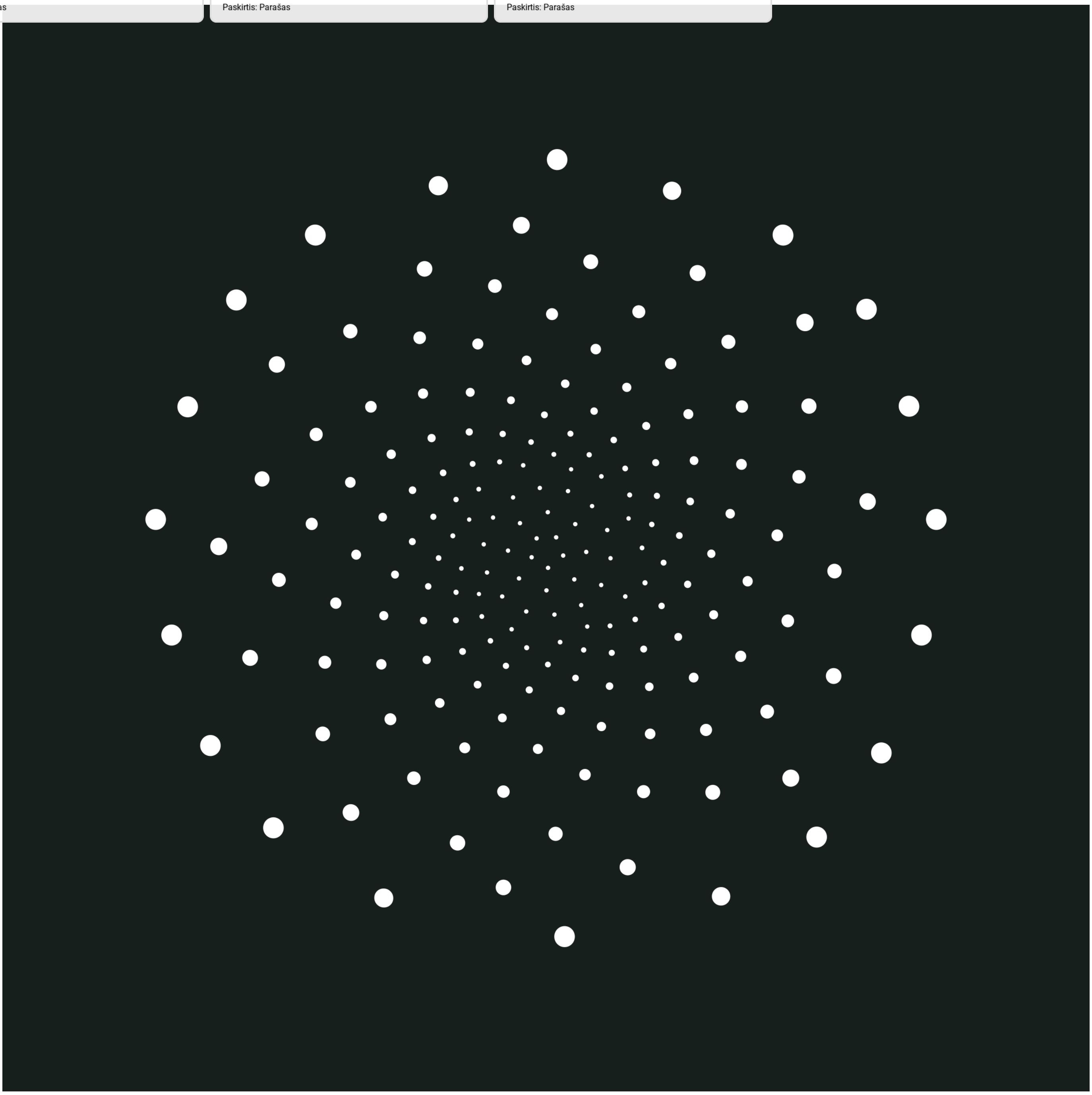

APRANGA

GROUP

APB APRANGA

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

for the year ended 31 December 2020

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.

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PVM mokėtojo kodas LT108784411
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Register of Legal Entities

INDEPENDENT AUDITOR'S REPORT

To the shareholders of APB Apranga

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

Opinion

We have audited the accompanying financial statements of APB Apranga, a public limited liability company registered in the Republic of Lithuania (hereinafter the Company), and the consolidated financial statements of APB Apranga and its subsidiaries (hereinafter the Group), which comprise the statements of financial position as of 31 December 2020, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2020 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.

Building a better working world

Key audit matters	How the matter was addressed in the audit
1. Impairment assessment of property, plant and equipment and right of use assets	
Property, plant and equipment (PPE) amounted to EUR 12 705 thousand and EUR 25 999 thousand and right of use assets amounted to EUR 24 951 thousand and EUR 64 203 thousand in the statements of financial position of the Company and the Group as at 31 December 2020, 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 2020 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 818 thousand and EUR 2 242 thousand in the statement of financial position as of 31 December 2020 (Notes 12 and 26), respectively. The Company and the Group have recognized impairment losses amounting to EUR 664 thousand and EUR 1 562 thousand in the Statement of Comprehensive Income in the year 2020 (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 38% and 56% of the total assets of the Company and the Group as at 31 December 2020, respectively.	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 used assets disclosure prepared by the management and presented in Note 12 and Note 26 to source data and supporting accounting registers; - finally, we considered the adequacy of the Company's and Group's disclosures included in Note 12 and Note 26 about the assumptions used in the impairment test and the outcome of the test, including sensitivity disclosures.
2. Inventory write down to net realizable value	
The carrying value of the Company's and the Group's inventory balance amounted to EUR 19 759 thousand and EUR 35 434 thousand, respectively, in the statement of financial position as of 31 December 2020 (Note 15). The determination as to whether net realizable value of inventory is higher than the cost of inventory involves significant management's judgment. Moreover, due to COVID-19 pandemic and quarantine, part of the Group stores was fully closed or activities restricted, that indicates that more obsolete inventories could occur. The Company and the Group accounted for write down to net realizable value of inventories in amount of EUR 2 128 thousand and EUR 4 327 thousand respectively as at 31 December 2020. In addition, this matter is significant to our audit due to materiality of the amounts as inventories constitute over 20% and 22% of the total assets of the Company and the Group in the statement of financial position as at 31 December 2020, respectively.	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;
- furthermore, we have 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 2020 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

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

Appointment and approval of the auditor

In accordance with the decision made on 27 April 2017 by the General Meeting of Shareholders we have been appointed to carry out the audit of Company's financial statements and Group's consolidated financial statements for the first time in 2017. Our appointment to carry out the audit of the Company's and the Group's financial statements in accordance with the decision made by the General Meeting of Shareholders is renewed annually and the period of total uninterrupted engagement is 4 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.

Building a better working world

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

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

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

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

Asta Štreimikienė
Auditor's licence
No. 000382

6 April 2021

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2020
(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	2020	2019	2020	2019
Revenue from contracts with customers	6	169 958	205 005	67 164	85 307
Cost of sales	5	(98 812)	(115 795)	(42 688)	(52 344)
GROSS PROFIT		71 146	89 210	24 476	32 963
Selling (costs)	5	(52 132)	(65 184)	(16 213)	(21 935)
General and administrative (expenses)	5	(12 687)	(12 442)	(8 150)	(8 364)
Other income	6	711	353	4 439	7 178
Net foreign exchange gain (loss)		-	(8)	-	(8)
OPERATING PROFIT		7 038	11 929	4 552	9 834
Finance income	7	32	40	89	84
Finance (costs)	7	(1 109)	(975)	(486)	(482)
PROFIT BEFORE INCOME TAX		5 961	10 994	4 155	9 436
Income tax (expense)	8	(1 025)	(1 754)	(89)	(201)
PROFIT FOR THE YEAR	4	4 936	9 240	4 066	9 235
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME		4 936	9 240	4 066	9 235
Total comprehensive income attributable to:		4 936	9 240	4 066	9 235
Owners of the Company		4 936	9 240	4 066	9 235
Non-controlling interests		-	-	-	-
Basic and diluted earnings per share (in EUR)	11	0,09	0,17	0,07	0,17

The notes on pages 12 to 47 are an integral part of these financial statements.

These financial statements were approved by Management Board on 6 April 2021 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2020
(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	2020	2019	2020	2019
Property, plant and equipment	12	25 999	29 584	12 705	13 330
Intangible assets	13	534	310	497	292
Investments in subsidiaries	14	-	-	4 963	4 963
Prepayments	17	1 465	940	230	200
Trade and other receivables	20	4	4	4	4
Right-of-use assets	26	64 203	68 596	24 951	26 031
Financial assets	18	2 400	2 200	2 400	2 200
Total non-current assets		94 605	101 634	45 750	47 020
CURRENT ASSETS					
Inventories	15	35 434	40 106	19 759	21 122
Financial assets	18	732	732	732	732
Prepayments	17	1 110	1 391	1 080	1 056
Trade and other receivables	20	2 143	2 135	11 817	13 355
Cash and cash equivalents	21	26 209	6 712	19 863	4 557
Total current assets		65 628	51 076	53 251	40 822
Non-current assets held for sale	16	71	80	71	80
TOTAL ASSETS		**160 304**	**152 790**	**99 072**	**87 922**

EQUITY AND LIABILITIES		GROUP		COMPANY	
EQUITY	Note	2020	2019	2020	2019
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		45 896	40 960	35 262	31 196
Total equity		63 482	58 546	52 901	48 835
NON-CURRENT LIABILITIES					
Borrowings	24	200	500	200	500
Tax liabilities	27	7 597	-	3 773	-
Deferred tax liabilities	9	1 008	1 385	96	242
Non-current lease liabilities	26	53 936	56 659	20 993	21 047
Non-current employee benefits	2.18	126	186	126	186
Total non-current liabilities		62 867	58 730	25 188	21 975
CURRENT LIABILITIES					
Borrowings	24	300	300	8 468	4 025
Tax liabilities	27	4 964	-	2 243	-
Current lease liabilities	26	12 758	13 117	4 897	5 286
Current income tax liability		938	199	2	82
Trade and other payables	25	14 995	21 898	5 373	7 719
Total current liabilities		33 955	35 514	20 983	17 112
Total liabilities		**96 822**	**94 244**	**46 171**	**39 087**
TOTAL EQUITY AND LIABILITIES		**160 304**	**152 790**	**99 072**	**87 922**

The notes on pages 12 to 47 are an integral part of these financial statements.

These financial statements were approved by Management Board on 6 April 2021 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

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

STATEMENTS OF CHANGES IN EQUITY

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

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

The notes on pages 12 to 47 are an integral part of these financial statements.

These financial statements were approved by Management Board on 6 April 2021 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2020
(all tabular amounts are in EUR thousands unless otherwise stated)

STATEMENTS OF CASH FLOW

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
OPERATING ACTIVITIES	Note	2020	2019	2020	2019
Profit (loss) before income taxes		5 961	10 994	4 155	9 436
ADJUSTMENTS FOR:					
Depreciation and amortization	5	20 302	19 077	7 780	8 204
Impairment charge (reversal)	12, 26	1 583	205	673	30
Change in allowances for slow-moving inventories	5	1 422	530	318	265
(Gain) on disposal of property, plant and equipment	6	(26)	(23)	(24)	(5)
Write-off of property, plant and equipment		(7)	64	-	39
Fair value change of financial assets	18	(200)	(200)	(200)	(200)
Dividend income	6	(176)	(97)	(4 176)	(6 937)
Interest expenses	7	1 077	935	397	398
Total		29 936	31 485	8 923	11 230
CHANGES IN OPERATING ASSETS AND LIABILITIES:					
Decrease (increase) in inventories	15	3 250	(73)	1 045	537
Decrease (increase) in receivables		(252)	(199)	(1 731)	(7 653)
Increase (decrease) in payables		5 597	2 314	3 609	(203)
Cash generated from operations		38 531	33 527	11 846	3 911
Income taxes paid		(663)	(1 644)	(315)	(189)
Interest paid		(1 109)	855	(486)	362
Net cash from operating activities		36 759	32 738	11 045	4 084
INVESTING ACTIVITIES					
Interest received		32	40	89	84
Dividends received	6	176	97	4 176	6 937
Loans granted		(12 800)	(47 500)	(30 042)	(78 607)
Loans repayments received		12 800	47 500	33 257	82 010
Purchases of property, plant and equipment and intangible assets	12, 13	(5 261)	(21 727)	(2 377)	(1 214)
Proceeds on disposal of property, plant and equipment		884	8 918	143	5
Investment in subsidiaries	14	-	-	-	(50)
Net cash used in investing activities		(4 169)	(12 672)	5 246	9 165
FINANCING ACTIVITIES					
Dividends paid	3	1	(7 183)	1	(7 183)
Proceeds from borrowings		-	14 018	17 927	69 210
Repayments of borrowings	24	(300)	(14 318)	(13 784)	(68 364)
Payment of principal portion of lease liabilities	26	(12 794)	(12 880)	(5 129)	(5 474)
Net cash from financing activities		(13 093)	(20 363)	(985)	(11 811)
NET INCREASE (DECREASE) IN CASH AND BANK OVERDRAFTS		19 497	(297)	15 306	1 438
CASH AND BANK OVERDRAFTS:					
AT THE BEGINNING OF THE PERIOD	21	6 712	7 009	4 557	3 119
AT THE END OF THE PERIOD	**21**	**26 209**	**6 712**	**19 863**	**4 557**

The notes on pages 12 to 47 are an integral part of these financial statements.

These financial statements were approved by Management Board on 6 April 2021 and signed by:

Rimantas Perveneckas
General Director

Saulius Bačauskas
Chief Financial Officer

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

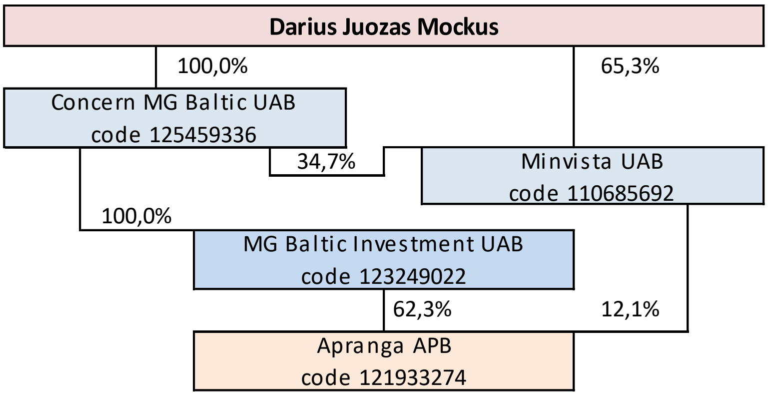
1. GENERAL INFORMATION

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

At 31 December the Company's shareholders were:

	Number of shares	% of total ownership	Number of shares	% of total ownership
Shareholder	2020		2019	
UAB MG Baltic investment	34 442 189	62,3	34 442 189	62,3
UAB Minvista	6 671 838	12,1	6 397 059	11,6
Swedbank AS (Estonia) clients	3 256 899	5,9	3 719 099	6,7
Other	10 921 034	19,8	10 733 613	19,4
Total	55 291 960	100,0	55 291 960	100,0

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



The Company is listed on Nasdaq Vilnius Stock Exchange.

At 31 December 2020 the Group consisted of the Company and the following its wholly owned subsidiaries:

Name	Country	Ownership interest in % 31 12 2020	Ownership interest in % 31 12 2019
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%
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 2020 the Company directly owned 14.91% shares and indirectly through its subsidiary owned the rest 85.09% of shares (At 31 December 2019: 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	2020	2019	2020	2019
Lithuania	104	108	5	6
Latvia	48	50	-	-
Estonia	27	28	-	-
Total	179	186	5	6

At 31 December 2020 the Group and the Company employed 1 956 and 682 people respectively (2019: 2 367 and 797 people respectively).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

2.1 BASIS OF PREPARATION

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

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

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

2.2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Impact of COVID-19

General information on the impact of COVID-19 on the Company's and Group's operations
The World Health Organization (WHO) declared the outbreak of COVID-19 a public health emergency of international concern on 30 January 2020, and on 11 March 2020, characterized the spread of the disease as a pandemic. Based on the Government of the Republic of Lithuania act regarding quarantine declaration, from 16th March 2020 until 18th April 2020 all Apranga Group stores in Lithuania Republic were closed due to epidemic coronavirus (COVID-19) infection (stores in supermarkets were closed until 25th April 2020). Also, according to the resolution of the Government of the Republic of Estonia, all Group stores operating in shopping malls in Estonia Republic were closed from 27th March 2020 until 11th May 2020. From 28th March 2020 until 16th May 2020, stores in Latvia Republic operating in shopping malls could not work on weekends. Also, from 16th December 2020, all the Group's stores in Lithuania Republic are temporarily closed (some stores with separate entries were opened from March 2021). In Latvia, the stores are temporarily closed from 19th December 2020.

Going concern
As a result of the above-mentioned situation caused by COVID-19, the Company's and the Group's sales decreased by 21% and 17% respectively, and the profit decreased by EUR 5 169 thousand and EUR 4 304 thousand respectively comparing with previous year. The Group took actions to manage the risks by expanded online trading, negotiated rent discounts, applied for subsidies, agreed on postponement for tax payments, increased effectiveness for inventories management, and has borrowing facilities contracted but undrawn. In 2020, 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 2020 was 2.5 and 1.9 respectively, quick ratio (current assets-inventories) / current liabilities) was equal to 1.6 and 0.9 respectively. The Company's management forecasts positive result for the Company and the Group next year.

Impairment of property, plant and equipment
The management reviewed the main assumptions used for the measurement of the recoverable value of property, plant and equipment and right-of-use assets. As during quarantine period major part of the Company and Group stores are closed, COVID-19 has significant impact on the assumptions made for future cash flows. Results of impairment are disclosed in Note 12 and Note 26.

Inventory write-down to net realizable value
Management has assessed the level of inventories and determined that the book value of inventories as of 31 December 2020 does not exceed the net realizable value. COVID-19 has significant impact on inventories net realizable value estimation, as from the middle of December the stores in Latvia and Lithuania were closed and sales were performed only per online platforms. The impact was partly reduced by management of total balance of outstanding inventories. Results of inventories write-down to net realizable value are disclosed in Note 15.

(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, because:
- The entity controls the goods or services before transferring them to the customer;
- The entity is primarily responsible for the supply of goods and services and bears risk of non-performance;
- The entity has latitude in establishing price either directly or indirectly.

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

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

(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 results of inventory items sold below costs.

(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 estimates.

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 2020.

(a) The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2020:

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

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. Management concluded that the Amendments had no impact for financial statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management concluded that the Amendments had no significant impact for financial statements.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management concluded that the Amendments had no significant impact for financial statements.

- **IFRS 16 Leases- Covid 19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease

  The management applied this amendment and the practical expedient provided for therein earlier, i.e. from 1 January 2020, since the Group received COVID-19 related rent concessions, which are accounted for in the statements of comprehensive income as negative variable lease payments.

(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.

- **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. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. 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. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Company and the Group has not yet evaluated the impact of the implementation of these amendments.

- **IFRS 16 Leases- Covid 19 Related Rent Concessions (Amendment)**
  In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendment has 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. 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.

- **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. 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 operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

(b) Transactions and balances

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

(c) Group companies

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

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

2.7 INTANGIBLE ASSETS

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

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

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

Amortisation is accounted for as selling expense.

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

2.8 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately (under selling 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 2020 and 2019;
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 2) as at 31 December 2020 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 2019 and 2020.

Impairment of financial assets

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

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

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

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

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

In 2019 and 2020 there were no transfers between the different stages.

In 2019 and 2020 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. The Group companies have not used this option in 2019 and 2020, as all companies in Lithuania have earned a taxable profit.

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

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

The income tax rate applied for the Company and subsidiaries operating in Lithuania was 15 per cent in 2019 and in 2020. 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 2020 (20% as at 31 December 2019).

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

(b) Deferred income tax

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

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

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

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

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

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

2.17 LEASES

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

2.19 PROVISIONS

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

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

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

2.20 RECOGNITION of REVENUE AND RELATED EXPENSES

Revenue recognition

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

Sales of goods are recognized when the Company or another Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in operating expenses. 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 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 updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

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

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

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, 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).

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 has no significant concentration of credit risk, except for cash which is held in two banks having high credit ratings.

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

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

Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these; and maintaining debt financing plans.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

COMPANY	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	More than 1 year	**Total**
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
As at 31 December 2019					
Borrowings	26	52	3 956	516	4 550
Lease liabilities	490	969	4 182	21 114	26 755
Trade and other payables	2 429	1 542	59	-	4 030
Total	2 945	2 563	8 197	21 630	35 335

Change in liabilities arising from financing activities:

GROUP	As at 31 December 2019	Dividends declared	Cash flow	As at 31 December 2020
Borrowings	800	-	(300)	500
Dividends payable	121	-	1	122
Total	921	-	(299)	622

COMPANY	As at 31 December 2019	Dividends declared	Cash flow	As at 31 December 2020
Borrowings	4 525	-	4 143	8 668
Dividends payable	121	-	1	122
Total	4 646	-	4 144	8 790

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.

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

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

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

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

Based on the simulations performed, the impact on post tax profit of a 1 per cent shift in interest rates would be the maximum increase or decrease of EUR 7 thousand in 2020 (2019: EUR 18 thousand) for the Group and the maximum increase or decrease of EUR 57 thousand (2019: EUR 3 thousand) would be for the Company.

Foreign exchange risk

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

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

(b) Capital risk management

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

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

Pursuant to the Lithuanian Law on Companies the authorised share capital of a public limited liability company must be not less than EUR 40 thousand and of a private limited liability company must be not less than EUR 2.5 thousand. In addition, for all entities the shareholders' equity should not be lower than 50 per cent of the company's registered share capital. As at 31 December 2019 and 31 December 2020, the Company and all its Lithuanian subsidiaries complied with these requirements.

Pursuant to the Latvian Commercial Law the authorised share capital of a private limited liability company must be not less than EUR 2.8 thousand. In addition, the losses of the company should not exceed 50 per cent of the company's share capital. As at 31 December 2020 and 31 December 2019, 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 and 31 December 2019, all of the Company's Estonian subsidiaries complied with these requirements.

In addition, the Group and the Company has to comply with the financial covenants imposed in the agreement with SEB bankas AB and Luminor Bank AS. As at 31 December 2020 and as at 31 December 2019, the Group and the Company complied with all requirements of SEB bankas AB covenants, but did not comply with the equity ratio requirement of Luminor Bank AS (in 2019, with the adoption of IFRS 16 Leases, the meaning of the equity ratio changed significantly while it has not yet been restated accordingly, taking into account the influence of the new standard). As at 31 December 2020 and as at 31 December 2019, the Group and the Company did not have any loans taken from Luminor Bank AS.

(c) Fair value estimation

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

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

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

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

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

4. SEGMENT INFORMATION

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

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

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

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

31 December 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

* *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.*

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

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

In 2020, the Group's profitability before taxes decreased to 3.5% (2019: 5.3%). The profitability in Lithuania decreased from 6.7% to 5.6%. Profit margins in Latvia and Estonia decreased from 4.4% and 2.2% to 1.4% and -0.5%, respectively.

The total non-current assets located in Lithuania is EUR 56 789 thousand (2019: EUR 60 149 thousand), and the total of these non-current assets located in other countries is EUR 37 816 thousand (2019: EUR 41 485 thousand).

5. EXPENSES BY NATURE

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Cost of goods sold	97 390	115 239	42 370	52 079
Write-down (reversal) of inventories to net realisable value	1 422	556	318	265
Total cost of sales	98 812	115 795	42 688	52 344

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Rent*	1 780	7 694	247	2 137
Utilities	1 848	2 197	677	806
Remuneration **	14 733	22 429	4 384	7 920
Social security contributions	2 059	2 582	117	138
Depreciation and amortization	20 302	19 077	7 780	8 204
Impairment charge (reversal)	1 583	205	673	30
Advertising and marketing	2 021	2 678	1 396	1 413
Franchise expenses	3 945	4 699	84	124
Bank commissions	970	1 046	236	318
Labelling, packing and repairing	840	1 025	317	362
Logistics and distribution	1 814	937	155	92
Business trips	237	615	147	391
Total selling costs	52 132	65 184	16 213	21 935

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

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Remuneration **	4 479	4 921	4 404	4 849
Social security contributions	68	76	67	75
IT and communications	968	1 054	578	616
Repair and maintenance	2 699	3 174	1 189	1 295
Taxes (excluding income tax)	191	231	107	128
Consulting and audit expense	315	321	223	232
Other expenses	3 967	2 665	1 582	1 169
Total general and administrative expenses	12 687	12 442	8 150	8 364

* 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 2020, the Group in Lithuania, Latvia and Estonia received EUR 4 167 thousand of wage subsidies, which reduced wage costs. The Company received EUR 1 998 thousand of wage subsidies.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Stores income	169 578	204 627	49 878	63 503
Wholesale income	-	-	12 866	16 597
Management fees	-	-	4 299	4 992
Other income	380	378	121	215
Total revenue from contracts with customers	169 958	205 005	67 164	85 307

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

	GROUP		COMPANY	
Chain	2020	2019	2020	2019
Economy	19 279	26 137	11 997	17 330
Youth	39 355	47 632	9 983	11 789
Footwear	3 223	5 517	1 510	2 440
Business	31 624	37 070	10 130	13 339
Luxury	19 144	19 125	9 781	10 401
Zara	49 570	60 049	-	-
Outlets	7 383	9 097	6 477	8 204
Total	169 578	204 627	49 878	63 503

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Rent income	36	33	39	36
Gain from disposal of PPE, net	26	23	24	5
Changes in fair value of financial assets, net	200	200	200	200
Dividends	176	97	4 176	6 937
Other income	273	-	-	-
Total other income	711	353	4 439	7 178

Other income in 2020 includes the working capital subsidy of EUR 273 thousand received by the Group.

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2020
(all tabular amounts are in EUR thousands unless otherwise stated)

7. FINANCE INCOME AND COSTS

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Interest income	32	40	89	84
Total finance income	32	40	89	84

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Interest on bank borrowings	107	60	107	60
Interest expense on lease liabilities	1 002	915	379	422
Total finance costs	1 109	975	486	482

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	
	2020	2019	2020	2019
Profit before tax	5 961	10 994	4 155	9 436
Tax at the domestic income tax rate	894	1 649	623	1 415
Tax effect of income not subject to tax	(59)	(212)	(672)	(1 253)
Tax effect of expenses that are not deductible in determining taxable profit	132	277	132	171
Prior period income tax adjustment	6	(132)	6	(132)
Effect of different tax rates of foreign subsidiaries	52	172	-	-
Tax expense	1 025	1 754	89	201
Effective income tax rate	*17,2%*	*16,0%*	*2,1%*	*2,1%*

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Current income tax expense	1 402	1 805	235	270
Deferred tax	(377)	(51)	(146)	(69)
Total income tax expense	1 025	1 754	89	201

9. DEFERRED INCOME TAX

The movement in deferred income tax account was as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
At beginning of year	(1 385)	(1 436)	(242)	(311)
Comprehensive income statement (charge) credit	377	51	146	69
At end of year	(1 008)	(1 385)	(96)	(242)

In 2019 and 2020 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 2019 and as at 31 December 2020 for the accrued undistributed profit of these subsidiaries, since these indistributes profits are planned to be paid out as dividends during the years 2021-2022 (Note 2.16).

Deferred tax assets and liabilities recognised as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
Deferred tax assets:				
Inventory write down	466	357	319	272
Accruals	64	43	64	29
Impairment	85	20	70	13
Total deferred tax assets	615	420	453	314
Deferred tax liability:				
Undistributed profits of subsidiaries	(1 013)	(1 189)	-	-
Depreciation of property, plant and equipment	(610)	(616)	(549)	(556)
Total deferred tax liabilities	(1 623)	(1 805)	(549)	(556)
Total deferred tax (liabilities) assets, net	(1 008)	(1 385)	(96)	(242)

10. DIVIDENDS PER SHARE

	2020	2019
Approved dividends	-	7 188
Weighted average number of ordinary shares in thousand (Note 22)	55 292	55 292
Approved dividends per share, EUR	0,00	0.13

In 2020 dividends of EUR 0.13 per share was paid to the shareholders (EUR 0.13 per share in 2019). In respect of the current year, the Board of Directors propose not to pay dividends to the shareholders (Note 23).

11. EARNINGS PER SHARE

	GROUP		COMPANY	
	2020	2019	2020	2019
Profit (loss) for the year	4 936	9 240	4 066	9 235
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	0.09	0.17	0.07	0.17

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

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

12. PROPERTY, PLANT AND EQUIPMENT

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

GROUP	Buildings	Plant and equipment	Leasehold improve-ments	Other PPE	Construction in progress	Total
Cost						
At 31 December 2018	9 665	256	18 385	42 565	459	71 330
Additions	-	33	555	1 526	10 499	12 613
Disposals and write-offs	(15)	(1)	(9 353)	(5 260)	-	(14 629)
Transfers	-	1 826	1 525	7 286	(10 637)	-
At 31 December 2019	9 650	2 114	11 112	46 117	321	69 314
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
Accumulated depreciation						
At 31 December 2018	3 889	200	13 391	30 219	-	47 699
Charge for the year	226	213	1 817	4 050	-	6 306
Disposals and write-offs	(15)	(1)	(9 254)	(5 235)	-	(14 505)
At 31 December 2019	4 100	412	5 954	29 034	-	39 500
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
Impairment charge						
At 31 December 2018	-	-	140	234	-	374
Charge for the year (reversal)			(40)	(104)		(144)
At 31 December 2019	-	-	100	130	-	230
Charge for the year			528	465		993
At 31 December 2020	-	-	628	595	-	1 223
Carrying amount						
At 31 December 2018	5 776	56	4 854	12 112	459	23 257
At 31 December 2019	5 550	1 702	5 058	16 953	321	29 584
At 31 December 2020	5 336	1 569	4 181	14 389	524	25 999

APB APRANGA, Company's code 121933274, Ukmerges 362, Vilnius
FOR THE YEAR ENDED 31 DECEMBER 2020
(all tabular amounts are in EUR thousands unless otherwise stated)

COMPANY	Buildings	Plant and equipment	Leasehold improve-ments	Other PPE	Construction in progress	Total
Cost						
At 31 December 2018	9 665	256	8 505	16 422	15	34 863
Additions	-	33	2	483	456	974
Disposals and write-offs	(15)	(1)	(3 268)	(652)	(31)	(3 967)
Transfers	-	1 826	402	(1 826)	(402)	-
At 31 December 2019	9 650	2 114	5 641	14 427	38	31 870
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
Accumulated depreciation						
At 31 December 2018	3 889	200	5 446	9 986	-	19 521
Charge for the year	226	213	980	1 502	-	2 921
Disposals and write-offs	(15)	(1)	(3 212)	(764)	-	(3 992)
At 31 December 2019	4 100	412	3 214	10 724	-	18 450
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
Impairment charge						
At 31 December 2018	-	-	94	132	-	226
Charge for the year (reversal)			(72)	(64)		(136)
At 31 December 2019	-	-	22	68	-	90
Charge for the year (reversal)			153	47		200
At 31 December 2020	-	-	175	115	-	290
Carrying amount						
At 31 December 2018	5 776	56	2 965	6 304	15	15 116
At 31 December 2019	5 550	1 702	2 405	3 635	38	13 330
At 31 December 2020	5 336	1 569	2 093	3 099	608	12 705

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

At 31 December 2020 the Group's and the Company's buildings with the carrying amount of EUR 4 578 thousand (2019: EUR 5 550 thousand) have been pledged as security for outstanding loans from financial institutions (Note 24).

As of December 31 2019 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	
	2020	2019	2020	2019
Plant and equipment	243	371	213	371
Leasehold improvements	-	-	-	-
Other PPE	14 905	16 298	4 497	5 632
Total	15 148	16 669	4 710	6 003

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

Estimation of the value in use was based on the discounted pre-tax cash flows (DCF) of the latest available business plan. DCF was estimated over remaining useful life of leasehold improvements (vast majority of premises are leased). For the calculation of future cash flows in 2021 and in later years, 10 per cent of the earnings before interest, taxes, depreciation, and amortization (further – EBITDA) growth rate was used (2019 – 10 per cent). The weighted average cost of capital (further – WACC) of 12 per cent (2019: 11 per cent) pre-tax was used for value in use estimation.

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

Based on the calculations performed the management concluded that impairment in the amount of EUR 1 223 thousand for the Group (2019: EUR 230 thousand) and EUR 290 thousand for the Company (2019: EUR 90 thousand) should be recorded against PPE in the statement of financial position. The Group and the Company in 2020 have recognised the impairment of EUR 993 thousand and EUR 200 thousand respectively (2019: the reversal of impairment of EUR 144 thousand and EUR 136 thousand for the Group and the Company respectively).

If 5 per cent of the EBITDA growth rate would be used for the calculation of future cash flows in 2021 and in later years, the Group and the Company in 2020 would have recognised by EUR 51 thousand and EUR 47 thousand higher impairment loss against PPE (2019: EUR 151 thousand and EUR 47 thousand respectively).

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1 per cent higher than management estimates (for example 13 per cent instead of 12 per cent), the Group in 2020 would have recognised by EUR 51 thousand higher impairment loss against PPE (2019: EUR 38 thousand). The Company would have recognised by EUR 49 thousand higher impairment loss against PPE (2019: EUR 8 thousand).

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 2018	238	875	**1 113**	118	852	**970**
Additions	99	122	**221**	79	121	**200**
Write-offs	(45)	(4)	**(49)**	-	-	**-**
At 31 December 2019	292	993	**1 285**	197	973	**1 170**
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**
Accumulated amortisation						
At 31 December 2018	184	763	**947**	65	740	**805**
Charge for the year	22	55	**77**	19	54	**73**
Write-offs	(45)	(4)	**(49)**	-	-	**-**
At 31 December 2019	161	814	**975**	84	794	**878**
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**
Carrying amount						
At 31 December 2018	54	112	**166**	53	112	**165**
At 31 December 2019	131	179	**310**	113	179	**292**
At 31 December 2020	230	304	**534**	193	304	**497**

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	
	2020	2019	2020	2019
Licenses	133	132	58	58
Software	797	556	780	539
Total	930	688	838	597

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

14. INVESTMENTS IN SUBSIDIARIES

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

Name	Country of incorporation	Cost			
		2020	Ownership, %	2019	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 2020 the Company directly owned 14.91% shares and indirectly through its subsidiary owned the rest 85.09% of shares (At 31 December 2019: 14.91% and 85.09%, respectively)*

The changes in investments are as follows:

	2020	2019
Beginning of the year	4 963	4 913
Establishment of SIA Apranga HLV	-	50
At end of the year	4 963	4 963

15. INVENTORIES

	Group		Company	
	2020	2019	2020	2019
Goods for resale	38 818	42 553	21 313	22 428
Write-down of goods for resale to net realisable value	(4 327)	(3 199)	(2 128)	(1 810)
Return assets	297	239	61	51
Goods in transit	93	92	93	92
Materials and spare parts	553	421	420	361
Total	35 434	40 106	19 759	21 122

During the year ended 31 December 2020 the Group and the Company recognised as cost of sales write-down of book value of the goods for resale to their net realizable value of EUR 4 327 thousand and EUR 2 128 thousand respectively (31 December 2019 – EUR 3 199 thousand and EUR 1 810 thousand, respectively).

At 31 December 2020 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 2020 was EUR 11 296 thousand, Company's - EUR 7 896 thousand (EUR 11 296 thousand and EUR 7 896 thousand as at 31 December 2019, respectively).

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

16. NON-CURRENT ASSETS HELD FOR SALE

At 31 December 2020 and 2019 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 (As at 31 December 2019, recognized impairment losses of EUR 244 thousand). In 2020, liquidation proceedings were initiated against UAB Palangos Varūna.

17. PREPAYMENTS

At 31 December prepayments consisted of the following:

	GROUP		COMPANY	
	2020	2019	2020	2019
Prepayments	2 575	2 331	1 310	1 256
Less non-current portion of prepayments	(1 465)	(940)	(230)	(200)
Current portion of prepayments	1 110	1 391	1 080	1 056

The major share of prepayments are prepayments to suppliers for goods and deposits related to internet sales, 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:	2020	2019	2020	2019
Trade and other receivables	2 147	2 139	11 821	13 359
Cash and cash equivalents	26 209	6 712	19 863	4 557
Total	28 356	8 851	31 684	17 916
	Category - at fair value		Category - at fair value	
Shares of Verslo Trikampis UAB (level 2)	2 400	2 200	2 400	2 200
Long-term Government bonds (level 1)	732	732	732	732
Total	3 132	2 932	3 132	2 932
Total financial assets	31 488	11 783	34 816	20 848

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*.

In 2020, the Group and the Company recognized in profit EUR 200 thousand of increase in value of investments in shares of UAB Verslo Trikampis (EUR 200 thousand in 2019).

	GROUP		COMPANY	
	Category - Financial liabilities measured at amortised cost		Category - Financial liabilities measured at amortised cost	
	2020	2019	2020	2019
Liabilities as per statement of financial position:				
Borrowings	500	800	8 668	4 525
Lease liabilities	66 694	69 776	25 890	26 333
Trade and other payables	9 956	13 190	3 444	4 030
Total	77 150	83 766	38 002	34 888

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

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

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

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

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

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	
	2020	2019	2020	2019
Financial assets at fair value*	732	732	732	732
Trade and other receivables with no history of counterparty defaults	2 147	1 877	1 024	702
Receivables from related parties (note 28)	-	262	10 797	12 657
Cash at bank or their parent companies that have high credit ratings (cash on hand or in transit is excluded)	24 522	4 579	19 830	4 093
Total	27 401	7 450	32 383	18 184

* Figures for 2019 were reclassified, investment in Verslo trikampis UAB was withdrawn.

20. TRADE AND OTHER RECEIVABLES

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Trade receivables from subsidiaries (note 28)	-	-	8 557	6 940
Loans to subsidiaries (note 28)	-	-	2 240	5 455
Loans and other receivables from related parties (note 28)	-	262	-	262
Trade receivables from unrelated parties	361	964	95	150
Advance income tax	70	457	41	457
Other receivables	1 716	456	888	95
Total	2 147	2 139	11 821	13 359
Less non-current portion of other receivables	(4)	(4)	(4)	(4)
Current portion	2 143	2 135	11 817	13 355

There were no expected significant credit lossess identified and, consequently, no allowance was accounted for as at 31 December 2020 and 2019. There were no receivables past due in 2019 and 2020, except receivables from related party of EUR 248 thousand in 2019, for which allowance was not formed. This EUR 248 thousand amount was repaid to the Company in 2020.

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 2020 is 1.5 per cent (2019: 1.5 per cent), maturity date – 31 December 2021 (2019: 31 December 2020).

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

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

21. CASH AND CASH EQUIVALENTS

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Cash at bank	24 522	4 579	19 830	4 093
Cash on hand	189	467	39	148
Cash in transit	1 498	1 666	(6)	316
Total	26 209	6 712	19 863	4 557

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 2020, the cash balances of the Group and the Company in the pledged accounts amounted to EUR 19 830 thousand (2019: EUR 4 093 thousand) (Note 24).

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Cash and cash equivalents	26 209	6 712	19 863	4 557
Total	26 209	6 712	19 863	4 557

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	
	2020	2019	2020	2019
A+	24 504	4 561	19 830	4 093
BBB+	18	18	-	-
Total	24 522	4 579	19 830	4 093

22. SHARE CAPITAL

At 31 December 2020 issued share capital of the Company consisted of 55 291 960 (2018 and 2019: 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 2020 and 2019. The Company did not hold its own shares as of 31 December 2020 and 2019.

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 2020 and 31 December 2019).

On 30 April 2020 the Company's shareholders' meeting decided not to pay out dividends (On 30 April 2019 the Company's shareholders' meeting decided to pay out EUR 7 188 thousand in dividends).

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

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

24. BORROWINGS

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Long term borrowings				
Bank credit lines and loans	200	500	200	500
Total	200	500	200	500
Short term borrowings				
Bank credit lines and loans	300	300	300	300
Borrowings from subsidiaries	-	-	8 168	3 725
Total	300	300	8 468	4 025
Total borrowings	500	800	8 668	4 525

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	
	2020	2019	2020	2019
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.

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

The Group's and the Company's borrowing facilities contracted but undrawn as at the end of the reporting period were EUR 21 137 thousand (2019: EUR 20 833 thousand).

25. Trade and other payables

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

	GROUP		COMPANY	
	2020	2019	2020	2019
Payables to subsidiaries	-	-	-	84
Payables to other related parties	106	16	106	100
Trade payables	5 896	8 256	1 596	2 639
Employee benefits and related payables	2 821	4 718	1 475	2 451
Contract liabilities	364	344	119	111
Refund liabilities	471	386	100	85
Taxes payable	1 854	3 646	335	1 127
Accrued expenses and other payables	3 483	4 532	1 642	1 122
Total	14 995	21 898	5 373	7 719

(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 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

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

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

Based on the calculations performed the management concluded that impairment in the amount of EUR 1 019 thousand for the Group (As at 31 December 2019: EUR 450 thousand) and EUR 528 thousand for the Company (As at 31 December 2019: EUR 64 thousand) should be recorded against right-of-use assets in the statement of financial position as at 31 December 2020. The Group in 2020 have recognised the impairment loss of right-of-use assets of EUR 569 thousand (EUR 180 thousand in 2019), the Company have recognised the impairment loss of right-of-use assets of EUR 464 thousand (did not recognized in 2019). Impairment of right-of-use assets is recognized in the statement of comprehensive income under selling costs.

If 5 per cent of the EBITDA growth rate would be used for the calculation of future cash flows in 2020 and in later years, the Group and the Company in 2020 would have recognised by EUR 329 thousand and EUR 130 thousand higher impairment loss against right-of-use assets (2019: EUR 45 thousand and EUR 19 thousand).

If the estimated pre-tax discount rate applied to the discounted cash flows for cash generating units had been 1 per cent higher than management estimates (for example 13 per cent instead of 12 per cent), the Group and the Company in 2020 would have recognised by EUR 61 thousand and EUR 2 thousand higher impairment loss against right-of-use assets (2019: EUR 11 thousand and EUR 4 thousand)

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 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

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

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

The following are the amounts recognized in profit or loss:

	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

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

The Company/Group has lease contracts for Premises that contains variable payments based on the turnover of stores located in those Premises. Management's objective is to align the lease expense with the revenue earned. The following provides information on the Company's/Group's variable lease payments in 2020, 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 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
Year ended 31 December 2019						
Variable rent with minimum payment	12 050	3 185	15 235	3 824	1 123	4 947
Variable rent only	-	2 665	2 665	-	701	701
Total	12 050	5 850	17 900	3 824	1 824	5 648

27. TAX LIABILITIES

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 24 months. TLA for the total amount of EUR 12.8 million were concluded in 2020 for the Group and EUR 6.0 million for the Company. Part of the amount (EUR 0.2 million) was paid in 2020. At the end of the 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. During 2021, the share of TLA payable is EUR 5.0 million for the Group (EUR 2.2 million for the Company). The remaining EUR 7.6 million will have to be paid by the Group by March 2023 (EUR 3.8 million by the Company by September 2020).

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.

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

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	
	2020	2019	2020	2019	2020	2019	2020	2019
UAB Koncernas MG Baltic (the ultimate parent company)	14	12	-	-	-	-	118	111
As per ultimate parent company associated companies:								
UAB Mineraliniai vandenys	-	-	-	-	-	-	20	18
UAB MG Baltic Investment	5	5	-	-	-	-	53	53
UAB DARNU GROUP	-	-	-	-	-	-	8	-
UAB Palangos Varūna	-	-	-	248	-	-	-	-
LNK Group	3	-	-	14	29	20	42	13
UAB Eminta	84	83	-	-	-	-	638	835
UAB MGVT	-	-	-	-	-	-	-	3
Total	106	100	-	262	29	20	879	1 033

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	
	2020	2019	2020	2019	2020	2019	2020	2019
UAB Apranga LT	4 524	1 903	13	-	2 330	3 307	82	77
UAB Apranga BPB LT	1 175	261	2	-	375	615	11	17
UAB Apranga PLT	659	302	1	-	313	255	8	11
UAB Apranga SLT	491	347	-	-	325	456	11	16
UAB Apranga MLT	897	594	-	-	468	962	23	26
UAB Apranga HLT	331	83	-	6	88	76	25	3
UAB Apranga OLT	107	97	2	1	85	36	3	2
UAB Apranga Ecom LT	-	3	-	-	-	-	-	-
SIA Apranga	-	-	5 251	4 535	9 134	12 659	100	71
SIA Apranga LV	-	8	53	816	1 445	1 549	42	39
SIA Apranga BPB LV	-	1	3	250	70	107	3	4
SIA Apranga PLV	-	1	163	489	66	190	3	2
SIA Apranga SLV	-	-	3	501	60	62	3	3
SIA Apranga MLV	-	-	295	1 072	174	175	13	10
SIA Apranga HLV	-	-	61	323	40	14	-	-
SIA Apranga OLV	-	-	294	475	38	28	-	-
SIA Apranga Ecom LV	-	-	-	-	-	1	-	-
OU Apranga	-	-	3 191	2 381	5 237	6 107	20	29
OU Apranga Estonia	-	11	518	1 414	381	1 273	29	37
OU Apranga BEE	-	55	67	-	243	220	2	5
OU Apranga PB Trade	-	24	723	-	51	200	3	4
OU Apranga ST Retail	-	42	111	-	233	130	3	7
OU Apranga MDE	-	73	6	2	287	337	6	6
OU Apranga HEST	-	-	40	130	39	35	-	-
OU Apranga Ecom EE	3	4	-	-	-	-	-	-
Total	8 187	3 809	10 797	12 395	21 482	28 794	390	369

Prevailing types of intra-group transactions are centralised supplies of goods for resale, management service fees, centralised purchasing of services (telecommunications, IT, utilities and etc.), financing, distribution of earnings. Dividend income in amount of EUR 4 000 thousand received from the subsidiaries in 2020 is presented in '*Income received*' together with other income (2019: EUR 6 840 thousand). This article also accounted for sales of goods to subsidiaries SIA Apranga and OU Apranga, which in 2020 amounted to EUR 8 155 thousand and EUR 4 664 thousand respectively (EUR 11 103 thousand and EUR 5 431 thousand in 2019, 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.

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

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 2020 (7 members of the key management as at 31 December 2019). 3 of them also belong to the Management Board, which consists of 6 members.

	GROUP		COMPANY	
	2020	2019	2020	2019
Remuneration	1 674	1 879	1 599	1 807
Social security	18	22	17	21
Average number of key managers	7	7	7	7

On 30 April 2020 and on 30 April 2019 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 2020 and 2019 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 2020 guarantees issued by the credit institutions on behalf of the Company to secure the obligations of its subsidiaries to their suppliers amounted EUR 14 159 thousand (31 December 2019: EUR 14 362 thousand). The letters of credit and guarantees provided to suppliers by the credit institutions on behalf of the Group as of 31 December 2020 amounted to EUR 15 843 thousand (31 December 2019: EUR 16 167 thousand).

As of 31 December 2020 and 2019 the Company had no guarantees to the credit institutions issued to secure the obligations of subsidiaries. As of 31 December 2020 the Company's guarantees issued to secure the obligations of its subsidiaries to their suppliers totalled EUR 818 thousand (31 December 2019: EUR 792 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 2020 and 31 December 2019.

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 2022 and are firmly and irrevocably granted so that the Group waived the right that it might have to revoke them.

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

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

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 2022 by virtue of which INDITEX Group might acquire the lease rights and might become lessee in all or part of the lease agreements for the premises where ZARA, ZARA HOME, BERSHKA, PULL AND BEAR, STRADIVARIUS, MASSIMO DUTTI and OYSHO stores are located.

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

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

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

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

	Group		Company	
	2020	2019	2020	2019
Lease payable within:				
One year	5 424	5 578	177	236
From second to fifth year	18 003	18 677	167	344
Thereafter	9 234	11 693	-	-
Total	32 661	35 948	344	580

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

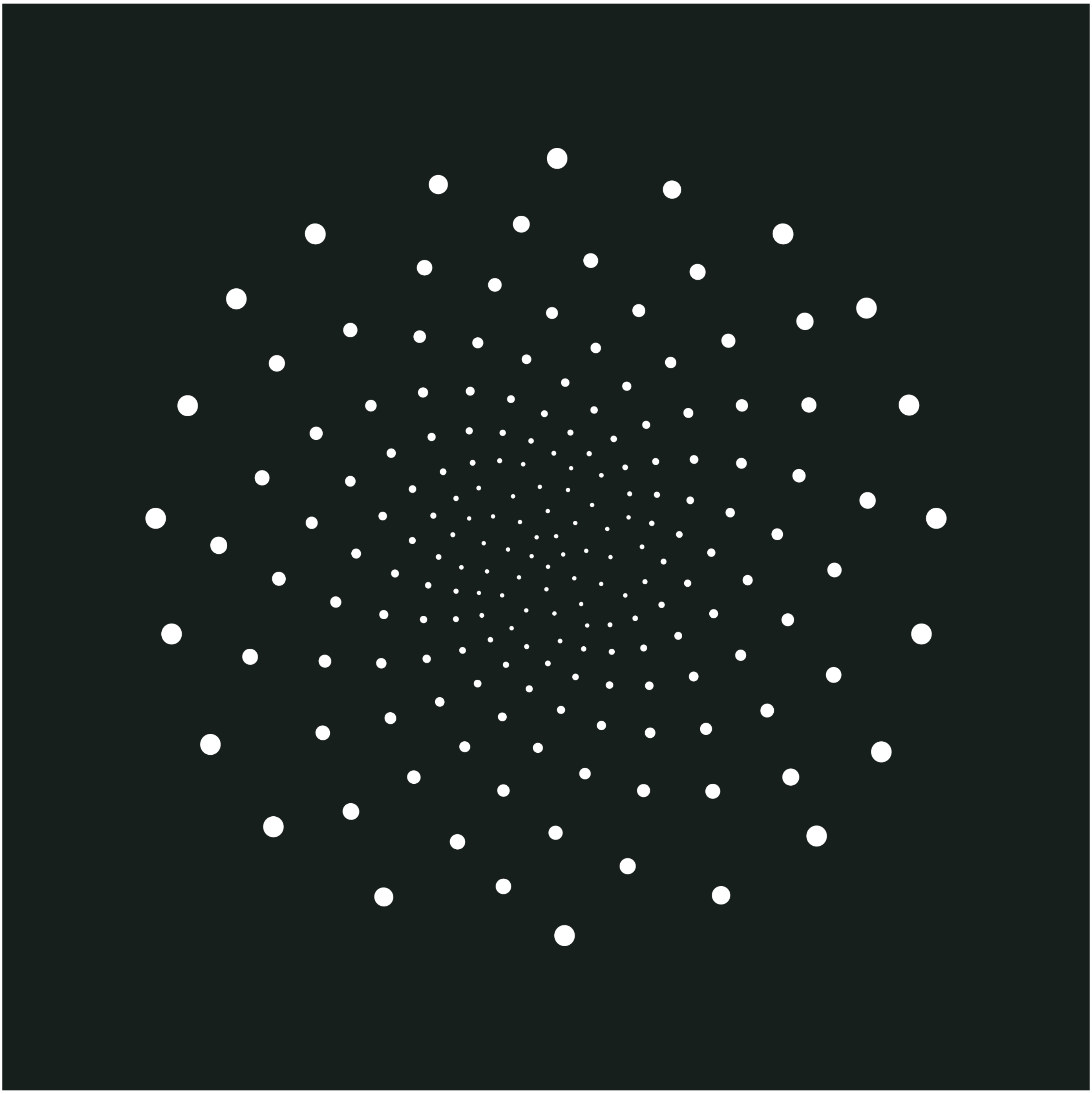
Based on historical information and numerous extentions of the cooperation agreements and terms of cooperation the management of the Group believes that the agreement parties will not use any above options.

30. EVENTS AFTER THE REPORTING PERIOD

In accordance with the resolutions of the Government of the Republic of Estonia, the Republic of Estonia has introduced new restrictions due to the aggravation of the situation related to Covid-19. From 6th March 2021 the Republic of Estonia bans the operation of stores on weekends, and from 11th March 2021 - all stores of the Group are temporarily closed.

In the Republic of Lithuania, after the improvement of the epidemiological situation, stores with a separate entrance from the outside and a sales area not exceeding 300 square meters have been open since 15 February 2021. Stores with a separate entrance from the outside and a sales area exceeding 300 square meters have been open since 15 March 2021.

Due to uncertainty of the situation, and the unknown coronavirus effect to the countries' economy, and the unknown period of closure of the stores the Group's management cannot evaluate the effect to Group's results in 2021. In spite of that, the management thinks that coronavirus will have a significant negative effect on Group turnover and profit in the 1st and 2nd quarter of 2021.



APRANGA

GROUP

APB APRANGA

Consolidated Annual Report

For the year ended 31 December 2020

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

1. GENERAL INFORMATION

Consolidated annual report is prepared for the year ended 31 December 2020.

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 2020 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 2020:

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 2020, operational priorities have been significantly changed by the impact of the 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 and quickly restore sales volumes after the first phase of closure in the spring.

2.1 RETAIL MARKET OVERVIEW

The turnover of the retail chain operated by Apranga Group was EUR 204.2 million (incl. VAT) in 2020, and decreased by 17.6% comparing to the year 2019.

Based on the Government of the Republic of Lithuania act regarding quarantine declaration, from 16th March 2020 until 18th April 2020 all Apranga Group stores in Lithuania were closed due to epidemic coronavirus (COVID-19) infection (stores in supermarkets were closed until 25th April 2020). Also, according to the resolution of the Government of the Republic of Estonia, all Group stores operating in shopping malls in Estonia were closed from 27th March 2020 until 11th May 2020. From 28th March 2020 until 16th May 2020, stores in Latvia operating in shopping malls could not work on weekends. Also, from 16th December 2020, all the Group's stores in Lithuania are temporarily closed. In Latvia, the stores are temporarily closed from 19th December 2020 (until then, from 14th November 2020, trading on weekends was prohibited in Latvia). 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 Baltic States in 2020 grew in all three Baltic countries – from 1% to 5%. Retail sales grew the least in Latvia (+1%) and the highest in Estonia (+5%). European Union (28 countries) retail trade in 2020 increased by 0.3% (2.7% in 2019).

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

Country	12 months 2020	12 months 2019	12 months 2018	2020/2019, %	2020/2018, %
Lithuania	118 336	147 470	133 811	-19,8%	-11,6%
Latvia	52 377	59 363	52 671	-11,8%	-0,6%
Estonia	33 532	41 124	40 158	-18,5%	-16,5%
Total:	204 245	247 957	226 640	-17,6%	-9,9%

In 2020, the turnover of the retail chain operated by Apranga Group amounted to EUR 118.3 million in the main domestic market of Lithuania, or by 19.8% less than in 2019. The share of Lithuanian chain turnover comprised 57.9%, or by 1.6 point less than in 2019.

The retail turnover of the Apranga Group chain in foreign markets (Latvia and Estonia) reached EUR 85.9 million in 2020, or by 14.5% less, than in 2019. The foreign turnover share in total Group's turnover has increased from 40.5% to 42.1% during the year.

The retail turnover of the Group chain in Latvia has made EUR 52.4 million in 2020 and has decreased by 11.8% during the year. The retail turnover of the Group chain in Estonia amounted to EUR 33.5 million and has decreased by 18.5% in comparison to 2019.

The retail turnover of Apranga Group in 2019-2020, by quarters:

	Q1	Q2	Q3	Q4	Year
2020	45 857	40 864	63 765	53 759	204 245
2019	49 800	58 861	66 834	72 462	247 957
Total change, %	-7,9%	-30,6%	-4,6%	-25,8%	-17,6%

The online turnover of the Group's stores in 12 months of 2020 was as follows (EUR thousand, VAT included):

	12 months 2020	12 months 2019	2020/2019, %
Online turnover	24 950	9 579	2.6 times
Relative weight in total turnover	12,2%	3,9%	

The Group's online turnover increased 2.6 times in 12 months of 2020, and its relative weight in total turnover increased from 3.9% to 12.2% 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 2020	12 months 2019	12 months 2018	2020/2019, %	2020/2018, %
Economy[1]	23 240	31 991	30 488	-27,4%	-23,8%
Youth[2]	47 585	57 571	48 679	-17,3%	-2,2%
Footwear	3 893	6 660	6 421	-41,5%	-39,4%
Business[3]	38 216	44 802	39 562	-14,7%	-3,4%
Luxury[4]	22 512	23 416	21 983	-3,9%	2,4%
Zara	59 872	72 507	68 331	-17,4%	-12,4%
Outlets	8 926	11 010	11 176	-18,9%	-20,1%
Total	204 245	247 957	226 640	-17,6%	-9,9%

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

In 2020, the turnover of all chains decreased significantly due to the imposed trade restrictions. And although the turnover of Luxury chain decreased by only 3.9%, such a relatively small decrease in turnover was significantly influenced by the sharp increase in online sales of prestige goods via the international Farfetch platform. After eliminating online sales, the drop in turnover in the physical stores of the Luxury chain was 18.2%.

2.2 DEVELOPMENT AND MODERNIZATION OF THE RETAIL CHAIN

In 2016-2020 the dynamics of the number of stores and sales area was as follows:

	31 12 2016	31 12 2017	31 12 2018	31 12 2019	31 12 2020
The number of stores	183	182	182	186	179
Stores area (thousand sq. m.)	83,6	84,3	82,6	93,8	92,6

During the year 2020 the Group opened 5, renovated 7 and closed 12 stores.

The total sales area operated by the Group during the year 2020 decreased by 1.3% or by 1.2 thousand sq. m.

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

Country	31 12 2020	31 12 2019	31 12 2018	2020/2019, %	2020/2018, %
Lithuania	49,9	51,2	50,1	-2,6%	-0,4%
Latvia	27,0	26,8	18,2	1,0%	48,3%
Estonia	15,6	15,8	14,3	-0,9%	9,4%
Total:	92,6	93,8	82,6	-1,3%	12,0%

In 2020, the Group opened 2 new Orsay stores in Riga and Klaipeda, the first Hugo store in the Baltics in Riga, Weekend Maxmara in Vilnius Old Town and a new concept of 529 sq. m outlet "Outlet space" in the new outlet town "Via Jurmala" in Riga. According to the latest concepts reconstructed Apranga store (1376 sq. m) in Riga, two Mango stores in Vilnius (620 sq. m) and Klaipėda (387 sq. m), Mados linija (467 sq. m) in Klaipėda, Apranga galerija in Šiauliai (388 sq. m), Stradivarius (460 sq. m) store in Klaipėda and City (388 sq. m) store in Riga.

The number of stores by countries was as follows:

Country	31 12 2020	31 12 2019	31 12 2018	2020/2019, %	2020/2018, %
Lithuania	104	108	111	-3,7%	-6,3%
Latvia	48	50	42	-4,0%	14,3%
Estonia	27	28	29	-3,6%	-6,9%
Total:	179	186	182	-3,8%	-1,6%

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

Chain	31 12 2020	31 12 2019	31 12 2018	2020/2019, %	2020/2018, %
Economy	31	33	32	-6,1%	-3,1%
Youth	45	49	45	-8,2%	0,0%
Footwear	13	14	14	-7,1%	-7,1%
Business	41	42	42	-2,4%	-2,4%
Luxury	30	28	29	7,1%	3,4%
Zara	11	11	11	0,0%	0,0%
Outlets	8	9	9	-11,1%	-11,1%
Total	179	186	182	-3,8%	-1,6%

Net investments into development of the chain amounted to EUR 4.4 million in 2020. 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 in May-October, 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.

The Group has earned EUR 6.0 million of *EBT* in 2020, while profit before taxes was EUR 11.0 million in 2019, the decrease by 45.8%.

Management estimates that due to the COVID-19 pandemic and the temporary closure of stores, the Group lost about EUR 58-60 million of turnover (including VAT) and did not earn about 5-6 million of profit before income tax in 2020.

EBITDA (Note 11, Alternative Performance Measures) of the Group totalled EUR 27.3 million in 2020, and it was EUR 31.0 million in corresponding previous year period. EBITDA margin has increased from 15.1% to 16.1% during the year. ROE and ROA ratios decreased to 7.8% and 3.1%, respectively.

Main Group Indicators	2020	2019	2018	2017	2016
Net sales, EUR thousand	169 958	205 005	187 207	182 265	172 592
Net sales in foreign markets, EUR thousand	71 424	83 197	76 740	75 157	70 068
Like-for-like sales, %	-	5,4%	0,4%	0,5%	1,7%
Gross profit, EUR thousand	71 146	89 210	81 010	81 792	78 203
Gross margin, %	41,9%	43,5%	43,3%	44,9%	45,3%
Operating profit, EUR thousand	7 038	11 929	9 199	16 578	13 372
Operating profit margin, %	4,1%	5,8%	4,9%	9,1%	7,7%
EBT, EUR thousand	5 961	10 994	9 266	16 555	13 340
EBT margin, %	3,5%	5,4%	4,9%	9,1%	7,7%
Profit (loss) for the period, EUR thousand	4 936	9 240	7 565	13 875	11 160
Profit (loss) for the period margin, %	2,9%	4,5%	4,0%	7,6%	6,5%
EBITDA, EUR thousand	27 340	31 006	15 563	23 075	19 529
EBITDA margin, %	16,1%	15,1%	8,3%	12,7%	11,3%
Earnings (losses) per share (EPS), EUR	0,09	0,17	0,14	0,25	0,20
Price-to-Earnings ratio (P/E), times	23,6	12,6	11,7	10,2	12,7
Dividend / Profit for the period*, %	0,0%	0,0%	95,0%	63,8%	79,3%
Return on equity (end of the period), %	7,8%	15,8%	13,3%	23,7%	20,8%
Return on assets (end of the period), %	3,1%	6,0%	9,6%	17,4%	15,6%
Net debt to equity, %	-28,5%	-10,1%	-10,4%	-10,9%	-9,3%
Current ratio, times	1,9	1,4	2,7	2,9	2,8

The *operating expenses* of the Group totalled EUR 64.1 million during 2020 and decreased by 17.0%, comparing to the same period 2019. Thus, operating expenses decreased in line with sales, which dropped by 17.1%. The Group had EUR 0.5 million of financial debts at the end of the reporting period (EUR 0.8 million at the end of the year 2019).

Main Group Indicators	2020	2019	Change
Net sales, EUR thousand	169 958	205 005	-17,1%
Net sales in foreign markets, EUR thousand	71 424	83 197	-14,2%
Gross profit, EUR thousand	71 146	89 210	-20,2%
Operating expenses	(64 108)	(77 281)	-17,0%
Operating profit, EUR thousand	7 038	11 929	-41,0%
EBT, EUR thousand	5 961	10 994	-45,8%
Net profit (losses), EUR thousand	4 936	9 240	-46,6%
EBITDA, EUR thousand	27 340	31 006	-11,8%

The Group's level of inventories during the year decreased by 11.6% (the decrease from EUR 40.1 million to EUR 35.4 million). Company's inventories decreased by 6.5%. Inventories declined due to timely stopped the purchases of new goods following the COVID-19 pandemic.

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

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

2.4 PERSONNEL

The number of employees on 31 December 2020 and average salary by categories in 2020 were as follows:

	Group	Company	Group	Company
Employee category	Number of employees		Average monthly salary, EUR	
Administration	178	116	2 238	3 235
Stores' personnel	1 718	506	612	993
Logistics	60	60	1 216	1 216
Total	1 956	682	759	1 383

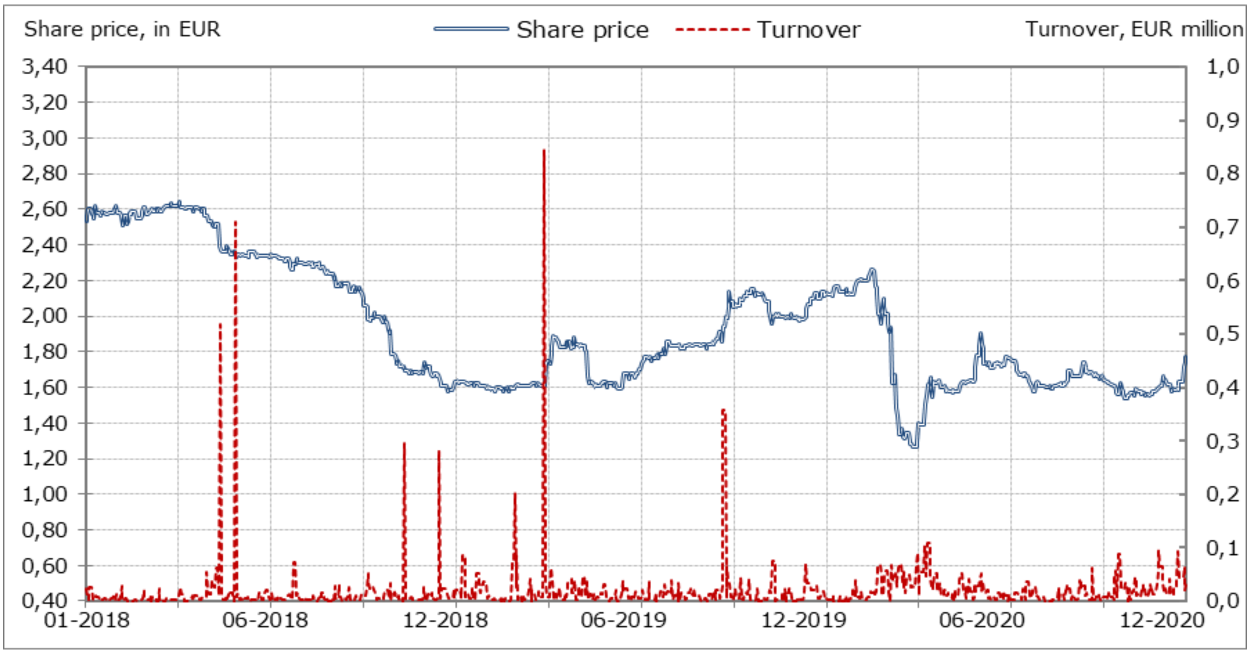
In 2020 the number of employees in the Group and the Company has decreased by 411 (-17.4%) and decreased by 115 (-14.4%) people respectively. The number of employees by education level on 31 December 2020 was as follows:

Education level	Group	Company
Higher	427	232
Professional	271	129
Secondary	413	126
Primary	27	2
Student	818	193
Total:	1 956	682

2.5 TRADING INFORMATION

The price of the Company share during the year 2020 decreased by 15% from EUR 2.11 per share (the maximum share price during the year was EUR 2.29 per share) to EUR 1.80 per share (the minimum share price during the year was EUR 1.25 per share). In this way, the market capitalization of the Company decreased from EUR 117 million at the beginning of the year to EUR 100 million at the end of December 2020. The weighted average price of share during the year 2020 was EUR 1.65 per 1 share. Company's share turnover was EUR 8.6 million during the year.

Company share price and share turnover during the period 2018-2020:



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

Company and OMX Baltic Benchmark GI index change for the period 2016-2020:

INDEX | EQUITY	OPENING VALUE	CLOSING VALUE	CHANGE %
OMX_Baltic_Benchmark_GI	648.32	1,104.74	+70.4
APG1L - Apranga	2.58	1.8	-30.23

3. OPERATING PLANS

Due to the crisis caused by COVID-19, the approval of the Group's plans for 2021 by the Board is temporarily suspended until the trends of the coronovirus crisis are unclear and until the opening dates of the temporarily closed main stores in Lithuania, Latvia and Estonia are unclear.

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. In 2020, the Group's total electricity costs decreased significantly, but this was mainly due to the forced closure of part or all of the stores due to the epidemiological situation.

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

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 2020 Consolidated Social Responsibility Report.

6. CONSOLIDATION

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

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

7. SECURITIES

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

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

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

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

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

At 31 December 2020 the Company had 3 567 shareholders. Company's shareholders which owned or had under management more than 5% of share capital were as follows:

Shareholder	Enterprise code	Address	Number of shares	% of total ownership
UAB MG Baltic Investment	123249022	Jasinskio 16B, Vilnius, Lithuania	34 442 189	62,3%
UAB Minvista	110685692	Jasinskio 16, Vilnius, Lithuania	6 671 838	12,1%
Swedbank AS (Estonia) clients	10060701	Liivalaia 8 Tallinn, Estonia	3 256 899	5,9%

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

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

8. GOVERNANCE REPORT

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

9. CONSOLIDATED SOCIAL RESPONSIBILITY REPORT

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

10. 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. The Members of the Management Board of the Company are not 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 are not additionally encouraged, 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	-	-	-	
Marijus Strončikas	Member of the Board	-	-	-	
Rimantas Perveneckas	Member of the Board, General Director	208	222	430	52%
Ilona Simkuniene	Member of the Board, Purchasing Director	127	139	265	52%
Ramunas Gaidamavicius	Member of the Board, Development Director	93	111	204	54%

Annual remuneration and Group's performance in 2016-2020:

	2020	2019*	2018	2017	2016
Remuneration, EUR thousand					
Rimantas Perveneckas	430	477	298	427	362
Ilona Šimkūnienė	265	298	201	269	238
Ramūnas Gaidamavičius	204	233	149	209	178
Average Employee Total Remuneration Costs	9,9	11,8	9,4	9,0	8,7
Group performance					
Net sales, EUR thousand	170 231	205 005	187 207	182 265	172 592
EBT, EUR thousand	5 961	10 994	9 266	16 555	13 340
EBITDA margin, %	16,1%	15,1%	8,3%	12,7%	11,3%

** 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, Apranga APB provides an overview of the Alternative Performance Measures (APM) used, their definition and calculation on Apranga APB website at: https://aprangagroup.lt/en/investors/investor-relations/alternative-performance-measures

12. PUBLICLY ANNOUNCED INFORMATION

The Company in 2020 publicly announced and broadcasted through Nasdaq Vilnius Globe Newswire and own webpage the following information:

Date	Title
2020-01-02	Turnover of Apranga Group in December 2019 and total year 2019
2020-01-06	Apranga Group extends successful collaboration with Inditex
2020-02-03	Turnover of Apranga Group in January 2020
2020-02-07	Regarding the Results of Investigation Completed by the Supervision Service of the Bank of Lithuania
2020-02-27	Apranga Group interim information for 12 months of 2019
2020-02-28	Apranga Group opens first Hugo store in the Baltic States

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

2020-03-02	Turnover of Apranga Group in February 2020
2020-03-16	Situation regarding coronavirus (COVID-19) effect to Apranga Group
2020-04-01	Turnover of Apranga Group
2020-04-01	CORRECTION: Apranga Group investor's calendar for the year 2020
2020-04-07	Notice of the Annual General Meeting of APB "APRANGA" shareholders
2020-04-07	Draft resolutions of the Annual General Meeting of APB APRANGA shareholders to be held on April 30th, 2020
2020-04-28	Apranga Group interim report for three months of 2020
2020-04-30	Resolutions of the Annual General Meeting of Apranga APB shareholders
2020-04-30	Apranga APB annual information 2019
2020-06-01	Notification on manager's transactions
2020-06-04	Notification on manager's transactions
2020-06-04	Notification on manager's transactions
2020-06-04	Notification on manager's related party transactions
2020-07-01	Turnover of Apranga Group
2020-07-30	Apranga Group interim information for the six months of 2020
2020-08-03	Turnover of Apranga Group in July 2020
2020-08-31	Notification on manager's transactions
2020-09-01	Notification on manager's related party transactions
2020-09-01	Notification on manager's transactions
2020-09-01	Turnover of Apranga Group in August 2020
2020-09-16	Notification on manager's related party transactions
2020-09-18	Notification on manager's related party transactions
2020-09-18	Notification on manager's related party transactions
2020-09-22	Notification on manager's related party transactions
2020-09-23	Notification on manager's related party transactions
2020-09-29	Notification on manager's related party transactions
2020-10-01	Turnover of Apranga Group in September 2020
2020-10-29	Apranga Group interim information for the 9 months of 2020
2020-11-03	Turnover of Apranga Group in October 2020
2020-11-09	Notification on manager's related party transactions
2020-11-09	Notification on manager's transactions
2020-11-10	Notification on manager's related party transactions
2020-11-10	Notification on manager's transactions
2020-12-01	Turnover of Apranga Group in November 2020
2020-12-21	Notification on manager's related party transactions
2020-12-21	Notification on manager's transactions
2020-12-22	Notification on manager's related party transactions
2020-12-23	Notification on manager's related party transactions
2020-12-28	Notification on manager's related party transactions
2020-12-29	Notification on manager's related party transactions
2020-12-30	Apranga Group investor's calendar for the year 2021
2020-12-30	Notification on manager's related party transactions
2020-12-31	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

2020 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. The economic forecasts for 2020 have been greatly adjusted by epidemiological threats identified at the beginning of the year, which have significantly affected the economies around the world. The retail sector was amongst those that were hit hardest, therefore it is only natural that previous year's expectations did not match the real situation and the results were lower. In 2021, the actions related to pandemic management (testing, vaccination) will be key for economic recovery. Britain's withdrawal from the European Union is also seen as a risk factor, but the fact that the process has already been completed allows for better and more accurate forecasts in respect of circumstances relevant the Group (relations with partners, supply chains, etc.). 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 Group will soften.

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.

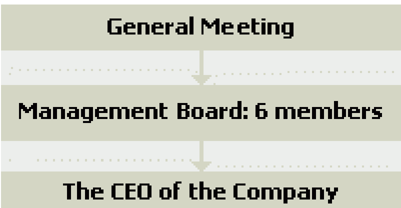
<u>The main features of the Group's internal control and risk management systems related to preparation of consolidated financial statements.</u>

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

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

CORPORATE GOVERNANCE

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



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

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

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

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

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

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

The Board analyses and assesses the documents submitted by the Manager of the Company on:
1) The implementation of the activity strategy of the Company;
2) The organisation of the activities of the Company;
3) Financial standing of the Company;
4) The results of economic activities, income and cost estimates, the stocktaking data and other accounting data of changes in the assets.

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

Each member of the Board is entitled to initiate convening of the Board meeting. The Board may adopt resolutions and its meeting shall be deemed to have taken place when the meeting is attended by 2/3 and more of the members of the Board. The resolution of the Board is adopted if more votes for it are received than the votes against it. In the event of a tie, the Chairman of the Board shall have the casting vote. The member of the Board is not entitled to vote when the meeting of the Board discusses the issue related to his/her activities on the Board or the issue of his/her responsibility.
The Manager of the Company – General Director - is a single-person management body of the Company. The Manager of the Company acts at his/her own discretion in relation of the Company with other persons.

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

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

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

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

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

MANAGEMENT OF THE COMPANY

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

BOARD OF THE COMPANY

Darius Mockus
Chairman of the Board

Darius Mockus (born in 1965) - Chairman of the Board since 2 May 2002 (Member of the Board since 23 March 1995). Education: Vilnius University, Faculty of Economics, Industrial Planning. He has no Company shares. With related companies Minvista UAB (Code of Enterprise: 110685692; Registered office: Jasinskio 16, Vilnius) and MG Baltic Investment UAB (Code of Enterprise: 123249022; Registered office: Jasinskio 16B, Vilnius) he has 41 114 027 shares, representing 74.36% of the share capital and votes.

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

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
UAB Koncernas MG Baltic	125459336	J. Jasinskio g. 16, Vilnius, Lithuania	President - the main position
UAB MV GROUP	125313192	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	Ąžuolyno g. 7, Vilnius, Lithuania	Chairman of the Board

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

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

Rimantas Perveneckas
Member of the Board, General Director

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

Ilona Šimkūnienė
Member of the Board, Purchasing Director

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

Information on positions in other companies:

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

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

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 221 300 shares of the Company, representing 0.40% of the share capital and votes.

Information on current management positions in other companies:

Company name	Company code	Registered office	Current position
UAB Koncernas MG Baltic	125459336	J. Jasinskio g. 16, Vilnius, Lithuania	Economics and Finance Director - the main position
UAB MG Baltic Investment	123249022	J. Jasinskio g. 16, Vilnius, Lithuania	General Director
UAB Eminta	303140423	J. Jasinskio g. 16, Vilnius, Lithuania	Director
UAB Euvalda	123248988	J. Jasinskio g. 16, Vilnius, Lithuania	Director
UAB MG Baltic Media	211616910	J. Jasinskio g. 16, Vilnius, Lithuania	General Director
UAB Minvista	110685692	J. Jasinskio g. 16, Vilnius, Lithuania	Director
UAB Mineraliniai vandenys	121702328	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
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	Ąžuolyno g. 7, Vilnius, Lithuania	Member of the Board

Has no shareholdings in other companies above 5%.

Marijus Strončikas
Member of the Board

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

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

Information on current management positions in other companies:

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

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

Ramūnas Gaidamavičius
Member of the Board, Development Director

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

Information on positions in other companies:

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

Has no shareholdings in other companies above 5%.

MANAGEMENT OF THE COMPANY AND THE GROUP

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

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

** with related parties*

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

Information about CFO of the Company and the Group:

Saulius Bačauskas
Chief Financial Officer

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

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

Has no shareholdings in other companies above 5%.

AUDIT COMMITTEE

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

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

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

In 2020, 2 Audit Committee meetings were held. Both meetings were attended by all three Audit Committee members. Following issues were discussed during the meetings of the Committee: the 2018 investigation conducted by the Supervision Service of the Bank of Lithuania; discussing the notes of the external auditors' to the financial statements for 2019; planned for 2020 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 2020.

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 2020, no amendments were made to the Company's Articles of Association.

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

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

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 2020, APB Apranga had 3 567 shareholders. The main parent company, whose financial statements are made public, is UAB Koncernas MG Baltic. The main person controlling the Group is Mr. D. J. Mockus, who, together with related companies, holds 41 114 027 APB Apranga shares, accounting for 74.36% of the authorized capital and total votes.

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

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

Structured table for disclosure:

PRINCIPLES/ RECOMMENDATIONS	YES / NO/ NOT APPLICABLE	COMMENTARY
Principle 1: General meeting of shareholders, equitable treatment of shareholders, and shareholders' rights **The corporate governance framework should ensure the equitable treatment of all shareholders. The corporate governance framework should protect the rights of shareholders.**		
1.1. All shareholders should be provided with access to the information and/or documents established in the legal acts on equal terms. All shareholders should be furnished with equal opportunity to participate in the decision-making process where significant corporate matters are discussed.	Yes	The Company adheres to the Information Disclosure Guidelines and provides important information to investors in a timely, accurate, clear and comprehensive manner on its website https://aprangagroup.lt/lt/investuotojams, in the Nasdaq Vilnius Information Disclosure System, in the Central Storage Facility, and in presentations to investors by the manager and senior management of the Company, thus providing equal access to it to all of the Company's shareholders. The Company complies with the requirements provided in the Law on Companies concerning the right of shareholders to information and the provision thereof. The Company adheres to the decision-making procedures prescribed to the competence of the general meeting of shareholders by the Law on Companies as well as the Company's articles of association, and gives shareholders equal opportunities to vote on the adoption of relevant decisions at general meetings of shareholders (it is permitted to vote by completing a ballot, represent a shareholder by proxy, etc.; information about upcoming general meetings of shareholders and related material is also published in English).
1.2. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all of their holders.	Yes	The Company's capital only consists of ordinary registered intangible shares, which grant each shareholder equal voting, ownership, dividend and other rights, depending on the number of shares held.
1.3. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The Company provides information concerning the rights attached to newly or previously issued shares in preliminary prospectuses, in its annual and interim reports, and on its website.
1.4. Exclusive transactions that are particularly important to the company, such as transfer of all or almost all assets of the company which in principle would mean the transfer of the company, should be subject to approval of the general meeting of shareholders.	No	Decisions on the transfer, lease, investment, pledge or mortgage of fixed assets with a book value of more than 1/20 of the authorized capital in accordance with the Company's articles of association, which were approved by decision the general meeting of shareholders, are taken by the Company's management board. The competence of the general meeting of shareholders provided for in the Company's articles of association does not differ from its competence as provided for in the Law on Companies. In any event, under the Law on Companies, approval of the general meeting of shareholders does not relieve the management board of responsibility for decisions made.
1.5. Procedures for convening and conducting a general meeting of shareholders should provide shareholders with equal opportunities to participate in the general meeting of shareholders and should not prejudice the rights and interests of shareholders. The chosen venue, date and time of the general meeting of shareholders should not prevent active participation of shareholders at the general meeting. In the notice of the general meeting of shareholders being convened, the company should specify the last day on which the proposed draft decisions should be submitted at the latest.	Yes	Shareholders are informed about upcoming general meetings of shareholders in accordance with the requirements of legislation and the Company's articles of association – adhering to the notification deadlines and methods and means of announcement. The opportunity to participate in the meeting is supplemented by the option of voting by ballot or authorizing another person to represent the shareholder. All shareholders are also notified about upcoming general meetings of shareholders in advance on the Investor Calendar. The general meeting of shareholders is always held at the Company's headquarters. A working day is always chosen for the date, and the time is always during the first half of the day or around lunchtime, so public transport can also be used to attend. In the notice of the general meeting of shareholders being convened, the Company does not restrict the right of shareholders to

		submit new draft decisions either before or during the meeting, and this is clearly stated in the notice of the general meeting of shareholders being convened in both Lithuanian and English.
1.6. With a view to ensure the right of shareholders living abroad to access the information, it is recommended, where possible, that documents prepared for the general meeting of shareholders in advance should be announced publicly not only in Lithuanian language but also in English and/or other foreign languages in advance. It is recommended that the minutes of the general meeting of shareholders after the signing thereof and/or adopted decisions should be made available publicly not only in Lithuanian language but also in English and/or other foreign languages. It is recommended that this information should be placed on the website of the company. Such documents may be published to the extent that their public disclosure is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	The notice of the general meeting of shareholders being convened, draft decisions, the general voting ballot, and other related documents (for example, when amending the articles of association – the articles of association and the proposed amendments) are published/presented not only in Lithuanian, but in English as well (thus far, there has not been a need to prepare documents in other foreign languages). Minutes of the general meeting of shareholders (decisions taken during the meeting) are also published on the Company's website in English (for example: https://aprangagroup.lt/en/investors/corporate-governance/shareholders-meetings/3755-resolutions-of-the-annual-general-meeting-of-apranga-apb-shareholders-9)
1.7. Shareholders who are entitled to vote should be furnished with the opportunity to vote at the general meeting of shareholders both in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	Shareholders are furnished with these opportunities – information is provided about them in advance in the notice of the general meeting of shareholders being convened. The general voting ballot can also be completed in English.
1.8. With a view to increasing the shareholders' opportunities to participate effectively at general meetings of shareholders, it is recommended that companies should apply modern technologies on a wider scale and thus provide shareholders with the conditions to participate and vote in general meetings of shareholders via electronic means of communication. In such cases the security of transmitted information must be ensured and it must be possible to identify the participating and voting person.	No	Shareholders are not yet provided with these conditions because the security of transmitted information and identification of the participating and voting person must first be ensured by necessary and proportionate means. The Company has not yet introduced such electronic means of communication. We believe that these opportunities to vote at the meeting: - voting in person at the meeting; - voting by proxy; - voting upon concluding a voting trust agreement; voting in advance by completing the general voting ballot (in English as well), including its transmission to the Company via electronic means of communication; are versatile and sufficient, 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/No	If these issues are on the agenda of the general meeting of shareholders, new candidatures of members of the collegial body and the proposed audit company are specified in the draft decisions of the general meeting of shareholders. All candidates for members of the Company's collegial body also inform the general meeting of shareholders what position they hold and where, and how their other activities are related to the Company and other legal entities related to the Company, as defined in Article 19(9) of the Law on Companies. The last time the management board and/or members thereof were elected was during the 2018 annual general meeting of shareholders, and there were not yet any recommendations to disclose their proposed remuneration. In addition, according to the Remuneration Policy currently approved by the General Meeting of Shareholders of the Company, the members of the management board are not additionally remunerated for their work in the Board. Proposed candidates for members of the collegial body usually provide information about their educational

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

		background and work experience during the meeting, when introducing themselves to the shareholders.
1.10. Members of the company's collegial management body, heads of the administration[1] or other competent persons related to the company who can provide information related to the agenda of the general meeting of shareholders should take part in the general meeting of shareholders. Proposed candidates to member of the collegial body should also participate in the general meeting of shareholders in case the election of new members is included into the agenda of the general meeting of shareholders.	Yes	Members of the Company's collegial body, heads of the administration, or other competent persons related to the Company take part in the general meeting of shareholders if they can provide information related to the agenda of the general meeting of shareholders. Proposed candidates for members of the collegial body also participate whenever possible.

Principle 2: Supervisory board

2.1. Functions and liability of the supervisory board

The supervisory board of the company should ensure representation of the interests of the company and its shareholders, accountability of this body to the shareholders and objective monitoring of the company's operations and its management bodies as well as constantly provide recommendations to the management bodies of the company.

The supervisory board should ensure the integrity and transparency of the company's financial accounting and control system.

2.1.1. Members of the supervisory board should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders and represent their interests, having regard to the interests of employees and public welfare.	Not applicable	A supervisory board is not formed at the Company. The formation of a supervisory board or the Company's management board performing the supervisory functions provided for in Article 34(11) of the Law on Companies will be considered and decided by the end of the term of office of the current management board, which was legally elected and is operating at the Company in accordance with the legislative requirements in force at the time of the election of the management board, i.e. by the annual general meeting of shareholders that will take place in 2022.
2.1.2. Where decisions of the supervisory board may have a different effect on the interests of the company's shareholders, the supervisory board should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed about the company's strategy, risk management and control, and resolution of conflicts of interest.	Not applicable	See answer given in 2.1.1.
2.1.3. The supervisory board should be impartial in passing decisions that are significant for the company's operations and strategy. Members of the supervisory board should act and pass decisions without an external influence from the persons who elected them.	Not applicable	See answer given in 2.1.1.
2.1.4. Members of the supervisory board should clearly voice their objections in case they believe that a decision of the supervisory board is against the interests of the company. Independent[2] members of the supervisory board should: a) maintain independence of their analysis and decision-making; b) not seek or accept any unjustified privileges that might compromise their independence.	Not applicable	See answer given in 2.1.1.

[1] For the purposes of this Code, heads of the administration are the employees of the company who hold top level management positions.
[2] For the purposes of this Code, the criteria of independence of members of the supervisory board are interpreted as the criteria of unrelated parties defined in Article 31(7) and (8) of the Law on Companies of the Republic of Lithuania.

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

2.1.5. The supervisory board should oversee that the company's tax planning strategies are designed and implemented in accordance with the legal acts in order to avoid faulty practice that is not related to the long-term interests of the company and its shareholders, which may give rise to reputational, legal or other risks.	Not applicable	See answer given in 2.1.1.
2.1.6. The company should ensure that the supervisory board is provided with sufficient resources (including financial ones) to discharge their duties, including the right to obtain all the necessary information or to seek independent professional advice from external legal, accounting or other experts on matters pertaining to the competence of the supervisory board and its committees.	Not applicable	See answer given in 2.1.1.
2.2. Formation of the supervisory board **The procedure of the formation of the supervisory board should ensure proper resolution of conflicts of interest and effective and fair corporate governance.**		
2.2.1. The members of the supervisory board elected by the general meeting of shareholders should collectively ensure the diversity of qualifications, professional experience and competences and seek for gender equality. With a view to maintain a proper balance between the qualifications of the members of the supervisory board, it should be ensured that members of the supervisory board, as a whole, should have diverse knowledge, opinions and experience to duly perform their tasks.	Not applicable	See answer given in 2.1.1.
2.2.2. Members of the supervisory board should be appointed for a specific term, subject to individual re-election for a new term in office in order to ensure necessary development of professional experience.	Not applicable	See answer given in 2.1.1.
2.2.3. Chair of the supervisory board should be a person whose current or past positions constituted no obstacle to carry out impartial activities. A former manager or management board member of the company should not be immediately appointed as chair of the supervisory board either. Where the company decides to depart from these recommendations, it should provide information on the measures taken to ensure impartiality of the supervision.	Not applicable	See answer given in 2.1.1.
2.2.4. Each member should devote sufficient time and attention to perform his duties as a member of the supervisory board. Each member of the supervisory board should undertake to limit his other professional obligations (particularly the managing positions in other companies) so that they would not interfere with the proper performance of the duties of a member of the supervisory board. Should a member of the supervisory board attend less than a half of the meetings of the supervisory board throughout the financial year of the company, the shareholders of the company should be notified thereof.	Not applicable	See answer given in 2.1.1.
2.2.5. When it is proposed to appoint a member of the supervisory board, it should be announced which members of the supervisory board are deemed to be independent. The supervisory board may decide that, despite the fact that a particular member meets all the criteria of independence, he/she cannot be considered independent due to special personal or company-related circumstances.	Not applicable	See answer given in 2.1.1.

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

2.2.6. The amount of remuneration to members of the supervisory board for their activity and participation in meetings of the supervisory board should be approved by the general meeting of shareholders.	Not applicable	See answer given in 2.1.1.
2.2.7. Every year the supervisory board should carry out an assessment of its activities. It should include evaluation of the structure of the supervisory board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the supervisory board, and evaluation whether the supervisory board has achieved its objectives. The supervisory board should, at least once a year, make public respective information about its internal structure and working procedures.	Not applicable	See answer given in 2.1.1.
Principle 3: Management Board **3.1. Functions and liability of the management board** **The management board should ensure the implementation of the company's strategy and good corporate governance with due regard to the interests of its shareholders, employees and other interest groups.**		
3.1.1. The management board should ensure the implementation of the company's strategy approved by the supervisory board if the latter has been formed at the company. In such cases where the supervisory board is not formed, the management board is also responsible for the approval of the company's strategy.	Yes/No	The Company does not prepare or approve a separate Company strategy. The Company prepares, approves and publishes the Company's one-year operational plans. Company's objectives are disclosed in the Company's annual reports and notifications of material events, which are published in the same sources as provided in the answer to 1.1.
3.1.2. As a collegial management body of the company, the management board performs the functions assigned to it by the Law and in the articles of association of the company, and in such cases where the supervisory board is not formed in the company, it performs *inter alia* the supervisory functions established in the Law. By performing the functions assigned to it, the management board should take into account the needs of the company's shareholders, employees and other interest groups by respectively striving to achieve sustainable business development.	Yes/No	As a collegial management body of the Company, the management board performs the functions assigned to it by the Law and in the articles of association of the Company. Even though a supervisory board is not formed at the Company, the management board of the Company does not perform the supervisory functions provided for in the Law; also see the answer to 2.1.1. In performing the functions assigned to it, the management board takes into account the needs of the Company, shareholders, employees and other interest groups; the objective of the management board is essentially to achieve sustainable business development. At the end of the year, the Company's management board approves next year's budget, considering not only expansion and planned investments, but also potential staff salary increases, allocation of investments for employee training and development, implementation of IT systems and security, etc.
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] Link to the OECD Good Practice Guidance on Internal Controls, Ethics and Compliance: https://www.oecd.org/daf/anti-bribery/44884389.pdf

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

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.	Not applicable	At present, the Company does not have a supervisory board or a management board made up of the corresponding number of independent members and not including the manager of the Company, as established by the Law on Companies, in order to ensure the supervisory function. See also the answer in item 2.1. This provision will be complied with once the relevant requirements have been implemented.
3.2.8. The general meeting of shareholders of the company should approve the amount of remuneration to the members of the management board for their activity and participation in the meetings of the management board.	Yes	At present, the members of the management board do not receive additional remuneration for their activities on the management board or participation in meetings and this is provided for in the remuneration policy approved by the general meeting of shareholders. Should it be decided to introduce such remuneration, or set the procedure for its calculation, the remuneration policy approved by the general meeting of shareholders will be changed accordingly.
3.2.9. The members of the management board should act in good faith, with care and responsibility for the benefit and the interests of the company and its shareholders with due regard to other stakeholders. When adopting decisions, they should not act in their personal interest; they should be subject to no-compete agreements and they should not use the business information or opportunities related to the company's operations in violation of the company's interests.	Yes/No	The Company believes that the members of the management board act in good faith, with care and responsibility for the benefit and the interests of the Company and its shareholders with due regard to other stakeholders, and that they do not act in their personal interest when adopting decisions. The Company is of the opinion that the duties of confidentiality that the members of the management board are subject to by law are sufficient to ensure their loyalty and trustworthiness, so non-compete agreements are not concluded with the members of the management board and their activities are not additionally restricted by such agreements. The members of the Company's management board are prohibited by law from using the business information or opportunities related to the Company's operations in violation of the company's interests.
3.2.10. Every year the management board should carry out an assessment of its activities. It should include evaluation of the structure of the management board, its work organization and ability to act as a group, evaluation of the competence and work efficiency of each member of the management board, and evaluation whether the management board has achieved its objectives. The management board should, at least once a year, make public respective information about its internal structure and working 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.
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	Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1.

[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.

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.		
4.2. It is recommended that meetings of the company's collegial bodies should be held at the respective intervals, according to the pre-approved schedule. Each company is free to decide how often meetings of the collegial bodies should be convened but it is recommended that these meetings should be convened at such intervals that uninterruptable resolution of essential corporate governance issues would be ensured. Meetings of the company's collegial bodies should be convened at least once per quarter.	Yes/No/ Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1. Meetings of the management board are convened as needed upon giving the members of the management board advance notice thereof. The Company's management board does not see the need to set the frequency of meetings, since meetings of the management board are convened at such intervals and in such cases so as to ensure uninterruptable resolution of the Company's essential governance issues.
4.3. Members of a collegial body should be notified of the meeting being convened in advance so that they would have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion could be held and appropriate decisions could be adopted. Along with the notice of the meeting being convened all materials relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body present at the meeting agree with such change or supplement to the agenda, or certain issues that are important to the company require immediate resolution.	Yes/ Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1. The members of the management board are notified of the meeting of the management board being convened in advance so that they have sufficient time for proper preparation for the issues to be considered at the meeting and a fruitful discussion can be held. Along with the notice of the meeting being convened, all materials relevant to the issues on the agenda of the meeting are submitted to the members of the management board, and the members of the management board can always request additional information if they consider that the information provided is inadequate.
4.4. In order to coordinate the activities of the company's collegial bodies and ensure effective decision-making process, the chairs of the company's collegial supervision and management bodies should mutually agree on the dates and agendas of the meetings and close cooperate in resolving other matters related to corporate governance. Meetings of the company's supervisory board should be open to members of the management board, particularly in such cases where issues concerning the removal of the management board members, their responsibility or remuneration are discussed.	Not applicable	A supervisory board is not formed at the Company; also see the answer in item 2.1.

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.

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

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 and the composition of the audit committee were approved by the decision of the general meeting of shareholders.
5.1.2. Companies may decide to set up less than three committees. In such case companies should explain in detail why they have chosen the alternative approach, and how the chosen approach corresponds with the objectives set for the three different committees.	Yes	See answer to 5.1.1.
5.1.3. In the cases established by the legal acts the functions assigned to the committees formed at companies may be performed by the collegial body itself. In such case the provisions of this Code pertaining to the committees (particularly those related to their role, operation and transparency) should apply, where relevant, to the collegial body as a whole.	Yes	See answer to 5.1.1.
5.1.4. Committees established by the collegial body should normally be composed of at least three members. Subject to the requirements of the legal acts, committees could be comprised only of two members as well. Members of each committee should be selected on the basis of their competences by giving priority to independent members of the collegial body. The chair of the management board should not serve as the chair of committees.	Yes/No	Yes, as far as the audit committee is concerned. See answer to 5.1.1. The chair of the audit committee is not the chair of the management board; furthermore, the chair of the audit committee is an independent member of the audit committee.
5.1.5. The authority of each committee formed should be determined by the collegial body itself. Committees should perform their duties according to the authority delegated to them and regularly inform the collegial body about their activities and performance on a regular basis. The authority of each committee defining its role and specifying its rights and duties should be made public at least once a year (as part of the information disclosed by the company on its governance structure and practice on an annual basis). In compliance with the legal acts regulating the processing of personal data, companies should also include in their annual reports the statements of the existing committees on their composition, the number	Yes/No	The authority of the audit committee laying down the procedure for the formation of the committee, the number and composition of members and requirements for members, the period of membership of the committee, the rights and obligations of the committee, the procedure for organizing meetings and making decisions, the scale of the information provided to the committee and the procedure for its provision, etc. are approved by the body that elected this body (its members) – the general meeting of shareholders. The members of the audit committee are presented to the meeting by the management board. The authority of the audit committee defining its role and specifying its rights and duties was made public after it was

[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)

of meetings and attendance over the year as well as the main directions of their activities and performance.		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)

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.

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
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.	Not applicable	To date, the Company does not have any collegial bodies which perform supervisory functions. See answer to 2.1.1. However, the Remuneration Policy in any case does not establish remuneration to members of collegial bodies (specifically the members of the Board) for the performance of their duties as members of the Board.
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.
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/No	The remuneration report is prepared together with the Company's annual report only for the previous year 2020, as required by the Law on Corporate Financial Statements and will be published.
7.7. It is recommended that the remuneration policy or any major change of the policy should be included on the agenda of the general meeting of shareholders. The schemes under which members and employees of a collegial body receive remuneration in shares or share options should be approved by the general meeting of shareholders.	Yes	Approval of the remuneration policy or any major change of the policy is within the competence of the general meeting of shareholders.

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

Principle 8: Role of stakeholders in corporate governance

The corporate governance framework should recognize the rights of stakeholders entrenched in the laws or mutual agreements and encourage active cooperation between companies and stakeholders in creating the company value, jobs and financial sustainability. In the context of this principle the concept "*stakeholders*" includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interests in the company concerned.

8.1. The corporate governance framework should ensure that the rights and lawful interests of stakeholders are protected.	Yes	The Company respects the rights of different stakeholders and their rights entrenched in the laws.
8.2. The corporate governance framework should create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. Examples of participation by stakeholders in corporate governance include the participation of employees or their representatives in the adoption of decisions that are important for the company, consultations with employees or their representatives on corporate governance and other important matters, participation of employees in the company's authorized capital, involvement of creditors in corporate governance in the cases of the company's insolvency, etc.	Yes	The Company has never prohibited or restricted the right, and always strives to create conditions for stakeholders to participate in corporate governance in the manner prescribed by law. For example, a work council has been formed at the Company which represents the interests of employees and participates in corporate governance within its competence.
8.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.	Yes	
8.4. Stakeholders should be provided with the possibility of reporting confidentially any illegal or unethical practices to the collegial body performing the supervisory function.	No	The company has a general procedure for reporting violations, see the answer to 5.4.5, as established by the Law on Whistleblower Protection. A supervisory body is not currently formed at the company (see answer to 2.1.1).

Principle 9: Disclosure of information

The corporate governance framework should ensure the timely and accurate disclosure of all material corporate issues, including the financial situation, operations and governance of the company.

9.1. In accordance with the company's procedure on confidential information and commercial secrets and the legal acts regulating the processing of personal data, the information publicly disclosed by the company should include but not be limited to the following:	–	The information referred to below in this recommendation is disclosed in notifications of material events published through the Nasdaq Vilnius Information Disclosure System, the Company's website, and the Company's annual and interim information documents, to the extent required by legislation and the International Financial Reporting Standards applicable in the European Union. The information is also disclosed in presentations to investors by the manager and senior management of the Company.
9.1.1. operating and financial results of the company;	Yes	
9.1.2. objectives and non-financial information of the company;	Yes	
9.1.3. persons holding a stake in the company or controlling it directly and/or indirectly and/or together with related persons as well as the structure of the group of companies and their relationships by specifying the final beneficiary;	Yes	
9.1.4. members of the company's supervisory and management bodies who are deemed independent, the manager of the company, the shares or votes held by them at the company, participation in corporate governance of other companies, their competence and remuneration;	Yes/No	All information is published on the Company's website. Independent members are not singled out.

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

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

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

APRANGA

GROUP

SOCIAL RESPONSIBILITY 2020

TABLE OF CONTENTS

1.

ABOUT THE APRANGA GROUP

The Apranga Group, the leader in retail clothing trade in the Baltic States, is one of the largest and oldest established trading companies in Lithuania. For more than three decades, we have not only offered the opportunity to dress well and feel happier, but also tried to contribute to the creation of a better, fairer and more responsible country. We are serious about our commitments to the public, employees, shareholders, and the environment around us and set the highest standards of fairness and business ethics.

Customer evaluation helps us gauge the quality of our work, and we work consistently to improve the quality of service, sales and keep pace with the most advanced technologies that ensure the principles of a socially responsible business. Every year we improve the working conditions of our employees and increasingly focus on their emotional and physical well-being, we strive for people working with us to feel happy and contribute to the development of society.

We maintain the continuity of our commitments and consistently follow our fundamental values –

HONESTY

TRANSPARENCY

RESPONSIBILITY

This is the basis on which we build our business philosophy and impart it on every new employee. We believe that the unchanging values of the company will help to ensure long-term friendly, transparent and trust-based relations of the Apranga Group with all the parties concerned.

A year that would change the perception of time does not come often in life. During years like this we come to reassess what matters and what is important. They change our view of the passage of time and make us appreciate things that we used to take for granted and had even lost the awareness of. 2020 must go into history not just as a period of pandemic, but also as an opportunity to re-evaluate what is most important.

Last year, the pursuit of records and ambitious plans for the Group's development were replaced by other pressing issues — challenges which we had not faced before and which we had to tackle without the knowledge of and means to overcome them. However, we also had an advantage — our team, united by many years of joint work experience and challenges, an ambitious and bristling group of people able to stay focused even in the most difficult of times.

I have been working as a manager for more than thirty years, and if I were to name the single factor in business success, it would be people. Whatever the size of the company, the knowledge that we can trust each other is the most powerful weapon in the fight against the unknown.

In the Apranga Group, we build our relations with employees based on mutual respect, so I believe that all efforts to take care of their well-being bring back double benefits to the company. Our goal is to see different people in the family of Apranga united by our values that would contribute to the creation of a better and more equal society. We work for the future, therefore, despite all the circumstances, we have maintained our obligations and have been guided by the principles of sustainability and business ethics.

We have a passion to dress people and the world. In complicated circumstances and with all responsibility we had to be prepared to work safely: to make sure that our clients are safe and to help the society to fight the unknown virus. Customer service has always been our top priority; therefore we took care of their safety and health in the stores as much as our personnel.

The most important thing I want to say to all employees is thank you. Thank you for your perseverance and determination, for your work in these difficult times, and I wish that you should stay healthy and happy.

Director General of the Apranga Group
Rimantas Perveneckas

	2020	2019
	179 STORES	186 STORES
	200 BRANDS	200 BRANDS
	3 COUNTRIES	3 COUNTRIES
	1956 EMPLOYEES	2367 EMPLOYEES
	GROUP TURNOVER EUR 204 MILLION	GROUP TURNOVER EUR 248 MILLION

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 main 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 enterprises in the management of which it would take part. The main business of all companies in the Group is the retail sale of clothing. The main company Apranga APB has been listed on the Nasdaq Vilnius Stock Exchange since 1997. It has been included in the Baltic equity main list since 2005.

Apranga APB is a member of the following organizations: the Association of Lithuanian Trade Enterprises (LPĮA), last year a decision was taken to leave the Lithuanian Business Confederation (LVK).

SUBSIDIARIES ARE DIVIDED INTO TWO GROUPS:

23
COMPANIES

(Zara, Bershka, Pull&Bear, Stradivarius, Massimo Dutti and Zara Home operators in each of the three Baltic States andOysho/Uterqüe 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);

2
COMPANIES

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

For franchise comapnies, goods are supplied by the Inditex Group. Apranga SIA and Apranga OÜ (non-franche 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 stable.

The Group's sales revenue consists of revenue from the retail chain of stores (179 stores in Lithuania, Latvia and Estonia) and revenue from online trading. As in previous years, more than 95% of sales revenue consists of sales in specialized clothing stores. The remaining sales revenue comes from the sales of footwear and household goods in the relevant specialised stores. In recent years, the Group's revenue from online sales has increased significantly, and for the first time in history has exceeded the 10% threshold, calculated from the total revenue of the Group. This was influenced by the successful implementation of the multichannel trading strategy, the integration of physical stores and online trading as well as by a number of lockdown restrictions that led to the complete or partial closure of the business of the controlled stores over a certain period.

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

Every year we review and openly declare the key principles of social responsibility, which form the basis for our relationship with the environment and society. The consistency and immutability of these principles guarantee for all the stakeholders that our aim is to build long-term relationships based on trust and openness. Unpredictable events and extremely difficult situations are precisely those circumstances that make it possible to test the sustainability of these principles.

Despite the challenges of last year, we were able to rely on our own principles of social responsibility every time when making decisions, and to act in line with all our commitments. In this context, and in reviewing the declared principles of social responsibility, it was decided to keep them unchanged.

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 committment 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 innivation and technology.

RESULTS

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

We are an inseparable part of societies in which we operate, and we want to grow and improve together. Only by openly declaring our goals and commitments can we understand each other properly and learn from each other. We are aware that only decisions based on mutual respect and the ability to listen will help create a harmonious society, preserve natural resources, and improve working conditions.

Every year we focus on analyses and forecasts of resources in order to plan our activities, assess all possible risks as early as possible and prepare for their management in the best possible manner. The main goal is to be consistent in our business, avoid decisions that increase risks affecting business development and daily work. As there have been no changes to our business model, there was little change in the underlying risks and their management, however, last year traditional risks were supplemented by and in fact even replaced in terms of relevance by epidemiological risks affecting global retail trade and human relations in general.

Despite the one dominant risk that has been added to the definition of current risks, in our business we continue to strive for the most comprehensive risk assessment to protect the interests of society, clients, employees and shareholders. In its operations, the Group is faced with various risks (legal regulation, business, investment, market, supplier chain, competition, economic cycles, macroeconomic factors, etc.). Environmental and climate change mitigation initiatives are increasingly becoming the centre of attention, and the importance of risks related to personal data protection and the security of online commerce has been growing significantly.

EPIDEMIOLOGICAL RISKS

The COVID-19 virus has had a significant impact on the Group's activities since the first quarter. During certain periods, the Group's operations in physical stores were completely suspended, while at other times special precautions were taken to ensure the safety of employees and clients and to contribute as far as possible to the containment of the spreading of the virus in the population.

The Apranga Group complied with all the safety requirements imposed by the government in all the markets where it operated and implemented additional safety measures to further protect the health of its employees and clients. The Group's management, both publicly and internally, considered public security as a top priority and was in favour of safe working conditions. Epidemiological risks have changed market conditions and consumer behaviour fundamentally, therefore the Group will feel its consequences not only in 2021 but also in the long-term period. In this context, the Group plans its activities by anticipating and predicting the importance of epidemiological risks both globally and in the region in which it operates.

ECONOMIC RISKS

The economic forecasts for 2020 have been greatly adjusted by epidemiological threats identified at the beginning of the year, which have significantly affected the economies around the world. The retail sector was amongst those that were hit hardest, therefore it is only natural that previous year's expectations did not match the real situation and the results were lower. In 2021, the actions related to pandemic management (testing, vaccination) will be key for economic recovery. Britain's withdrawal from the European Union is also seen as a risk factor, but the fact that the process has already been completed allows for better and more accurate forecasts in respect of circumstances relevant the Group (relations with partners, supply chains, etc.). 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 Group will soften.

RISKS RELATED TO PARTNERS AND ACTIVITIES

In our business and communication with partners or other third parties, we underline our commitment to the fundamental principles of human rights. We abide by the Group's Code of Ethics and Conduct, which, among, others, includes the provision on the partners' commitment to comply with relevant standards. Last year, despite disruptions of the Group's business as usual brought about by the global pandemic, we sought to fulfill all our obligations to suppliers, partners and other third parties. We always seek to resolve disputable issues peacefully and look for a compromise suitable to all parties. The Group's ability to adapt to current challenges proves that we are ready to respond flexibly to potential threats related to third parties.

RISKS RELATED TO COMPETITION

The Group remains a confident leader in the Baltic States and assumes the committments that come along with this achievement, namely, to promote the principles of a socially responsible business. We continuously monitor the market, consumer behaviour and preferences, pay attention to their needs and strive to ensure the best quality of service. We see our competitors as allies in solving problems relevant to the whole market, helping to improve the situation of society or other social issues. We are in favour of fair competition and are open to cooperation as permitted by local market competition laws. We strive to ensure that relations with competitors are based on mutual respect.

RISKS RELATED TO EMPLOYEES

Last year, the situation on the labour market was fundamentally changed by the restrictions imposed on economic activities resulting from the pandemic. Although the basic employee-related risks remained unchanged in the long term, their significance has decreased in the short term and new significant aspects emerged. As economic growth slowed down while unemployment grew, the turnover of staff in the Group was reduced, but the retention of highly qualified specialists continued to pose an important risk associated with employees. It should be noted that the private sector was much more affected by the bad epidemiological situation and that, as a result, faster wage growth in the public sector disturbed the balance and created additional difficulties on the labor market.

Main staff-related long-term risks:

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

We survived 2020 under difficult market conditions with the main business of the Group — retail sales in physical stores — being partially or completely restricted for more than 60 days. Moreover, further difficulties were caused by uncertainty about the future, as the Group was unable to plan its business as usual under normal circumstances. Nevertheless, we have made every effort to fulfill our obligations to employees. Although the Group's turnover and number of working days decreased significantly compared to normal years, the Group did not resort to laying off employees and did its best to ensure that wages due are paid. In cases where the employer was unable to provide the wage agreed in the employment contract, the workload was reduced or other solutions were sought to satisfy joint interests of the employee and the employer. Although the number of employees of the Group decreased in 2020 (more details on this in the section "Company Employees"), the main reason for this was the decrease in the recruitment of new employees.

We build the relationship with our employees on the basis of mutual respect and see the employee as an equal partner. We continued to strengthen the relationship and trust between the company and the employee. We have improved our communication channels to ensure timely information and employee safety in these difficult times.

Last year, albeit to a lesser extent, we continued to implement the system of employee career development evaluation and education, carried out mentoring programmes for new, unexperienced employees. We encouraged feedback to ensure even more effective communication between the employer and the employee (more on this in the “Competence Development” section).

Risk is part and parcel of business. It is impossible to predict and describe absolutely all possible risks, but every year we do our best to be prepared for potential threats, to fulfil our obligations and to safeguard the expectations of customers, employees and shareholders. Our goal is to stand ready so that unforeseen threats do not undermine our obligations and responsible business principles.

2.

COMPANY EMPLOYEES

We create success together with our employees, so we care about their well-being even in the most difficult circumstances. 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. Our aim is to create equal working conditions and transparent pay policies regardless of nationality, gender, race, religion or political beliefs.

We respect and comply with the law, and we are unbiased in terms of providing job opportunities for people of any age, education and experience.

Over the past year, the number of employees of the Apranga Group decreased and this was mainly influenced by the complicated epidemiological situation in Lithuania, Latvia and Estonia, due to which the Group could not carry out its main business for a considerable number of working days. The decline in the number of employees was mainly due to a significant decrease in the number of newly recruited employees and the termination of the employment relationship at the employee's will.

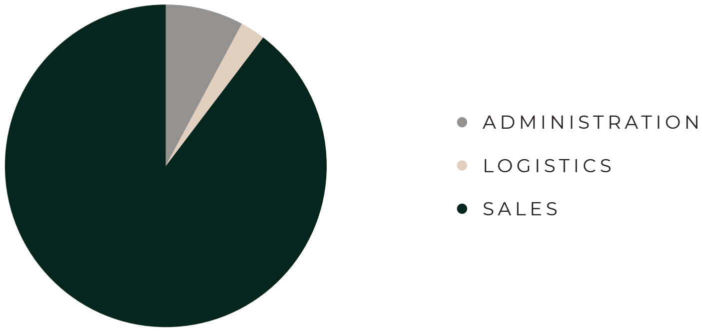
It should be noted that in 2020 some indicators, such as employee turnover, can hardly be compared with those of 2019 or previous years, because last year's pandemic has fundamentally changed both the labour market and the employment indicators of markets in which we operate. Considering the above, indicators in this and subsequent chapters are compared only in cases where the impact of the pandemic was limited or clearly defined and did not distort the Group's indicators. Because even in cases where a comparison is presented, it is mostly intended as information about the consequences of the 2020 pandemic, rather than information about the changes in the Group's activities in principle.

Despite a significant positive change in the employee turnover indicator, this is largely considered a one-off occurrence related to COVID-19, and therefore the Group continues to systematically invest in improving this indicator. During interviews with outgoing workers, the needs of one of the largest groups of employees (students) related to the vocational education acquired or to finding work according to their profession (after the elimination of the causes associated with epidemiological circumstances) remained the main cause.

After a changeable year, during which the Group's physical stores remained closed for some time, on 31 December 2020, the Apranga Group had a total of 1 956 employees in Lithuania, Latvia and Estonia. The number of employees of the Group declined after the consistent annual growth of the team, which was mainly linked to the intensive expansion of the Group in its existing markets. Compared with the same period in 2019 the number of employees in the Group decreased by 17.4%. The Group's trading area decreased slightly last year as well and amounted to 92 6 thousand sq.m according to the data of 31 December, which is 1,6% less than at the end of 2019, and this also affected the diminished demand for employees.

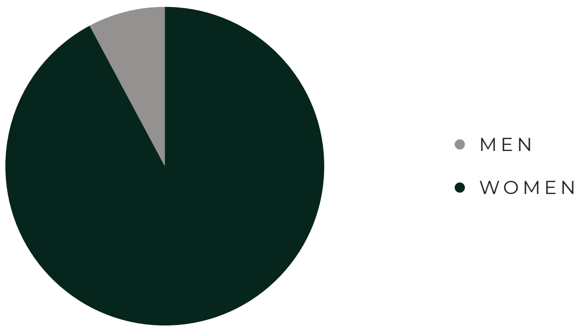
DIVISION	NUMBER OF EMPLOYEES IN 2020	NUMBER OF EMPLOYEES IN 2019	CHANGE
ADMINISTRATION	178	187	- 9
LOGISTICS	60	62	- 2
SALES	1 718	2 118	-400
TOTAL	**1 956**	**2 367**	**-411**

Fig. 1
Distribution
of employees by
Departments in 2020



Last year, the distribution of the Group's employees by gender changed slightly: the majority of the workforce (94%) is women, 6% — men. The ratio remained similar to the previous year — 92% women and 8% men — and has remained almost unchanged for several consecutive years. A similar ratio of the distribution of employees by gender is also seen among store managers. Out of the 179 store directors 16 are men and 162 - women (one store did not have a permanent manager during the reporting period). Accordingly, this represents a ratio of 9 and 91% and corresponds to the overall ratio of all employees. The distribution in the Directorate of Administration (Directors of Main Departments and Director-General) by gender is almost balanced: there are four women and three men and, as there have been no changes in management in recent years, the ratio has not changed.

Fig. 2
Distribution
of employees by
gender in 2020



The average age of employees in the Group increased to 27 years and 1 month and grew by 15 months compared to 2019. The main reason for the increase in the average age is a significant decrease in the number of staff in education, which was mainly influenced by the epidemiological situation. In the absence of contact training opportunities, there was a decline in the numbers of youth in education in major cities, where most of the Group's stores are located. Some of them returned or temporarily moved to other cities, which changed both the labour market in general and the composition of the Group's workforce.

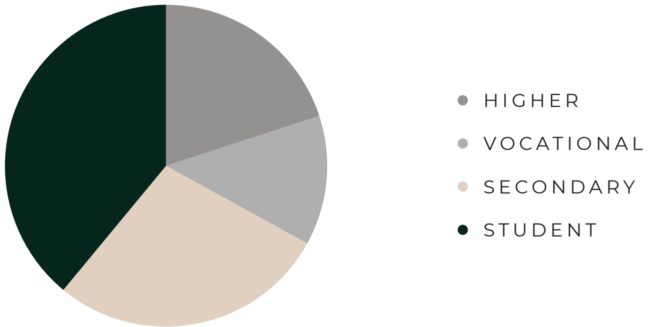
As before, the Group's workforce consists mostly of sales assistants, visual specialists and sales experts working in the Apranga Group stores and amounts to 75%.

Last year, the Group continued with the free flu vaccination and vision check programmes. In total, almost 300 employees have benefited from the vaccination programme and 70 employees have checked their vision. In order to ensure employee welfare and favorable working conditions, we periodically carry out professional risk assessment and organize stress management and health seminars.

The number of Group employees on 31 December 2020 by education:

EDUCATION	NUMBER OF EMPLOYEES IN THE GROUP IN 2020	NUMBER OF EMPLOYEES IN THE GROUP IN 2019	CHANGE
HIGHER	427	462	-7,5 %
VOCATIONAL	271	314	-13,5 %
SECONDARY	440	673	-34,5 %
STUDENT	818	918	-11 %
TOTAL	**1 956**	**2 367**	**-17 %**

Fig. 3
Number
of employees by
education in 2020



Staff health and well-being have always been a top priority for us. In addition, we set ourselves the goal of taking care of the emotional health of our employees and creating favorable working conditions for them. Last year, as before, training was organized, during which more experienced colleagues shared their knowledge. We paid much attention to COVID-19 prevention, employee safety training and informing them about the situation in the Group. We have created an intranet information platform where we regularly share information about the latest decisions and the actual situation in the company.

Our Group employs many different people, united by a passion for fashion, so our goal is to create an organization where everyone would feel good. Whenever possible, we aim to offer employees the opportunity to choose their working hours and workload. If the employee requests and the Group has the possibility (vacancies) to grant the request, we always consider their needs to change positions.

In our network, we can offer different working schedules for sales staff, which 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 on weekends. We always strive to ensure that all employees have equal opportunities to coordinate work schedules that meet their personal or family needs, are compatible with full-time studies or vocational training. We see the diversity of our employees as our strength and emphasize that we are united by our differences.

Administrative staff continued to profit from the opportunity, in agreement with the direct 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 invested in the equipment necessary for remote work.

Despite last year's upheavals in the labour market and the uncertainty of the situation, we are pleased that we continue to be able to maintain a particularly high indicator of internally grown store managers. According to statistical data from several years in a row, even 95% of store managers started their career as a sales consultant or in a similar position. It gives us even more pleasure that often store managers go on to continue their careers in the company's administration.

The Group encourages long-term horizontal and vertical employee career ambitions and works to develop talents. 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, the employee turnover rate underwent substantial change. It would not be appropriate to compare it with previous years since it is not possible to eliminate the impact of COVID-19 on this indicator. In general, the rate of employee turnover within the Group significantly decreased, and this is observed in all countries. As mentioned earlier, quarantine restrictions and a lower number of newly recruited employees have reduced the total number of employees within the Group in all countries. Comparing the indicators of Lithuania, Latvia and Estonia, it can be noted that last year the level of employee turnover between countries stayed almost the same , although quite significant differences were recorded in previous periods. The biggest change of this indicator was recorded in Estonia.

In 2020, the total employee turnover of the Group was 63%:

COUNTRY	COUNTRY EMPLOYEE TURNOVER IN 2020	EMPLOYEE TURNOVER IN 2019	CHANGE,%
LITHUANIA	65%	85 %	-23 %
LATVIA	61 %	109 %	-44 %
ESTONIA	61 %	175 %	-65 %
GROUPS:	**63%**	**105%**	**-40 %**

Last year, the trend was that employee turnover in stores was higher than in administration or logistics. As to the store sector alone, it was slightly higher than the Group average and amounted to 70%. The turnover rate of administrative employees decreased and amounted to 17%, logistics — also 17%.

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. Nevertheless, despite the long period of inactivity (more than 60 days in 2020), the company sought to maintain all jobs by applying the downtime or partial downtime measure and through guaranteed state aid to workers.

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, more favorable position 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 existing employees. It should be noted that the most common reason for changing jobs remained “the need to change work to match the education or profession acquired”.

DEPARTMENT	EMPLOYEE TURNOVER IN 2020	EMPLOYEE TURNOVER IN 2019
ADMINISTRATION	17 %	26 %
LOGISTICS	17 %	13 %
SALES	70 %	115 %

	ADMINISTRATION	LOGISTICS	SALES
2020	17 %	17 %	70 %
2019	26 %	13 %	115 %

Fig. 4 Employee turnover by Department in 2020

When there is a vacancy, priority is given to existing employees thus encouraging employee growth within the enterprise. Our goal is to notice talented young employees and to give them the opportunity to develop within the Group. If there are no internal candidates who meet the requirements, employees are recruited from outside the company.

Last year, we supplemented our staff training and competence development program with distance learning opportunities. Having assessed the epidemiological requirements and taking into account the safety of our employees, we adapted our training programs so that they could be organized remotely as efficiently as possible. In general, the intensity of and overall demand for training decreased last year. The main reason for this is was a lower number of new employees who needed preparation and introduction into the labour market. Nevertheless, continuous education and improvement of employees remained the cornerstone principle of our philosophy. Therefore, we continued a mentoring programme that helped new employees to get involved in the team more easily and quickly.

Employee competence development helps us reduce employee turnover rates and create a more friendly and cozier atmosphere in the workplace. Employees also appreciate the benefits of training and point it out as one of the most desirable activities in surveys.

In 2020, 61 different staff training courses were organised (103 sessions fewer than in 2019). In total, the training covered 15 different topics, and the average assessment of the training, according to surveys, was 4.8 points out of five (in 2019 — 4.7 points).

Just as in the previous year, more integrated training courses were organized, covering several different topics.

61 TRAINING COURSES

15 TOPICS

4,8/5 AVERAGE RATING

Fig. 5 Employee training in 2020

The “Training Academy” activities of the Apranga Group continued, but COVID-19 disrupted the training plan and therefore it was impossible to hold all the planned sessions.

The talent training course and the selection to the “Try On a Career” were also launched, but for the same reason the process was delayed and combined with the next year's program. The good thing is that in the first stage, when the selection was announced, employees were very interested, which shows that many employees who have recently started their career see their future within the Group.

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

Due to the epidemiological situation, the project "Ambassadors of Apranga " did not take place last year — we hope that the project will continue as soon as the conditions are favourable. The initiative that aims to provide the opportunity for the children of employees who have reached the age of 17 to try their strength in the Apranga Group and thus make it easier to choose a career was also faced with challenges. However, we are sure that in the future, the initiative will be successful and that we will be able to offer flexible working hours and invaluable initial lessons to get acquainted with retail work.

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 with work.

Occupational safety has always been and remains a priority area in our daily work. All employees are familiar with the requirements and rules and undertake to comply with them. Staff are regularly trained, and the rules and educational 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, colleagues and clients.

Occupational health and safety has become even more important in recent years because of epidemiological requirements. In all the countries where we operate, we strictly adhere to government rules and recommendations for retail trade and private businesses. We provide our employees and customers with all the necessary hygiene and security measures.

In response to the COVID-19 situation, we developed and applied an internal rulebook for stores and the administration, in which we provided for even more safeguards than required by legislation to ensure the safety of all. These rules have been constantly reviewed and updated in response to changing circumstances, new requirements or additional security measures.

The Group has always identified the health and safety of its employees as one of the main priorities, therefore we have not made any compromises in this area. We paid particular attention to providing information, including general information, to employees and we sought that, at the time when there was greatest uncertainty about the spread of the pandemic and the security situation, employees should have a reliable source of information and access to additional information related to their work or other matters.

We continued to promote employees' health and wellness culture and disease prevention programmes by vaccinating workers against seasonal colds free of charge or offering free vision testing. In response to the COVID-19 situation management, the Group undertook to test employees in all cases where possible and invested in the private testing of employees when such a need arose.

Although during the last year COVID-19 cases were recorded among employees of the Group, there were no outbreaks or spreading of the virus, when two or more persons are infected from the same person at work. In all cases, the response to the infection was strictly in line with the prescribed protocol in order to protect employees and customers.

In 2020, the Group did not register any accidents in the workplace. We are happy that we have managed to avoid even minor violations of occupational safety. We apply a zero tolerance policy for non-compliance with occupational safety requirements. Our goal is to make all employees feel safe.

3.

ANTI-CORRUPTION ACTIVITIES

Last year a new Code of Ethics and Conduct was issued and is mandatory for all employees of the Group . We have also improved internal procedures for the provision of information on infringements, by which we aim to ensure that employees have secure channels to provide relevant information to prevent possible violations. It should be noted that last year no reports that were received were found to be true.

The Group maintains its public and open committment 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.

Last year the Apranga Group organised corruption prevention and compliance training courses. Specialised compliance training was intended for top level and department managers and focussed on the latest legislative requirements and instructions concerning responsible behaviour in the face of any form of 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 and transparent and direct communication with public authorities.

Fair business policy and transparent communication with customers, suppliers, contractors, subcontractors and other third parties are promoted within the company. Purchases of goods in the company are always guided by the “four-eye” principle, thus preventing any manifestations of unfair actions.

The risk of corruption within the company is also reduced by existing complex internal control mechanisms, preventive training for employees aimed at identifying potential corruption risk factors. The company carries out regular internal control of activities, improves operational processes.

In 2020, four cases were recorded (in 2019, one case) related to the protection of material values. In all cases, the zero tolerance principle was applied. No cases involving any other form of corruption or bribery were recorded.

4.

PROTECTION OF PERSONAL DATA AND PRIVACY

The relevance and protection of personal data is becoming more and more important in a world where an increasing proportion of services are provided digitally. In order to protect the privacy of our customers and to ensure 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 responsibly and securely.

Specialists working in HR and IT departments follow stringent procedures to supervise and process personal data related to targeted marketing and other functions used in retail and online trade.
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 rules, 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.

Customers trust us, so we respect their privacy and responsibly protect the information entrusted to us.

5.

VALUE ADDED FOR SHAREHOLDERS

Last year there were no changes in the Management Board of the company which acted responsibly to ensure that the interests of all shareholders were respected in the activities of the Group and the principles of good governance were applied. In our business we follow the best global practices and strictly observe the rules of the Nasdaq Baltic capital market.

We believe in open and fair communication with shareholders and equal rights in providing information to the market. In 2020, we sought to maintain good practices and, despite the pandemic, provide the market with as much information about the Group's activities and performance indicators as possible . We sought to demonstrate how the Group, by disclosing information, can lead by example and shape good business practices.

In 2020, Apranga APB, taking into account the uncertainty of the situation, decided not to pay out dividends and leave profits undistributed. Such a decision was taken for the first time after the economic crisis of 2008-2009.

The controlling stake of Apranga APB is owned by the investment holding MG Baltic Investment. Shareholders of the company controlling more than 5% of the votes at the shareholders' meeting are:

SHAREHOLDER	SHARE OF VOTES,%
MG BALTIC INVESTMENT UAB	62,3
MINVISTA UAB	12,1
SWEDBANK AS (ESTONIA) CLIENTS	5,9

6.

VALUE ADDED FOR SOCIETY

The Group has set out sponsorship guidelines and follows them while offering sponsorship each year. We continuously cooperate and communicate with various non-governmental organizations and look for ways to contribute to their activities when this is in line with the Group's social responsibility policy.

We are responsibly committed to act so as to create added value for society and for all its members. We are part of the environment around us, so we are also working consistently to reduce the environmental footprint of our activities. We respond to emerging problems and are looking for effective solutions that create a fairer and safer society for present and future generations.

THE MAIN SOCIAL RESPONSIBILITY AREAS OF THE GROUP:

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

In 2020, the Group, in cooperation with the world fashion leader Inditex and local non-governmental organizations, launched the “Take Back Project” for collecting used textile , which not only aims to contribute to the conservation of natural resources, but also to support the most vulnerable groups. In each country, a local partner from the non-governmental sector was selected to receive all the benefits from recycling or selling of the collected garments.

The project is implemented gradually by installing in stores the collection points of second-hand textile, from which the collected clothing, footwear or other textiles are transferred to non-governmental organisations. Our goal is to make sure that no garment collected should end up in landfills. Collected garments can be recycled, restored, sold for secondary use or handed over to charity. The project has just started, so we have no results yet on how many pieces of textile have been collected. We are hopeful that this initiative will contribute to the conservation of natural resources, the growth of the non-governmental sector and the protection of the most vulnerable groups in society.

The Group continued to consistently support sports and health promotion activities. Last year we continued our successful cooperation with the Lithuanian Basketball League, which is the main national league and where many Lithuanian basketball stars start their professional career.

The Group continues to cooperate with Basketball Club Žalgiris and supports one of the most famous clubs in Europe. We support the Žalgiris team in Euroleague battles and give them an impeccable outfit for guest matches. Together with the Žalgiris Kaunas organization, we also participate in other programmes aimed at reducing social exclusion, support their joint initiative with the Euroleague "One Team", during which basketball players participate in events aimed at promoting sports among people with intellectual disabilities.

Each year the Group also cooperates with various cultural initiatives, contributes to the publishing of art, books and textbooks, and provides support to socially vulnerable groups. Among other things, the Group gives charity to individuals, homes for children and organizations.

As we continued our cooperation with Vilnius College of Design, we transferred flawed products to its students free of charge, so that they could use them in their creative activities. Apart from giving birth to new fashion makers and their designs, this cooperation also reduces the ecological footprint because unsuitable products are recycled responsibly.

As we encourage local artists, we also work with Baltic creators, and some of their products can be purchased in the Group's sales network. In our stores customers can buy clothes by 2Ru2Ra, Agnė Gilytė, multiple-use face masks by Sandra Straukaite and Izzybag gift bags.

In 2020 the Group collaborated with and offered sponsorship to the international fashion event Mados Infekcija, a stepping stone for fashion makers. The significance of this event goes beyond the world of fashion as every year it focuses on socially sensitive topics and highlights a range of social problems. We are delighted to have partners who themselves pay great attention to their social responsibility and seek to contribute to the creation of a better future.

As the pandemic broke out, we did not stay aside and were among the first in Lithuania to provide support with vital medical equipment. The support was granted to the administration of Vilnius City Municipality and was used to buy pulmonary ventilation equipment. It arrived to the hospital soon afterwards and could be used to save lives by treating patients suffering from COVID-19.

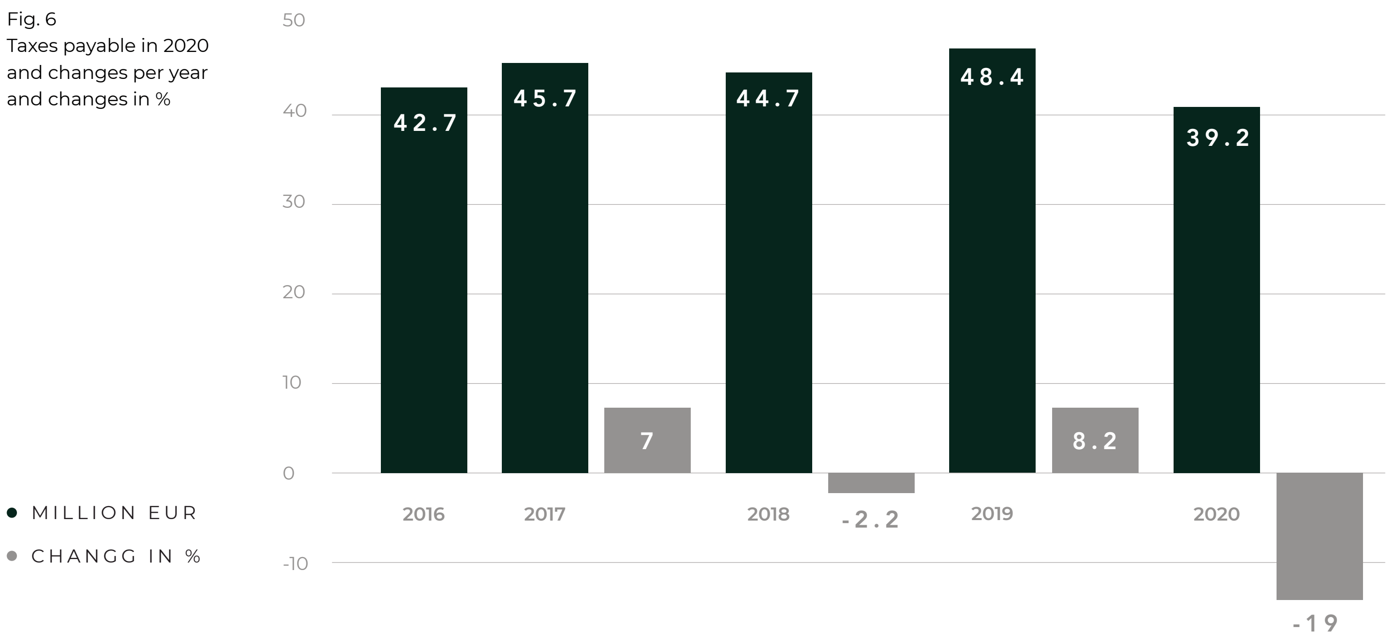
In 2017, the Apranga company allocated 27 646 euros for sponsorship. In 2018, a total of 26 141 euros was allocated. In 2019, we allocated 84 890 euros for sponsorship, whereas last year a total of 75 030 euros was allocated. This is 11% less than in 2019.

In 2020, the Group's tax liabilities payable to the state budget amounted to EUR 39.2 million and were 19% lower than in 2019, when it amounted to EUR 48.4 million. The main reason for the decrease in the tax payable is the lower turnover of the Group due to quarantine restrictions and the closing of physical shops fully or in part.

Last year, the employee wage bill did not change significantly, given the average wage paid.

TAXES PAYABLE BY THE GROUP

Fig. 6
Taxes payable in 2020 and changes per year and changes in %



7.

ENVIRONMENTAL PROTECTION

The Apranga Group has a responsible approach towards the impact of its activities on the environment, acts in a socially responsible manner and complies with the applicable legislation.

In its business, the Group focuses on the compliance with high environmental standards and the desire to reduce its ecological footprint. We integrate sustainable solutions at all stages of activity — not only do we aim to make our offices and stores use as few resources as possible, but also take care of our carbon dioxide emissions and try to reduce it. As we operate in three countries, we plan our transport and routes responsibly to reduce the number of kilometres, and we choose logistics partners based on their attitude towards ecology.

The new clothing collection project is also designed to reduce the amount of waste generated by the fashion business and to ensure that one day there is no more textile going to landfills.

NATURAL RESOURCES 7.1

When setting up new or reconstructing existing stores, we use only 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 not only serve longer, but also consume less electricity. In the administrative building, the spaces are divided into segments so that the lighting is used as efficiently as possible and is used only in those zones where there are employees.

When setting up new or upgrading existing stores we aim at using only 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.

In 2020, the Group's total electricity costs decreased significantly, but this was mainly due to the forced closure of part or all of the stores due to the epidemiological situation. In view of this, it is not appropriate to compare this indicator with the consumption of electricity in 2019.

Every year we invest in increasingly modern technologies that reduce the consumption of natural resources and strive to contribute to their conservation. When developing the Group's store chains, we take into account not only technological solutions, but also educate our staff about the benefits and importance of savings.

The origin of electricity used in all stores is ensured by the green electricity certificate. We 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.

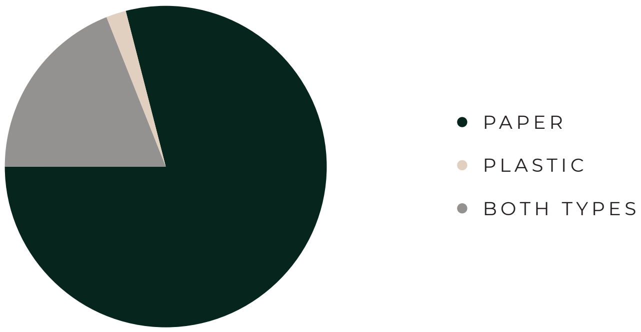
Last year, we made the achievement of more than 90% of stores going over to paper bags only and even more outlets gave up plastic bags. Our goal is to eliminate plastic in all cases where disposable bags are used.

Last year, 17 stores became completely plastic bag-free and currently 91% of the Group stores use only paper bags. Plastic bags are used in just four stores, which represents 2% of the Group's sales network.

The plastic used by the Group is accurately accounted for and we set ourselves the goal to achieve that it amounts to zero kilograms per year.

TYPE OF BAGS	NUMBER OF STORES IN 2020	NUMBER OF STORES IN 2019	CHANGE	SHARE OF STORES IN THE GROUP IN 2020
PAPER	162	145	+17	91 %
PLASTIC	4	4	0	2 %
BOTH TYPES	13	37	-24	7 %
TOTAL	**179**	**186**		**100 %**

Fig. 7
Distribution of bags in stores in 2020



8.

INFORMATION ON THE COMMENTS TO THE REPORT

The Corporate Social Responsibility Report contains the Group's non-financial information to the parties concerned. 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 Law on Consolidated Financial Reporting of Companies of the Republic of Lithuania and the recommendations of the European Commission on non-financial reporting. Comments and inquiries regarding the Report can be submitted by e-mail marketingas@apranga.lt. No comments were received on the 2019 Corporate Social Responsibility Report.

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