

APRANGA GROUP

05 April 2022
Vilnius

CONFIRMATION OF THE COMPANY'S RESPONSIBLE PERSONS

Hereby we confirm, that by our knowledge Consolidated Financial Statements for the year 2021 prepared in accordance with International Financial Reporting Standards are true and fairly present assets, liabilities, financial position, profit or loss and cash flow of APB Apranga, as well as of Apranga Group consolidated companies.

As well we confirm that by our knowledge Consolidated Annual Report for the year 2021 includes a fair review of the development and performance of the business and the position of APB Apranga and Apranga Group in relation to the description of the main risks and contingencies faced thereby.

The Consolidated Financial Statements and the Consolidated Annual report for the year 2021 are contained in the file apbaprange-2021-12-31-en.zip (SHA-256-checksum: a2cfd6b37a43c570602a2a9b33654adb5fa89bde279db2a1edcdc24f64038733).

Apranga Group General Manager
Rimantas Perveneckas



Apranga Group Chief Financial Officer
Gabrielius Morkūnas





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Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of APB Apranga

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

Opinion

We have audited the separate financial statements of APB Apranga, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of APB Apranga and its subsidiaries (hereinafter the Group) contained in the file `apbapranga-2021-12-31-en.zip` (SHA-256-checksum: `a2cfd6b37a43c570602a2a9b33654adb5fa89bde279db2a1edcdc24f64038733`), which comprise the statements of financial position as of 31 December 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2021 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

Key audit matters

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

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

Key audit matters

1. Impairment assessment of property, plant and equipment and right of use assets

Property, plant and equipment amounted to EUR 13 165 thousand and EUR 24 900 thousand and right of use assets amounted to EUR 28 060 thousand and EUR 64 194 thousand in the statements of financial position of the Company and the Group as at 31 December 2021, respectively. As disclosed in Notes 12 and 26 to the financial statements, the management performed an annual impairment test of these assets as at 31 December 2021 based on the value in use estimation of the Group's cash generating units. Based on the outcome of this impairment test, the Company and the Group have recognized an impairment amounting to EUR 347 thousand and EUR 1 395 thousand in the statement of financial position as of 31 December 2021 (Notes 12 and 26), respectively. The Company and the Group have recognized the reversal of impairment amounting to EUR 471 thousand and EUR 847 thousand in the statement of comprehensive income for the year 2021 (Notes 12 and 26), respectively. The annual impairment test was significant to our audit as it involves management judgment regarding the assumptions used in the underlying cash flows forecasts. Furthermore, the property, plant and equipment and right of use assets represent more than 41% and 53% of the total assets of the Company and the Group as at 31 December 2021, respectively.

2. Inventory write down to net realizable value

The carrying value of the Company's and the Group's inventory balance amounted to EUR 18 525 thousand and EUR 35 909 thousand, respectively, in the statement of financial position as of 31 December 2021 (Note 15). The determination as to whether net realizable value of inventory is higher than the cost of inventory involves significant management's judgment. The Company and the Group accounted for a write down to net realizable value of inventories in the amount of EUR 1 974 thousand and EUR 4 034 thousand, respectively, as at 31 December 2021. The Company and the Group have recognized reversal of allowance amounting to EUR 154 thousand and EUR 293 thousand in the statement of comprehensive income for the year 2021 (Note 15), respectively. This matter is significant to our audit due to materiality of the amounts as inventories represent more than 19% and 22% of the total assets of the Company and the Group in the statement of financial position as at 31 December 2021, respectively.

How the matter was addressed in the audit

Our audit procedures included, among others, the following:

- we have obtained an understanding of the process (including assumptions and methods) of how management perform their assessment of property, plant and equipment and right of use assets impairment;
- we considered significant assumptions used by the management in the estimation of cash flows forecasts such as expected trend in revenue and level of costs by comparing them to historical performance levels;
- we have also discussed and considered specific circumstances related to COVID-19 and management assessment of pandemic impact on the future cash flows;
- we involved valuation specialists to assist us with the consideration of the discount rate and calculation model used by the management in the impairment test;
- we read and compared the property, plant and equipment and right of use assets disclosure prepared by the management and presented in Notes 12 and 26 to source data and supporting accounting registers;
- finally, we considered the adequacy of the Company's and Group's disclosures included in Notes 12 and 26 about the assumptions used in the impairment test and the outcome of the test, including sensitivity disclosures.

Our audit procedures included, among others, the following:

- we have obtained an understanding of the process (including assumptions and methods) through which management perform their assessment of inventory write down to net realizable value;
- we have tested the subsequent sales of inventory to identify items sold below their cost comparing the actual results with the management's estimate;
- we have analyzed the inventory ageing by seasonality of goods and the data of prior periods to identify any unusual variations;
- we have tested the inventory ageing reports by obtaining purchase documents for the selected items and comparing that with the information included in the aging reports;
- we have recalculated the inventory allowance for accuracy;
- we have also discussed with the management COVID-19 impact on inventory obsolescence and considered management assessment of

- its impact, including allowance calculations according to inventory ageing;
- we read and compared inventory disclosure prepared by the management and presented in Note 15 to source data and supporting accounting registers;
- finally, we considered the adequacy of disclosures in the financial statements in this area (Note 15).

Other information

Other information consists of the information included in the Consolidated Group's 2021 Annual Report, including Corporate Governance Report, Remuneration Report and Corporate Social Responsibility Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information presentation.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We also have to evaluate, if the financial information included in the Consolidated Group's Annual Report, including Corporate Governance Report and Remuneration Report, corresponds to the financial statements for the same financial year and if the Consolidated Group's Annual Report, including Corporate Governance Report and Remuneration Report, was prepared in accordance with the relevant legal requirements. In our opinion, based on the work performed in the course of the audit of financial statements, in all material respects:

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and/or Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor

In accordance with the decision made on 27 April 2017 by the General Meeting of Shareholders we have been appointed to carry out the audit of Company's financial statements and Group's consolidated financial statements for the first time in 2017. Our appointment to carry out the audit of the Company's and the Group's financial statements in accordance with the decision made by the General Meeting of Shareholders is renewed every year and the period of total uninterrupted engagement is 5 years.

Consistency with the audit report submitted to the audit committee

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

Non audit services

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

Throughout our audit engagement period, we have not provided any other services except for the audit of the Company's, its subsidiaries', Group's consolidated financial statements and assurance engagement on the compliance of format of the financial statements with the requirements for the European Single Electronic Reporting Format.

- b) *Requirements for the European Single Electronic Reporting Format*

Report on the compliance of format of the financial statements with the requirements for the European Single Electronic Reporting Format

Based our agreement we have been engaged by the management of the Company to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European Single Electronic Reporting Format of separate and consolidated financial statements, including Consolidated Group's Annual Report, for the year ended 31 December 2021 (the Single Electronic Reporting Format of the separate and consolidated financial statements) contained in the file apbaprranga-2021-12-31-en.zip (SHA-256-checksum: a2cfd6b37a43c570602a2a9b33654adb5fa89bde279db2a1edcdc24f64038733).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the separate and consolidated financial statements has been applied by the management of the Company to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a Single Electronic Reporting Format (the ESEF Regulation). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation. In addition, the Company has voluntarily performed marking of its separate financial statements following the requirements applicable for the consolidated financial statements.

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the separate and consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

Management is responsible for the application of the Single Electronic Reporting Format of the separate and consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the separate and consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process.



Auditor's responsibility

Our responsibility is to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the separate and consolidated financial statements complies with the ESEF Regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (the ISAE 3000 (R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the separate and consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements. Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect a material misstatement when it exists.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the separate and consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures include in particular:

- ▶ obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the separate and consolidated financial statements, including the preparation of the XHTML format and marking up the separate and consolidated financial statements;
- ▶ verification whether the XHTML format was applied properly;
- ▶ evaluating the completeness of marking up the separate and consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of the Single Electronic Reporting Format as described in the ESEF Regulation;
- ▶ evaluating the appropriateness of the Company's and the Group's' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- ▶ evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Single Electronic Reporting Format of the separate and consolidated financial statements for the year ended 31 December 2021 complies, in all material respects, with the ESEF Regulation.

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

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

Inga Gudinaite
Auditor's licence
No. 000366

5 April 2022