumes after the third phase of closure in the spring.

2.1 RETAIL MARKET OVERVIEW

The retail turnover (including VAT) of Apranga Group reached EUR 228.4 million in 12 months 2021 or by 11.8% more than in the same period of 2020. In 2021, the retail turnover of Apranga Group in Lithuania was EUR 146 million and increased by 23.4% year-on-year. In 2021, the retail turnover of Apranga Group in Latvia was EUR 46.4 million and decreased by 11.4% year-on-year, in Estonia has made EUR 36 million and increased by 7.4% year-on-year.

Due to epidemic coronavirus (COVID-19) infection, from 16 December 2020, all the Group's stores in Lithuania were temporarily closed. Stores in Lithuania with a separate entrance from outside and a sales area not exceeding 300 square meters had been open since 15 February 2021. All stores with a separate entrance from outside had been open since 15 March 2021. All Group's stores have been reopened in Lithuania from 19 April 2021, however, stores operating in shopping malls were not allowed to work on weekends, unless they had separate entrance from outside. Eventually, all Group's stores have been open in Lithuania as of 29 May 2021. In Latvia, stores were temporarily closed from 19 December 2020. Stores with a separate entrance from outside and an area not exceeding 7,000 square meters have been open in Latvia from 7 April 2021. Group's stores that operate in shopping malls and have separate entrance from outside were reopened as of 22 May 2021. Eventually, all Group's stores have been open in Latvia as of 3 June 2021. However, due to the aggravation of the coronavirus situation, from 14 October 2021 the operation of stores in shopping malls on weekends were banned in Latvia, and from 21 October 2021 all Group's stores in Latvia were temporarily closed. All Group's stores have been reopened in Latvia from 15 November 2021, however, stores operating in shopping malls were not allowed to work on weekends, unless they had separate entrance from outside. All Group's stores were allowed to also work on weekends as of 25 December 2021. In Estonia, all Group's stores were temporarily closed from 11 March 2021, and from 6 March 2021 to 11 March 2021 stores were not allowed to work on weekends. All Group's stores have been reopened in Estonia from 3 May 2021. **These temporary store closures had a significant impact on the Group's generated turnover, earned profit and, accordingly, financial performance**.

According to EUROSTAT data, the retail trade (except of motor vehicles, motorcycles and fuel) in 2021 in all three Baltic countries grew between 3% and 16%. Retail sales grew the least in Latvia (3%) and the most in Lithuania (16%). The retail trade of clothing, footwear and textiles in 2021 in Lithuania grew by 19%, if compared to 2020, and by 1%, if compared to 2019; in Latvia fell by 3% and 20%, respectively; in Estonia grew by 11% compared to 2020, however, fell by 2%, if compared to 2019.

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

Country	12 months 2021	12 months 2020	12 months 2019	2021/2020, %	2021/2019, %
Lithuania	146 003	118 336	147 470	23,4%	-1,0%
Latvia	46 409	52 377	59 363	-11,4%	-21,8%
Estonia	36 010	33 532	41 124	7,4%	-12,4%
Total:	228 422	204 245	247 957	11,8%	-7,9%

In 2021, the turnover of the retail chain operated by Apranga Group amounted to EUR 146 million in the main domestic market of Lithuania, or by 23.4% more than in 2020. The share of Lithuanian chain turnover comprised 63.9%, or by 6,0 percentage points more than in 2020.

The retail turnover of the Apranga Group chain in foreign markets (Latvia and Estonia) reached EUR 82.4 million in 2021, or by 4.1% less, than in 2020. The foreign turnover share in total Group's turnover has decreased from 42.1% to 36.1% during the year.

The retail turnover of the Group chain in Latvia has made EUR 46.4 million in 2021 and has decreased by 11.4% during the year. The retail turnover of the Group chain in Estonia amounted to EUR 36 million and has increased by 7.4% in comparison to 2020.

The retail turnover of Apranga Group by quarters:

	Q1	Q2	Q3	Q4	Year
2021	25 547	55 692	76 929	70 253	228 422
2020	45 857	40 864	63 765	53 759	204 245
2019	49 800	58 861	66 834	72 462	247 957
2021/2020, %	-44,3%	36,3%	20,6%	30,7%	11,8%
2021/2019, %	-48,7%	-5,4%	15,1%	-3,0%	-7,9%

The online turnover of the Group was as follows (EUR thousand, VAT included):

	12 months 2021	12 months 2020	12 months 2019	2021/2020, %
Online turnover	48 256	24 950	9 579	1.9 times
Relative weight in total turnover	21,1%	10,9%	3,9%	

The Group's online turnover increased 1.9 times in 12 months of 2021, and its relative weight in total turnover increased from 10.9% to 21.1% compared to the corresponding period of the previous year. Online turnover increased particularly significantly due to the temporary closure of physical stores during the quarantine period caused by COVID-19.

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

Chain	12 months 2021	12 months 2020	12 months 2019	2021/2020, %	2021/2019, %
Economy[1]	22 524	23 240	31 991	-3,1%	-29,6%
Youth[2]	55 064	48 666	58 655	13,1%	-6,1%
Footwear	3 201	3 893	6 660	-17,8%	-51,9%
Business[3]	42 545	38 216	44 802	11,3%	-5,0%
Luxury[4]	25 263	21 431	22 333	17,9%	13,1%
Zara	69 515	59 872	72 507	16,1%	-4,1%
Outlets	10 310	8 926	11 010	15,5%	-6,4%
Total	228 422	204 245	247 957	11,8%	-7,9%

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

In 2021, Economy and Footwear chains decreased in retail turnover, which was caused by closure of stores, as 5 Economy (-16.1%) and 3 Footwear (-23.1%) stores were permanently closed throughout the year.

2.2 DEVELOPMENT AND MODERNIZATION OF THE RETAIL CHAIN

In 2017-2021 the dynamics of the number of stores and sales area was as follows:

	31 12 2017	31 12 2018	31 12 2019	31 12 2020	31 12 2021
The number of stores	182	182	186	179	169
Stores area (thousand sq. m.)	84,3	82,6	93,8	92,6	90,6

During the year 2021 Apranga Group opened 5 stores, reconstructed 10 and closed 15 stores. Currently Apranga Group operates the chain of 169 stores (102 in Lithuania, 46 in Latvia and 21 in Estonia) covering the gross area of 90.6 thousand sq. m., or by 2.1% less than a year ago.

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

Country	31 12 2021	31 12 2020	31 12 2019	2021/2020, %	2021/2019, %
Lithuania	51,3	49,9	51,2	2,8%	0,1%
Latvia	26,8	27,0	26,8	-0,9%	0,1%
Estonia	12,6	15,6	15,8	-19,7%	-20,4%
Total:	90,6	92,6	93,8	-2,1%	-3,3%

In 2021, the Group opened 3 new Hugo stores in Vilnius, Kaunas and Klaipeda, 2 new outlets "Apranga Išparduotuvė" and "Outlet space" in Vilnius. The Group also expanded and reconstructed Zara and Mango stores in Kaunas, reconstructed Apranga store in Vilnius, Apranga and Aprangos galerija stores in Klaipėda, Stradivarius store in Kaunas, Apranga store in Riga. In addition, the Group moved and reconstructed Mados Linija and Boss stores in Vilnius as well as Aldo store in Kaunas. The gross area of new stores opened or reconstructed by the Group during the year 2021 was 10.4 thousand sq. m., or 2 times more than during previous year.

The number of stores by countries was as follows:

Country	31 12 2021	31 12 2020	31 12 2019	2021/2020, %	2021/2019, %
Lithuania	102	104	108	-1,9%	-5,6%
Latvia	46	48	50	-4,2%	-8,0%
Estonia	21	27	28	-22,2%	-25,0%
Total:	169	179	186	-5,6%	-9,1%

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

Chain	31 12 2021	31 12 2020	31 12 2019	2021/2020, %	2021/2019, %
Economy	26	31	33	-16,1%	-21,2%
Youth	47	47	51	0,0%	-7,8%
Footwear	10	13	14	-23,1%	-28,6%
Business	39	41	42	-4,9%	-7,1%
Luxury	28	28	26	0,0%	7,7%
Zara	10	11	11	-9,1%	-9,1%
Outlets	9	8	9	12,5%	0,0%
Total	169	179	186	-5,6%	-9,1%

Net investments into development of the chain amounted to EUR 5 million in 2021. 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

Rapid growth of e-commerce, resumption of physical store sales from May, effectively controlled inventories, cost management (especially rent and wage payments), despite the pandemic, allowed to ensure profitable operation of the Apranga Group.

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

In addition to the key figures defined or specified in the applicable IFRS financial reporting framework, the Group also provides key financial ratios derived from or based on the prepared financial statements. These are known as Alternative Performance Measures (APM). Definitions of APM are provided in the section No. 11 "Alternative Performance Indicators" of this report and on the Group's website.

The Group's profit before income tax amounted to EUR 13.2 million in 12 months 2021, while profit before taxes was EUR 6.0 million in 12 months of 2020, i.e., 121.6% more than in the corresponding period of the previous year.

EBITDA of the Group totalled EUR 34.1 million in 2021, and it was EUR 27.3 million in corresponding previous year period. EBITDA margin has increased from 16.1% to 18.0% during the year. ROE and ROA ratios increased to 14.6% and 6.6%, respectively.

Main Group Indicators	2021	2020	2019	2018	2017
Net sales, EUR thousand	189 745	169 958	205 005	187 207	182 265
Net sales in foreign markets, EUR thousand	68 502	71 424	83 197	76 740	75 157
Gross profit, EUR thousand	82 230	71 146	89 210	81 010	81 792
Gross margin, %	43,3%	41,9%	43,5%	43,3%	44,9%
Operating profit, EUR thousand	14 278	7 038	11 929	9 199	16 578
Operating profit margin, %	7,5%	4,1%	5,8%	4,9%	9,1%
Profit before income tax, EUR thousand	13 211	5 961	10 994	9 266	16 555
Profit before income tax margin, %	7,0%	3,5%	5,4%	4,9%	9,1%
Profit (loss) for the period, EUR thousand	10 896	4 936	9 240	7 565	13 875
Profit (loss) for the period margin, %	5,7%	2,9%	4,5%	4,0%	7,6%
EBITDA, EUR thousand	34 076	27 340	31 006	15 563	23 075
EBITDA margin, %	18,0%	16,1%	15,1%	8,3%	12,7%
Earnings (losses) per share (EPS), EUR	0,20	0,09	0,17	0,14	0,25
Price-to-Earnings ratio (P/E), times	10,7	23,6	12,6	11,7	10,2
Dividend / Profit for the period*, %	182,7%	0,0%	0,0%	95,0%	63,8%
Return on equity (end of the period), %	14,6%	7,8%	15,8%	13,3%	23,7%
Return on assets (end of the period), %	6,6%	3,1%	6,0%	9,6%	17,4%
Net debt to equity, %	-39,7%	-28,5%	-10,1%	-10,4%	-10,9%
Current ratio, times	2,0	1,9	1,4	2,7	2,9

** The year 2021 dividends proposed by the Board, not approved.*

The *operating expenses* of the Group totaled EUR 68.0 million in 12 months 2021 and increased by 6.0%, comparing to the same period 2020. Operating expenses increased less than sales, which grew by 11.6%. This was mainly driven by government subsidies received to compensate for idle time of employees during the lock-down as well as working capital subsidies granted by government in Latvia for closed periods. The decision of the Group's shareholders not to pay dividends for 2019 and 2020 years had a positive impact on debt and liquidity ratios.

Main Group Indicators	2021	2020	Change
Net sales, EUR thousand	189 745	169 958	11,6%
Net sales in foreign markets, EUR thousand	68 502	71 424	-4,1%
Gross profit, EUR thousand	82 230	71 146	15,6%
Operating expenses	(67 952)	(64 108)	6,0%
Operating profit, EUR thousand	14 278	7 038	102,9%
Profit before income tax, EUR thousand	13 211	5 961	121,6%
Net profit (losses), EUR thousand	10 896	4 936	120,7%
EBITDA, EUR thousand	34 076	27 340	24,6%

The Group's level of inventories during the last 12 months increased by 1.3% to EUR 35.9 million. Company's inventories decreased by 6.3%.

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

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

2.4 PERSONNEL

The number of employees on 31 December 2021 and average salary by categories in 2021 were as follows:

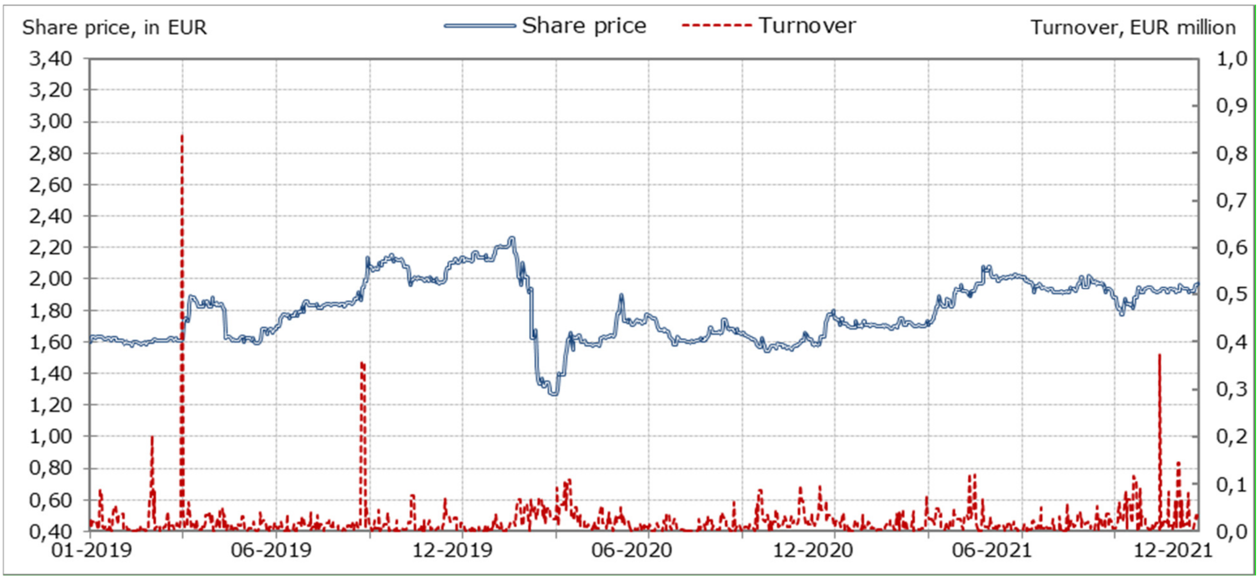
	Group	Company	Group	Company
Employee category	Number of employees		Average monthly salary, EUR	
Administration	179	120	2 384	3 020
Stores' personnel	1 752	551	1 152	1 261
Logistics	61	61	1 369	1 369
Total	1 992	732	1 310	1 769

In 2021 the number of employees in the Group and the Company has increased by 36 (1.8%) and increased by 50 (7.3%) people respectively. The number of employees by education level on 31 December 2021 was as follows:

Education level	Group	Company
Higher	497	297
Professional	198	71
Secondary	402	131
Primary	8	2
Student	887	231
Total:	1 992	732

2.5 TRADING INFORMATION

The price of the Company shares in 12 months 2021 increased by 12,8% from EUR 1.80 per share to EUR 2.03 per share. The maximum share price for the 12 months period was EUR 2.10 per share, minimum share price - EUR 1.68 per share. The market capitalization of the Company increased from EUR 100 million at the beginning of the year to EUR 112 million at the end of December 2021. The weighted average price of 1 share during the reporting period was EUR 1.88. Company's share turnover was EUR 10.2 million in 12 months 2021.



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

Company and OMX Baltic Benchmark GI index change for the period 2017-2021:

INDEX | EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX_Baltic_Benchmark_GI	788.17	1,568.82	+99.05
APG1L - Apranga	2.57	2.03	-21.01

3. OPERATING PLANS

Restrictive measures imposed after Russia's invasion of Ukraine had no significant impact on the Company's and Group's performance, no operations had been suspended and no significant direct losses related to the restrictive measures had been incurred, however, the uncertainty exists. In any case, the Company's management is ready to respond promptly to the changing situation by making the necessary decisions to ensure the stability of operations.

The Group plans to reach EUR 290 million turnover (including VAT) in 2022, or by 27% higher than actual year 2021 turnover. In 2022, the Group plans to renovate or open 6-10 stores. The net investment is planned to be about EUR 2-5 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. 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 more than 90% of its stores), promote rational management and use of resources. It constantly seeks way to cut electricity costs at the stores, the headquarters and logistic warehouse. All stores use energy-efficient LED bulbs that not only have a longer service life but also use less electricity. Spaces in the administration building are segmented to use the lighting as efficiently as possible and to have it only in those areas where employees are present.

The origin of electricity used in all stores is ensured by the green electricity certificate. The Group choose electricity suppliers based on the sustainable use of natural resources in the production of energy.

When upgrading stores, we abide by the principle that, despite the decisions taken, we must introduce technologies that reduce or do not increase resource consumption.

More information about the Group's environmental protection is presented in the Group's 2021 Consolidated Social Responsibility Report.

6. CONSOLIDATION

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

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

7. SECURITIES

The share capital of APB Apranga is EUR 16,034,668.40 and it is divided into 55,291,960 ordinary registered shares with a nominal value of EUR 0.29 each, where each share grants to its owner 1 vote (in total 55,291,960 voting shares), all shares are paid in full and give the owners equal rights. All 55 291 960 ordinary shares of nominal value EUR 0.29 each (ISIN code LT0000102337) that comprise Company's share capital are listed on Baltic equity list of Nasdaq Vilnius Stock Exchange. For more information on the share capital of the Company refer to Note 22 to Consolidated financial statements.

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

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

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

Each owner of the ordinary registered share has the following non-property rights:
1) To attend and vote in General Shareholder's Meetings. One ordinary registered share grants to its owner one vote at the General Shareholders' Meeting. The right to vote at the General Shareholder's Meeting may be withdrawn or restricted in cases established by laws of the Republic of Lithuania, also in cases when share ownership is contested;
2) To submit to the company in advance the questions related to the issues on the agenda of the general meeting of shareholders;
3) To receive information on the company as provided by Law on Companies;
4) 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;

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

5) Other non-property rights prescribed by law.

At 31 December 2021, the Company had 4 119 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Investment	123249022	Aukštaičių 7, Vilnius, Lithuania	34 442 189	62,3%
UAB Minvista	110685692	Aukštaičių 7, Vilnius, Lithuania	7 264 661	13,1%
Swedbank AS (Estonia and Latvia) clients	10060701	Liivalaia 8 Tallinn, Estonia	3 665 861	6,6%

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: Konstitucijos av. 24, LT-08105 Vilnius) on supervision of securities accounts.

8. GOVERNANCE REPORT

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

9. CONSOLIDATED SOCIAL RESPONSIBILITY REPORT

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

10. REMUNERATION REPORT

The Supervisory Board is not formed in the Company, therefore the Company's Remuneration Policy applies to the Head of the Company and Members of the Management Board of the Company in accordance with the relevant requirements and essential principles on the basis of which the remuneration is paid.

No agreements are concluded with the Members of the Management Board regarding their activities as Members of the Management Board in the Company. Only Independent Members of the Management Board of the Company are remunerated for their work at the Board. The Members of the Management Board of the Company, who are also employees of the Company, receive remuneration only for the direct duties they perform under the employment contract, i.e. their remuneration for direct functions in the Company and being a Member of the Board (performance of the duties of member of the Board) are not related in any way and are not dependent on each other. The Members of the Management Board of the Company, who are not employees of the Company or do not serve as Independent Members of the Management Board, are not additionally incentivised, they are not paid for their work in the Management Board of the Company, therefore, such members of the Board perform their duties of a member of the Management Board of the Company free of charge.

The employment contract with the Head of the Company is concluded for an indefinite period. The Head of the Company, as provided by the Law on Companies, is elected and removed from office, his remuneration is determined, his job description is approved, he is promoted and penalized based on the Management Board decision. In his / her activities, the Head of the Company follows the laws, other legal acts, the Company's Articles of Association, decisions of the General Meeting of Shareholders, as well as decisions of the Management Board. The amounts of allowances, notice periods related to the termination of employment or term of office are determined taking into account the requirements established in the specific labour laws. Employment contracts with the Head of the Company are not normally subject to prior agreements on severance pay, supplementary pensions or early retirement arrangements

The remuneration of the Head of the Company consists of:
- *a fixed part of the remuneration*, which is agreed upon and approved by the Management Board of the Company in each individual case and which does not change and is paid to the Head of the Company on a monthly basis, regardless of the Company's performance;
- *a variable part of remuneration*, which depends on the performance of the Company, including its subsidiaries (hereinafter - the Group), i.e. this is a concrete percentage of Group's profit, which is approved by the Management Board of the Company. This variable part of the remuneration is paid once a calendar quarter, based on the Group's results for the previous quarter. The ratio of variable to fixed part depends only on the Group's performance.

The amount of variable remuneration (as a percentage of the Group's profit) for the Head of the Company is determined and approved by the Management Board of the Company so as to comply with the Company's and the Group's business strategy, long-term goals and operational interests, to ensure shareholders' interests, to promote sound and efficient management and risk management to the extent of decision making, would help to avoid conflicts of interest, ensure compliance with the code of ethics and conduct.

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.

Annual remuneration of the members of the Management Board - the Company's employees, EUR thousand (before taxes):

Name, Surname	Position	Fixed part	Variable part	Total	Variable part, %
Darius Juozas Mockus	Chairman of the Board	-	-	-	
Vidas Lazickas	Member of the Board	-	-	-	
Rimantas Perveneckas	Member of the Board (till 29/04/2021), General Director	192	295	487	61%
Ilona Simkuniene	Member of the Board, Purchasing Director	122	184	307	60%
Ramunas Gaidamavicius	Member of the Board, Development Director	93	148	241	61%
Jonas Jukštys	Member of the Board, independent	8	-	8	-
Gintaras Juškauskas	Member of the Board, independent	8	-	8	-

Annual remuneration and Group's performance in 2017-2021:

	2021	2020	2019*	2018	2017
Remuneration, EUR thousand					
Rimantas Perveneckas	487	430	477	298	427
Ilona Šimkūnienė	307	265	298	201	269
Ramūnas Gaidamavičius	241	204	233	149	209
Average Employee Total Remuneration Costs	11,8	9,9	11,8	9,4	9,0
Group performance					
Net sales, EUR thousand	189 745	169 958	205 005	187 207	182 265
EBT, EUR thousand	13 211	5 961	10 994	9 266	16 555
EBITDA margin, %	18,0%	16,1%	15,1%	8,3%	12,7%

** Tax reform has been implemented at the beginning of 2019.*

The Management Board members and the Head of the Company do not receive any other parts of remuneration, bonuses, premiums, incentives other than those provided for in Remuneration Policy.

The Management Board members and the Head of the Company have not received any remuneration from other companies belonging to the Group.

11. ALTERNATIVE PERFORMANCE MEASURES

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

Performance measure	Formula and components used for the calculation	Interpretation
EBITDA	Profit before finance income and finance costs, income tax, depreciation and amortization Alternative calculation: EBIT before depreciation and amortization.	EBITDA is used as a relevant measure for investors to be able to understand profit generation before investments in fixed assets. It also shows the ability to repay loans and pay interests
EBITDA margin, %	EBITDA divided by net sales	Shows the efficiency of the company and is used to compare companies in the same business sector
EBIT	Profit before finance income and finance costs and income tax	A business performance indicator that shows the company's ability to make a profit, regardless of the method of financing (then determines the optimal use of debt vs. equity)
EBIT margin, %	EBIT divided by net sales	Shows the efficiency of the company and is used to compare companies in the same business sector
Net investment	Purchases of long-term assets – Disposal of long-term assets	In the activities of Apranga APB, part of the investment into installation of the store is often disposed to the owner of the premises. Therefore, to reflect the real impact on cash flows and operating costs (depreciation), it is appropriate to use the net investment measure
Net debt	Borrowings - Cash and cash equivalents (Non-current and current borrowings, excluding IFRS 16 lease liabilities, less cash and cash equivalent)	Shows the level of real debt to financial institutions
Net debt to equity	Net debt / Equity (at the end of the reporting period)	Shows the level of financial debts compared to equity. The ratio is used to evaluate a company's financial leverage. The debt/equity ratio is also referred to as a risk or gearing ratio. The higher the value of this ratio, the lower the solvency of the company
Earnings per share (EPS)	Profit for the period / Number of shares	Earnings per share serve as an indicator of a company's profitability. It shows the portion of a company's profit allocated to each share of common stock
Price-to-Earnings ratio (P/E)	Share price (at the end of the reporting period) / Earnings per share (EPS)	The price-earnings ratio indicates the price investors pay for one euro of the company's earnings. This ratio is very versatile and is suitable for comparing not only for companies of the same sector but also very different companies
Dividend payout ratio, %	Dividend / Profit for the period	Shows which the part of the company's profit is paid by dividends
Return on equity (ROE)	Profit for the period / Equity (at the end of the reporting period)	The ratio shows the percentage return the company earns from equity. Higher ROE ratio is considered as better
Return on assets (ROA)	Profit for the period / Assets (at the end of the reporting period)	The ratio shows the percentage return the company earns from assets. The higher the ratio, the more efficient use of assets
Current ratio	Current Assets (at the end of the reporting period) / Current Liabilities (at the end of the reporting period)	The current ratio is a liquidity ratio that measures a company's ability to pay short-term and long-term obligations

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

12. PUBLICLY ANNOUNCED INFORMATION

The Company in 2021 publicly announced and broadcasted through Nasdaq Vilnius Globe Newswire and own webpage the following information:

Date	Title
2021.01.05	Turnover of Apranga Group in December 2020 and total year 2020
2021.02.01	Turnover of Apranga Group in January 2021
2021.02.26	Apranga Group interim information for 12 months of 2020
2021.03.01	Turnover of Apranga Group in February 2021
2021.04.01	Turnover of Apranga Group in March 2021
2021.04.06	Notice of the Annual General Meeting of APB "APRANGA" shareholders
2021.04.06	Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 29, 2021
2021.04.07	Notification on Apranga Group CFO change
2021.04.28	Apranga Group interim report for three months of 2021
2021.04.29	Resolutions of the Annual General Meeting of Apranga APB shareholders
2021.04.29	Apranga APB annual information 2020
2021.05.03	Turnover of Apranga Group in April 2021
2021.05.19	Notification on Apranga APB manager's related party transactions
2021.05.19	Notification on manager's related party transactions
2021.05.21	Notification on manager's related party transactions
2021.05.21	Notification on manager's related party transactions
2021.05.26	Notification on manager's related party transactions
2021.06.01	Turnover of Apranga Group in May 2021
2021.06.28	Notification on manager's related party transactions
2021.06.28	Notification on manager's related party transactions
2021.07.01	Turnover of Apranga Group in June 2021
2021.07.29	Apranga Group interim information for the six months of 2021
2021.08.02	Turnover of Apranga Group in July 2021
2021.08.04	Notification on manager's related party transactions
2021.08.18	Notification on manager's related party transactions
2021.08.19	Notification on manager's related party transactions
2021.08.19	Notification on manager's related party transactions
2021.08.23	Notification on manager's related party transactions
2021.08.25	Notification on manager's related party transactions
2021.08.25	Notification on manager's related party transactions
2021.08.26	Notification on manager's related party transactions
2021.09.01	Turnover of Apranga Group in August 2021
2021.09.06	Notification on manager's related party transactions
2021.09.06	Notification on manager's related party transactions
2021.09.20	Notification on manager's related party transactions
2021.09.20	Notification on manager's related party transactions
2021.09.22	Notification on manager's related party transactions
2021.09.22	Notification on manager's related party transactions
2021.09.22	Notification on manager's related party transactions
2021.09.24	Notification on manager's related party transactions
2021.09.24	Notification on the acquisition of the voting rights

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

Date	Title
2021.09.28	Notification on manager's related party transactions
2021.09.28	Notification on manager's related party transactions
2021.10.01	Turnover of Apranga Group in September 2021
2021.10.28	Apranga Group interim information for the 9 months of 2021
2021.11.03	Turnover of Apranga Group in October 2021
2021.11.05	Notification on manager's transactions
2021.11.05	Notification on manager's related party transactions
2021.11.08	Notification on manager's related party transactions
2021.11.09	Notification on manager's related party transactions
2021.11.16	Notification on manager's transactions
2021.11.17	Notification on manager's related party transactions
2021.11.17	Notification on manager's transactions
2021.11.23	Notification on manager's transactions
2021.11.23	Notification on manager's related party transactions
2021.11.24	Notification on manager's related party transactions
2021.11.25	Notification on manager's related party transactions
2021.11.30	Notification on manager's related party transactions
2021.12.01	Notification on manager's related party transactions
2021.12.01	Turnover of Apranga Group in November 2021
2021.12.09	The turnover and expansion plans of Apranga Group in 2022
2021.12.10	Notification on manager's transactions
2021.12.10	Notification on manager's related party transactions
2021.12.13	Notification on manager's transactions
2021.12.17	Notification on manager's related party transactions
2021.12.17	Notification on manager's transactions
2021.12.21	Apranga Group investor's calendar for the year 2022
2021.12.22	Notification on manager's related party transactions
2021.12.23	Notification on manager's related party transactions
2021.12.23	Notification on manager's related party transactions
2021.12.27	Apranga Group repaid all deferred taxes
2021.12.27	Notification on manager's transactions
2021.12.30	Notification on manager's related party transactions

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

APRANGA
GROUP

2021 GOVERNANCE REPORT

The public trade company APRANGA (hereinafter referred to as the “Company”) essentially follows the Corporate Governance Code for the Companies Listed on the Nasdaq Vilnius stock exchange adopted and valid as on 31 December 2020. Corporate Governance Code is publicly available at: https://nasdaqbaltic.com/market-regulation/nasdaq-vilnius-rules/

RISKS

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

The Group's activities are significantly influenced by overall *economic* situation (and especially by the economic cycles) in countries where the Group operates. Retail markets in the Baltic States where the Group operates have been severely exposed, however, with state aid and effective virus control and prevention measures, the Group expects that in the long run the impact of COVID-19 on the economy and the main activities of the Company and the Group will continue to soften. Considering risks related to Russia’s invasion to Ukraine, the restrictive measures imposed had no significant impact on the Company’s performance, no operations had been suspended and no significant direct losses related to the restrictive measures had been incurred yet, however, the risk remains and will be monitored and managed closely.

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

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

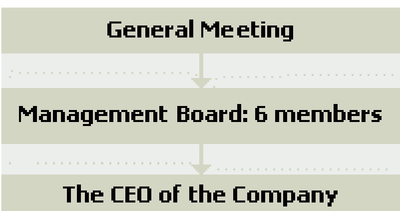
The main features of the Group’s internal control and risk management systems related to preparation of consolidated financial statements.

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

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

CORPORATE GOVERNANCE

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



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

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

Competence of General Shareholders' Meeting additionally includes adoption of the resolutions on the composition of the Audit Committee of the Company, including the appointment and removal of individual members of the Audit Committee, and approving the charter of the Audit Committee.

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

The Board, consisting of six members, is elected by General Shareholders' Meeting for a 4 year term. Company's Board members election and revocation procedure is the same as specified by Law on Companies. Company's Board activity is conducted by chairman of the Board. The Board elects its chairman from among its members. The Board continues in office for the period established in the Articles of Association or until a new Board is elected and assumes the office but not longer than until the annual General Shareholders' Meeting during the final year of its term of office.

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

The Board adopts the following resolutions:

1) Resolutions for the Company to become an incorporator or a member of other legal entities;
2) Resolutions to establish branches and representative offices of the Company;
3) Resolutions to invest, dispose of or lease the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated individually for every type of transaction);
4) Resolutions to pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the share capital of the Company (calculated for the total amount of transactions);
5) Resolutions to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the share capital of the Company;
6) Resolutions to acquire the tangible long-term assets the price whereof exceeds 1/20 of the share capital of the Company;
7) Resolutions to restructure the Company in the cases laid down in the Law on Restructuring of Enterprises;
8) Resolutions regarding issuance of debenture of the Company (except issuance of convertible debenture);
9) Resolutions regarding transactions with related parties, as provided by Law on Companies, where these transactions have a significant impact on the company, its finances, assets and liabilities. Transactions with related parties shall be considered to have a significant impact on the company, its finances, assets and liabilities, if the total value (the total value of one transaction or the total value of continuous transactions within one calendar year) of such a transaction exceeds 1/2 of the company's authorized capital;
10) Other resolutions within the competence of the Board as prescribed by the Articles of Association or the resolutions of the General Shareholders' Meeting.

The Board analyses and assesses the documents submitted by the Manager of the Company on:
1) The implementation of the activity strategy of the Company;
2) The organisation of the activities of the Company;

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

The Board elects and removes from office the Manager of the Company, fixes his/her remuneration and sets other terms of the employment agreement, approves his/her job description, provides incentives and imposes penalties.

The Board analyses and assesses the Company's draft annual financial statement and draft of profit/loss distribution and submits them to the General Shareholders' Meeting together with the annual report of the Company.

The Board is responsible for convening and arrangement of the General Shareholders' Meeting in due time.

Each member of the Board is entitled to initiate convening of the Board meeting. The Board may adopt resolutions and its meeting shall be deemed to have taken place when the meeting is attended by 2/3 and more of the members of the Board. The resolution of the Board is adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Board shall have the casting vote. The member of the Board is not entitled to vote when the meeting of the Board discusses the issue related to his/her activities on the Board or the issue of his/her responsibility.
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 as well as to conclude transactions with related parties, where these transactions have a significant impact on the company, its finances, assets and liabilities, as these significance criteria are specified in Articles of Association 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 set of annual financial statements and the drafting of the annual report of the Company;
3) The drawing up of a draft remuneration policy;
4) The drawing up of a draft remuneration report;
5) Concluding an agreement with the auditor or firm of auditors;
6) Submission of information and documents to the shareholders, General Shareholders' Meeting and the Board in cases prescribed by Law on Companies or at their request;
7) Submission of the documents and data of the Company to manager of the Register of Legal Entities;
8) Submission of documents to the Bank of Lithuania and Central Securities Depository;
9) Public announcement of information prescribed by Law on Companies in a source indicated in Articles of Association;
10) Submission of information to shareholders;
11) Preparation of the draft decision of the distribution of dividends for the period, shorter than a financial year, composition of the set of the interim financial reports and the preparation of the interim report for the decision of the distribution of dividends for the period, shorter than a financial year;
12) Notification to the shareholders and the Board about the most important events that have a significance for the company's activities
13) Preparation of draft rules for granting shares;
14) The performance of other duties prescribed by laws as well as in the Articles of Association and the job descriptions of the Manager of the Company.

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

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

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

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2021
(all tabular amounts are in EUR thousands unless otherwise stated)

MANAGEMENT OF THE COMPANY

On 27 April 2018 the Annual General Meeting of Company shareholders elected Company's members of the Board for new 4-year term. 27th April 2022 is the end term for Company's Board. On 29 April 2021 the Annual General Meeting of the Company shareholders has recalled two members of the Board and two independent Board members were elected instead.

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: Aukštaičių g. 7, Vilnius) and MG Investment UAB (Code of Enterprise: 123249022; Registered office: Aukštaičių g. 7, Vilnius) he has 41 706 850 shares, representing 75.43% of the share capital and votes.

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
UAB MG grupė	125459336	Aukštaičių g. 7, Vilnius, Lithuania	President - the main position
UAB MV GROUP	125313192	Aukštaičių g. 7, Vilnius, Lietuva	Chairman of the Board
APB Apranga	121933274	Ukmergės g. 362, Vilnius, Lithuania	Chairman of the Board
UAB DARNU GROUP	123010339	Aukštaičių g. 7, Vilnius, Lithuania	Chairman of the Board

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

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

Rimantas Perveneckas
Member of the Board (till 29/04/2021), 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.

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

Information on positions in other companies:

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

Has no shareholdings in other companies above 5%.

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 252 480 shares of the Company, representing 0.46% of the share capital and votes.

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
UAB MG grupė	125459336	Aukštaičių g. 7, Vilnius, Lietuva	Economics and Finance Director - the main position
UAB MG Investment	123249022	Aukštaičių g. 7, Vilnius, Lietuva	General Director
UAB Eminta	303140423	Aukštaičių g. 7, Vilnius, Lietuva	Director
UAB Euvalda	123248988	Aukštaičių g. 7, Vilnius, Lietuva	Director
UAB MG Media	211616910	Aukštaičių g. 7, Vilnius, Lietuva	General Director
UAB Minvista	110685692	Aukštaičių g. 7, Vilnius, Lietuva	Director
UAB Mineraliniai vandenys	121702328	Aukštaičių g. 7, Vilnius, Lietuva	Chairman of the Board
UAB Laisvas ir nepriklausomas kanalas	123026090	Šeškinės g. 20, Vilnius, Lithuania	Chairman of the Board
UAB Mediafon"	124424581	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Chairman of the Board
UAB Mediafon Carrier Services	304065315	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Chairman of the Board
UAB Mediafon Datapro	304065322	Olimpiečių g. 1 - 31, Vilnius, Lithuania	Chairman of the Board
UAB Mitnija	134511472	Jonavos g. 60c, Kaunas, Lithuania	Chairman of the Board
UAB MV GROUP	125313192	Aukštaičių g. 7, Vilnius, Lietuva	Member of the Board

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

Company name	Company code	Registered office	Current position
UAB MV GROUP Asset Management	304145213	Aukštaičių g. 7, Vilnius, Lietuva	Member of the Board
Įmonių grupė Alita AB	302444238	Miškininkų g. 17, Alytus, Lithuania	Member of the Board
MV Eesti OU	11021347	Kalmari tee 10, Rae vald, Harjumaa, Estonia	Member of the Board
MV Latvia SIA	40003787568	Medus iela 7, Ryga, Latvia	Member of the Board
MV Poland S.P.z.o.o.	140330387	Przasnyska 6b, 01-756 , Warsaw, Poland	Member of the Board
AB MV GROUP Production	132082782	Aukštaičių g. 7, Vilnius, Lietuva	Member of the Board
APB Apranga	121933274	Ukmergės g. 362, Vilnius, Lithuania	Member of the Board
UAB DARNU GROUP	123010339	Aukštaičių g. 7, Vilnius, Lietuva	Member of the Board

Has no shareholdings in other companies above 5%.

Ramūnas Gaidamavičius
Member of the Board, Development Director

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

Information on positions in other companies:

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

Has no shareholdings in other companies above 5%.

Jonas Jokštys
Member of the Board, independent

Jonas Jokštys (born in 1982 m.) - Member of Board of APB Apranga since 29th April 2021 m. Education: Stocholm School of Economics in Riga (2000-2003) Bachelor of Economics and Business Administration and London School of Economics and Political Science (2005-2006) Master of Philosophy and Political Science. He has no Company shares.

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

Information on positions in other companies:

Company name	Company code	Registered office	Current position
UAB Elmoris	123542630	Titnago g. 13A, Vilnius, Lietuva	Member of the Board
UAB Vendos	304472649	S. Konarskio g. 2-29, Vilnius, Lietuva	Director
APB Imum	305646914	S. Konarskio g. 2-29, Vilnius, Lietuva	Director
UAB Žemaitijos žemė	305704335	Vaidilutės g. 61, Vilnius, Lietuva	Director

Has no shareholdings in other companies above 5%.

Gintaras Juškauskas
Member of the Board, independent

Gintaras Juškauskas (born in 1970 m.) - Member of Board of APB Apranga since 29th April 2021 m. Education: Vilnius University, Finance faculty (1998-2003), Master of Economics and Vilnius University, Law faculty (2010-2013), Master of Law. He has no Company shares.

Information on positions in other companies:

Company name	Company code	Registered office	Current position
Gintaro Juškausko IĮ	302720373	Vanaginės g. 87, Vilnius, Lietuva	Director
UAB Merits	301678932	Gedimino pr. 54B-1, Vilnius, Lietuva	Associate Partner

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 2021:

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
Gabrielius Morkūnas	Chief Financial Officer	-	-	2021
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:

Gabrielius Morkūnas
Chief Financial Officer

Gabrielius Morkūnas (born in 1990) - Apranga Group Finance and Economics Director, in the Company since 2021. Education: Mykolo Romerio University, Bachelor of Economics and Finance.

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

Information on positions in other companies:

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

Has no shareholdings in other companies above 5%.

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.

The General Shareholders Meeting hold on 27 April 2021 approved three members of the Audit Committee for the new 4-year term: Rita Zakalskienė (the independent member of the Committee, Chair of the committee) and Justina Puškorė (the independent member of the Committee), Rasa Rulevičiūtė (an employee of the Company).

In 2021, 3 Audit Committee meetings were held. Following issues were discussed during the meetings of the Committee: discussing the notes of the external auditors' to the financial statements for 2020; seeking approval for not audit services, which Ernst & Young Baltic UAB planned to provide to MG grupė UAB; also planned for 2021 the scope of the audit and the terms of the audit; and other issues.

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

Information on transactions with related parties
No transactions with related parties as provided for in art. 37(2) of the Law on Companies of the Republic of Lithuania were concluded in 2021.

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

Information of amendments to the Company's Articles of Association
In 2021, the Company's Articles of Association were amended in accordance to law requirements.

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

Information on the varied policy applicable to the election of the Company's chief manager, the members of governing and supervisory boards
The Company does not have the variety policy applicable to the election of the chief manager and the members of governing and supervisory bodies. During the procedure of selection of candidates to the Company's board of directors, governing and supervisory boards, the candidates shall be subject to requirements that do not discriminate a candidate on grounds of age, sex,education, or professional experience. During the selection of a candidate, the Company does not set any restrictions for nomination of a candidature on grounds of sex or age. Considering the specificity of the Company's business activity and the status of a state-owned company, unbiased requirements which are only related to the functions and competences of the members of a governing boards and the professional experience and education proportionate to these functions and competences are set.

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

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

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

Summary of the Corporate Governance Report:

Apranga APB is the parent company of the Group, registered in the Republic of Lithuania. At the end of 2020, it managed 25 daughter companies established in the three Baltic States. The Group's core business is the retail sale of clothing. Of the 26 companies that make up the Group, 21 represent specific brands (Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti, Zara Home and Oysho) on the basis of franchise agreements concluded with Inditex, a leader in the global apparel retail market. Three companies (APB Apranga, SIA Apranga and OÜ Apranga) represent brands other than Inditex (single-brand stores) as well as their own retail chains (multi-brand stores): Apranga, Apranga Galerija, City and Mados Linija.

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

The Group's main company, APB Apranga, has been listed on the Nasdaq Vilnius Stock Exchange since 1997. The company has been on the Baltic Main List since 2005. The share capital of APB Apranga is EUR 16,034,668.40 and it is divided into 55,291,960 ordinary registered shares (ISIN code LT0000102337) with a nominal value of EUR 0.29 each, where each share grants to its owner 1 vote (in total 55,291,960 voting shares), all shares are paid in full and give the owners equal rights.

On 31 December 2021, APB Apranga had 4 119 shareholders. The main parent company, whose financial statements are made public, is UAB MG grupė. The main person controlling the Group is Mr. D. J. Mockus, who, together with related companies, holds 41 706 850 APB Apranga shares, accounting for 75.43% of the authorized capital and total votes.

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

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

Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company adheres to the Information Disclosure Guidelines and provides important information to investors in a timely, accurate, clear and comprehensive manner on its website https://aprangagroup.lt/lt/investuotojams, in the Nasdaq Vilnius Information Disclosure System, in the Central Storage Facility, and in presentations to investors by the manager and senior management of the Company,

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
		thus providing equal access to it to all of the Company's shareholders. The Company complies with the requirements provided in the Law on Companies concerning the right of shareholders to information and the provision thereof. The Company adheres to the decision-making procedures prescribed to the competence of the general meeting of shareholders by the Law on Companies as well as the Company's articles of association, and gives shareholders equal opportunities to vote on the adoption of relevant decisions at general meetings of shareholders (it is permitted to vote by completing a ballot, represent a shareholder by proxy, etc.; information about upcoming general meetings of shareholders and related material is also published in English).
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's capital only consists of ordinary registered intangible shares, which grant each shareholder equal voting, ownership, dividend and other rights, depending on the number of shares held.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company provides information concerning the rights attached to newly or previously issued shares in preliminary prospectuses, in its annual and interim reports, and on its website.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	Decisions on the transfer, lease, investment, pledge or mortgage of fixed assets with a book value of more than 1/20 of the authorized capital in accordance with the Company's articles of association, which were approved by decision the general meeting of shareholders, are taken by the Company's management board. The competence of the general meeting of shareholders provided for in the Company's articles of association does not differ from its competence as provided for in the Law on Companies. In any event, under the Law on Companies, approval of the general meeting of shareholders does not relieve the management board of responsibility for decisions made.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	Shareholders are informed about upcoming general meetings of shareholders in accordance with the requirements of legislation and the Company's articles of association – adhering to the notification deadlines and methods and means of announcement. The opportunity to participate in the meeting is supplemented by the option of voting by ballot or authorizing another person to represent the shareholder. All shareholders are also notified about upcoming general meetings of shareholders in advance on the Investor Calendar. The general meeting of shareholders is always held at the Company's headquarters. A working day is always chosen for the date, and the time is always during the first half of the day or around lunchtime, so public transport can also be used to attend. In the notice of the general meeting of shareholders being convened, the Company does not restrict the right of shareholders to submit new draft decisions either before or during the meeting, and this is clearly stated in the notice of the general meeting of shareholders being convened in both Lithuanian and English.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available	Yes	The notice of the general meeting of shareholders being convened, draft decisions, the general voting ballot, and other related documents (for example, when amending the articles of association – the articles of association and the proposed amendments) are published/presented not only in Lithuanian, but in English as well (thus far, there has not been a need to prepare documents in other foreign languages). Minutes of the general meeting of shareholders (decisions taken during the meeting) are also published on the Company's website in English (for example: https://aprangagroup.lt/en/investors/corporate-

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PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.		governance/shareholders-meetings/3755-resolutions-of-the-annual-general-meeting-of-apranga-apb-shareholders-9)
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders are furnished with these opportunities – information is provided about them in advance in the notice of the general meeting of shareholders being convened. The general voting ballot can also be completed in English.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	Shareholders are not yet provided with these conditions because the security of transmitted information and identification of the participating and voting person must first be ensured by necessary and proportionate means. The Company has not yet introduced such electronic means of communication. We believe that these opportunities to vote at the meeting: - voting in person at the meeting; - voting by proxy; - voting upon concluding a voting trust agreement; voting in advance by completing the general voting ballot (in English as well), including its transmission to the Company via electronic means of communication; are versatile and sufficient, and that shareholders' rights to participate and vote at the meeting are properly implemented.
1.9. It is recommended that the notice on the draft decisions of the general meeting of shareholders being convened should specify new candidatures of members of the collegial body, their proposed remuneration and the proposed audit company if these issues are included into the agenda of the general meeting of shareholders. Where it is proposed to elect a new member of the collegial body, it is recommended that the information about his/her educational background, work experience and other managerial positions held (or proposed) should be provided.	Yes	If these issues are on the agenda of the general meeting of shareholders, new candidatures of members of the collegial body, information about his/her educational background, work experience and other managerial positions held and the proposed audit company are specified in the draft decisions of the general meeting of shareholders. Remuneration of collegial body members is determined by the Remuneration Policy approved by the general meeting of shareholders. All candidates for members of the Company's collegial body also inform the general meeting of shareholders what position they hold and where, and how their other activities are related to the Company and other legal entities related to the Company, as defined in Article 19(9) of the Law on Companies. All information about elected management board members is provided on the Company`s website.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	Members of the Company's collegial body, heads of the administration, or other competent persons related to the Company take part in the general meeting of shareholders if they can provide information related to the agenda of the general meeting of shareholders. Proposed candidates for members of the collegial body also participate whenever possible.

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 2: Supervisory board **2.1. Functions and liability of the supervisory board** **The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.** **The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.**		
2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	A supervisory board is not formed at the Company.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent [2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	
2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	
2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether	Not applicable	

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.		
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes/No	The Company does not prepare or approve a separate Company strategy. The Company prepares, approves and publishes the Company's one-year operational plans. Company's objectives are disclosed in the Company's annual reports and notifications of material events, which are published in the same sources as provided in the answer to 1.1.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes	As a collegial management body of the Company, the management board performs the functions assigned to it by the Law and in the articles of association of the Company. In performing the functions assigned to it, the management board takes into account the needs of the Company, shareholders, employees and other interest groups; the objective of the management board is essentially to achieve sustainable business development. At the end of the year, the Company's management board approves next year's budget, considering not only expansion and planned investments, but also potential staff salary increases, allocation of investments for employee training and development, implementation of IT systems and security, etc.
3.1.3. The management board should ensure compliance with the laws and the internal policy of the company applicable to the company or a group of companies to which this company belongs. It should also establish the respective risk management and control measures aimed at ensuring regular and direct liability of managers.	Yes/No	Compliance with the provisions of laws and the Company's internal policies is ensured by the management board, as well as by the person or persons delegated by the management board, and department heads and/or jurists, within the scope of activities of the laws/policies.
3.1.4. Moreover, the management board should ensure that the measures included into the OECD Good Practice Guidance [3] on Internal Controls, Ethics and Compliance are applied at the company in order to ensure adherence to the applicable laws, rules and standards.	Yes/No	Some of the measures are applied. In 2019, the management board approved and published the Code of Ethics and Conduct, which contains, in addition to the OECD Good Practice Guidance, other rules relevant to the Company's operations. In 2019, corruption prevention trainings were organized for the company's employees and it is intended to repeat them in the future. The code of ethics will be reviewed by the management board regularly and updated as necessary.
3.1.5. When appointing the manager of the company, the management board should take into account the appropriate balance between the candidate's qualifications, experience and competence.	Yes	When appointing the manager of the Company, the management board takes into account the appropriate balance between the candidate's qualifications, experience and competence.

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
3.2. Formation of the management board		
3.2.1. The members of the management board elected by the supervisory board or, if the supervisory board is not formed, by the general meeting of shareholders should collectively ensure the required diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance in terms of the current qualifications possessed by the members of the management board, it should be ensured that the members of the management board would have, as a whole, diverse knowledge, opinions and experience to duly perform their tasks.	Yes/No (due to gender equality)	The management board is made up of persons of different professional experience and competences. The management board is composed of experts in corporate governance, economics and finance, taxes, procurement, expansion and development who possess the diverse knowledge, opinions and experience necessary for the proper and effective functioning of the management board and the interests of the Company. All members of the management board are closely acquainted with the activities of the Company, and two out of six members of the management board are employees of the Company – heads of administration. Even though only one of the six members of the management board is a woman, there are no requirements for the composition of the management board that may discriminate on the basis of sex in any way.
3.2.2. Names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest should be disclosed without violating the requirements of the legal acts regulating the handling of personal data at the meeting of the supervisory board in which the management board or individual members of the management board are elected. In the event that the supervisory board is not formed, the information specified in this paragraph should be submitted to the general meeting of shareholders. The management board should, on yearly basis, collect data provided in this paragraph on its members and disclose it in the company's annual report.	Yes/No	The names and surnames of the candidates to become members of the management board, information on their educational background, qualifications, professional experience, current positions, other important professional obligations and potential conflicts of interest are disclosed to the general meeting of shareholders in accordance with the requirements of the legislation regulating the processing of personal data and the internal legislation approved by the Company establishing the principles of data protection and processing, in all cases with the prior informed consent of the individual.
3.2.3. All new members of the management board should be familiarized with their duties and the structure and operations of the company.	Yes	New members of the management board are familiarized with their duties, the structure and operations of the Company, and other information relevant to the activities of a management board member.
3.2.4. Members of the management board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience and sufficiently frequent reconfirmation of their status.	Yes	The members of the management board are appointed for a four-year term or, when electing individual members – until the end of the term of office of the current management board. Members of the management board who have responsibly carried out their duties, devoted time to the work of the management board, and participated in meetings, and who would like to continue to play an active role in the activities of the management board, always have the opportunity to be nominated and re-elected.
3.2.5. Chair of the management board should be a person whose current or past positions constitute no obstacle to carry out impartial activity. Where the supervisory board is not formed, the former manager of the company should not be immediately appointed as chair of the management board. When a company decides to depart from these recommendations, it should furnish information on the measures it has taken to ensure the impartiality of supervision.	Yes	The chair of the management board is a person who has never been the manager of the Company. The chair of the Company's management board is not an employee of the Company and is a shareholder representative. It is the Company's belief that these facts are sufficient to state that the chair of the management board is capable of acting impartially and taking decisions which represent and protect the rights of shareholders.
3.2.6. Each member should devote sufficient time and attention to the performance of duties as a member of the management board. If a member of the management board has attended less than half of the meetings of the management board over the course of the Company's financial year, the Company's supervisory board – or, if a	Yes	The Company believes that each member devotes sufficient time and attention to their duties as member of the management board, actively participates in the meetings of the management board, and devotes time to prepare for them. Thus far, there have been no members who have attended less than half of the meetings of the management board over the course of the Company's financial year, but

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
supervisory board is not formed at the Company, the general meeting of shareholders – should be informed.		such information could be submitted to the general meeting of shareholders.
3.2.7. In the event that the management board is elected in the cases established by the Law where the supervisory board is not formed at the company, and some of its members will be independent[4], it should be announced which members of the management board are deemed as independent. The management board may decide that, despite the fact that a particular member meets all the criteria of independence established by the Law, he/she cannot be considered independent due to special personal or company-related circumstances.	Yes	In cases when managemend board is elected, it is announced, which members of the management board are deemed as independent.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	Remuneration Policy, which indicates the amount of remuneration to the members of the board (at the moment to the independent ones only), is approved by the general meeting of shareholders of the company.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes/No	The Company believes that the members of the management board act in good faith, with care and responsibility for the benefit and the interests of the Company and its shareholders with due regard to other stakeholders, and that they do not act in their personal interest when adopting decisions. The Company is of the opinion that the duties of confidentiality that the members of the management board are subject to by law are sufficient to ensure their loyalty and trustworthiness, so non-compete agreements are not concluded with the members of the management board and their activities are not additionally restricted by such agreements. Members of the management board are introduced to the list of confidential information and trade secrets approved by the management board. The members of the Company's management board are prohibited by law from using the business information or opportunities related to the Company's operations in violation of the company's interests.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working procedures in observance of the legal acts regulating the processing of personal data.	No	The management board does not carry out an annual assessment of its activities.

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

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

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 5: Nomination, remuneration and audit committees **5.1. Purpose and formation of committees** **The committees formed at the company should increase the work efficiency of the supervisory board or, where the supervisory board is not formed, of the management board which performs the supervisory functions by ensuring that decisions are based on due consideration and help organise its work in such a way that the decisions it takes would be free of material conflicts of interest.** **Committees should exercise independent judgment and integrity when performing their functions and provide the collegial body with recommendations concerning the decisions of the collegial body. However, the final decision should be adopted by the collegial body.**		
5.1.1. Taking due account of the company-related circumstances and the chosen corporate governance structure, the supervisory board of the company or, in cases where the supervisory board is not formed, the management board which performs the supervisory functions, establishes committees. It is recommended that the collegial body should form the nomination, remuneration and audit committees[5].	Yes/No	Nomination and remuneration committees are not formed at the Company, as the Company believes that the management board, in performing its functions, partially performs the functions of the said committees. The Company's management board selects and appoints the manager of the Company and makes recommendations to the manager of the Company on the appointment of senior management. The management board will provide feedback and suggestions on the remuneration policy approved in the Company under the valid legislation. The Company's management board approves the Company's strategic and budget plans and controls their implementation and analyzes and evaluates the reports of the Company's manager and senior management on implementation of the Company's approved budget plans and the use of funds. In compliance with the requirements of the Law on the Audit of Financial Statement (Official Gazette, 2008, No. 82-3233), the Company has formed an audit committee consisting of three members, two of whom are independent. The audit committee is elected for a period of four years. The members of the committee are appointed and removed by the Company's general meeting of shareholders on the recommendation of the Company's management board. On 27 April 2017, the authority of the audit committee was approved by the decision of the general meeting of shareholders.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	See answer to 5.1.1.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	See answer to 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes/No	Yes, as far as the audit committee is concerned. See answer to 5.1.1. The chair of the audit committee is not the chair of the management board; furthermore, the chair of the audit committee is an independent member of the audit committee.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties	Yes/No	The authority of the audit committee laying down the procedure for the formation of the committee, the number and composition of members and requirements for

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

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

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

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
The main functions of the remuneration committee should be as follows: 1) submit to the collegial body proposals on the remuneration policy applied to members of the supervisory and management bodies and the heads of the administration for approval. Such policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as conditions which would allow the company to recover the amounts or suspend the payments by specifying the circumstances under which it would be expedient to do so; 2) submit to the collegial body proposals regarding individual remuneration for members of the collegial bodies and the heads of the administration in order to ensure that they would be consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned; 3) review, on a regular basis, the remuneration policy and its implementation.	Not applicable	See answer to 5.1.1. The remuneration policy is drafted and approved as provided by the amendments to the Law on Companies.
5.4. Audit committee		
5.4.1. The key functions of the audit committee are defined in the legal acts regulating the activities of the audit committee[6].	Yes	
5.4.2. All members of the committee should be provided with detailed information on specific issues of the company's accounting system, finances and operations. The heads of the company's administration should inform the audit committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches.	Yes	The approved Audit Committee Charter provides for the following: "3.3. The Committee shall be entitled: 3.3.1. to obtain any information or documents when performing the Committee's duties; 3.3.2. to obtain full information related to the specific features of the Company's accounting, finances and operations. At the request of the members of the Committee or at its own initiative, the Company's administration should inform the Committee about the methods of accounting for significant and unusual transactions where the accounting may be subject to different approaches, as well as about activities in preferential trade areas and/or activities carried out through special-purpose entities (companies, organizations) in order to determine whether these activities are justified. 3.4. The Committee shall submit requests for information or documents to the Company's general director. The Company's general director shall provide the Committee member(s) with access to the information or documents." The Audit Committee Charter does not provide for any exceptions in which information may be withheld. The audit committee or its members may exercise these established rights without restriction.

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

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 7: Remuneration policy of the company **The remuneration policy and the procedure for review and disclosure of such policy established at the company should prevent potential conflicts of interest and abuse in determining remuneration of members of the collegial bodies and heads of the administration, in addition it should ensure the publicity and transparency of the company's remuneration policy and its long-term strategy.**		
7.1. The company should approve and post the remuneration policy on the website of the company; such policy should be reviewed on a regular basis and be consistent with the company's long-term strategy.	Yes	https://aprangagroup.lt/en/investors/corporate-governance/principles-of-corporate-governance
7.2. The remuneration policy should include all forms of remuneration, including the fixed-rate remuneration, performance-based remuneration, financial incentive schemes, pension arrangements and termination payments as well as the conditions specifying the cases where the company can recover the disbursed amounts or suspend the payments.	Yes/No	The remuneration policy is drafted and adopted in accordance with the requirements of the Law on Companies and actual situation in the Company. The remuneration policy does not cover factors that are not applied in the Company or for which there is no established practice or generally applicable principles in the Company.
7.3. With a view to avoid potential conflicts of interest, the remuneration policy should provide that members of the collegial bodies which perform the supervisory functions should not receive remuneration based on the company's performance.	Yes	According to the Remuneration Policy, remuneration for work in the board is received only by independent members of the board and is fixed.
7.4. The remuneration policy should provide sufficient information on the policy regarding termination payments. Termination payments should not exceed a fixed amount or a fixed number of annual wages and in general should not be higher than the non-variable component of remuneration for two years or the equivalent thereof. Termination payments should not be paid if the contract is terminated due to inadequate performance.	No	Severance pay policy is not established in the remuneration policy. The amount of severance pay would be decided on a case-by-case basis, taking into account the Company's interests, principles of reasonableness, proportionality, fairness and integrity as well as consensus reached between the parties, contribution to the Company's activities and reasons for dismissal.
7.5. In the event that the financial incentive scheme is applied at the company, the remuneration policy should contain sufficient information about the retention of shares after the award thereof. Where remuneration is based on the award of shares, shares should not be vested at least for three years after the award thereof. After vesting, members of the collegial bodies and heads of the administration should retain a certain number of shares until the end of their term in office, subject to the need to compensate for any costs related to the acquisition of shares.	No	No financial incentive scheme, as defined by the Law on Markets in Financial Instruments, is applied at the Company.

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
7.6. The company should publish information about the implementation of the remuneration policy on its website, with a key focus on the remuneration policy in respect of the collegial bodies and managers in the next and, where relevant, subsequent financial years. It should also contain a review of how the remuneration policy was implemented during the previous financial year. The information of such nature should not include any details having a commercial value. Particular attention should be paid on the major changes in the company's remuneration policy, compared to the previous financial year.	Yes	The remuneration report is published together with the Company's annual report how the content requirements of such a report are provided by the Law on Corporate Financial Statements.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	Approval of the remuneration policy or any major change of the policy is within the competence of the general meeting of shareholders.
Principle 8: Role of stakeholders in corporate governance **The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*stakeholders*" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.**		
8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company respects the rights of different stakeholders and their rights entrenched in the laws.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company has never prohibited or restricted the right, and always strives to create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. For example, a work council has been formed at the Company which represents the interests of employees and participates in corporate governance within its competence.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	No	The company has a general procedure for reporting violations, see the answer to 5.4.5, as established by the Law on Whistleblower Protection.

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 9: Disclosure of information **The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.**		
9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	–	The information referred to below in this recommendation is disclosed in notifications of material events published through the Nasdaq Vilnius Information Disclosure System, the Company's website, and the Company's annual and interim information documents, to the extent required by legislation and the International Financial Reporting Standards applicable in the European Union. The information is also disclosed in presentations to investors by the manager and senior management of the Company.
9.1.1. operating and financial results of the company;	Yes	
9.1.2. objectives and non-financial information of the company;	Yes	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes	
9.1.5. reports of the existing committees on their composition, number of meetings and attendance of members during the last year as well as the main directions and results of their activities;	Yes/No	See the answer given in 5.1.5.
9.1.6. potential key risk factors, the company's risk management and supervision policy;	Yes	
9.1.7. the company's transactions with related parties;	Yes	
9.1.8. main issues related to employees and other stakeholders (for instance, human resource policy, participation of employees in corporate governance, award of the company's shares or share options as incentives, relationships with creditors, suppliers, local community, etc.);	Yes/No	Most of this information is disclosed in the Company's corporate social responsibility report (Annex 2).
9.1.9. structure and strategy of corporate governance;	Yes/No	The Company's governance structure and management principles are published on the Company's website and in its financial statements. One-year operational plans are publicly disclosed.
9.1.10. initiatives and measures of social responsibility policy and anti-corruption fight, significant current or planned investment projects. This list is deemed minimum and companies are encouraged not to restrict themselves to the disclosure of information included into this list. This principle of the Code does not exempt companies from their obligation to disclose information as provided for in the applicable legal acts.	Yes	

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

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
9.2. When disclosing the information specified in paragraph 9.1.1 of recommendation 9.1, it is recommended that the company which is a parent company in respect of other companies should disclose information about the consolidated results of the whole group of companies.	Yes	Information is disclosed about the Company and the consolidated results of its daughter companies.
9.3. When disclosing the information specified in paragraph 9.1.4 of recommendation 9.1, it is recommended that the information on the professional experience and qualifications of members of the company's supervisory and management bodies and the manager of the company as well as potential conflicts of interest which could affect their decisions should be provided. It is further recommended that the remuneration or other income of members of the company's supervisory and management bodies and the manager of the company should be disclosed, as provided for in greater detail in Principle 7.	Yes	All information is on the Company's website; also see the answers to 3.2.2 and 7.1.
9.4. Information should be disclosed in such manner that no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information should be disclosed to all parties concerned at the same time.	Yes	All information is disclosed as provided for in 9.1 and related answers; no shareholders or investors are discriminated in terms of the method of receipt and scope of information. Information is disclosed to all parties concerned at the same time. Information is disclosed in accordance with the applicable legislation of the Republic of Lithuania. The Company makes information publicly available through the Nasdaq Vilnius Information Disclosure System, thus ensuring simultaneous disclosure to investors. Information is also immediately placed in the Central Storage Facility. Notifications of material events are disclosed in Lithuanian and English, before or after the Nasdaq Vilnius Stock Exchange trading session. The Company also publishes the information published through the Nasdaq Vilnius Information Disclosure System and placed in the Central Storage Facility on the Company's designated investor website http://apranga.lt/lt/investuotojams, where the information is presented in Lithuanian and English.
Principle 10: Selection of the company's audit firm **The company's audit firm selection mechanism should ensure the independence of the report and opinion of the audit firm.**		
10.1. With a view to obtain an objective opinion on the company's financial condition and financial results, the company's annual financial statements and the financial information provided in its annual report should be audited by an independent audit firm.	Yes	An independent audit firm audits the complete set of consolidated financial statements for the Company and its group of companies in accordance with the International Financial Reporting Standards applicable in the European Union. The audit firm also performs an audit of the annual report.
10.2. It is recommended that the audit firm would be proposed to the general meeting of shareholders by the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company.	Yes	The audit firm is proposed to the general meeting of shareholders by the Company's management board.
10.3. In the event that the audit firm has received remuneration from the company for the non-audit services provided, the company should disclose this publicly. This information should also be available to the supervisory board or, if the supervisory board is not formed at the company, by the management board of the company when considering which audit firm should be proposed to the general meeting of shareholders.	Not applicable	The Company's audit firm did not provide non-audit services to the Company during the reporting year and did not receive remuneration from the Company for this.

APRANGA
GROUP

SOCIAL RESPONSIBILITY 2021

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1.

ABOUT THE APRANGA GROUP

The Apranga Group is the leading clothing retailer in the Baltic countries, striving to implement the principles of leadership in its direct operations and in its relations with all stakeholders. In doing so, we are committed to achieving and building a future in which our core values become the undisputed standards of business ethics.

Our promise is our attention to detail, the totality of which makes it possible to build a secure and sustainable future for all of us. Our commitment is to never underestimate even the smallest decisions we can make to contribute to a more sustainable future. We know that only by working together with the common goal of saving the planet we will find the means to achieve it. We therefore invite everyone to join us in the goals set out in this report and in efforts to achieve them. There can be no such thing as minor work or insignificant actions – what we do today is how we will live in the future.

We work assiduously to ensure that

HONESTY

TRANSPARENCY

RESPONSIBILITY

The basis on which we conduct our daily business – are embraced not only by each and every one of our employees, but also by all members of the community. Our goal is to ensure sustainable growth by maintaining high quality goods, full employee rights and a friendly working environment, as well as respect for the environment, people and the planet.

Our corporate social responsibility and sustainability policy is an unfinished jigsaw puzzle where every detail matters. It is a long and consistent work that requires thoroughness and perseverance, but like all puzzles, it has a clear end result. The Apranga Group and all its employees understand that only by working together we can hope to complete this puzzle, leading to zero emissions of environmentally harmful gases, even better working conditions for all employees and third parties, and a reduction in waste, among other goals.

In the year that we have completed, we have sometimes had to work as if blindfolded. Two years ago, faced with a pandemic, we were scared, angry and unsure of what to expect. But at the same time we learned, we helped each other, until finally we understood how we could hope to find solutions by working together, cooperating with our partners and communicating with our customers.

I am pleased that, despite the uncertainty that still prevails, we can always rely on our employees. Trust is an extraordinary gift built on mutual respect and this process lasts many years. I particularly appreciate that our mutual trust has stood the test of recent years.

Not only have we stood the test, but so have our commitments. It can be much more difficult to adhere to our principles in difficult times than in times of prosperity, but it is the difficult situations that show how seriously we take our commitments. That's why we will continue to invest in our work culture and in the education and development of our employees to ensure the implementation of our long-term commitments.

I want to believe that the Apranga Group is looking to the future with even more determination and ambition than last year. Our customers, our employees and members of society are changing the world, and it is our job to make sure that we get the puzzle right.

Director General of the Apranga Group
Rimantas Perveneckas

	2021	2020
	169 STORES	179 STORES
	200 BRANDS	200 BRANDS
	3 COUNTRIES	3 COUNTRIES
	1992 EMPLOYEES	1956 EMPLOYEES
	GROUP TURNOVER EUR 228MILLION	GROUP TURNOVER EUR 204MILLION

The business model of the Apranga Group (hereinafter referred to as the 'Group') remained unchanged last year. The number of companies remained the same – the whole Group consists of the parent company Apranga APB, established and operating in Lithuania, and 25 subsidiaries established in Lithuania, Latvia and Estonia. No new companies were established last year. The Group does not have associated companies in the management of which it would take part. The principal business of all companies in the Group is the retail sale of clothing. The parent company Apranga APB has been listed on the Nasdaq Vilnius Stock Exchange since 1997. It has been included in the Baltic Main List since 2005.

Apranga APB is a member of the Association of Lithuanian Trade Enterprises (LPĮA). No new associations or organisations were joined last year.

SUBSIDIARIES ARE DIVIDED INTO TWO CATEGORIES:

23
COMPANIES

(Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Zara Home operators in each of the three Baltic countries and Oysho in Lithuania and Latvia) that represent a specific brand and operate under a franchise contract concluded with one of the world's largest clothing suppliers, the Inditex Group (hereinafter referred to as franchise companies) and e-commerce companies in the three Baltic countries;.

2
COMPANIES

(Apranga SIA, Apranga OÜ) that do not operate under franchise contracts or only have a relatively small number of franchise contracts (hereinafter – non-franchise companies).

For franchise companies, goods are supplied by the Inditex Group. Apranga SIA and Apranga OÜ (non-franchise companies) operating on the Latvian and Estonian markets are supplied by Apranga APB (with rare exceptions when goods of Apranga SIA and Apranga OÜ are delivered directly from suppliers).

Non-franchise companies sell goods on the Latvian and Estonian markets, while in Lithuania the goods are sold by Apranga APB itself. Over the past year, the business model of the subsidiaries remained unchanged.

The Group's sales revenue consists of revenue from the retail chain of stores (169 stores in Lithuania, Latvia and Estonia) and revenue from online trading. As in previous years, more than 95 per cent of sales revenue consists of sales in specialised clothing stores (including online trading). The remaining sales revenue comes from the sales of footwear and household goods in the relevant specialised stores. A rapid growth in the Group's share of revenue from online trading was further observed in the year 2021. The Group's successful multi-channel commerce strategy has promoted the integration of physical and online stores, thus contributing to the sales growth. The Group's online sales in 2021 were 21,1 per cent, which is 1,9 times higher than in 2020. This was also influenced by the COVID-19 pandemic and lockdown restrictions related to the closure of physical stores or the restriction of customer flows in all markets in which the Group operates (see more in chapter “Impact of COVID-19”).

Key business functions and control is concentrated in the parent company Apranga APB. Subsidiaries perform only a small part of the functions and employ a minimum number of administrative staff. Meanwhile, Apranga APB employs an absolute majority of the Group's administrative staff and all of the employees working in logistics and warehousing

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

We review and declare our key commitments to corporate social responsibility and sustainability annually. Until now, we have identified them and used them to guide our activities, but we have not adopted them in a separate document. In 2022, we plan to develop and adopt a Corporate Social Responsibility Strategy which will define our medium- and long-term goals and the means to achieve them. While this will not change our commitments in any way, we aim to make a clear and open declaration of our ambitions and our relationship with the environment and society.

We advocate consistent and persistent work and the constancy of the commitments we have made, and we hope that this will lead to a relationship of trust with all stakeholders.

Despite the fact that this report is not yet based on a specific approved document with defined goals, it is drawn up each year in good faith and openness.

We are pleased and appreciate that the Group's business model has enabled it to ensure sustainability and stability of its operations even in very difficult circumstances caused by the pandemic and other challenges. In this context, the key principles of corporate social responsibility remained unchanged last year.

DECISIONS

We never compromise on decisions that will have an impact on the well-being of our employees, the welfare of society and the environment.

IMPLEMENTATION

Our choice of partners reflects our commitment to sustainable development. We are market leaders and we seek to use our advantages to promote change towards a better future.

IMPACT

We strive to set up and create the best work and service conditions in our stores. With our employees and customers in mind, we choose the most optimal and highest European standards of innovation and technology.

RESULTS

We are open – we want to learn from best practices and share our knowledge.

In line with these principles, the Group's 2021 report includes a new chapter “Significance of sustainability criteria” which clearly and openly defines the Group's sustainability priorities and its relationships with stakeholders. This is a further step towards open communication to ensure that there is no doubt about how we make business decisions and build relationships with partners, customers and third parties.

Risk management is becoming increasingly important in times of uncertainty. The pandemic, which has been continuing since 2020, has created new circumstances and business conditions that change due to factors which are basically beyond our control. Responsible planning and risk assessment allows us to mitigate the impact of these factors, but requires increasing efforts to prepare adequately for possible scenarios. Risk management is not only a tool to protect against adverse factors, but also our commitment to act in a way that minimises negative impacts on the environment and societies inwhich we operate.

The epidemiological situation and related restrictions on trade activities, which have a direct impact on our business model, continued to be the most influential factor last year. Although this factor has had varying degrees of influence in different periods, for most of the year it has been an important factor in defining the future situation of the retail market. In addition to all the risk factors (legal regulation, business, investment, market, supplier chain, competition, economic cycles, macroeconomic factors, etc.) that we identify, from this year onwards we have identified the impact of climate change as a separate factor that may affect our business model. The “risks related to partners and activities” which we have previously outlined separately are now presented by integrating their essential aspects into other risk factor groups (economic, climate change impact, employee related risks).

We determine the importance of the risk factors using a matrix of significance of sustainability criteria adapted to our business model.

EPIDEMIOLOGICAL RISKS

The impact of the pandemic of the previous period is discussed in greater detail in chapter “Impact of Covid-19”, but it remains evident that we must continue to take the importance of this factor seriously as we look to the future, irrespective of how the situation changes in the short term. The Group has complied with the requirements and recommendations set by the authorities in all the markets in which it has operated and has actively promoted the vaccination strategy among its employees.

The Group's management has repeatedly advocated, in public and internal communications, safe working conditions for both employees and customers and has actively implemented mandatory and recommended safety requirements. The Group's epidemiological risk assessment includes planning for both best and worst case pandemic scenarios and has measures in place to respond to the changing circumstances. It is actively investing in occupational safety and health and in promoting a healthy lifestyle in society to ensure that public health is as resilient to any risks as possible.

ECONOMIC RISKS

Although the non-food retail sector has been and continues to be one of the most exposed to various constraints due to the epidemiological situation, a sufficiently effective vaccination strategy in certain age groups gives reason to expect that the economic impact of the pandemic will diminish over time. However, other factors, including the high cost of raw materials, rising energy costs and supply chain disruptions, pose additional risks. In the context of the European Union and the Baltic countries, the inflation rate is becoming increasingly important and its increase may affect the purchasing power of customers and the Group's results. Economic risks also include geopolitical tensions on the Eastern European border, which affect consumer mood and may influence consumer behaviour. Supply chain risks that may be related to changes in the internal policies of third countries are also assessed. Although no related problems have been experienced so far, looking ahead, potential problems are being identified and algorithms for solving them are foreseen. In order to protect itself against any risks related to partners, the Group plans to introduce and adopt a supplier questionnaire to ensure protection in the key areas of Human Rights, Climate Change and Good Governance.

RISKS OF CLIMATE CHANGE IMPACT

Climate change is a persistent and increasingly significant risk in the Group's operations. The textile manufacturing industry has an impact on the environment and is exposed to environmental changes; therefore, we aim to establish the impact of climate change as one of our priority risk areas. The Group's business model does not involve manufacturing processes but is dependent on textile production by third parties. The Group aims to implement the principles of sustainable operations while at the same time ensuring the responsibility of its partners to reduce their impact on climate change. We understand our responsibilities and potential risks not only in our direct operations, but also throughout the value chain. The Group is working to ensure that goods entering the market are sustainably collected at the end of their life cycle, thus contributing to waste reduction. Increasing regulation in the textile manufacturing sector may affect the Group's business model. However, this is not seen as a risk, but rather as an opportunity to invest time and effort to prepare in advance and anticipate changes in the business model in order to adapt.

RISKS RELATED TO COMPETITION

Despite increasing competition, especially in the e-commerce segment, the Group confidently maintains its position as the leading clothing retailer in the Baltic countries. The Group's strategy is based on a multi-channel commerce strategy and it is actively investing in both its online presence and the renewal and efficiency of its physical store network. We continuously monitor the market situation and strive to ensure fair competition for all parties. In terms of the sector in general, we see our competitors as partners with whom we can achieve more by working together on legal regulation, social or environmental issues than we can by working alone. We are open to cooperation and constructive dialogue and strive for a relationship based on mutual respect.

RISKS RELATED TO EMPLOYEES

The Group experienced aggravated conditions of competition last year, with severe restrictions or closures in certain markets during certain periods. These circumstances led to a change in situation of the labour market, where severely restricted sectors found it difficult to compete for employees. This has created short-term challenges and required additional resources to address the problem. At the same time, it has enabled decisions to be taken to optimise the search for employees, to organise the recruitment process and to conduct the onboarding of new employees. Long-term risks have changed very slightly and are still mainly related to the search for employees, employee turnover and satisfaction. Economic factors (restrictions on activities, necessary isolation due to illness, inflation, minimum wage increases) have increased the risks related to employees in the private sector, but the rapid response and optimisation of the entire recruitment process have enabled us to avoid any potential disruption to the business model.

The following main employee related long-term risks have remained:

- search for and recruitment of employees;
- smooth integration into work processes;
- staff retention, reducing turnover thereof;
- increasing employee satisfaction;
- staff retention under lockdown (short-term).

Strengthening the relationship with our employees and building a culture of employment relationships remains our main challenge. We not only treat our employees as equal partners, but also strive to provide them with the conditions and opportunities to develop within the company. We ensure internal communication that allows us to inform employees promptly and clearly about the situation in the company and planned changes.

As part of our annual risk assessment, we review and analyse different variables. Some of them do not change from year to year, while others become more relevant depending on the circumstances. In all cases, we assess all circumstances that may affect the Group's business model, any stakeholder or the societies in which we operate. We take the approach that it is better to identify more risk factors that do not materialise or that become irrelevant after a short period of time than to be forced to respond to circumstances that have been considered unlikely.

For the first time, we present the Group's matrix of significance of sustainability criteria. The aim is to clearly and openly identify the critical environmental, social and governance criteria that guide us in the areas of corporate social responsibility and sustainability. The significance of all criteria is based on the United Nations Sustainable Development Goals, highlighting the areas where the Group can have the greatest impact. The criteria themselves were selected through discussions with the Group's management and the analysis of best practices in domestic and foreign markets. The significance matrix was designed to take into account all stakeholders, assessing society's views and opinions on the most relevant areas.

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Reducing GHG emissions	Staff development and training	Standards of business ethics
Sustainable use of energy resources	Involvement in communities and society	Data protection and privacy
Animal welfare	Company values and culture	Assurance of quality of goods
Sustainable handling of packaging	Achieving gender equality	Relationships with business partners
Innovation and technology	Paying fair wages	Fair payment of taxes
Reducing the use of fossil fuels	Well-being of employees	Anti-corruption policy and prevention
		Protection of consumer rights

MATRIX OF SIGNIFICANCE OF SUSTAINABILITY CRITERIA

Stakeholders' concern	Moderately important	Important	Very important
Very important	Relationships with business partners	Reducing GHG emissions	Sustainable use of energy resources
Very important		Paying fair wages	Sustainable handling of packaging
Very important		Staff development and training	Well-being of employees
Important	Data protection and privacy	Reducing the use of fossil fuels	Assurance of quality of goods
Important	Animal welfare	Company values and culture	Fair payment of taxes
Important		Achieving gender equality	Protection of consumer rights
Important		Standards of business ethics	
Moderately important	Involvement in communities and society	Anti-corruption policy and prevention	Innovation and technology

Impact and influence on the implementation of sustainability policy

Fig. 1.
Matrix of significance of sustainability criteria

2.

COMPANY EMPLOYEES

The Apranga Group perceives its relationship with employees not only through its relations with the current staff. Our former employees are our ambassadors, influencing those who are still planning their career path. We recognise that only by being honest and open with all our employees we can build a relationship with society in which we respect and value each other. The Apranga Group does not tolerate any violations of human rights, is in favour of fully equal rights and promotes integration of the most vulnerable groups in society. We continuously review and improve our remuneration policy and strive to create a remuneration system that is transparent and fair regardless of nationality, gender, race, religion or other beliefs.

We comply with all local laws and respect and follow international agreements. We are unbiased in terms of providing job opportunities for people of any age, education and experience.

The number of Group's employees did not change significantly in the past year and has remained relatively stable in all markets. During the year, the number of Group's employees grew by 1.8 per cent to 1 992 as at 31 December 2021. Under very strict lockdown conditions, the Group has made every effort to retain all employees and their jobs. No decisions have been taken on refusing certain job positions due to the impact of the pandemic. This was also influenced by the state aid in directly compensating companies and employees for the loss of revenue during downtime. The Group during downtime decided to compensate additional part employee's revenue that was not covered by the state. It is worth noting that, despite the effects of the pandemic, some of the Group's staff indicators have returned to or approached their long-term averages, indicating that the Group has been operating as normal for most of the year or has been able to successfully absorb the impact of the pandemic on its employees.

When comparing the 2021 indicators, we include data from 2019 as well as the previous period (2020), as this allows us to reveal the impact of COVID-19 in 2020 and to compare how the indicators look alongside the pre-pandemic year. This is important for tracking the Group's resilience to the pandemic that is still ongoing and for forecasting how quickly epidemiological risks can be expected to be reduced to minimum. One of the key indicators monitored and analysed in the Group is employee turnover. While in 2020 the pandemic led to a much lower turnover of employees, last year this indicator returned to the long-term average, but was lower than usual.

This indicator was negatively impacted by the Group's strict operating restrictions, which prevented it from competing under equal conditions with other employers who could offer alternative employment. Although the Group made every effort to retain both job positions and employees, in some cases different competition conditions resulted in the pandemic increasing employee turnover.

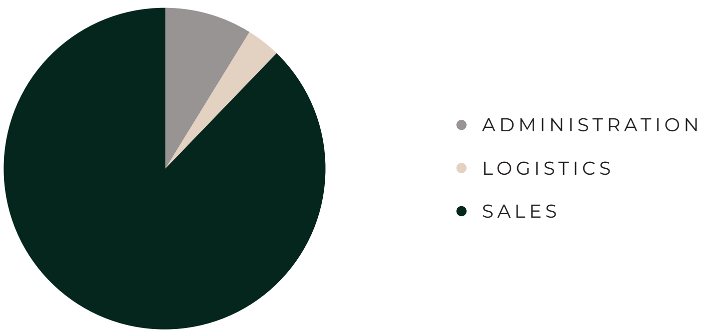
The Group continues to invest consistently in the improvement of its employee turnover rate performance. In the exit surveys, the needs of one of the largest groups of employees (students) related to the type of vocational education acquired or to finding work according to their profession (after eliminating the epidemiological reasons) continued to be the main reason for leaving. In order to improve employee satisfaction and engagement, the Group has decided to provide all employees in the local market with employer-paid supplementary health insurance from 2022. The decision was taken to provide this cover to all employees working for more than three months, totalling 1 140 employees. Those who have worked for more than five years are granted a higher amount of cover as a reward for their loyalty to the company. We hope that this cover will not only allow employees to take care of their health or wellness according to their own needs, but will also have a positive impact on the employee turnover rate. In Latvia supplementary health insurance, required by law, is provided for administration employees. Estonian administration employees have their sport and fitness expenses compensated.

Looking at the total number of employees in Lithuania, Latvia and Estonia at the end of the period, it is important to note that the number of employees has increased, while the number of outlets operated by the Group and the total sales area have decreased. This is due to the fact that the Group has opened more larger stores which require more staff compared to the smaller stores closed. The Group's sales area as at 31 December 2021 amounted to 90.6 thousand square metres, which is a decrease of 2.1 per cent compared to the end of the previous year. In all cases where the issue of store closures or refurbishments has affected the number of workplaces, the aim has been to offer current employees an alternative position in another store.

DIVISION	NUMBER OF EMPLOYEES IN 2021	NUMBER OF EMPLOYEES IN 2020	NUMBER OF EMPLOYEES IN 2019	CHANGE IN 2021/2020
ADMINISTRATION	179	178	187	+2
LOGISTICS	61	60	62	+1
SALES	1752	1718	2118	+33
TOTAL	**1992**	**1956**	**2367**	**+36**

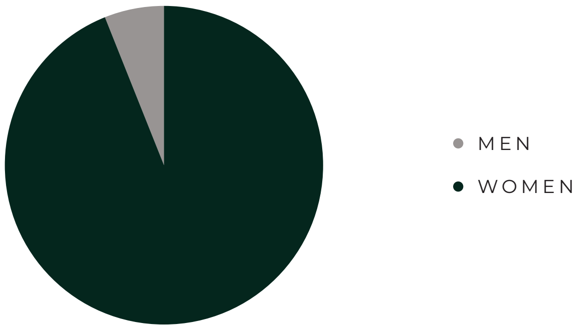
The distribution of the Group's employees by division has remained basically unchanged, with almost the same number of employees in the administrative and logistics functions as in 2020. The number of employees in the sales division increased by 33, or around 1.9 per cent. However, given the decrease in the sales area (-2.1 per cent), it is important to note that in terms of the efficiency of management of the retail chain, the number of employees per 100 square metres of sales area in 2021 was approximately 1.9, which is the same as in 2020. Taking this into account, the efficiency of management of the retail chain has remained the same.

Fig. 2.
Distribution of employees by division in 2021



The distribution of employees by gender remained unchanged last year, with women accounting for the majority of employees (94 per cent), as in the previous period. This ratio, with fluctuations of 1–2 per cent, remains stable and corresponds to the average for several years. It is worth noting that a similar gender ratio is also observed among store managers, which in principle reflects the proportionate career opportunities for all employees. Whereas in 2020, out of 179 store managers, 16 were men and 162 were women (one store had no permanent manager during the reporting period), last year's figures show that 151 stores were managed by women and 18 by men. This represents a 90:10 per cent ratio and is broadly in line with the overall ratio for all employees. The distribution by gender in the directorate of Administration (directors of the main divisions and the CEO) has remained stable and is close to balance with four women and three men.

Fig. 3. Distribution of employees by gender in 2021



The average age of the employees in the Group has increased to 27 years and 3 months, which is an increase of 2 months compared to 2020. The average age of the employees remains slightly above the average of several years for the second consecutive year and the main reason for this continues to be the lower number of studying employees due to the epidemiological situation. With limited opportunities for contact studies, the number of young people studying in the big cities where most of the Group's stores are located has fallen, resulting in fewer young people looking for a job. Some of them have returned or temporarily moved to other cities or have been studying remotely, which also has an impact on the labour market in general.

Traditionally, the majority of the Group's employees (88 per cent) are sales consultants, visual specialists and sales experts working in the Apranga Group stores.

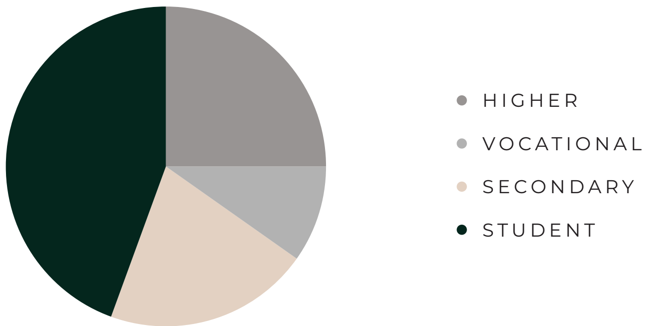
Last year, the Group continued its free flu vaccination programme and actively communicated the national vaccination campaign against COVID-19, encouraging people to get vaccinated and protect themselves and their families. In total, around 50 employees benefited from the flu vaccination programme, which is significantly lower than in 2020, but this year's number could be due to overlapping periods of flu and COVID-19 vaccination or revaccination. The eyesight test programme has been discontinued following the decision on supplementary health insurance to all employees. The COVID-19 immunisation rate in the Group's companies in all countries reached a high rate of over 90 per cent in a relatively short period of time, with individual companies reaching 95 or 100 per cent at the end of the year.

Occupational risk assessments were carried out periodically and stress coping and wellness seminars were organised to ensure the well-being of employees and favourable working conditions. Last year, in accordance with the Methodological Recommendations on the Prevention of Psychological Abuse in the Working Environment and the Improvement of Psychosocial Working Conditions by the State Labour Inspectorate, a contact person was appointed for employees of the Group's companies who have faced intimidation or (psychological) abuse in the working environment. The Apranga Group does not tolerate any inappropriate behaviour in the working environment and is ready to take measures to create a safe working environment in all cases.

The number of Group employees as at 31 December 2021 by education:

EDUCATION	2021	2020	2019	CHANGE IN 2021/2020
HIGHER	497	427	462	+16.4%
VOCATIONAL	198	271	314	-27%
SECONDARY	410	440	673	-6.8%
STUDENT	887	818	918	+8.4%
TOTAL	**1992**	**1956**	**2367**	**+1.8%**

Fig. 4.
Number of employees by education in 2021



Employees' well-being, enforcement of their rights and fair treatment of all continue to be our top priority in HR management. By investing in our employees, we hope that better working conditions will enable them to enjoy a better quality of life and thus contribute to better moods in society. We want colleagues with more experience to share it with new employees and facilitate their integration in the team. We organise training and awareness campaigns, and ensure their safety both in the workplace and in general. We hope that the decision to provide supplementary health insurance for all will also contribute to raising awareness and enabling employees to take good care of their health.

“We are different but united” is what we proclaim loudly on our social media accounts and it is absolutely true. We all have different needs, concerns or life goals, and it's our job to contribute as much as possible to make each employee's individual situation as good as possible. Under the right conditions, we can always offer employees the possibility to choose their working hours or workload. If the employee requests and the Group has the possibility (vacancies) to grant the request, we always consider their needs to change positions.

Whenever possible, and in line with requests, we always try to offer our sales staff a working schedule that allows them to use their time most efficiently. Work schedules are coordinated to make it possible, if needed: to work more on weekdays or vice versa – choose to work more in the evenings or at weekends. We always strive to ensure that all employees have equal opportunities to coordinate work schedules that meet their personal or family needs and are compatible with full-time studies or vocational training.

Administrative staff continued to profit from the opportunity, in agreement with their line manager, to individually select the start and end working times, accordingly. Depending on the epidemiological situation last year, the administration worked in the usual, combined or remote mode. Both combined and remote work helped to ensure the safety of employees, reduce the number of contacts and contribute to the management of the epidemiological situation in the country. The Group continued to invest in the equipment necessary for remote work.

We continue to grow our employees in managerial positions. According to statistics that have been maintained for several years in a row, as many as 95 per cent of store managers started their careers as sales consultants or in a similar position. This is particularly pleasing because our training and motivation programmes enable us to identify talent. In many cases, store managers or other employees develop their careers in company administration. The Group's policy is to offer vacancies in both administration and store management positions within the Group first and to look externally only if no suitable candidate is found.

The Group encourages long-term horizontal and vertical employee career ambitions and works to develop talent. Due to the specific nature of our activities, we often become the first employer for young people who are just beginning their professional career, so we treat the training process with great responsibility.

Last year's employee turnover rate can be interpreted ambiguously. In 2021, the employee turnover rate was 93 per cent in all countries and in all divisions. On the one hand, it has increased significantly (+30 percentage points compared to 2020), but on the other hand, it is significantly lower than in 2019 (105 per cent) or in comparison to the previous periods. The lowest turnover rate was in Lithuania, where it was 88 per cent, whereas in Latvia it was 96 per cent, and in Estonia it was 112 per cent. The differences that emerged between the countries were mainly influenced by the different management of the pandemic and the economic situation of the countries.

COUNTRY	EMPLOYEE TURNOVER IN 2021	EMPLOYEE TURNOVER IN 2020	EMPLOYEE TURNOVER IN 2019	CHANGE IN 2021/2020, %
LITHUANIA	88%	65%	85%	+35%
LATVIA	96%	61%	109%	+57%
ESTONIA	112%	61%	175%	+83%
GROUP:	**93%**	**63%**	**105%**	**+47%**

Last year's employee turnover rates started to converge towards long-term trends and increased in all countries, but not to the same level as in 2019. The Group has been consistently working to reduce the impact of this rate on the Group's operations in all countries and has been making efforts to keep it as low as possible.

Last year, the trend was that employee turnover in stores was higher than in administration or logistics. As to the store sector alone, the indicator accounted for 100 per cent last year. The turnover rate of administrative employees also increased and amounted to 33 per cent, whereas in logistics being as high as 64 per cent.

The main factors affecting the employee turnover rate were external and related to the situation on the labour market, mainly due to the epidemiological circumstances and lockdown restrictions. Some of the employees chose to continue their career in other businesses when the Group's activities were restricted and the company could not provide the full workload agreed in the employment contract.

The expansion of the sales network in the previous year did not have a significant impact on the number or turnover of employees. It should be noted that the turnover indicator also includes employees who have changed positions at a vertical or horizontal level in the previous year, that is, have chosen a different position or a different store, or climbed the career ladder.

In every case when the employee chose not to continue their career in the Group, we asked to provide feedback and evaluate their experience in the Apranga Group. Based on the responses we received, we made decisions to improve working conditions for current employees. It should be noted that the most common reason for changing jobs remained “the need to change work to be in line with the education or profession acquired”.

	ADMINISTRATION	LOGISTICS	RETAIL
2021	33%	64%	100%
2020	17%	17%	70%

Fig. 5. Employee turnover by division in 2021

A year ago, we were still trying to get used to the intricacies of remote training and assessing its advantages and disadvantages. In 2021, remote training was fully integrated into our training and competence development system. Almost all training programmes have been adapted to be delivered remotely to ensure the safety of mentors and staff. This not only allowed for efficient training planning, but also for greater employee engagement.

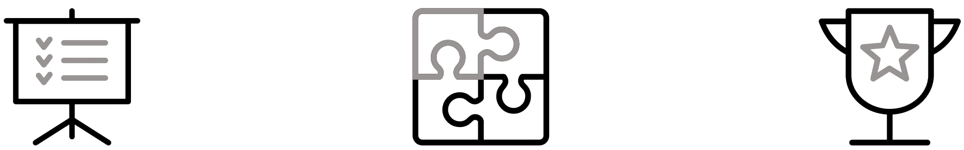
The total volume of training for all employees was still lower than in pre-pandemic conditions, but the mere fact that we can already compare the figures in this area with 2019 is considered a significant achievement. Lower demand for training was also due to lower employee turnover than the previous year's average. This resulted in fewer new employees whose induction is the most intensive in terms of training hours.

We continue to pursue a policy of lifelong learning and aim to enable employees to upgrade and develop their competences regardless of their work record. We aim to provide all employees who feel the need or wish to participate in free training with favourable conditions.

A total of 94 different training courses were organised for employees in the sales, logistics and administrative divisions in 2021. This is an increase of 33 sessions, compared to 2020. As in the previous year, more integrated training courses covering several different topics were organised. The largest number of training courses were targeted at the sales staff.

They covered 20 different topics, and the average rating of training in the participant survey was 4.8 out of possible 5 points. This is not the first year in a row that we have recorded this figure, and we are pleased to see that the activities are well received by our employees.

In general, we see continuous development not only as a means for employees to realise their own potential, but also as a way to maintain an ongoing relationship, get their feedback and ensure a more comfortable working environment. In terms of employee engagement in surveys, training opportunities continue to be one of the most motivating employer benefits for employees.



94
TRAINING COURSES

20
TOPICS

4.8/5
AVERAGERATING

Fig. 6. Employee training in 2021

Epidemiological circumstances still prevented the continuation of activities of the Training Academy, but last year we managed to organise the talent screening events “Try On a Career”. 52 employees took part and 47 of them went on to participate in the talent programme. As many as 74 per cent of them (excluding employees who left job) have climbed their career ladder afterwards.

2021	52 TESTED THEIR SKILLS	47 NEW TALENTS	74% CLIMBED THE CAREER LADDER
2020	51 TESTED THEIR SKILLS	43 NEW TALENTS	NO DATA
2019	167 TESTED THEIR SKILLS	97 NEW TALENTS	40% CLIMBED THE CAREER LADDER

The “Ambassadors of Apranga” project did not take place last year due to the epidemiological situation, but we are certain that it will be continued when the situation improves. Nevertheless, last year we discovered a number of virtual ambassadors who took part in an awareness campaign on the Group's social networks. This project has been successfully implemented in all markets and the Group's management has also been involved.

The Apranga Group understands the importance of the family for the welfare of society; therefore, in order to encourage mothers or fathers to return to the labour market after parenting leave, efforts are made to offer them flexible working conditions that would allow them to reconcile childcare and work.

Occupational safety has always been and remains a priority area in our everyday business. All employees are familiar with the requirements and rules and undertake to comply with them. Staff are regularly trained, and the rules and training material are regularly reviewed and updated. All employees have the right to a safe working environment and the duty to ensure a safe environment for themselves, their colleagues and customers.

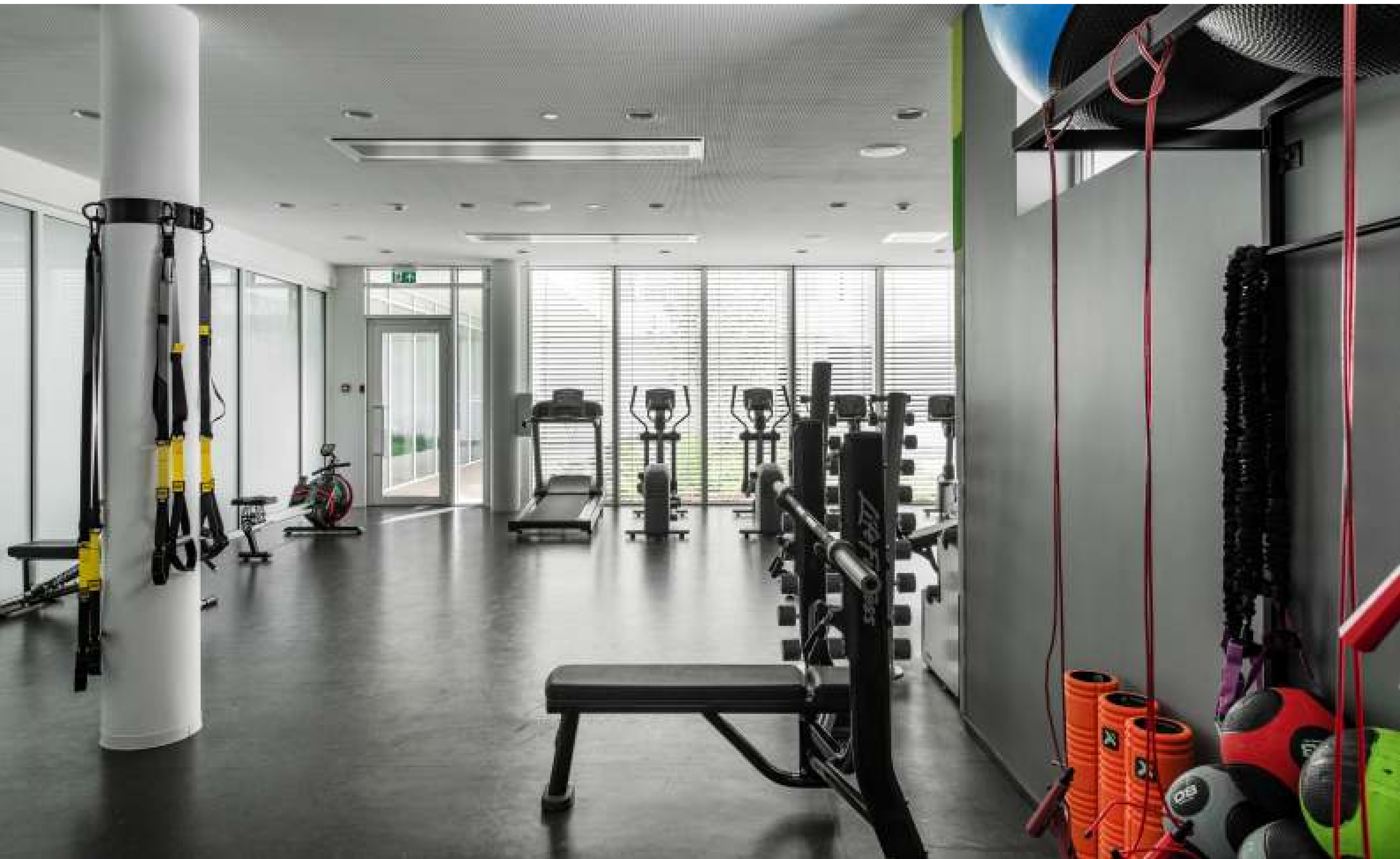
We have never compromised on the health and safety of our employees when implementing epidemiological safety requirements and recommendations. All employees were provided with all necessary protective equipment, hand disinfection and temperature monitoring. The Group clearly declared that the safety of its employees and customers was of paramount importance and at all times strived to achieve that only healthy employees are present in the workplace. More than 100 thousand euro were dedicated by the company to guarantee employee safety and provide all necessary safety equipment during the pandemic.

In response to the management of the COVID-19 situation, the Group undertook employee testing in all cases and invested in private employee testing when the need arose. The Group actively communicated to employees about the national COVID-19 vaccination campaigns and the benefits of vaccination to society.

All cases of COVID-19 in the workplace were responded to with extreme caution, ensuring that the virus was not allowed to spread.

We kept safety guidelines up-to-date and informed employees of changes in requirements. We continued to promote a culture of wellness and disease prevention programmes by providing free vaccinations against seasonal colds.

In 2021, the Group had no recorded accidents at work. As in the previous year, there were no workplace safety violations, even minor ones. We have a zero tolerance approach to occupational safety and consider the right of employees to feel safe to be a fundamental value.



3.

IMPACT OF COVID-19

The impact of the COVID-19 pandemic is discussed in each chapter in terms of its relevance to a specific area, so this section aims to provide an overview of the impact of the pandemic and related restrictions on the Group's usual business model. Before looking at the most important periods in the Group's operations in detail, it is important to note separately the areas most affected by COVID-19:

- Personnel (ability to compete on the labour market and in terms of remuneration)
- Investments (ability to plan activities in line with epidemiological requirements)
- Procurement (uncertainty due to operational constraints that may affect the ordering of goods and inventory management)
- Work organisation (operations while responding to morbidity and compulsory isolation requirements)

In 2021, active national vaccination campaigns against COVID-19 were carried out in all markets in which the Group operated. This allowed to improve safety in workplaces and expect for milder requirements, but was not sufficient to completely avoid restrictions on operations. Lithuania, Latvia and Estonia used different measures (related to the trade sector) to manage the pandemic, but all countries had common features: full restriction of operations, necessary protective measures, sales area requirements, management of visitor flows, and restriction of operations of some companies.

In all cases, the Group complied with all mandatory safety requirements and publicly advocated those measures which, while ensuring public safety, did not violate the principles of fair competition and did not give exclusive treatment to some of the market players. The Group has benefited from fiscal and compensatory state aid in all countries where such aid was available under the law. State aid has been used to ensure the stability of the company in the event of inability to plan business, retain jobs and cover certain fixed costs in the event of full or partial restriction of sales in physical stores.

Lithuania.

Trade in non-essential goods in shops was prohibited until 15 February 2021. From 16 February, outlets of up to 300 square metres with a separate entrance from the outside were allowed to operate. On 25 March, all shops with a separate outside entrance were allowed to operate. On 19 April, a decision was taken to allow all the Group's stores to operate; however, weekend and holiday operations in the shopping centres were prohibited. On 19 May, all the Group's stores were allowed to operate. For the rest of the period, all the Group's stores were open, yet it should be noted that from 13 September, restrictions were introduced with regard to customers who had not been vaccinated or had not recovered from COVID-19, which affected the Group's operations.

Latvia.

All the Group's stores were closed until 7 April 2021, after which stores of non-essential goods with an area of up to 7 000 square metres or those located in shopping centres of up to 7 000 square metres were allowed to operate. On 22 May, all outlets with a separate entrance from the outside were allowed to operate, and from 3 June, all the Group's stores could be opened. New restrictions were imposed on 14 October with a ban on weekend trading in shopping centres and, since the epidemiological situation did not improve, on 21 October the national government decided to temporarily ban trading in non-essential goods stores. This prohibition remained in force until 15 November, when operations were resumed, with a ban only on shopping centres at weekends. Once opened, non-essential goods stores required to show proof of vaccination or recovery. The stores were opened on weekends since 24 December.

Estonia.

At the beginning of the year, there were no restrictions on trading activities, but from 6 March, non-essential goods stores were closed at weekends and on public holidays. Already on 11 March, the government took a decision to close all physical stores until 3 May. No further conditions for a complete closure were imposed on trade and the Group's stores remained open for the rest of the period in compliance with all the necessary safety requirements.

In 2021, the Group operated in Lithuania for 31 days under full closure conditions and for 148 days (including the closure period) under the conditions of restricted operation of physical stores. In Latvia, the closure period was 96 days at the beginning of the year and 24 days at the end of the year, making a total of 120 days. Outlets operated under restricted operation and closure conditions for a total of 231 days. In Estonia, physical stores were closed for 53 days and under restricted conditions for another 5 days.

4.

ANTI-CORRUPTION ACTIVITIES

In its operations, the Group follows the Code of Ethics and Conduct which is binding on all Group's employees. Its provisions are reviewed and updated as necessary. A Whistleblowing Procedure is also in place to ensure that employees can safely provide important information relating to or assisting in the prevention of potential breaches. It should be noted that last year no reports that were received were found to be true.

The Group maintains its public and open commitment to comply with all laws and regulations, to act ethically both within the company and in relation to third parties. Our aim is to reduce, by all means, any damage that might arise from the intentional or unintentional action of the persons concerned.

No specialised training on corruption prevention and compliance was provided last year, but the absolute majority of top level and division managers are familiar with the training material and have acquired the competences to deal responsibly with any form of corruption. The Group's legal division regularly reviews and updates information on significant legislation to combat potential corruption.

We advocate transparent and ethical business and set ourselves the goal of preventing any possible corruption or conditions for it in our business.

The Group is strongly against any form of corruption and bribery, active or passive, including promising, offering or settlement by payment or gift to an intermediary, business partner, civil servant, political party or other third party, with a view to bribe the recipient, the supplier to not properly perform their functions, duties or decisions, and vice versa. The Group also advocates fair, transparent and direct communication with public authorities.

Fair business policy and transparent communication with customers, suppliers, contractors, subcontractors and other third parties is promoted within the company. Procurement of goods in the company is always guided by the four eyes principle, thus preventing any manifestations of unfair actions.

In 2021, the Group did not have any cases involving the protection of material assets (there were four such cases in 2020). In all cases, the zero tolerance principle was applied. No cases involving any other form of corruption or bribery were recorded.

5.

PROTECTION OF PERSONAL DATA AND PRIVACY

With the increasing scope of operation in the electronic space, the relevance and protection of personal data is becoming more and more important in the Group's activities. While protecting the privacy of our customers and safeguarding their legitimate expectations, we carefully comply with the General Regulation on the Protection of Personal Data (GDPR) of the European Union. We instruct the staff responsible for processing this data on how to use the information entrusted to us by customers responsibly and securely.

In the past year, the Group provided personal data protection training which was mandatory for all employees who are or may be involved in the processing of personal data.

Specialists working in HR and IT divisions follow stringent procedures to supervise and process personal data related to targeted marketing and other features used in retail and online trading.

The protection of personal data is also enshrined in our Code of Ethics and Conduct, which applies not only to employees but also to other parties concerned, thereby further enhancing security.

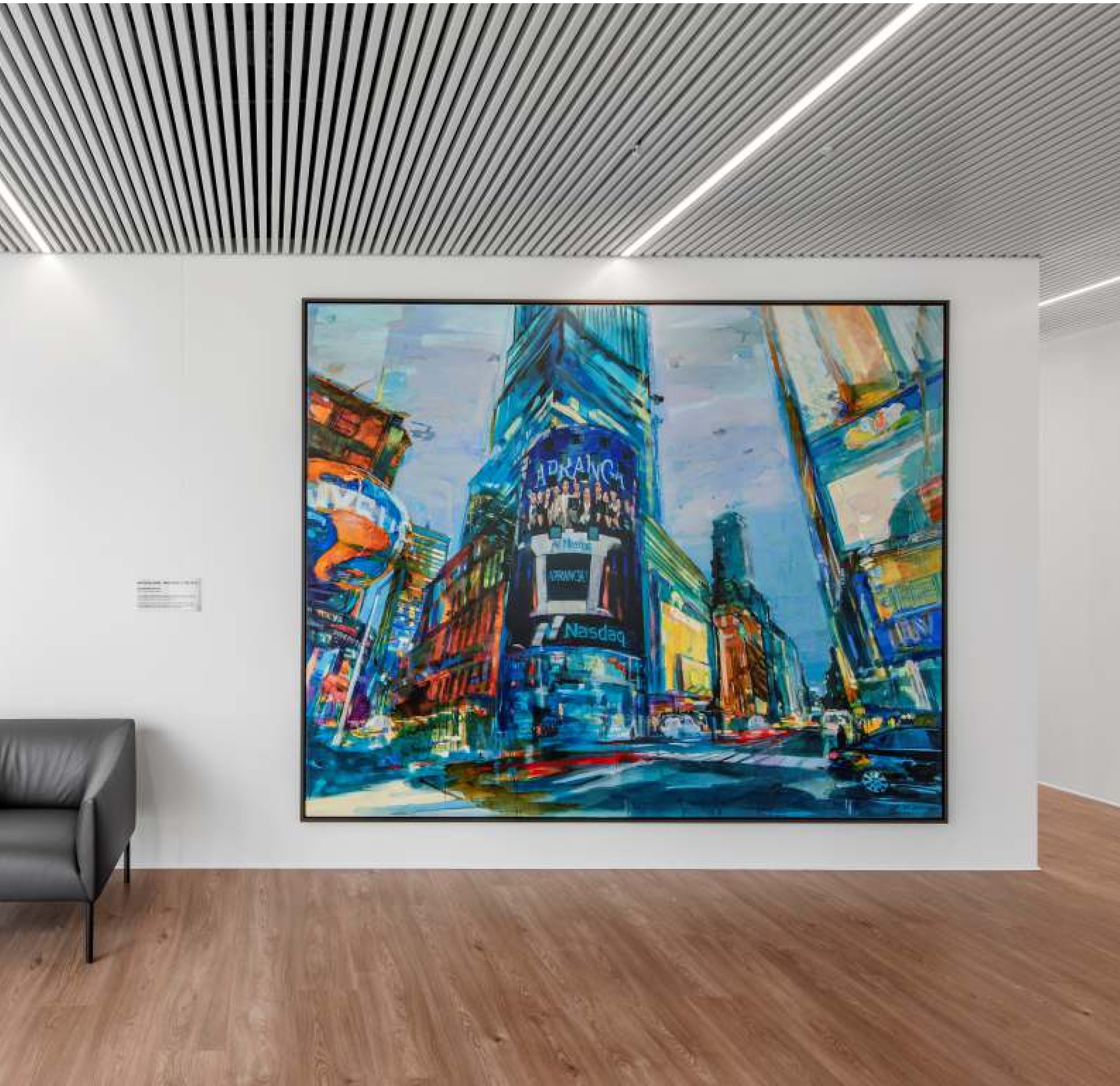
The Group has a Personal Data Protection Officer who not only ensures compliance with the regulations, but also informs employees about changes in key legislation or preventive actions in the event of threats related to personal data.

In 2020, no incidents related to the protection of personal data or personal privacy breaches were recorded.

We process all personal data entrusted to us responsibly and exert all effort to meet the expectations of our customers, partners and employees.

6.

VALUE ADDED FOR SHAREHOLDERS



In 2021, there were changes in the Board of Apranga APB, the Group's parent company. Two independent Board members have joined and their involvement will enable even more responsible assurance that the interests of all shareholders are respected in the activities of the Group and the principles of good governance are applied. In our business we follow the best global practices and strictly observe the rules of the Nasdaq Baltic capital market.

We are committed to open and honest communication with our shareholders and to fairness in the provision of information to the market. We always strive to be an example of how the Group can shape best business practices through disclosure.

In 2021, Apranga APB decided not to pay dividends and to keep profits undistributed in light of the continuing difficult epidemiological situation. This is the second year in a row that such a decision has been taken. Previously, a similar decision was taken after the economic crisis of 2008–2009.

The structure of the main shareholders remained unchanged last year. Apranga APB is majority-owned by the investment holding MG Investment (on 1 July 2021, MG Baltic Investment changed its name to MG Investment UAB). The shareholders of the company who control more than 5 per cent of the votes at the shareholders' meeting:

SHAREHOLDER	SHARE OF VOTES, %
MG INVESTMENT UAB	62.3
MINVISTA UAB	13.1
SWEDBANKAS (ESTONIA) CLIENTS	6.6

7.

VALUE ADDED FOR SOCIETY

When granting support, the Group follows the guidelines on the provision of support, which are reviewed annually. As part of its responsible support allocation policy and in order to create the greatest possible value for society.

We continuously cooperate and communicate with various non-governmental organisations and look for ways to contribute to their activities when this is in line with the Group's social responsibility policy.

We see the creation of value for society not only through material support, but also by engaging in the education of the younger generation, contributing to the solution of social problems or investing in measures to reduce environmental impact.

THEMA IN SOCIAL RESPONSIBILITY ARE AS OF THE GROUP ARE THE FOLLOWI

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

In 2021, the Group's main social responsibility areas remained unchanged. In line with the United Nations Sustainable Development Goals, the Group has identified areas where it can make the greatest positive impact on society:

Last year, to promote responsible consumption and reduce waste to landfills, the Group cooperated with the global fashion leader Inditex and local non-governmental organisations to implement the “Take Back Project” for collecting used textiles. This is an ongoing project that has created more than 50 collection points for used clothing in the Group's stores. Customers can return their unused clothes at convenient locations in various cities in the three Baltic countries.

All collected clothing is handed over to local NGOs, which sort the garments and donate them to charity, recycling or for resale on the second-hand clothing market. None of collected clothes can end up in a landfill and no more than 5 per cent of collected clothing can be used for energy regeneration. All the benefits from the project go to the NGOs and the Group contributes additional organisational and logistical resources to the project. 2021 was the first year in which the project was fully operational in all stores, but its results were affected by the pandemic and related restrictions on trade activities, when the Group's stores were closed. In the first year of the project, approximately 2 tonnes of used clothes were collected and they did not end up in a landfill. The Lithuanian market accounted for the majority of used clothing collected, with the smallest amount collected in Estonia, where there is already a fairly extensive programme for collection of used textiles. The Group supports the initiative to organise separate collection of textiles at national level to ensure that recyclables do not end up in mixed landfills, and it expects this to be in place in all the markets in which it operates from 2025.

The Group continued its cooperation with the Lithuanian Basketball League and the Kaunas Žalgiris basketball team to promote an active lifestyle and wellness activities. We support the main national basketball league and the country's strongest club to reinforce the importance of healthy lifestyle for different age groups. We want to create a perfect image for well-known athletes so that they can serve as role models, especially for young athletes. Last year, we also provided support to the fast-growing and increasingly popular Lithuanian Padel Federation.

To reduce social exclusion and help the most vulnerable groups in society, we supported social care homes for the elderly and children's charities. Together with Public Institution Vaikų Svajonės (Children's Dreams) we made 100 children's dreams of warm clothes come true, and we provide financial support to Public Institution Gydytojai Klounai (Clown Doctors), an organisation that aims to brighten the daily lives of sick children.

We continued our cooperation with Vilnius College of Design and supported Kaunas Vocational School of Household Services and Business with items that the students could use to create new clothes. We handed over non-marketable products that the students brought back to life, using their knowledge and ideas. In doing so, we not only promoted the education of young creators, but also reduced the amount of waste that could have ended up in landfills.

In addition to encouraging local creators, we also cooperate with Baltic creators, and some of their products can be purchased in the Group's retail chain. In our stores customers can buy clothes by 2Ru2Ra, Ūkai, Agnė Gilytė, and Izzybag gift bags.

In 2021, the Group collaborated with and offered sponsorship to the international fashion event Mados Infekcija, a stepping stone for fashion makers. This is a socially responsible event that annually draws attention to, highlights and seeks solutions to sensitive social and environmental issues.

In the three capitals of the Baltic States, we implemented an umbrella sharing campaign last year, during which we set up umbrella sharing stations at the most popular gathering places in Vilnius, Riga and Tallinn. This project has received a lot of attention and good reviews, and we are happy with every smile when an unexpectedly found umbrella saved a rainy day. We are members of society, so we strive to make it better every day.

In 2019, we allocated EUR 84 890, in 2020 – a total of EUR 75 030. Last year, the amount of support accounted for EUR 76 491, similarly as in 2020.

In 2020, the Group's accrued taxes payable to the budget amounted to EUR 44.9 million, which was 14.5 per cent higher than in 2020 (EUR 39.2 million). The main reason for the increase in taxes payable is the Group's growing turnover after adjusting to the pandemic restrictions which had a very significant impact in 2020. At the end of the period, the Group repaid the tax deferral assistance granted in all countries and fully settled with the tax authorities under the tax deferral instrument. Although the Group could have repaid the taxes over a longer period of time according to the agreed schedule, the decision was taken to repay them earlier.

Last year, the wage bill grew, with an average remuneration increase of 9.8 per cent per employee. Wages were increased to all employees, based on their current remuneration and work record.

TAXES PAYABLE

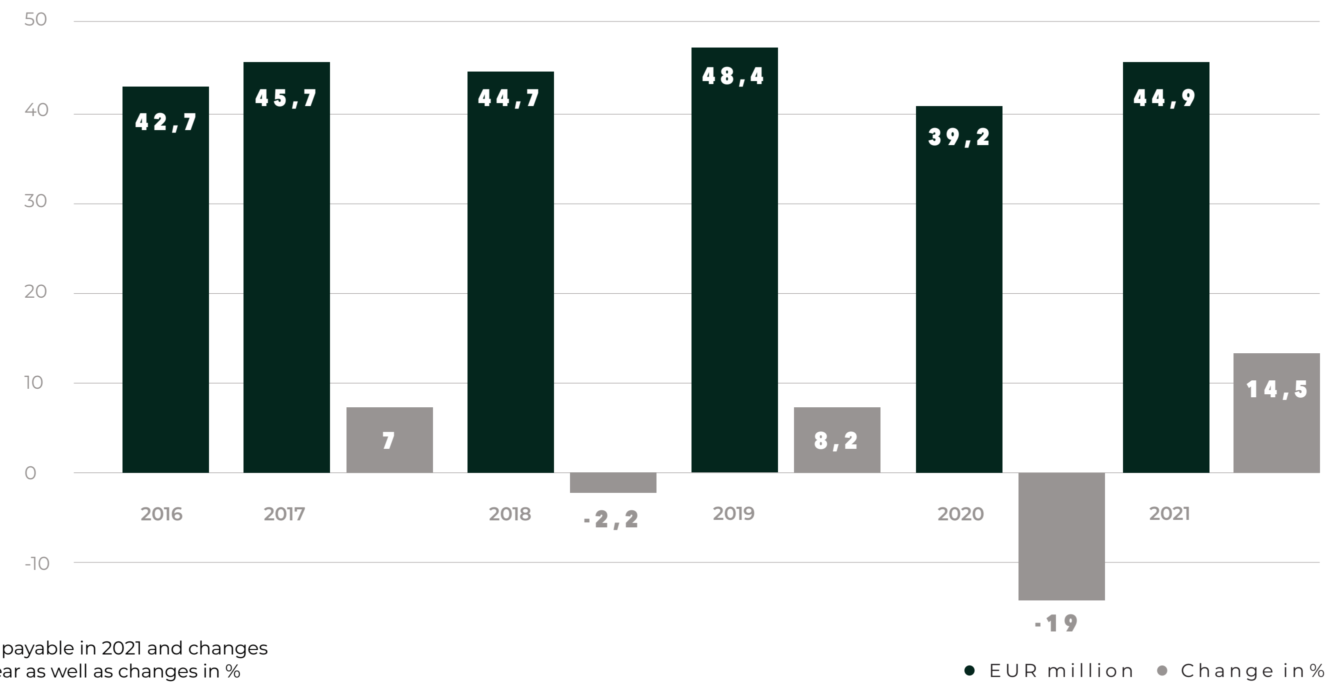


Fig. 7.
Taxes payable in 2021 and changes per year as well as changes in %

8.

ENVIRONMENTAL PROTECTION

The Apranga Group recognises that climate change has an impact on everyday life in all markets and affects the Group's business model. The Group is also aware of its responsibility for its activities that influence climate change around the globe. We take a responsible approach to our activities, their influence and our efforts to reduce our impact on climate change, which is why the environmental dimension is at the heart of our sustainability policy. The Apranga Group's business is exclusively clothing retailing in physical and online stores. The Group is not involved in any processes related to the manufacturing of products, but nevertheless understands that its activities are an integral part of the global textile industry.

In its business, the Group focuses on the compliance with high environmental standards and the desire to reduce its ecological footprint. The integration of sustainable solutions is applied in all phases of our operations, not only by striving for energy efficiency, but also by taking concrete actions to reduce greenhouse gas (GHG) emissions, reduce waste and implement other sustainable solutions in our operations. This year, for the first time, we are publishing our estimated GHG emissions in CO2 equivalent. We are also providing information on the use of plastic in the Group's operations and supplementing the report with details of the car fleet we own.

GHG EMISSION 8.1

In this report, the Apranga Group publishes the estimated GHG emissions of its operations in CO2 equivalent. This publication identifies the sources of emissions and the methodologies used to calculate them, indicating the scope to which the emission source belongs. The knowledge and methodologies of market-based financial institutions and energy suppliers were used to calculate GHG emissions. The publication of the estimated emissions follows the standards and guidelines of the Greenhouse Gas Protocol (GHG Protocol).

SCOPE 1	SCOPE 2	SCOPE 3
Owned and leased car fleet (partially inclusive*)	Purchased electricity (only purchased directly)	Air trips for business purposes
Replenishment of refrigerants		Office paper
		*Employees' commute

The Group has excluded water (the central office uses a water borehole that uses electricity accounted for as part of the overall electricity consumption) from the GHG emission calculation factors due to the very low impact. These indicators have no impact on the final result, but a culture of responsible consumption is nevertheless promoted within the Group, encouraging reduction of the amount of documents printed, reuse of paper and being sure to alert those in charge of the water supply regarding possible plumbing faults.

CARFLEET

To calculate the pollution of the car fleet, the number of kilometres driven per year and the amount of fuel consumed were calculated, with a pollution indicator assigned to the type of fuel concerned. The annual emissions were estimated to account for 339 tonnes of CO2 equivalent. Details of the Group's fleet of owned and leased cars are provided in the chapter “Car fleet”.

REFRIGERANTS

are substances that boil and evaporate at low temperatures and are used for heat transfer. They are used by the Group in ventilation and air conditioning systems for administrative and commercial premises. For the purpose of assessing the GHG emission equivalent, the amount of refrigerant used for replenishment per year was calculated in kilograms, with a pollution indicator assigned to the type of substance concerned. The estimated annual use was 12.45 kg of R410-A and 0.5 kg of R32 for refrigerant replenishment. The total CO2 emission equivalent of these substances was 26.3 tonnes.

ELECTRICITY

The Group's electricity consumption in 2021 was higher than in the same period in the previous year. The main reason for this change was the improving epidemiological situation and the bigger number of days the stores were open when they were not subject to strict restrictions. In this context, it is not appropriate to estimate the growth in electricity consumption compared to 2020. All the electricity purchased by the Group has a green certificate; therefore, in line with the guidelines of the GHG Protocol, this electricity is equivalent to zero CO2 emissions.

Every year, we invest in more and more modern technologies to reduce our consumption of natural resources and contribute to their conservation. In developing the Group's store network, we not only take into account technological solutions, but also educate our employees about the benefits and importance of saving.

TRAVELLED BY AIR

During the year, the Group's employees travelled 375 000 kilometres by air. The trips were related to the acquisition of new collections, maintaining relationships with partners and coordinating work between different countries. A significant part of these trips are flights between Vilnius-Riga-Tallinn airports, which are necessary for the Group's daily operations in other countries. In all cases, the necessity of such travel is assessed and, where possible, alternative arrangements are made. The estimated CO2 equivalent of all trips is 58 tonnes.

PAPER

The administration and stores use white A4 office paper (80 g/m^2) for their daily needs. All measures are aimed at reducing paper consumption by encouraging reuse and non-printing. In total, the Group consumes about 3,600 kg of office paper per year. Only certified paper produced in the European Union and meeting the standards adopted by the Forest Stewardship Council is used. The GHG emissions of the paper used are estimated at 1.16 tonnes of CO2 equivalent.

The Group's total estimated emissions are 424.46 tonnes of CO2 equivalent. The Group notes that it does not claim that the estimated emissions are the total GHG emissions associated with the Group's activities. We will strive and make every effort to include as many indicators that reveal the environmental impact of our activities as possible in the calculation. The Group declares its intention to take action to contribute to the reduction of its GHG emissions and the mitigation of its environmental impact.

When setting up new or reconstructing existing stores, we only use the most advanced technologies that meet the highest environmental standards. We adhere to them not only when choosing the equipment for the sales area, but also during the installation process. All stores use low-energy LED lamps, which are serving longer. In the administrative building, the spaces are divided into segments so that the lighting is used as efficiently as possible and only in those zones where there are employees. The administration and logistics complex uses geothermal heating energy, the emissions of which are accounted for together with the total electricity consumed.

When setting up new or upgrading existing stores we aim at using only those solutions that are safe for customers, employees and the environment, introduce trade innovations that contribute to saving energy costs, search for the most modern commercial and architectural solutions.

When upgrading stores, we abide by the principle that, despite the decisions taken, we must introduce technologies that reduce or do not increase consumption of resources.

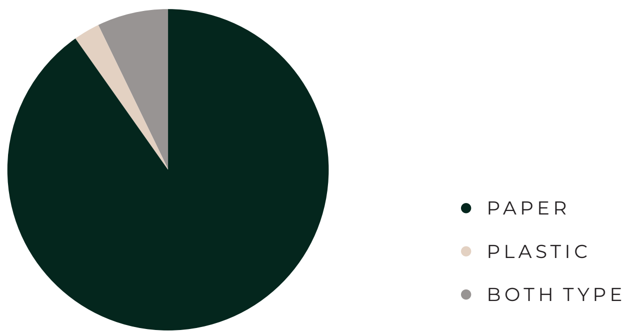
PLASTIC 8.3

Last year, we further increased the proportion of outlets that only use paper bags for customers. In total, this proportion is 93 per cent in the Group. The number of stores using both types of bags has decreased. Our goal is to eliminate plastic in all cases where disposable bags are used.

The plastic used by the Group is accurately accounted for and we set the goal to achieve zero kilograms of it in the Group's operations per year (2024).

	NUMBER OF STORES IN 2021	NUMBER OF STORES IN 2020	NUMBER OF STORES IN 2019	CHANGE IN 2021/2020	SHARE OF STORES IN THE GROUP IN 2021
PAPER	158	162	145	-4	93%
PLASTIC	4	4	4	0	2%
BOTH TYPES	7	13	37	-6	5%
TOTAL	**169**	**179**	**186**	**-10**	**100%**

Fig. 8. Distribution of bags in stores in 2021



At the end of the period, the Group's fleet of owned or leased cars consisted of 83 vehicles. Their average age is 3.9 years. The fleet is regularly reviewed and renewed to ensure the safety of operators and road users, the provision of logistical functions and the application of environmental requirements. 47 cars (57 per cent) comply with the Euro 6 standard, and the remaining are at least Euro 5 vehicles.

The Group's total distance driven in 2021 amounted to 1 435 000 kilometres. Of these, 660 000 kilometres were covered by diesel vehicles and 775 000 kilometres by petrol vehicles. The parking space of the Group's administration building is equipped with charging stations for electric vehicles. The Group currently uses one electric vehicle. The number of less polluting and electric vehicles is planned to be increased as part of fleet renewal.

Mobile sources of pollution are one of the main contributors to the Group's estimated CO2 equivalent emissions, and sustainable solutions are being pursued to reduce CO2 emissions in order to minimise the environmental impact.

9.

INFORMATION ON THE COMMENTS TO THE REPORT

The Corporate Social Responsibility Report contains the Group's non-financial information to the stakeholders. The report is prepared once a year and is presented along with the consolidated annual report. The report is published on the company's website in Lithuanian and in English. The report is drawn up in accordance with the requirements of the Republic of Lithuania Law on Consolidated Financial Reporting by Groups of Undertakings, the European Commission guidelines on non-financial reporting and the Recommendations on Non-Financial Information Reporting by the Bank of Lithuania. Comments and inquiries regarding the report can be submitted by e-mail to marketingas@apranga.lt. No comments were received on the 2020 Corporate Social Responsibility Report.

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