

# APB APRANGA AND SUBSIDIARIES

## BALANCE SHEET AS OF 30 SEPTEMBER 2005

Balance sheet (in accordance with International Financial Reporting Standards), LTL thousand

	COMPANY		GROUP	
	2005-09-30	2004-12-31	2005-09-30	2004-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	33907	34209	56095	58244
Intangible assets	422	554	500	613
Investments in subsidiaries	4108	4108	-	-
Available-for-sale financial assets	7960	7960	7960	7960
Non-current receivables	352	309	502	459
<b>Total non-current assets</b>	<b>46749</b>	<b>47140</b>	<b>65057</b>	<b>67276</b>
<b>Current assets</b>				
Inventories	31293	23603	43921	31200
Trade and other receivables	17153	18626	3390	2898
Available-for-sale financial assets	1118	1118	1118	1118
Bank balances and cash	1429	820	1906	1229
<b>Total current assets</b>	<b>50993</b>	<b>44167</b>	<b>50335</b>	<b>36445</b>
<b>TOTAL ASSETS</b>	<b>97742</b>	<b>91307</b>	<b>115392</b>	<b>103721</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	8823	8823	8823	8823
Legal reserve	882	748	882	748
Other reserves	-	-	-	-
Share premium	441	441	441	441
Translation reserve			(206)	(212)
Accumulated profits	33421	34064	37528	34482
<b>Total capital and reserves</b>	<b>43567</b>	<b>44076</b>	<b>47469</b>	<b>44282</b>
<b>Non-current liabilities</b>				
Borrowings – due after one year	10641	28509	16952	28509
Deferred tax liabilities	20000		20000	
Obligations under finance leases – due after one year	104	103	259	301
Other non-current liabilities	928	928	928	928
<b>Non-current liabilities</b>	<b>85</b>	<b>85</b>	<b>109</b>	<b>84</b>
<b>Total non-current liabilities</b>	<b>31757</b>	<b>29625</b>	<b>38248</b>	<b>29822</b>
<b>Current liabilities</b>				
Trade and other payables	22032	7851	29289	14894
Bonds issued	235	7156	235	7156
Obligations under finance leases – due within one year	152	599	152	599
Borrowings – due within one year	-	2000	-	6968
<b>Total current liabilities</b>	<b>22418</b>	<b>17606</b>	<b>29675</b>	<b>29617</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>97742</b>	<b>91307</b>	<b>115392</b>	<b>103721</b>

General Director

Rimantas Perveneckas

# APB APRANGA AND SUBSIDIARIES

## INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2005

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Income statement (in accordance with International Financial Reporting Standards), LTL thousand

	COMPANY		GROUP	
	2005 m. III ketv.	2004 m.	2005 m. III ketv.	2004 m.
Revenue	81274	97689	116636	115466
Cost of sales	(55838)	(61669)	(66503)	(66256)
<b>GROSS PROFIT</b>	<b>25435</b>	<b>36020</b>	<b>50133</b>	<b>49210</b>
Operating expenses	(25588)	(30240)	(44196)	(41313)
<b>PROFIT FROM OPERATIONS</b>	<b>(153)</b>	<b>5780</b>	<b>5937</b>	<b>7897</b>
Net other income	2526	1803	320	1531
Finance costs	(853)	(1245)	(1047)	(2111)
<b>PROFIT BEFORE TAXES</b>	<b>1520</b>	<b>6338</b>	<b>5210</b>	<b>7317</b>
Income tax expense	-	(974)	-	(1235)
<b>NET PROFIT FOR THE YEAR</b>	<b>1520</b>	<b>5364</b>	<b>5210</b>	<b>6082</b>
<b>EARNINGS PER SHARE, LTL</b>	<b>0.17</b>	<b>0.61</b>	<b>0.59</b>	<b>0.69</b>

General Director

Rimantas Perveneckas

# APB APRANGA AND SUBSIDIARIES

## STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPTEMBER 2005

Statement of cash flow (in accordance with International Financial Reporting Standards), LTL thousand

	COMPANY		GROUP	
	2005 III ketv.	2004	2005 III ketv.	2004
<b>OPERATING ACTIVITIES</b>				
<b>Profit before income taxes</b>	1520	6338	5210	7317
Adjustments for:				
Depreciation and amortization	3088	3809	6737	5443
Loss on disposal of property, plant and equipment		25		25
Interest expenses, net	839	896	1059	1477
<b>Operating cash flows before movements in working capital</b>	5448	11068	13006	14262
Increase in inventories	(7690)	(4647)	(12721)	(9604)
Increase in receivables	1430	(14247)	(536)	(302)
Unrealised foreign exchange gain (loss)			6	167
Increase in payables	14181	177	14379	6600
<b>Cash generated by (used in) operations</b>	13369	(8003)	14134	11123
Income taxes paid		(1091)		(1680)
Interest paid	(899)	(1124)	(1118)	(1482)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	12471	(10218)	13016	7633
<b>INVESTING ACTIVITIES</b>				
Interest received	336	195	1	5
Purchases of property, plant and equipment	(2654)	(6409)	(4475)	(27440)
Acquisition of subsidiaries		(3822)		
Purchases of available for sale investments				
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(2319)	(10036)	(4474)	(27435)
<b>FINANCING ACTIVITIES</b>				
Dividends paid	(2029)	(1764)	(2029)	(1764)
Proceeds from (repayments of) borrowings, net	(19868)	15663	(18190)	15509
Repayments of obligations under finance leases	(489)	(560)	(489)	(560)
Proceeds on issue on bonds	12844	7000	12844	7000
<b>NET CASH FROM FINANCING ACTIVITIES</b>	(9543)	20339	(7865)	20185
<b>NET INCREASE IN CASH</b>	610	85	677	383
<b>CASH AT BEGINNING OF PERIOD</b>	820	735	1229	846
<b>CASH AT END OF PERIOD</b>	1429	820	1906	1229

General Director

Rimantas Perveneckas

# APB APRANGA AND SUBSIDIARIES

## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2005

Statement of changes in equity (in accordance with International Financial Reporting Standards), LTL thousand

COMPANY	Share capital	Legal reserve	Share premiums	Other reserves	Accumulated profits	Total
<b>Balance at 31 December 2003</b>	<b>8823</b>	<b>461</b>	<b>441</b>	<b>25001</b>	<b>5750</b>	<b>40476</b>
Transfer to legal reserve	-	288	-	-	(288)	-
Transfer to accumulated profits	-	-	-	(25001)	25001	-
Dividends paid	-	-	-	-	(1765)	(1765)
Net profit for the year	-	-	-	-	5364	5364
<b>Balance at 31 December 2004</b>	<b>8823</b>	<b>748</b>	<b>441</b>	<b>-</b>	<b>34064</b>	<b>44076</b>
Transfer to legal reserve	-	134	-	-	(134)	-
Dividends paid	-	-	-	-	(2029)	(2029)
Net profit for the year	-	-	-	-	1520	1520
<b>Balance at 30 September 2005</b>	<b>8823</b>	<b>882</b>	<b>441</b>	<b>-</b>	<b>33421</b>	<b>43567</b>

GROUP	Share capital	Legal reserve	Share premiums	Other reserves	Translation reserve	Accumulated profits	Total
<b>Balance at 31 December 2003</b>	<b>8823</b>	<b>461</b>	<b>441</b>	<b>25001</b>	<b>(36)</b>	<b>5450</b>	<b>40140</b>
Transfer to legal reserve	-	288	-	-	-	(288)	-
Transfer to accumulated profits	-	-	-	(25001)	-	25001	-
(Decrease) in translation reserve	-	-	-	-	(176)	-	(176)
Dividends paid	-	-	-	-	-	(1765)	(1765)
Net profit for the year	-	-	-	-	-	6082	6082
<b>Balance at 31 December 2004</b>	<b>8823</b>	<b>748</b>	<b>441</b>	<b>-</b>	<b>(212)</b>	<b>34481</b>	<b>44282</b>
Transfer to legal reserve	-	134	-	-	-	(134)	-
Transfer to accumulated profits	-	-	-	-	-	-	-
(Decrease) in translation reserve	-	-	-	-	6	-	6
Dividends paid	-	-	-	-	-	(2029)	(2029)
Net profit for the year	-	-	-	-	-	5210	5210
<b>Balance at 30 September 2005</b>	<b>8823</b>	<b>882</b>	<b>441</b>	<b>-</b>	<b>(206)</b>	<b>37528</b>	<b>47469</b>

General Director

Rimantas Perveneckas

# APB APRANGA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2005

### Notes to the financial statements.

The Group consists of APB Apranga, the parent company, and its wholly owned subsidiaries SIA Apranga, SIA Apranga LV, OU Apranga Estonia and UAB Apranga LT.

The financial statements have been prepared in accordance with International Financial Reporting Standards. Since the year 2004 APB Apranga is preparing its financial statements and the Group is consolidated in conformity with International Financial Reporting Standards.

Auditors did not audit the interim financial statements of Apranga Group. The financial statements of Apranga Group for the year ended 31 December 2004 are audited.

APB Apranga subsidiaries which are consolidated:

	<b>SIA „Apranga”</b>	<b>UAB “Apranga LT”</b>	<b>SIA “Apranga LV”</b>	<b>OU „Apranga Estonia”</b>
Address	Elizabetes str. 51, Riga, Latvia	Kirtimų str. 51, Vilnius, Lithuania	Elizabetes str. 51, Riga, Latvia	Viru valjak 4, Tallinn, Estonia
Activity	Retail sales	Retail sales	Retail sales	Retail sales
Share capital	LVL 500 000	LTL 500 000	LVL 100 000	EEK 2 000 000
The type of shares	Ordinary registered shares	Ordinary registered shares	Ordinary registered shares	Ordinary registered shares
Number of shares	10 000	500	1 000	1
Nominal value of shares	LVL 500 000	LTL 500 000	LVL 100 000	EEK 2 000 000
The share of capital owned, %	100%	100%	100%	100%

The retail turnover (with VAT) of Apranga Group during the first nine month of 2005 was LTL 137.8 million and increased by 55.1% or by LTL 48.9 million over corresponding period in 2004. That was achieved by rapid development of the Group, especially in foreign markets. In the May 2004 the franchise contracts about opening of ZARA stores in the Baltic states were signed with the largest in the world vertical retailer INDITEX Group. In August 2004 the first two ZARA stores were opened in Tallinn and Riga. The third store was opened in Vilnius in November 2004. Also in August 2004 in Riga (Latvia) the first in the Eastern Europe 'Emporio Armani' store was opened (the store of one of the best-known in the world fashion designer Giorgio Armani). In February 2005 'Emporio Armani' store was opened in Vilnius also.

During the year 2004 Apranga Group opened 12 new stores and during the first nine months of 2005 – 6 new stores (3 in Lithuania and 3 in Latvia). That determines high increase in turnover during reporting cycle.

For the period ended 30 September 2005 sales and cost of sales by the geographical area consisted of the following:

GROUP	2005 Q3 LTL thousand				2005 Q3 LTL thousand			
	Lithuania	Latvia	Estonia	Total	Lithuania	Latvia	Estonia	Total
Sales	76 199	27 628	12 809	116 636	59 356	12 919	2 993	75 269
Cost of sales	-45 674	-14 289	-6 540	-66 503	-36 852	-8 202	-1 605	-46 659
<b>Gross profit</b>	<b>30 525</b>	<b>13 339</b>	<b>6 269</b>	<b>50 133</b>	<b>22 504</b>	<b>4 717</b>	<b>1 388</b>	<b>28 609</b>

# APB APRANGA AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2005

COMPANY	2005 Q3				2005 Q3			
	LTL thousand				LTL thousand			
	Lithuania	Latvia	Estonia	Total	Lithuania	Latvia	Estonia	Total
Sales	66 265	15 009	0	81 274	59 427	9 706	0	69 132
Cost of sales	-40 829	-15 009	0	-55 838	-36 818	-8 407	0	-45 225
<b>Gross profit</b>	<b>25 435</b>	<b>0</b>	<b>0</b>	<b>25 435</b>	<b>22 609</b>	<b>1 298</b>	<b>0</b>	<b>23 908</b>

The gross profitability of the Group increased from 38% during the three quarters of 2004 to 43% during the reporting cycle of 2005. It was earned LTL 50.1 million of gross profit or by LTL 21.5 million more (or by 75% more) than during the corresponding period in 2004. Mainly it is a result of more profitable new projects.

Because of rapid development of the Group the operating expenses increased respectively – it increased to LTL 44.2 million or by 67% over the corresponding period in 2004. Finance costs increased by 46% because of increased needs to borrow to finance new projects.

Profit before taxes of Apranga Group for the first nine months of 2005 is LTL 5.21 million when during the corresponding period of the year 2004 it was LTL 3.08 million (the profit increased by 69%). The more profit of the Group is due to increased turnover and together increased gross profitability.

The retail sales of apparel is partly influenced by the seasonal fluctuations and also by sales periods. Generally in second half of the year and especially in last quarter the turnover and gross profitability are higher. That determines that the best part of the profit is earned during the September – December months period.

During the first nine months of 2005 the Current assets of the Group (in residual value) decreased by LTL 2.1 million (or by 3.7%) due to less acquisition of the current assets than its depreciation. During the reporting cycle the Group purchases of the current assets totalled the amount of LTL 4.5 million. At the end of reporting cycle the Group had the current assets (in residual value) of LTL 56.1 million.

The Inventories of the Group increased together with new store openings, increased selling space and the turnover. It was LTL 43.9 million of Inventories at the end of 30 September 2005 and it increased by 19% comparing to the corresponding period in 2004.

The total assets of the Group at 30 September 2005 was LTL 115.4 million and increased by LTL 11.7 million or by 11% since the beginning of the year.

In 2005 APB Apranga has paid LTL 2 029 million of dividends for the year 2004.

At 30 September 2005 financial debts of the Group consisted of the following, LTL thousand:

GROUP	Debts to pay			
	Financial debts (to subsidiaries and associated companies)	Within one year	In one financial year, but not later than in five years	After five financial years
Amounts payable under finance leases or similiar		152	928	-
Bank loans		-	16 952	-
AB Vilniaus bankas, credit line, LTL		-	10 641	-
SIA NORD/LB, credit line, LVL		-	6 311	-
Other borrowings		235	20 000	-
Total		387	37 880	-

# **APB APRANGA AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2005**

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The credit line contract with AB Vilniaus bankas expire on 17 May 2006, with SIA NORD/LB – on 31 January 2007 (the maturity of this contract was prolonged in March 2005, therefore the part of short-term financial debts was changed to long-term).

Other borrowings of the Group (LTL 20 235 thousand) at 30 September 2005 consisted of LTL 20 million bonds issued by APB Apranga in June 2005 and of interest accrued (LTL 235 thousand). The bonds of LTL 7 million issued in 2004 were timely redeemed in June 2005. The borrowings within bonds issued increased by LTL 13 million.

All borrowings of the Group at 30 September 2005 were LTL 38.3 million, which of LTL 32.0 million were borrowed in Lithuanian Litas and of LTL 6.3 million were borrowed in Latvian Lats. The borrowings of the Group decreased by LTL 3.7 million or by 9% comparing to the corresponding period in 2004.

The average interest rate was 4 %.

Trade and other payables of the Group at the end of reporting cycle was LTL 29.3 million and did not change comparing to the corresponding period in 2004.