

**AB Vilniaus degtinė**

Financial Statements  
As on the 31<sup>st</sup> December 2009

## **Contents**

Company information	2
Board's Statement on the annual accounts	3
Independent auditor's report	4
Statement of Financial Position	6
Statement of Comprehensive Income	8
Statement of changes in equity	9
Statement of cash flows	10
Notes	11
Annual Report 2009	47

## **Company information**

### **AB Vilniaus degtinė**

Telephone: + 370 5 231 31 52  
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Company code: 120057287  
Registered at: Panerių str. 47/2, Vilnius, Lithuania

### **Management**

Danas Kerbelis, Director General  
Audra Jauniškienė, Finance and Administration Director

### **Board**

Darius Žaromskis  
Danas Kerbelis  
Renaldas Barauskas  
Audra Jauniškienė  
Dalius Rutkauskas

### **Auditor**

UAB Rimess

### **Banks**

AB DnB NORD bankas

Lithuanian Branch of AS UniCredit Bank  
AB SEB bankas  
AB Swedbank

## **Board's statement on the annual accounts**

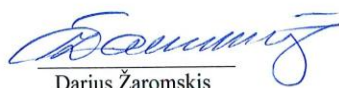
Earlier this day, the Management has discussed and approved annual Financial Statement and Annual Report of the Management, as well as has signed them.

Financial Statements have been compiled in accordance with International Financial Accounting Standards adopted by the European Union. In our opinion, the accounting principles applied are proper and Financial Statements in all material aspects give a true and correct view.

We hereby recommend the Financial Statements to be approved by the General Shareholder Meeting.

Vilnius, dated this 23 day of March 2010

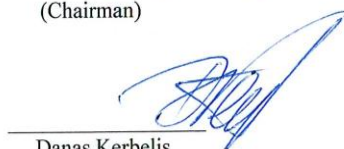
Board of directors:



Darius Žaromskis  
(Chairman)



Audra Jaušikienė



Danas Kerbelis



Darius Rutkauskas



Renaldas Barauskas

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AB VILNIAUS DEGTINĖ

### Report on the Financial Statements

We have audited the accompanying financial statements of AB Vilniaus degtinė, which comprise the statement of financial position as at December 31, 2009, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and a summary of significant accounting policies and other explanatory notes (hereinafter – financial statements).

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements and annual report in accordance with the legal acts of the Republic of Lithuania regulating the financial accounting and preparation of the financial statements, and with International Financial Reporting Standards as adopted by the European Union. Management's responsibility includes: designing, implementing and maintaining the internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (hereinafter – Standards) which are set by the International Federation of Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. The audit also includes the evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

UAB "RIMESS" | Įm. kodas 300056169 | PVM mok. kodas LT100001220914 | LR Juridinių asmenų registras, Vilniaus filialas

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*Opinion*

In our opinion the financial statements give a true and fair view of the financial position of AB Vilniaus degtinė as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on legal and other regulatory requirements**

We have read the accompanying annual report of AB Vilniaus degtinė for the year 2009 and have not identified any material inconsistencies between the financial information included and the audited financial statements.

*Director auditor*  
*Genadijus Makušėvas*  
*Auditor's certification No. 000162*

*23 March, 2010*  
*40B A. Goštautas str., Vilnius*



*UAB Rimess*  
*Audit company's certification No. 001332*

## Statement of Financial Position

As of the 31<sup>st</sup> December.

In LTL	Notes	2009	2008
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	21 563 651	23 204 605
Intangible assets	15	13 922 486	14 900 842
Financial assets		0	0
<b>Total non-current assets</b>		<b>35 486 137</b>	<b>38 105 447</b>
<b>Current assets</b>			
Inventories	16	7 689 344	9 495 228
Prepayments and future expenses	17	1 280 152	498 436
Trade receivables	18	28 864 366	39 963 023
Other receivables	13, 19	3 659 967	2 703 440
Other current assets		0	75 554
Cash and cash equivalents	20	82 098	52 389
<b>Total current assets</b>		<b>41 575 927</b>	<b>52 788 070</b>
<b>TOTAL ASSETS</b>		<b>77 062 064</b>	<b>90 893 517</b>

Notes on pages 11–46 are an integral part of these financial statements.

## Statement of Financial Position (cont'd)

As of the 31<sup>st</sup> December

In LTL	Notes	2009	2008
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	21	24 408 431	24 408 431
Legal reserve	21	2 440 843	2 440 843
Retained earnings (loss)		12 446 994	11 720 683
<b>Total equity</b>		<b>39 296 268</b>	<b>38 569 957</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	23	7 100 873	25 047 556
Deferred income tax liability	12	851 598	1 034 500
<b>Total non-current liabilities</b>		<b>7 952 471</b>	<b>26 082 056</b>
<b>Current liabilities</b>			
Interest bearing loans and borrowings	23	13 160 058	2 417 257
Trade payables		4 191 269	6 717 108
Income tax payable		0	0
Other payables	24	12 461 998	17 107 139
<b>Total current liabilities</b>		<b>29 813 325</b>	<b>26 241 504</b>
<b>Total liabilities</b>		<b>37 765 796</b>	<b>52 323 560</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>77 062 064</b>	<b>90 893 517</b>

Notes on pages 11–46 are an integral part of these financial statements.

## Statement of Comprehensive Income

As of the 31<sup>st</sup> December

In LTL	Notes	2009	2008
		<hr/>	<hr/>
<b>Sales revenue</b>	5	<b>53 199 628</b>	<b>69 368 517</b>
Cost of sales		(25 507 834)	(36 306 268)
<b>Gross profit</b>	5	<b>27 691 794</b>	<b>33 062 249</b>
Other income	6	273 729	236 504
Sales and distribution expenses	7	(14 243 765)	(17 391 988)
Administrative expenses	8	(12 113 619)	(12 707 932)
Other expenses	6	(50 237)	(35 311)
<b>Result from operating activities</b>		<b>1 557 902</b>	<b>3 163 522</b>
Financial income	10	157 804	83 510
Financial expenses	10	(1 172 297)	(1 426 204)
<b>Profit before tax</b>		<b>543 409</b>	<b>1 820 828</b>
Corporate income tax	11	182 902	(498 299)
<b>Profit for the period</b>		<b>726 311</b>	<b>1 322 529</b>
		<hr/>	<hr/>
Basic and diluted earnings per share	22	0,03	0,05
<b>Other comprehensive income (expenditure)</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income (expenditure), less taxes</b>		<b>726 311</b>	<b>1 322 529</b>

Notes on pages 11–46 are an integral part of these financial statements.

## Statement of changes in equity

*AB „Vilniaus degtinė“  
Annual accounts for the year ended  
31 December 2009*

In LTL	Notes	Share capital	Legal reserve	Other reserves	Retained earnings	Total shareholders' equity
<b>Capital and reserves as of 1 January 2008</b>		<b>24 408 431</b>	<b>2 440 843</b>		<b>10 398 154</b>	<b>37 247 428</b>
Profit for 2008					1 265 123	1 265 123
Revised income tax					57 406	57 406
<b>Capital and reserves as of 31 December 2008</b>		<b>24 408 431</b>	<b>2 440 843</b>		<b>11 720 683</b>	<b>38 569 957</b>
Profit for the reporting period					<b>726 311</b>	<b>726 311</b>
<b>Capital and reserves as of 31 December 2009</b>	21	<b>24 408 431</b>	<b>2 440 843</b>	<b>0</b>	<b>12 446 994</b>	<b>39 296 268</b>

Notes on pages 11–46 are an integral part of these financial statements.

## Statement of cash flows

In LTL	2009	2008
Profit (loss) for the period	726 311	1 322 529
Depreciation and amortisation	3 989 672	3 622 745
Impairment on construction in progress	(115 958)	47 691
Impairment of trade receivables and other receivables	(465 211)	(353 054)
Impairment of inventories	0	0
Net financial expenses	899 403	1 328 557
Gain (loss) on disposal of non-current assets	(15 799)	(22 037)
Income tax expenses	(182 902)	498 299
Net cash flows from ordinary activities before changes in working capital	4 835 516	6 444 730
Change in inventories	1 805 884	2 710 153
Change in prepayments	(511 443)	667 525
Change in trade receivables and other receivables	11 303 519	(1 986 285)
Change in trade payables and other payables	(7 140 563)	(6 439 878)
Net cash flows from operating activities	5 457 397	(5 048 485)
Income tax paid	(56 544)	(256 056)
<b>Net cash flows from operating activities</b>	<b>10 236 369</b>	<b>1 140 189</b>
Interest received	2 229	10 494
Proceeds from disposal of non-current assets	43 448	25 788
Acquisition of property, plant and equipment	(1 231 469)	(5 055 381)
Acquisition of intangible non-current assets	(21 000)	(25 481)
Repayment of loans	0	208 480
Loans granted	(680 201)	(1 539 949)
<b>Net cash flows from investing activities</b>	<b>(1 886 993)</b>	<b>(6 376 049)</b>
Repayment of loans	(6 874 963)	(22 157 708)
Loans received	99 712	28 876 002
Financial lease payments	(457 392)	(53 491)
Interest paid	(1 087 024)	(1 448 728)
Dividends paid		
<b>Net cash flows from financing activities</b>	<b>(8 319 667)</b>	<b>5 216 075</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>29 709</b>	<b>(19 785)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>52 389</b>	<b>72 174</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>82 098</b>	<b>52 389</b>

Notes on pages 11–46 are an integral part of these financial statements.

## Notes

### 1 Reporting entity

AB Vilniaus Degtinė (hereinafter – the Company) was registered on 8 May 1995 and it is domiciled in Vilnius, Lithuania. The Company has a subsidiary in Obeliai, Rokiškis district.

AB Vilniaus Degtinė is a Lithuanian public listed company with shares traded on AB NASDAQ OMX Vilnius. Its shares are held by the following shareholders:

Shareholder	Shares	Par value, in LTL	Total value, in LTL
Sobieski Sp.z.o.o.	16,668,632	1	16,668,632
Darius Žaromskis	2,440,843	1	2,440,843
Arūnas Tuma	2,440,843	1	2,440,843
Other minor shareholders	2,858,113	1	2,858,113
<b>Total capital</b>	<b>24,408,431</b>	<b>1</b>	<b>24,408,431</b>

The Company is primarily involved in the production of and trade in alcoholic beverages: vodkas, bitters, liqueurs and other alcoholic beverages. The facilities for alcoholic beverage production are located in Vilnius; however, the spirit production facilities are located with the subsidiary of the Company in Obeliai.

The Company has major sales in the local market. The weight of sales to the European Union and foreign markets in the total sales volume is not significant.

AB Vilniaus Degtinė employed 193 staff members as of 31 December 2009 (227 staff members as of 31 December 2008).

### 2 Summary of significant accounting principles

#### Statement of compliance

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

The Board approved the Company's Financial Statements and the Annual Report and signed them on the 23<sup>rd</sup> of March 2010.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Basis of preparation**

The financial statements are presented in the national currency Litas, which is the functional currency of the Company. They are prepared on the historical basis.

The preparation of the financial statements in conformity with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS as adopted by the European Union that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

The accounting policies of the Company as set forth below have been consistently applied and coincide with those applied last year.

#### **Foreign currency**

##### **Translation of amounts in foreign currencies into the national currency**

Transactions in foreign currencies are translated at foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Non-derivative financial instruments**

Non-derivative financial instruments include trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Cash and cash equivalents include cash balances and demand deposits.

Non-derivative financial instruments are initially recognised at fair value plus (except for the instruments recognised in the income statement at fair value) any direct attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognized on the day of transaction. The Company no longer recognises the financial assets when the contractual rights to the cash flows from this asset has expired or when the right to receive the agreed cash flows from this financial asset has been transferred during the transaction, i.e. all risk and benefits from the ownership of the financial assets has been transferred. Financial liability is no longer recognised when it has been covered, revoked or expired.

Receivables are non-derivative financial assets and are not quoted in an active market. They are included into current assets except for maturities greater than 12 months. Loans issued and receivables are initially recognised at fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method, less impairment, if any. Current receivables are not discounted.

Borrowings and other financial liabilities are stated at amortised cost on an effective interest method basis. Current liabilities are not discounted.

#### **Financial derivatives**

The Company did not use or have derivative financial instruments within the period ended on the 31 December 2009 and did not have them as of the day of the statement.

#### **Property, plant and equipment**

##### **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of Company's assets consists of the expenses directly related to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour costs and other expenses incurred to produce these assets before setting them into use, expenses of disassembling, transportation and production site cleaning.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Property, plant and equipment (cont'd)**

##### ***Recognition and measurement (cont'd)***

When useful service time of non-current assets' units differ, they are accounted as separate fixed assets.

##### **Subsequent costs**

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing a part of such item or major overhaul when that cost is incurred if it is probable that future economic benefits embodied with the item will flow to the Company and the cost of an item can be measured reliably. All other costs are recognised in the income statement as incurred.

##### **Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- Buildings and structures                      12–20      years
- Plant and machinery                          5–20      years
- Vehicles    4–10      years
- Other assets                                        5–15      years

Depreciation methods, residual values and useful lives are reassessed on each day of presenting the statement.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Non-current intangible assets**

Intangible assets that have limited useful life and that include computer software and other licences and trademarks acquired by the Company are stated at cost less accumulated amortisation and impairment.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the entire service life. The amortisation rates of intangible assets can be specified as follows:

- Software and licences 3 years
- Sobieski trademark 20 years

Subsequent expenses of intangible assets are capitalised only when they increase the future economic benefits from this particular asset, which relates to the expenses. All other expenses are written off when incurred.

#### **Leased assets**

Leases, in terms of which the Company assumes substantially all the risks and rewards of ownership, are classified as financial leases. Assets acquired by way of financial lease are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. All of that is considered as operational lease.

#### **Inventories**

Inventories, including work in progress, are valued at the lower of cost or net realisable value. Net realisable value is the selling price, less the estimated cost of completion, marketing and distribution.

The costs of inventories is determined based on FIFO principle.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Auxiliary materials and supplies are expensed at the time they are taken into use or booked to the cost of finished goods if used in production.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Inventories (cont'd)**

The Company accounts for bottles as current assets in inventory, since they are not expected to be reused following the initial delivery. Bottles are booked to the cost of finished goods when used in production.

The Company books multiple usage tare (plastic crates for placing the bottles of alcoholic beverages) to the operating expenses immediately after it is taken for use.

#### **Impairment**

Financial asset is impaired if there is objective evidence that certain event or events could have an adverse impact on asset-related cash flows in the future. Individually significant financial assets must be tested for impairment on an individual basis. The remaining financial assets are grouped according to their credit risk and the impairment for those groups is measured on a portfolio basis. An asset that is deemed impaired on an individual basis and its impairment loss is continually recognised cannot be included in any group of assets that is tested for impairment on a portfolio basis.

The carrying amounts of the Company's assets other than inventories and deferred income tax asset are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For the assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised wherever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Cash generating unit is the smallest cash generating asset group generating cash flows independent from other assets or asset groups. Impairment losses are recognised in the statement of comprehensive income.

#### **Calculation of recoverable amount**

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at the initial recognition of these financial assets). Receivables with short duration are not discounted.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Calculation of recoverable amount (cont'd)**

The recoverable amount of non-financial assets is the greater of their 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.

#### **Reversals of impairment**

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In case of certain changes in events or circumstances, on the basis of which the recoverable value of non-financial assets was calculated, indicating that carrying value on non-financial assets can be recoverable, impairment loss is reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **Dividends**

Dividends are recognised as a liability in the period in which they are declared.

#### **Employee allowances**

The company has no determined allowances and inducement plans or payment schemes concerning its shares. Liabilities against retired former employees of the company are fulfilled by the State.

#### **Provisions**

Provisions are recognised in the balance sheet when it is probable that an outflow of economic benefits will be required to settle the obligation arising from a past event or fulfilment of irrevocable undertakings.

#### **Revenue**

##### **Sales of goods**

Revenue from the sale of goods is recognised in the statement of comprehensive income when significant risk and ownership is transferred to the buyer, when it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Sales of goods (cont'd)**

Sales are recognised net of VAT, excise tax and price discounts directly related to the sales.

#### **Services rendered, assets disposed**

Revenue from the services rendered is recognised in the income statement as the services are rendered, considering the extent of completion of the services. The revenue recognised is net of discounts provided.

Revenue from lease is recognised in the statement of comprehensive income on a straight-line basis over the term of lease.

Revenue from disposal of assets is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs, or return of assets disposed is possible or when the significant risks and rewards of ownership cannot be regarded as transferred to the buyer.

#### **Expenses**

##### **Operating lease payments**

Payments made under operating lease are recognised in the statement of comprehensive income on a straight-line basis over the term of lease.

##### **Financial lease payments**

Minimum lease payments are apportioned between the financial charge and the reduction of the outstanding liability applying the effective interest rate method. The financial costs are distributed over the whole period of financial lease, so as to produce a constant periodic interest rate on the remaining balance of the liability.

##### **Net financing costs**

Net financing costs consist of interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses.

## **Notes**

### **2 Summary of significant accounting principles (cont'd)**

#### **Net financing costs (cont'd)**

Interest income is recognised in the statement of comprehensive income as accrued, using the effective interest method. The interest expense component of financial lease payments is recognised in the statement of comprehensive income, using the effective interest rate method.

#### **Income tax**

Income tax consists of current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to the items recognised directly in equity, in which case it is recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of the assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not calculated for temporary differences recorded at the moment of initial recognition of assets or liabilities when such differences affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognised only to the extent it is likely that the future taxable profits will be available against which the assets can be utilised. Deferred tax asset is revised on each day of provision of financial statements and is reduced to the extent it is no longer probable that the related tax benefit will be realised.

#### **Segment reporting**

Segment is a distinguishable component of the Company that is engaged either in providing related products or services, or in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

## Notes

### 2 Summary of significant accounting principles (cont'd)

#### Earnings per share

The Company presents data of basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. During reporting periods there were no any dilutive potential ordinary shares issued by the Company.

#### The influence of application of new standards, amendments of the standards in force and new explanations on financial statements

##### Amendments and explanations of standards in force applicable in 2009.

**Amendment of IFRS 1 “First time Application of International Financial Reporting Standards” and IAS 27 “Consolidated and Separate Financial Statements” “Cost of Investment in a Subsidiary, Jointly Controlled Entity and Associate”** (coming into force in the year starting on or after the 1 January 2009).

Amendment of IFRS 1 enables the company that applies the standards for the first time to set in its separate financial statements developed in accordance with IFRS the cost of implied cost of investments into its subsidiaries, jointly controlled entities or associates, which is determined in accordance with the requirements of IAS 27. Amendment of IAS 27 requires the company to recognise any and all dividends received from subsidiaries, jointly controlled or associated companies in separate financial statements as income.

These amendments are not relevant to the Company.

**Amendment of IFRS 2 “Share-based Payment”** (coming into force in the year starting on or after the 1 January 2009).

This amendment explains the definition of the terms of granting certain rights and determines the way of accounting of other than the terms of granting certain rights and recalling of economic agent's or contractual party's agreement on payment in shares.

This amendment is not relevant to the Company.

**IFRS 7 “Financial instruments: Disclosures”** (coming into force in the year starting on or after the 1 January 2009).

The present amendment requires disclosure of more information on fair value measurements and liquidity risk associated with financial instruments.

These amendments are not relevant to the Company.

**IFRS 8 “Operating Segments”** (coming into force in the year starting on or after the 1 January 2009)

This standard requires disclosure of information on company's business segments, products and services, geographic areas the company is operating in, etc.

The Company has applied the standard when developing financial statements for 2009.

**IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement”** (coming into force on the 1 January 2009).

Amendments clarify the treatment of financial derivatives embedded into other contracts, when a hybrid financial asset is reclassified out of the fair value through profit/loss category.

These amendments are not relevant to the Company.

**Amendment of IAS 1 “Presentation of Financial Statements”** (coming into force in the year starting on or after the 1 January 2009)

The present amendment covers different amendments, including: introduction of new concepts, altered disclosure of transactions with owner’s equity and introduction of a new statement of comprehensive income. Requirements related to financial reporting in case of retrospective corrections have also been altered.

The Company has applied the standard when preparing financial statements for 2009.

**Amendment of IAS 23 “Borrowing Costs”** (coming into force in the year starting on or after the 1 January 2009)

Amended standard eliminates the possibility to expense borrowing costs immediately as expenses and requires capitalisation of borrowing costs, provided that they are directly attributable to acquisition of lasting development assets, construction or manufacturing. All such borrowing costs shall be capitalised and shall be a part of the cost of assets. Other borrowing costs shall be expensed as expenses.

This amendment is not relevant to the Company.

**Amendment of IAS 32 “Financial Instruments. Presentation” and IAS 1 “Presentation of Financial Statements” – Puttable Financial Instruments and Obligations Arising on Liquidation** (coming into force in the year starting on or after the 1 January 2009)

These amendments provide that certain instruments issued by companies that are currently grouped as liabilities regardless of their attributes being similar to the attributes of ordinary shares should be grouped as property.

These amendments are not relevant to the Company.

**Amendment of IAS 39 “Financial Instruments. Recognition and Measurement” and IFRS 7 “Financial Instruments. Disclosure” – Reclassification of Financial Assets** (coming into force in the year starting on or after the 1 July 2009)

This amendment enables regrouping certain financial instruments under rarely occurring circumstances from the group of those kept for trade. Additional disclosures related thereto have been included into IFRS 7.

These amendments are not relevant to the Company.

**IFRIC 13 “Customer Loyalty Programmes”** (coming into force in the year starting on or after the 1 January 2009)

The present interpretation cancels inconsistencies related to the accounting procedure applied on accounting of free-of-charge or discounted products or services supplied under customer loyalty programmes used by the company to grant its customers some points, miles or other credits when they purchase products or services. The interpretation requires accounting the granted customer loyalty reward as an individual component of a sales transaction, during which such reward is granted, therefore a part of the reward’s fair value is attributed to loyalty programme and recognised as revenue of the period, in which the loyalty benefit is received.

This interpretation is not relevant to the Company.

**IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction”** (coming into force in the year starting on or after the 1 January 2009)

This interpretation addresses the provisions of IAS 19 on how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognise as an asset.

This interpretation is not relevant to the Company.

In May 2008, International Accounting Standards Board (IASB), in the process of annual improvement aimed at rationalising and specifying international accounting standards, announced the document **“Improvements to International Financial Accounting Standards”**. The Improvements consist of amendments to international accounting standards concerning presentation, recognition or measurement of accounting amendments and amendments of concepts or their stylistic nature (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41). Different transitional provisions apply on amendments of each standard.

**Standards announced by the International Accounting Standards Board and adopted by EU but not yet in force**

**Amendment of IFRS 1 “First time Application of International Financial Reporting Standards”** (coming into force in the year starting on or after the 1 January 2010).

Amended standard does not contain some outdated instructions for the transitional period and contains several immaterial amendments of wordings.

These amendments are not relevant to the Company.

**Amendment of IFRS 3 “Business Combinations“ and IAS 27 “Consolidated and Separate Financial Statements”** (coming into force in the year starting on or after the 1 July 2009).

Amendment of IFRS 3 covers different amendments in the accounting of business combinations that affect calculation of goodwill: simplifies its calculation when acquiring shares in parts, and determines which acquisition-related costs cannot increase the amount of goodwill. Amendment of IAS 27 specifies that changes in the ownership interest in subsidiary (without losing control over it) shall be accounted as transactions with owner’s equity.

These amendments are not relevant to the Company.

**Amendment of IAS 32 “Financial Instruments. Reporting” – grouping of rights emissions** (coming into force in the year starting on or after the 1 February 2010).

The amendment explains accounting of certain rights, when issued instruments are expressed in the currency other than the issuer’s functional currency. In case if such instruments are issued for a fixed amount of cash pro rata to all existing shareholders of the issuer, they should be accounted as equity, even though the price of their use is expressed in other than the issuer’s functional currency.

This amendment is not relevant to the Company.

**Amendment of IAS 39 “Financial Instruments. Recognition and Measurement” – Eligible Hedged Items** (coming into force in the year starting on or after the 1 July 2009).

This amendment defines specific cases of part of risks, inflation attribution risk and insuring against them.

This amendment is not relevant to the Company.

**IFRIC 12 “Service Concession Arrangements”** (coming into force in the year starting on or after the 30 March 2009).

This interpretation explains how managers of service concessions should apply IFRS in force with regard to accounting rights/obligations assumed under service concession arrangements.

The present amendment has in no way affected the Company’s financial statements.

**IFRIC 15 “Agreements for the Construction of Real Estate”** (coming into force in the year starting on or after the 1 January 2010)

This interpretation addresses when and how should revenue from sale of real estate and construction services be accounted in case when the constructor and the buyer enter into the agreement while construction of real estate is still in progress.

This interpretation is not relevant to the Company.

**IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”** (coming into force in the year starting on or after the 1 July 2009)

This interpretation addresses the issues of accounting of hedges of a net investment in a foreign operation.

This interpretation is not relevant to the Company.

**IFRIC 17 “Distributions of Non-cash Assets to Owners”** (coming into force in the year starting on or after the 1 November 2009)

This interpretation addresses the issues of accounting dividends, when they are paid to the shareholders in other than cash assets.

This interpretation is not relevant to the Company.

**IFRIC 18 “Transfers of Assets from Customers”** (coming into force in the year starting on or after the 1 November 2009).

This interpretation addresses the provisions concerning accounting methods applied by the company in the case when the company receives from a customer movable or immovable assets or equipment, which shall be used by the company for the purpose of granting access to supply of products and services (e.g. electricity, gas, water, etc.).

This interpretation is not relevant to the Company.

***Standards and their interpretations announced by the International Accounting Standards Board but not yet adopted by the EU***

- **TFAS 9 “Financial Instruments”** (applicable since the 1 January 2013 or later).
- **On the 16 April 2009, Compendium of Different Standards and Their Interpretations was published**; it has been developed based on annual IFRS quality improvement projects (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16). This is aimed at, first of all, eliminating inadequacies and defining concepts in use (application of most supplementations will start on the 1 January 2010 or later),
- **Amendment to IAS 24 “Related Party Disclosure”** – disclosure requirements applicable on companies related to governmental authorities and explanation of definition of related parties are simplified (will be applied since the 1 January 2011 or later),
- **Amendment to IFRS 1 “Application of International Financial Reporting Standards for the First Time”** – additional exceptions for first time adopters (applicable since the 1 January 2010 or later),
- **Amendment to IFRS 2 “Share-based Payment”** – Group cash-settled share-based payment transactions (applicable since the 1 January 2010 or later);
- **IFRIC 14 (supplementation) “IAS 19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and Their Interaction”** – prepayments of a minimum funding requirements (will be applied since the 1 January 2011 or later),

**IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”** (applicable since the 1 July 2010 or later).

Company’s management supposes that application of the standards, amendments and interpretations in the future will not have material impact on its financial statements.

## **Notes**

### **3 Critical accounting estimates and judgements**

Estimates and assumptions are continually reviewed and are based on historical experience and other factors, representing current situation and reasonable expected future events.

Management of the Company, considering forecasts and budget, borrowing need, fulfilment of obligations, products and markets, financial risk management, having performed operation continuity assessment, considers that there are no obscurities in the assessment of continuity of the Company's activities or doubts concerning its further operation.

The Company makes estimates and assumptions concerning future events. Resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below.

#### **Impairment losses on receivables**

The Company reviews its receivables to assess impairment at least on a quarterly basis. In determining whether impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of debtors, or national or local economic conditions that correlate with the group of receivables.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. Then methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Moreover, the Company has entered into Trade Credit Insurance Agreement covering the debts of alcohol buyers.

#### **Impairment losses on construction in progress**

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. The construction in progress is quarterly tested for impairment and based on management estimates the impairment loss is recognised for the unused equipment installed in the construction in progress. Depreciation of the construction in progress is calculated since 2009.

#### **Impairment losses on trademark**

The Company uses trademark Sobieski, which is amortised on a straight line basis over a period of 20 years. The service life of this trademark can differ from currently used accounting estimates due to the possible changes of the life cycle of the products market by this trademark as a result of market conditions. According to the management, considering the current situation, the service life used in the accounting is justifiable.

## **Notes**

### **4 Adjustments for previous periods**

On the 1 October 2009, the Company, having applied tax exemption, declared income tax 2008 that was less by LTL 57,406. Comparative figures have been adjusted in the Statement on Financial Position as of 31 December 2009 because in the Statement on Financial Position as of 31 December 2008 excess income tax (other receivables) and retained earning were increased by this amount. Due to adjusted comparative figures, Total Equity and Liabilities as of 31 December 2008 increased by LTL 57,406 to LTL 90,893,517. Comparative figures in the Statement of Comprehensive Income have been adjusted accordingly: income tax 2008 has decreased by LTL 57,406, and net profit increased by this amount.

## Notes

### 5 Segment reporting

The Company is primarily involved in the production of and trade in alcoholic beverages. Besides, the Company produces and distributes rectified, methylated alcohol, has other income. Considering the share of the sales of these products in total income, only one segment can be distinguished in the Company – production of alcoholic drinks and related products.

Revenue and gross profit for 2009 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	48 965 326	3 067 050	81 894	1 085 358	53 199 628
Gross profit	27 164 966	314 670	34 883	177 275	27 691 794

Revenue and gross profit for 2008 are presented below:

In LTL	Alcoholic beverages	Rectified alcohol	Denaturised alcohol	Not allocated	Total
Revenue	64 545 384	2 163 256	117 305	2 542 572	69 368 517
Gross profit	31 998 884	285 609	54 331	723 425	33 062 249

The Company's primary activities are carried out in the Lithuanian market, yet a small part of its production is exported to EU countries and abroad. In January-December 2009, sales to EU and foreign markets amounted to LTL 2,274,649 (in January-December 2008 they were LTL 2,296,589). Considering the share of product sales in foreign markets in total revenue, no geographical segments are distinguished in the Company.

## Notes

In LTL		2009	2008
<b>6</b>	<b>Income and expenses of other activities</b>		
	Lease of premises	108 901	90 744
	Income from sales of materials and spare parts	68 550	84 009
	Result of the sales of non-current assets	15 951	22 142
	Other income	80 327	39 609
	Total other income	273 729	236 504
	Other expenses	50 237	35 311
	Loss on sales of materials and spare parts	0	0
	Loss of sales of non-current assets	0	0
	Total other expenses	50 237	35 311
	<b>Net income and expenses of other activities</b>	<b>223 492</b>	<b>201 193</b>
In LTL		2009	2008
<b>7</b>	<b>Sales and distribution expenses</b>		
	Advertising expenses	6 284 198	9 214 558
	Marketing expenses	5 521 124	5 845 621
	Salaries and social security	1 276 093	1 223 926
	Transportation expenses	560 202	754 537
	Market research expenses	194 308	129 655
	Packaging expenses	55 222	90 725
	Other	352 618	132 966
	<b>Total sales and distribution expenses</b>	<b>14 243 765</b>	<b>17 391 988</b>

Advertising expenses include advertising through media, advertising in the supermarkets, restaurants, cafes and bars, and other advertising expenses.

## Notes

In LTL		2009	2008
<b>8</b>	<b>Administrative expenses</b>		
	Salaries and social security	4 433 001	4 794 752
	Operating and other taxes	1 414 204	1 700 580
	Repairs and maintenance	387 484	758 865
	Amortisation	999 356	1 018 753
	Depreciation	1 190 078	954 753
	Consulting and training expenses	1 458 998	547 555
	Including: Legal audit	53 519	53 518
	Tax consultations by audit company	1 400	0
	Maintenance of cargo vehicles	280 775	430 690
	Security expenses	402 911	340 450
	Representation expenses	38 739	204 635
	Sponsorship and other	29 000	66 260
	Communications and IT maintenance expenses	175 630	200 085
	Utilities	271 220	158 317
	Impairment of construction in progress	(115 958)	47 691
	Impairment of inventories	0	0
	Other	1 148 181	1 484 547
	<b>Total administrative expenses</b>	<b>12 113 619</b>	<b>12 707 932</b>
In LTL		2009	2008
<b>9</b>	<b>Personnel expenses</b>		
	Wages and salaries	6 064 728	6 826 306
	Compulsory social security contributions	1 879 903	2 113 744
	<b>Total personnel expenses</b>	<b>7 944 631</b>	<b>8 940 050</b>

Personnel expenses for January-December 2009 and January-December 2008 include change in accrued vacation compensations. Redundancy pays and holiday compensations for January-December 2009, inclusive of social security taxes, amounted to LTL 958,658.

Personnel expenses for January-December 2009 include wages and salaries for the management (including compulsory social security contributions) in the amount of LTL 721,105, and their redundancy pay – LTL 85,855 (wages and salaries for the management for January-December 2008 – LTL 633,227).

As of 31 December 2009, there were no loans granted to the management (as of 31 December 2008 – LTL 34,000).

In January-December 2009, 5 managers were working for the Company (in January-December 2008 there were 4 managers).

## Notes

In LTL		2009	2008
<b>10</b>	<b>Financial income and expenses</b>		
	Interest income	157 050	83 510
	Other income	754	0
	Total financial income	157 804	83 510
	Interest on loans and lease liabilities	1 056 609	1 412 068
	Foreign exchange loss	0	9 100
	Other	115 688	5 036
	Total financial expenses	1 172 297	1 426 204
	<b>Financial income and expenses, net value</b>	<b>(1 014 493)</b>	<b>(1 342 694)</b>
In LTL		2009	2008
<b>11</b>	<b>Corporate income tax expenses</b>		
	Current tax	0	96 958
	Change in deferred income tax	(182 902)	401 341
	<b>Total income tax expenses</b>	<b>(182 902)</b>	<b>498 299</b>

Checking of the tax rate in force is as follows:

In LTL		2009	2008
	Earning before taxes	543 409	1 820 829
	Income tax using the effective tax rate	20,0% 108 682	15,0% 273 124
	Charity expenses deducted twice	0,6% 3 500	(0,3)% (6 074)
	Non-deductible representation expenses	0,5% 2 921	0,4% 7 387
	Non-deductible value added tax	1,6% 8 490	0,2% 4 543
	MTEP works expenses	(15,2%) (82 892)	(3,2%) (57 406)
	Other non-deductible expenses	8,4% 45 802	1,0% 18 100
	Effect of change in tax rate	(49,6) (269 405)	14,20% 258 625
		<b>(33,7%) (182 902)</b>	<b>27,3% 498 299</b>

## Notes

### 12 Deferred tax

	2009		2008	
	Temporary differences	Deferred tax (15%)	Temporary differences	Deferred tax (20%)
In LTL				
Impairment of other receivables	832 923	124 938	885 209	177 042
Impairment of trade receivables	236 075	35 411	378 728	75 746
Impairment of construction in progress	573 066	85 960	593 513	118 702
Impairment of inventories	0	0	0	0
Accrued social security expenses for vacation reserve	116 191	17 429	171 356	34 271
Taxable losses	488 495	73 274	0	0
<b>Total deferred tax asset</b>		<b>337 012</b>		<b>405 761</b>
Difference in depreciation of property, plant and equipment	(3 037 102)	(455 565)	(3 208 830)	(641 766)
Difference in amortisation of intangible assets	(4 364 694)	(654 704)	(3 273 520)	(654 704)
Carrying value of non-current assets that are subject to investment relief	(522 272)	(78 341)	(718 955)	(143 791)
<b>Total deferred tax liability</b>		<b>(1 188 610)</b>		<b>(1 440 261)</b>
<b>Net deferred tax</b>		<b>(851 598)</b>		<b>(1 034 500)</b>

In 2009, current income tax rate was 20%. Considering that income tax rate is reduced to 15% starting from the 1 January 2010, the company has accounted the deferred tax at the 15% rate.

Change in the deferred tax may be divided as follows:

	2009	2008
In LTL		
Deferred tax liability as of January 1	(1 034 500)	(633 159)
Deferred tax change	182 902	(401 341)
<b>Deferred tax liability as of December 31</b>	<b>(851 598)</b>	<b>(1 034 500)</b>

## Notes

### 13 Income tax

In LTL	2009	2008
	<hr/>	<hr/>
Overpaid income tax (liability) as of 1 January	160 425	1 327
Income tax for the period	0	96 958
Income tax paid	56 544	256 056
<b>Overpaid income tax (liability) as of 31 December</b>	<b>216 969</b>	<b>160 425</b>
	<hr/> <hr/>	<hr/> <hr/>

The Company has adjusted the income tax for 2008. It has been reduced by LTL 57,406, giving applied tax exemption. Therefore, overpaid income tax 2008 has been increased by the same amount as well.

## Notes

### 14 Property, plant and equipment

In LTL	Land and buildings	Machinery and equipment	Vehicles and other assets	Other equipment	Construction in progress	Other tangible assets	Total
Cost as of 1 January 2008	16 359 819	15 758 949	1 631 089	2 421 980	2 911 846	530 520	39 614 203
Additions	367 588	1 678 967	44 025	153 908	148 608	3 510 030	5 903 126
Disposals	(37 801)	(87 379)	(98 407)	(195 193)	0	0	(418 780)
Reclassifications	1 164 662	30 520	0	0	(664 662)	(530 520)	0
Cost as of 31 December 2008	17 854 268	17 381 057	1 576 707	2 380 695	2 395 792	3 510 030	45 098 549
Accumulated depreciation as of 1 January 2008	6 508 290	10 014 405	790 517	1 798 256	545 822	0	19 657 290
Depreciation for the year	662 050	1 480 936	208 709	252 297	0	0	2 603 992
Impairment loss	0	0	0	0	47 691	0	47 691
Disposals	(37 800)	(87 315)	(98 403)	(191 511)		0	(415 029)
Accumulated depreciation as of 31 December 2008	7 132 540	11 408 026	900 823	1 859 042	593 513	0	21 893 944
<b>Net book value as of 31 December 2008</b>	<b>10 721 728</b>	<b>5 973 031</b>	<b>675 884</b>	<b>521 653</b>	<b>1 802 279</b>	<b>3 510 030</b>	<b>23 204 605</b>
Cost as of 1 January 2009	17 854 268	17 381 057	1 576 707	2 380 695	2 395 792	3 510 030	45 098 549
Additions	387 715	534 332	33 500	51 360	254 146		1 261 053
Disposals	0	(128 582)	(389 158)	(139 376)	0	0	(657 116)
Reclassifications	4 155 622	6 447	0	0	(652 039)	(3 510 030)	0
Cost as of 31 December 2009	22 239 760	17 793 254	1 221 049	2 292 679	1 997 899	0	45 702 486
Accumulated depreciation as of 1 January 2009	7 132 540	11 408 026	900 823	1 859 042	593 513	0	21 893 944
Depreciation for the year	723 519	1 742 490	199 832	221 204	103 271	0	2 990 316
Impairment loss	0	0	0	0	(115 958)	0	(115 958)
Disposals	7 760	(128 566)	(364 023)	(136 878)	(7 760)	0	(629 467)
Accumulated depreciation as of 31 December 2009	7 863 819	13 021 950	736 632	1 943 368	573 066	0	24 138 835
<b>Net book value as of 31 December 2009</b>	<b>14 533 786</b>	<b>4 771 304</b>	<b>484 417</b>	<b>349 311</b>	<b>1 424 833</b>	<b>0</b>	<b>21 563 651</b>

## Notes

### 14 Property, plant and equipment (cont'd)

Construction in progress is related with the construction of soft drinks production facilities discontinued in 1994 due to the change in strategic plans of the Company. Since 2009, as the requirements of accounting standards have changed, depreciation shall apply on the construction in progress. Before 2009, depreciation was applied on the construction in progress and, accordingly, on quarterly basis, based on assessments by the management, the amount of depreciation was recognised as a loss of impairment.

The depreciation was distributed as follows:

In LTL	2009	2008
Cost of sales	1 562 227	1 464 908
Inventories	187 926	152 260
Administrative and other expenses	1 240 163	986 824
<b>Total</b>	<b>2 990 316</b>	<b>2 603 992</b>

In September 2009, the Company acquired a land plot with a building in Vilnius district valued at LTL 3,871,448, which it intends to use in the future for production, storage and administrative activities. The Company has signed an agreement with the seller of the land plot, under which, given that the seller prepares necessary documents before 31.12.2010, the Company has a possibility (having paid an additional amount) to exchange the acquired land-plot into a larger land-plot in another location owned by the seller.

## Notes

### 15 Non-current intangible assets

In LTL	Patents, licences	Software	Other	Total
Cost as of 1 January 2008	202 384	528 949	18 913 672	19 645 005
Additions during the year	0	25 481	0	25 481
Disposals	(21 178)	(25 059)	0	(46 237)
Cost as of 31 December 2008	181 206	529 371	18 913 672	19 624 249
Accumulated amortisation as of 1 January 2008	196 860	401 752	3 152 279	3 750 891
Amortisation for the year	5 524	67 546	945 683	1 018 753
Disposals	(21 178)	(25 059)	0	(46 237)
Accumulated amortisation as of 31 December 2008	181 206	444 239	4 097 962	4 723 407
<b>Net book value as of 31 December 2008</b>	<b>0</b>	<b>85 132</b>	<b>14 815 710</b>	<b>14 900 842</b>
Cost as of 1 January 2009	181 206	529 371	18 913 672	19 624 249
Additions during the year	0	21 000	0	21 000
Disposals	(8 110)	(1 236)	0	(9 346)
Cost as of 31 December 2009	173 096	549 135	18 913 672	19 635 903
Accumulated amortisation as of 1 January 2009	181 206	444 239	4 097 962	4 723 407
Amortisation for the year	0	53 672	945 684	999 356
Disposals	(8 110)	(1 236)	0	(9 346)
Accumulated amortisation as of 31 December 2009	173 096	496 675	5 043 646	5 713 417
<b>Net book value as of 31 December 2009</b>	<b>0</b>	<b>52 460</b>	<b>13 870 026</b>	<b>13 922 486</b>

All amortisation expenses are included under operating expenses.

## Notes

In LTL	2009	2008
<b>16 Inventories</b>		
Raw materials	4 897 033	8 164 498
Finished goods	1 821 418	1 004 413
Goods for resale	919 393	305 355
Work in progress	51 500	20 962
<b>Total inventories</b>	<b>7 689 344</b>	<b>9 495 228</b>
 In LTL	 2009	 2008
<b>17 Prepayments and deferred expenses</b>		
Prepayments to suppliers	1 076 617	93 280
Deferred advertising expenses	120 183	263 914
Deferred insurance and subscription	70 829	73 614
Other	12 523	67 628
<b>Total prepayments and deferred expenses</b>	<b>1 280 152</b>	<b>498 436</b>
 In LTL	 2009	 2008
<b>18 Trade receivables</b>		
Trade receivables	29 100 442	40 341 751
Impairment allowance for bad debts	(236 076)	(378 728)
<b>Net trade receivables</b>	<b>28 864 366</b>	<b>39 963 023</b>

Specification of trade receivables as of 31.12.2009	Total debt	Debts with non-mature terms				Overdue debts		
		Over 90 days	61 to 90 days	31 to 60 days	Up to 30 days	Up to 90 days	91 to 180 days	181 and > days
Debts of non-group companies	24.055.572			23.540.249	361.541	120.712		33.070
Debts of group companies	4.808.794				4.490.729	66.844	24.766	226.455
<b>Total:</b>	<b>28.864.366</b>			<b>23.540.249</b>	<b>4.852.270</b>	<b>187.556</b>	<b>24.766</b>	<b>259.525</b>

Change in impairment of receivables for bad debts in 2009 decreased having written some bad debts off. Impairment change can be presented as follows:

In LTL	2009	2008
Impairment allowance for bad debts as of 1 January	(378 728)	(731 782)
Reverse of impairment allowance for bad debts	142 652	353 054
<b>Impairment allowance for bad debts at the end of the period</b>	<b>(236 076)</b>	<b>(378 728)</b>

## Notes

### 19 Other receivables

In LTL	2009	2008
	<hr/>	<hr/>
Loans granted	2 653 062	2 057 608
Prepayments to the Tax Inspectorate	297 480	247 480
Overpaid income tax	216 969	160 425
Amounts deposited for guarantee purposes	243 000	124 000
Other receivables	249 456	113 927
Doubtful receivables	832 923	885 209
	<hr/>	<hr/>
<b>Total other receivables before impairment</b>	<b>4 492 890</b>	<b>3 588 649</b>
Impairment	(832 923)	(885 209)
<b>Total other receivables, net</b>	<b>3 659 967</b>	<b>2 703 440</b>
	<hr/>	<hr/>

The prepayment to the Tax Inspectorate is a guarantee for payment of excise tax and exported production payments. Loans granted: loan of EUR 768,380 (LTL 2,653,062) to a related company (6.0-8.5 % fixed annual interest rate, maturity of the loans granted – December 2010). Having applied tax exemption on the income tax of 2008, overpaid income tax amount as of 31.12.2008 was adjusted by LTL 57,406

Change in impairment allowance of receivables was as follows:

In LTL	2009	2008
	<hr/>	<hr/>
Impairment allowance for bad debts and other receivables as of 1 January	<b>(885 209)</b>	<b>(885 209)</b>
Reverse of impairment allowance for bad debts	52 286	0
	<hr/>	<hr/>
<b>Impairment allowance for bad debts and other receivables at the end of the period.</b>	<b>(832 923)</b>	<b>(885 209)</b>
	<hr/>	<hr/>

A debt amounting to LTL 52,286 was written off as the company went bankrupt.

## Notes

### 20 Cash and cash equivalents

In LTL	2009	2008
Cash at bank and in hand	82 098	52 389
<b>Total cash and cash equivalents</b>	<b>82 098</b>	<b>52 389</b>

### 21 Share capital

The share capital is made of 24,408,431 ordinary shares with the nominal value of LTL 1 each and the total share capital is LTL 24,408,431, fully paid. The holders of the ordinary shares are entitled to one vote per share in the shareholders' meeting and are entitled to dividends as declared from time to time and to capital repayment in case of and a share of residual assets. One ordinary share gives a right to one vote at the shareholders' meeting.

#### Legal reserve

Legal reserve is compulsory reserve under Lithuanian legislation. Annual contributions of 5% of the retained earnings available for distribution are required until legal reserve and the share premium reach 10% of the authorised capital. This reserve cannot be distributed.

### 22 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by weighted average number of ordinary shares in issue during the year.

	2009	2008.
Average number of shares	24 408 431	24 408 431
Net result for the period attributable to the equity holders, in LTL	726 311	1 265 123
<b>Earnings per share, in LTL</b>	<b>0,03</b>	<b>0,05</b>

The Company has not issued other securities potentially convertible into shares. Therefore, the diluted earnings per share are the same as the basic earnings per share.

## Notes

In LTL	2009	2008
<b>23 Interest bearing loans and borrowings</b>		
<b>Non-current liabilities</b>		
Bank loans	6 833 698	24 504 574
Financial lease (leasing) liabilities	267 175	542 982
<b>Total non-current liabilities</b>	<b>7 100 873</b>	<b>25 047 556</b>
<b>Current liabilities</b>		
Overdraft	0	0
Bank, other loans and financial lease	13 160 058	2 417 257
<b>Total current liabilities</b>	<b>13 160 058</b>	<b>2 417 257</b>
<b>Total</b>	<b>20 260 931</b>	<b>27 464 813</b>

### Terms and repayment schedule:

In LTL	Total	Up to 1 year	1-2 years	2-5 years	Over 5 years
Overdraft of LTL 2,000,000 – 3-month fluctuating VILIBOR + 2.5%	2 000 000	2 000 000			
Loan of EUR 3,015,412 (LTL 10,411,615) – 3- month fluctuating LIBOR + 2.9%	8 700 437	1 866 739	6 833 698		
Long-term overdraft of EUR 2,606,580 (LTL 9,000,000) – 3-month fluctuating EURIBOR + 2.5%	8 995 314	8 995 314			
Financial lease (leasing) – 6-month variable EURIBOR + 1%	560 180	293 005	267 175		
Short-term loan (card)	5 000	5 000			
<b>Total financial liabilities</b>	<b>20 260 931</b>	<b>13 160 058</b>	<b>7 100 873</b>	<b>0</b>	<b>0</b>

Term of repayment of the long-term loan is 31 December 2015, of long-term overdraft (LTL 2,000,000 and EUR 2,606,580) – 31 August 2010.

In August 2009, the Company has signed with a bank a long-term credit agreement for the amount of EUR 1,736,272 EUR and long-term financial liabilities credit line agreement for the amount of EUR 879,865.62. Long-term credit and credit line for financial liabilities is intended to fund the project “Using distillery refuse (broga) for the production of electric power”. Long-term credit repayment deadline is 31.12.2015, credit line repayment deadline – 31.12.2011.

For the purpose of securing repayment of bank loans, the Company has pledged tangible and intangible non-current assets, inventories, and the right of lease of the land plot. For more information see Note 26.

## Notes

In LTL		2009	2008
<b>24</b>	<b>Other payables</b>		
	Payable excise tax	6 887 932	9 206 118
	Payable VAT	3 646 916	5 187 727
	Accrued vacation expense and social security	488 751	722 553
	Taxes payable	60 324	1 351 413
	Accrued expenses	1 002 883	147 930
	Other payables	375 192	491 398
	<b>Total other payables</b>	<b>12 461 998</b>	<b>17 107 139</b>

## **Notes**

### **25 Financial risk management**

In the course of using financial instruments, the Company faces the following risks:

- Credit risk;
- Liquidity risk;
- Market risk.

The present note provides for information on each of the aforementioned risks the Company faces, the Company's risk evaluation goals, policy and risk valuation and management processes, as well as the Company's capital management. More detailed quantitative disclosures are presented in the present annual statement.

The Board is completely responsible for development and supervision of the company's risk management structure. The Company's risk management policy is devoted to identification and analysis of the risks the Company faces, determination of respective risk limits and controls, and monitoring of the observance of risks and limits. Risk management policy and risk management system are regularly revised to match the changes of market conditions and the Company's activities. With the help of trainings, procedures of management standards, the Company aims to develop a disciplined and constructive management environment, where every employee knows his/her functions and duties.

#### ***Credit risk***

Credit risk is the risk that the Company will suffer financial losses in case if a customer or another party fails to fulfil their respective obligations, and in most cases such risk is related with amounts receivable from the Company's customers.

The Company controls credit risk or risk by using credit conditions and procedures of market analysis. The Company has no significant credit risk concentration because it is distributed among different buyers. Besides, in 2009 the Company insured the trade receivables.

The Company accounts the impairment on the basis of evaluation of losses concerning trade and other amounts receivable. Such impairment consists only of specific loss related to individual significant tradings and other amounts receivable

#### ***Liquidity risk***

Liquidity risk is the risk that, upon maturity, the Company will be unable to fulfil its financial liabilities. The Company's liquidity management objective is to maximally secure sufficient liquidity of the Company, which enables the Company to fulfil its obligations under both, normal and complicated circumstances, without suffering unacceptable losses and being exposed to the risk of losing its good reputation.

The Company's policy is to maintain sufficient cash to cover planned operating expenditure, including financial liabilities; such security does not cover the influence unforecastable force majeure (such as natural calamities). Moreover, the Company has concluded a contract for overdraft limited to EUR 2,606,580 and LTL 2,000,000.

## **Notes**

### **25 Financial risk management (cont'd)**

#### ***Market risk***

Market risk is the risk that market price changes, e.g. foreign exchange rates or interests rates, will affect the Company's income or the value of available financial instruments. The objective of market risk management is to manage and control the market risk, considering certain limits, through optimisation of the return.

#### ***Interest rate risk***

The Company's borrowings are subject to variable interest rates related to EURIBOR and VILIBOR. As of 31 December 2009, the Company did not use any financial instruments to hedge its exposure to the cash flow risk related to debt instruments with variable interest rates or price risk related to debt instruments with fixed interest rates.

#### ***Foreign exchange risk***

The functional currency of the Company is Litas (LTL). The Company faces foreign currency risk on purchases and borrowings that are denominated in currencies other than Litas or Euro. The risk related to the transactions in EUR is considered to be insignificant as the Lithuanian Litas is pegged to Euro at a fixed rate. The Company did not have any material exposure in other foreign currencies as of 31 December 2009 and 31 December 2008.

#### ***Capital management***

The objective of the management policy is to maintain a significant level of owner's equity compared to borrowed funds to avoid discrediting investors, creditors and market trust, as well as maintain development of activities in the future. The Boards observes the return on capital and presents offers on payment of dividends to owners of ordinary shares, considering the Company's financial results and strategic plans.

The Board also strives for maintaining the balance between higher return, which could be achieved through a higher level of borrowed funds, and safety, which is provided by a higher level of owner's equity.

The Company's capital management policy did not change in January-December 2009.

## Notes

### 26 Related party transactions

Related parties of the Company are:

- parties that control, is controlled by or is under common control with the Company;
- parties that can have material impact on the activities of the Company;
- parties that are management members of the company or its parent company;
- close members of the family of the aforesaid persons;
- companies that are under control or material impact of the aforesaid persons.

Parent and ultimate parent companies are as follows:

Company	Relationship
Sobieski Sp. Z.o.o.	Parent company
Belvedere S.A.	Ultimate parent company

Other main related parties are:

Company	Relationship
UAB Belvedere prekyba	Belvedere group company
Sobieski Destylarnia S.A.	Belvedere group company
Vinimpex PLC	Belvedere group company
UAB Belvedere Baltic	Belvedere group company
Fabryka Wodek Polmos Lancut	Belvedere group company
Gemaco	Belvedere group company
PHP Wiesław Wawrzyniak	Belvedere group company
Moncigale S.A.S.	Belvedere group company
Gognas Gautier	Belvedere group company
Marie Brizard&Roger Inten	Belvedere group company
IOOO Galiart .	Belvedere group company
Chais Beaucairois SAS	Belvedere group company
Domain Menada Sp. Z.o.o.	Belvedere group company
Darius Žaromskis	Shareholder
Arūnas Tuma	Shareholder

## Notes

### 26 Related party transaction (cont'd)

Sales to and purchases from related parties during the reporting periods ended 31 December 2009 and 31 December 2008 are as follows:

Company	Type of transaction	2009	2008
<b>Purchases from:</b>			
Belvedere group companies	Purchase of services	2 561 411	5 066 388
Belvedere group companies	Purchase of raw materials	793 837	1 151 968
Shareholder	Purchase of services	309 600	309 600
Belvedere group companies	Purchase of non-current assets	35 506	0
Ultimate parent company	Purchase of inventories	33 622	91 838
<b>Total purchases</b>		<b>3 733 976</b>	<b>6 619 794</b>
<b>Sales to:</b>			
Belvedere group companies	Sales of production including excise tax	50 915 438	92 083 216
Ultimate parent company	Sales of production including excise tax	326 832	305 271
Belvedere group companies	Other income	0	230 071
Ultimate parent company	Other income	154 975	0
Belvedere group companies	Sales of services, etc.	104 043	80 988
<b>Total sales</b>		<b>51 501 288</b>	<b>92 699 546</b>
Excise tax		36 455 443	61 626 960
<b>Total sales net of excise tax</b>		<b>15 045 845</b>	<b>31 072 586</b>

## Notes

### 26 Related party transactions (cont'd)

Balances outstanding with identified related parties at the end of the reporting period:

Company	2009	2008
<b>Trade receivables</b>		
From Belvedere group companies	4 717 184	16 353 557
From ultimate parent company	3 759 312	12 451
From parent company	91 610	0
<b>Total trade receivables</b>	<b>8 568 106</b>	<b>16 366 008</b>
<b>Trade payables</b>		
To Belvedere group companies	193 395	242 131
<b>Total trade payables</b>	<b>193 395</b>	<b>242 131</b>

Remuneration to the Company's management is enclosed in Note 9 to the Financial Statements. Information on the loans granted to the associated company is provided in Note 19.

All outstanding related party transactions are priced on arm's length basis.

## Notes

### 27 Off-balance and other liabilities

As a security for the loan and overdraft facilities, the following assets have been pledged by the Company:

In LTL	2009	2008
Carrying amount of pledged buildings and structures	11 720 502	9 198 192
Carrying amount of pledged trademarks	13 870 027	14 815 710
Carrying amount of pledged inventories	7 689 344	9 495 228

The Company has transferred to the Bank the existing and further monetary funds deposited on the accounts with AB DnB Nord bank and amounts receivable from its buyers, which were equal to LTL 28,864,366 as of 31 December 2009 (LTL 39,963,023 as of 31 December 2008), under the Claiming Right Transfer Agreement in order to secure fulfilment of its liabilities under the Crediting Agreement.

In relation to credit liabilities against the bank, the Company has certain loan liabilities. The Company controls and fulfils its liabilities against the bank.

### 28 Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Carrying amount of assets and liabilities provided in the balance sheet as of 31 December 2009 does not significantly differ from their balance sheet value, except non-current real estate, the depreciated cost-price of which significantly differs from its fair value.

Financial assets as of 31 December 2009:

In LTL	Carrying value	Fair value
Advance payments and expenditure of future periods	1 280 152	1 280 152
Trade debtors	28 864 366	28 864 366
Other receivables and other current assets	3 659 967	3 659 967
Cash and cash equivalents	82 098	82 098
<b>Total</b>	<b>33 886 583</b>	<b>33 886 583</b>

## Notes

### 28 Fair value of financial instruments (cont'd)

Financial liabilities as of 31 December 2009:

In LTL	Carrying value	Fair value
Loan and other amounts subjected to calculation of interest rate	20 260 931	20 260 931
Amounts payable to suppliers	4 191 269	4 191 269
Other amounts payable	12 461 998	12 461 998
<b>Total</b>	<b><u>36 914 198</u></b>	<b><u>36 914 198</u></b>

### 29 Post-balance events

EU structural fund financing has been granted to the project “Using distillery refuse (broga) for the production of electric power” developed by AB Vilniaus degtinė. Having engaged EU structural fund financing, the Company expects to build a cogeneration power plant with installed energy capacity of 1.5 MW, and thermal capacity – 1.6 MW. Total value of the project that will be implemented in the only Lithuanian Obeliai distillery amounts to LTL 19,984,000 (net of taxes). The sum of EU structural fund financing amounts to LTL 9,992,000. This cogeneration power plant will be producing biogas out of distillery refuse (broga), and the biogas will be generating electric power. Production of biogas out of broga will enable to Company to provide itself with thermal and electric power and sell excessive electric power to distribution networks. This project is aimed at reducing costs of energy resources and modernising the use of distillery refuse thereby also reducing environment pollution.

The remaining amount will be financed by the Company using its own and borrowed funds. To secure fulfilment of the project, AB Vilniaus degtinė has signed a financing agreement with a bank.

## Annual Report 2009

### 1. COMPANY INFORMATION

Company name	Stock company Vilniaus degtinė, hereinafter – AB Vilniaus degtinė
Legal form	Stock company
Date & place of registration	8 May 1995, Register Service of the Board of Vilnius city
Code	120057287
Registered office address	Panerių g. 47/2, LT-03202 Vilnius
Telephone	(8~5) 233 0819
Fax	(8~5) 231 5052
E-mail	<a href="mailto:vd@degtine.lt">vd@degtine.lt</a>
Website	<a href="http://www.degtine.lt">www.degtine.lt</a>
Branch	Obeliai distillery
Branch address	Audronių village, Obeliai local authority, Rokiškis district
Telephone	(8~458) 78723
Fax	(8~458) 78723
Email	<a href="mailto:obeliai@degtine.lt">obeliai@degtine.lt</a>

AB Vilniaus degtinė produces and sells vodka and liqueur products, other alcohol beverages, edible rectified, denaturated ethyl alcohol, and edible distilled ethyl alcohol, imports and sells alcohol beverages of other countries.

### 2. INFORMATION ON THE COMPANY'S AUTHORISED CAPITAL AND SECURITIES

Structure of authorised capital of AB Vilniaus degtinė:

Type of shares	Number of shares, pcs.	Par value, LTL	Total par value, LTL	Share in the authorized capital, %
Ordinary registered shares	24,408,431	1	24,408,431	100.00

Ordinary registered shares that form the Company's statutory capital render equal rights to all owners of the Company's shares. All shares of AB Vilniaus degtinė are fully paid-up. The Company has not issued any debt or derivative securities that would be convertible into shares. The Company has not purchased and does not have its own shares.

Total number of shareholders as of the 31 December 2009 was 246.

Shareholders holding over 5% of the Company's statutory capital as of the 31 December 2009:

Shareholder's name (company name, legal form, enterprise code, registered office address)	Number of shares held by the shareholder under the ownership right	Portion of the statutory capital held, %	Portion of votes held, %
SOBIESKI SP.Z.O.O. ul. Bellottiego 1, 01-022, Warszawa, Polska 230030460	16,668,632	68.29	68.29
ARŪNAS TUMA	2,440,843	9.99	9.99
DARIUS ŽAROMSKIS	2,440,843	9.99	9.99
SKANDINAVISKA ENSKILDA BANKEN CLIENTS Sergels Torg 2, 10640 Stockholm, Sweden 50203290810	2,254,262	9.24	9.24

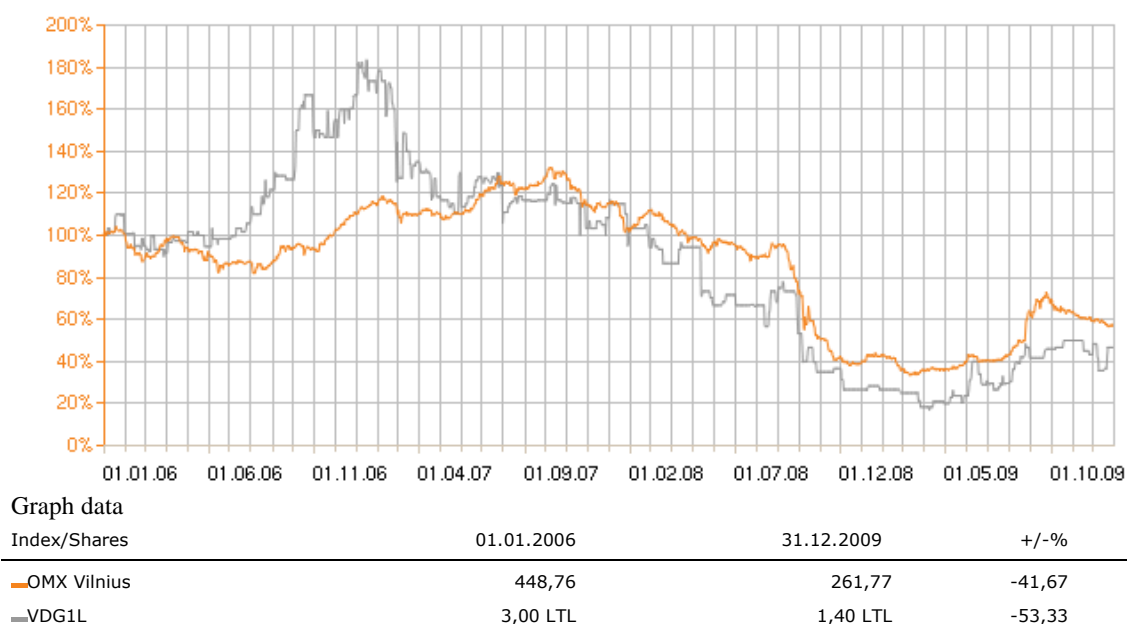
None of the Company's shareholders have any special controlling rights. There are no restrictions of voting rights. There are no agreements of the shareholders the Company is aware of and which could restrict assignment of shares and/or voting rights.

Since the 25 March 2002, ordinary registered shares of AB Vilniaus degtinė are listed in the additional trading list of AB NASDAQ OMX Vilnius. All 24,408,431 shares are included into the trade. There are no restrictions with regard to assignment of shares. The Company has signed an agreement with AB FMĮ Finasta on handling of issued securities.

History of trade in securities of AB Vilniaus degtinė in 2006 to 2009

INDEX	2006	2007	2008	2009
<b>Max. price</b>	5,01	5,50	3,50	1,50
<b>Min. price</b>	2,70	3,00	0,80	0,50
<b>Final price</b>	5,00	3,25	0,80	1,40
<b>Turnover.pcs.</b>	5 254 805	173 373	67 163	104 134
<b>Turnover, LTL million</b>	7,16	0,68	0,14	0,11
<b>Capitalisation, million</b>	122,04	79,33	19,53	34,17

Comparison of the price of share of AB Vilniaus degtinė“ (VDG1L) with the index in 2006 to 2009.



### 3. INFORMATION ON THE COMPANY'S MANAGEMENT

The Company has General Shareholder Meeting, collegial supervisory body – Supervisory Board, collegial management body – the Board and sole management body – CEO (General Director) of the Company.

Supervisory Board of the Company consists of 3 members. It is elected for tenure of four years by the General Shareholder Meeting. When individual members of the Supervisory Board are elected, they shall be elected only for the period ending upon expiry of the tenure of the Supervisory Board.

The Board of the Company consists of 5 members. It is elected for tenure of four years by the Supervisory Board. The Supervisory Board may recall the entire Board or its individual members before expiry of its/their tenure. A member of the Board may resign before expiry of his tenure by at least 14-day prior written notice to the Company.

According to the Articles of Association the power of General Meeting, additionally to the power stated in the local legislation, involves the decisions to invest, dispose of, lease, pledge or mortgage the tangible long-term assets the book value whereof exceeds 1/20 of the authorised capital of the company (calculated individually for every tape of transaction) and decisions to offer surety or guarantee for the discharge of obligations of third persons the amount whereof exceeds 1/20 of the authorised capital of the company.

CEO (General Director) of the Company is elected and recalled, his/her salary is determined, his/her job description is approved and he/she is motivated and penalties are implied on him/her by the Board of the Company.

In the Company's relations with other persons, CEO of the company acts solely on behalf of the Company.

12 meeting of the Board, 5 meetings of the Supervisory Board and 1 shareholder meeting took place in 2009. Issues important to the Company were discussed at them.

Articles of Association of the Company are altered in accordance with the Company Law of the Republic of Lithuania. The most recent wording thereof was filed at the Register of Legal Entities of the Republic of Lithuania on the 11 August 2008.

Members of collegial bodies of AB Vilniaus degtinė, CEO and CFO of the Company (as of the 31 December 2009)

Full name	Position	Participation in the issuer's statutory capital, %	Tenure
Dariusz Jamiola	Chairman of the Supervisory Board	-	Mar 2008 – 2012
Tomasz Kowalski	Member of the Supervisory Board	-	Mar 2008 – 2012
Ilona Šerlatienė	Member of the Supervisory Board	-	Mar 2008 – 2012
Darius Žaromskis	Chairman of the Board	9,99	Dec 2007 – 2011
Danas Kerbelis	Member of the Board	-	Dec 2007 – 2011
Renaldas Barauskas	Member of the Board	-	Mar 2009 – 2011
Dalius Rutkauskas	Member of the Board	-	Mar 2009 – 2011
Audra Jauniškienė	Member of the Board	-	Dec 2007 – 2011
Danas Kerbelis	General Director	-	18.07.2005
Audra Jauniškienė	Finance & Administration Director	-	01.03.2005

Amounts before taxes paid to members of collegial bodies within the period under report make LTL 309,600 or in average for each member – LTL 309,600 (the aforementioned amount has been paid to one member of the collegial body). CEO and Finance and Administration Director of the Company were allotted LTL 173,387 or in average LTL 86,694 for each of them. The Company has not assigned any assets and has not granted any guarantees to members of collegial bodies, CEO and Finance and Administration Director.

There are no material agreements the Company is a party to and those that would come into force, change or expire in case of change of control over the Company. There are no agreements of the Company and members of its bodies that provide for a compensation in case if he/she resigns or is dismissed without a good reason or in case if their work expires due to change of control over the Company. Information on related party transactions entered into in 2009 is disclosed in financial statements of AB Vilniaus degtinė as of the 31 December 2009 developed in accordance with International Financial Reporting Standards.

In the course of fulfilment of its duties in accordance with legal instruments regulating securities market, in 2009 the Company was announcing information on material events in the issuer's operations.

On 27.01.2009 the Company announced that it will not suspend production.

On 16.03.2009 the Company announced that ordinary General Shareholder Meeting will be convened on the 17 April 2009, and also announced its agenda.

On 23.03.2009 an announcement on the plans of Belvedere SA Group was made.

On 07.04.2009 information of new members of the Board was announced.

On 17.04.2009 decisions of the ordinary General Shareholder Meeting were announced.

On 24.04.2009 information on the plans announced by Belvedere SA was announced.

On 20.05.2009 information on the accomplished stage of production modernization was announced.

On 23.07.2009 information on funding of the project “Using distillery refuse (broga) for the production of electric power” was announced .

On 20.11.2009 information on the decision of the Dijon Court on Belvedere SA restructuring plan was announced.

On 27.02.2009, 17.04.2009, 28.05.2009, 31.08.2009, and 30.11.2009 the Company’s performance results for respective periods were announced.

This information announced by the Company is available on the Company’s website [www.degtine.lt](http://www.degtine.lt) or website of AB NASDAQ OMX Vilnius [www.nasdaqomx.com](http://www.nasdaqomx.com)

Detailed information on the Company’s management and disclosure of information is provided at the end of the annual performance report “Report of AB Vilniaus degtinė on observance of the management code applied on the companies listed at Vilnius Stock Exchange”.

AB Vilniaus degtinė is a member of the following associated structures:

- Association of Lithuanian Chambers of Commerce, Industry and Crafts;
- Association “Lithuanian Food Industry”
- Association of Companies Trading in Alcoholic Beverages.

#### 4. ANALYSIS OF PRODUCTION ACTIVITIES

Key activities of the Company are production of vodka, flavoured vodka, bitter, liqueur and other alcoholic beverages.

Nine new products were developed and their production was started in 2009: vodkas Bajorų su šermukšniais (Hidalgo Vodka with Sorb-Apples), Sobieski su kava (Sobieski with Coffee), Sobieski su alyvuogėmis (Sobieski with Olives), Sobieski Ice Mint, Sobieski Delux, Ivan Kalita, Tėviškės spalvos (Colours of Fatherland), spirit drink – balsam Saldžios devynierios (Sweet Nines), and brandy Renaissance VSOP.

Production of flavoured vodkas and bitters is being further developed, yet most attention is paid to the production of traditional vodka and improvement of its taste.

Last year, vodkas Bajorų premium and Sobieski su kava, and cream liqueur Dama (Lady) by AB Vilniaus degtinė were awarded gold medals by Lithuanian Industrialists Confederation at the contest “Lithuanian Product of the Year 2009”.

Obeliai distillery, a branch of AB Vilniaus degtinė, makes edible distilled ethyl alcohol of rye. Distilled ethyl alcohol is supplied to AB Vilniaus degtinė for rectification and further processing. In 2009, Obeliai distillery produced 3.8 million LPA of distilled ethyl alcohol, and AB, Vilniaus degtinė – 3.2 million LPA of rectified ethyl alcohol.

Production capacities in 2007 to 2009.

	2009			2008			2007		
	Thous. ltr	Share, %	Range, pcs.	Thous. ltr	Share, %	Range, pcs.	Thous. ltr	Share, %	Range, pcs.
Vodka	4694,1	69,15	19	6304,7	68,61	15	6968,9	66,49	20
Flavoured vodka	1028,4	15,15	16	1562,5	17,00	15	2310,3	22,04	8
Bitter	542,7	8,00	12	736,6	8,02	13	784,0	7,48	11
Gin	37,7	0,55	1	43,5	0,47	1	42,6	0,41	1
Liqueurs	167,4	2,47	5	194,3	2,12	5	243,5	2,32	5
Scotch whiskey							1,5	0,02	1
Brandy	317,5	4,68	3	347,8	3,78	3	130,1	1,24	1
<b>Total</b>	<b>6787,8</b>	<b>100,00</b>	<b>56</b>	<b>9189,4</b>	<b>100,00</b>	<b>52</b>	<b>10 480,9</b>	<b>100,00</b>	<b>47</b>
Rectified ethyl alcohol, bottles	8,9		1	7,9		1	9,1		1
Distilled ethyl alcohol	3792,9	-	1	4668,2	-	1	4 752,7	-	1
Rectified ethyl alcohol	3208,7	-	1	4243,2	-	1	4 301,8	-	1
Denaturated ethyl alcohol	36,3	-	1	45,0	-	1	55,4	-	1
Aldehydes	259,5	-	1	277,0	-	1	274,9	-	1

In 2009, investments were made into modernization of the production process, renovation of machinery and facilities, employee training and other facilities. Those steps enabled the Company to both expand the product range with new and high-quality products (proved by Lithuanian Industrialists Confederation's evaluation with three gold medals in the category Product of The Year) and secure and maintain proper quality of previously developed products. In 2009, much attention was paid to production optimization and production cost cutting.

In the course of implementation of strategic objectives, the Company continued investing into improvement of production processes and product quality, aiming at producing original and high-quality beverages made of grain cultivated in Lithuania and ethyl alcohol produced in the Obeliai distillery.

The Company has acquired filtration through platinum facilities, and this way of filtration is one of the most innovative in the production of vodka in the world. Filtration through platinum filters renders to vodka particularly soft taste and characteristic flavour.

In 2009, AB Vilniaus degtinė has also invested into improvement of the rectification process. Having modernised the rectification process, extracted ethyl alcohol does not only meet the highest EU and global beverage requirements but also have excellent sensory characteristics.

Four-stage rectification enables producing particularly pure ethyl alcohol that has characteristic taste. That ensures offering high-quality and unique-taste product to the consumer.

In 2009, Obeliai cogeneration power plant planning works were started. Having engaged EU structural fund financing, the Company expects to build a cogeneration power plant with installed energy capacity of 1.5 MW, and thermal capacity – 1.6 MW. Total value of the project that will be implemented in the only Lithuanian Obeliai distillery amounts to LTL 19,984,000 (net of taxes). The sum of EU structural fund financing amounts to LTL 9,992,000. This cogeneration power plant will be producing biogas out of distillery refuse (broga), and the biogas will be generating electric power. Production of biogas out of broga will enable to Company to provide itself with thermal and electric power and sell excessive electric power to distribution networks. This project is aimed at reducing costs of energy resources and modernising the use of distillery refuse thereby also reducing environment pollution.

AB Vilniaus degtinė assumed implementation of the project having received EU structural fund financing under the application for Cohesion Promotion Actions Program's Priority 3 "Environment and Sustainable Development", facility "The use of renewable energy sources for energy production". To implement the project "Using distillery refuse (broga) for the production of electric power", on 31.08.2009 AB Vilniaus degtinė signed an agreement with Lithuanian Business Support Agency on the EU structural funds support.

The Company has revised and adjusted under the existing situation the documentation of its quality management system. Technological and normative production documents and controlled quantities of material resource consumption have been revised. The Company has implemented quality management system ISO 9001:2000.

In 2009, the Company's investments amounted to LTL 4,792.1 thousand, including LTL 485,5 thousand for repairs of machinery, cargo vehicles and buildings.

All of the aforementioned enabled the Company to improve the use of its production capacities, product quality, secure safe and intensive work and save some material resources.

## **5. COMMERCIAL ACTIVITIES**

Sales revenue of AB Vilniaus degtinė in January-December 2009 decreased by 23.3% compared to last year and amounted to LTL 53,199,628 (EUR 15,407,677), and in 2008 they were LTL 69,368,517 (EUR 20,090,511).

In January-December 2009, the Company earned LTL 543,409 (EUR 157,382) of EBIT (in 2008 EBIT amounted to 1,820,828 (EUR 527,348)).

In January-December 2009, AB Vilniaus degtinė sold 6,734.2 thousand litres of alcoholic beverages, which was 29.4% less than during 12 months of 2008 (9,543.6 thousand litres of beverages).

Last year, the market of strong alcoholic beverages in litres shrunk by 32% compared to 2008. Main reason being the existing economic situation and increased excise tax, which resulted in growth of the shadow economy. This is particularly obvious in smaller towns and villages of the country, where sales have decreased considerably.

Last year, sales of AB Vilniaus degtinė shrunk less than the market in general. According to the data of the Nielsen company, in 2009 Vilniaus degtinė held 24.1% vodka market share, which is by 2% more than in the same period of 2008. The highest growth rate observed was related to Sobieski trademark.

The Company has been carrying out its activities in two segments: Lithuanian market and foreign market. These segments differ by geographic allocation of customers. Most part of the Company's sales consists of sales in Lithuanian market. In 2009, sales to EU and foreign markets amounted to LTL 2,274.6 thousand (in 2008 – LTL 2,296.6 thousand).

**Realisation of ready production and goods intended for resale in 2007 – 2009**

Production	2009			2008			2007		
	Thous. litres	Thous. LTL	% of turn-over	Thous. litres	Thous. LTL	% of turn-over	Thous. litres	Thous. LTL	% of turn-over
Alcoholic beverages	6 734,2	50 050,68	94,08	9 543,6	67 087,95	96,71	11 052,1	65 869,39	97,16
- vodka	5 553,6	37 777,49	71,01	7 781,3	49 953,66	72,01	9 399,4	51 968,88	76,66
- bitter	521,1	5 020,46	9,44	758,1	7 073,49	10,20	778,6	6 464,51	9,53
- liqueur	149,5	2 096,04	3,94	200,4	2 609,31	3,76	245,9	2 757,53	4,06
- Vilnius gin	38,8	261,06	0,49	42,9	286,49	0,41	41,9	231,22	0,34
- Scotzh whisky							3,3	84,62	0,12
- wine	59,7	343,94	0,65	123,5	604,52	0,87	168,7	333,55	0,49
- brandy	283,9	3 810,27	7,16	339,7	4 626,10	6,67	152,9	1 975,37	2,92
- alcoholic cocktails	84,1	486,13	0,91	277,6	1 687,61	2,43	254,3	2 053,71	3,04
- other beverages	43,5	255,29	0,48	20,1	246,77	0,36	-	-	-
Edible rectified ethyl alcohol	1 142,0	2 798,27	5,26	528,8	1 838,92	2,65	452,5	1 460,77	2,15
Denaturated ethyl alcohol	35,5	81,90	0,16	51,5	117,31	0,17	55,1	113,22	0,17
Aldehydes	216,5	267,23	0,50	225,2	322,42	0,47	239,00	349,96	0,52
Other products and services		1,55		-	1,92		-	1,42	-
<b>Total</b>		<b>53 199,63</b>	<b>100,0</b>	<b>1</b>	<b>69 368,52</b>	<b>100,00</b>		<b>67 794,76</b>	<b>100,00</b>

In 2009, most part of sales consisted of vodka sale amounting to LTL 37,777.49 thousand or 71.01% of overall turnover of the Company.

The Company allotted extensive funds to the development of images of the trademarks Sobieski, Bajorų, as well as sales promotion and advertising strategy, public relations and other issues. Much attention was paid to product sale, restaurant and cafes supervision. All in all, spending on alcohol advertising and promotion during the reporting period amounted to LTL 6,495.7 thousand.

In 2009, the Company has fully procured for raw materials and materials necessary for the production. Raw materials and materials are purchased by the Company in accordance with EU regulations in force.

Purchasing of auxiliary materials:

- Bottles for principal products from AB Panevėžio stiklas;
- Bottles for souvenir products, caps from EU member-states;
- Labels, label glues (the most favourable suppliers in Lithuania and Poland from price, quality, supplies and payment points of view).

Materials, machinery parts, construction materials for repairs, household articles, and office supplies are purchased under tenders of the established form furnished to the purchasing department. Purchasing department compiles a list of acceptable suppliers, analyses information on the presented product, i.e. its quality, price, and controls fulfilment of supply-related obligations.

## 6. ECONOMIC-FINANCIAL RESULTS

Most part of the Company's principal income (94.1%) consists of income from sales of alcoholic beverages. In 2009, the Company has earned revenue of LTL 53,199.6 thous. from its operating activities. Compared to revenue of 2008 (LTL 69,368.5 thous.), it dropped down by 23.3%. Decrease in sales volumes was determined by overall economic downturn in the country which resulted in decreased consumption and increased sales of illegal alcohol in the so-called shadow market.

In 2009, EBT amounted to LTL 543.4 thousand, in 2008 it was LTL 1,820.8 thousand. EBT decreased to decreased sales and redundancy pays and holiday compensations to former employees of the Company.

Detailed information on the Company's financial results in 2009 is disclosed in financial statements of AB Vilniaus degtinė as of the 31 December 2009 developed in accordance with International Financial Reporting Standards.

Audit of financial statements of AB Vilniaus degtinė for the year 2008 consisting of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity and Statement of Cash Flows of the 31 December 2008 was carried out by UAB Rimess.

Indicators characterising performance of the Company in 2007–2009

Key indicators	2009 m.	2008 m.	2007 m.
Sales revenue (excl. excise tax), thou. LTL	53 199,6	69 368,5	67 794,8
Gross profit, thou. LTL	27 691,8	33 062,2	32 687,1
Earnings before income tax (EBIT), thou. LTL	1 557,9	3 163,5	3 065,3
Profit before tax, thou. LTL	543,4	1 820,8	2 044,5
Profit for the year, thou. LTL	726,3	1 322,5	1 681,9
Profit per share, LTL	0,030	0,052	0,069
Depreciation and amortisation, thou. LTL	3 873,7	3 670,5	3 363,7
EBITDA, thou. LTL	5 431,6	6 834,0	6 429,0
Non-current assets, thou. LTL	35 486,1	38 105,4	35 852,0
Current assets, thou. LTL	41 575,9	52 788,1	52 281,6
Total assets, thou. LTL	77 062,1	90 893,5	88 133,6
Share capital, thou. LTL	24 408,4	24 408,4	24 408,4
Shareholders' equity, thou. LTL	39 296,3	38 570,0	37 247,4
Non-current liabilities, thou. LTL	7 952,5	26 082,1	8 293,2
Current liabilities, thou. LTL	29 813,3	26 241,5	42 593,0
Net cash flows from ordinary activities, thou. LTL	10 236,4	1 140,2	(395,0)
Net cash flows from investing activities, thou. LTL	(1 887,0)	(6 376,0)	(4 187,9)
Net cash flows from financing activities, thou. LTL	(8 319,7)	5 216,1	4 270,3
Gross profit margin ratio, percent	52,1	47,7	48,2
Net profit margin ratio, percent	1,37	1,91	2,48
ROE (return on equity), LTL	0,02	0,04	0,05
ROA (return on assets), LTL	0,021	0,031	0,034
Quick ratio	1,09	1,63	0,91
Net working capital turnover, ratio	2,78	3,83	6,42
Book value per share, LTL	1,61	1,58	1,53
Net profit per share, LTL	0,03	0,05	0,07
Assets turnover ratio	0,69	0,76	0,77
General liquidity ratio	1,40	2,01	1,23
Debt-to-equity ratio	0,96	1,36	1,37
Debt ratio	0,49	0,58	0,58
Average return on assets, percent	0,86	1,48	2,09

The Company's assets decreased as of the 31 December 2009 (LTL 77,062.1 thousand). This was a result of lower balance of trade debtors receivable and inventories in the warehouse (due to decreased turnover in December).

Most part of amounts payable and liabilities consisted of the long-term credit granted by AB DnB NORD bank, as well as two credit lines for circulating funds.

Financial liabilities to credit institution as of the 31 December 2009 amounted to LTL 20,260.9 thous. In 2009, average annual interest rate applied on the long-term credit was 4.26%, on credit line – 6.79%; long-term loan repayment term expires on 31.12.2015, two credit lines – on 31.08.2010

Trade creditors, compared to the previous year, decreased by 37.6%. The Company has no overdue arrears against its suppliers. Most part of other amounts payable and current liabilities consists of the excise tax and value added tax payable for 2009.

To secure repayment of long-term credit and credit limit granted by AB DnB NORD as of the 31 December 2008, the Company has pledged its current and non-current assets, as well as inventories.

In 2009, net positive cash flows from operating activities (LTL 10,236.4 thous.) were mostly a result of decreased trade debtors and balance of inventories in the warehouse. Negative cash flows from investment activities (LTL 1,887.0 thous.) – a result of acquisition of non-current assets and granting of loans to an associated company. Net positive cash flows from financial activities (LTL 8,319.7 thous) have formed having repaid a part of previously received loans and having paid interest.

## 7. RISK FACTORS RELATED TO ACTIVITIES OF THE COMPANY

**Economic risk factors.** Main risk factor is strong other producers and importers of alcoholic beverages. Another risk factor is excise duty that has been increasing year after year, as well as higher and higher restrictions applied on advertising. As the competition is getting tougher, the Company pays much attention and allots extensive funds to the development of brand image and strengthening of selling positions in the market.

In 2009, AB Vilniaus degtinė had no problems related to procurement of raw materials and materials necessary for the production. Long-term supply agreements were signed and exact delivery terms were set. Agreements with buyers on sale of products are mostly concluded for a calendar year.

**Financial risk factors.** To secure repayment of the loan and overdraft granted by the bank the Company has pledged the following assets:

In LTL	2009	2008
Balance value of pledged buildings and structures	11 720 502	9 198 192
Balance value of pledged trademarks	13 870 027	14 815 710
Balance value of pledged inventories	7 689 344	9 495 228
Property right-land plot renting right		

For the purpose of securing fulfilment of its obligations under the Crediting Agreement, the Company, under an Agreement on Assignment of Claiming Rights, has assigned to the Bank the existing and future monetary funds in its accounts with AB DnB NORD, as well as amounts receivable from its buyers, which amounted LTL 28,864.4 thous. as of the 31 December 2009.

Concerning credit obligations against the bank, additional capital requirements are applied on the Company, which are controlled and fulfilled by the Company.

**Ecologic risk factors.** Last year, no penalties for environment pollution, restriction or suspension of production activities due to the harm to the environment were implied. No other ecologic risk factors, accidents took place in 2009. In 2009, the Company paid a fee of LTL 40.3 thous. for environment pollution and LTL 7.7 thous. for natural resources. The Company has concluded contracts on handling of packaging waste. In 2009, spending on packaging handling amounted to LTL 1,004.8 thous. Considering production capacities and tasks of use and recycling of packaging, these costs may increase.

**Technical-technological risk factors.** Since a part of technological machinery in the Company is depreciated, much attention is paid to updating the machinery, development of technological processes and improvement of product quality for the purpose of eliminating technical risk factors.

**Social risk factors.** Employees of the Company keep on improving their qualification at different qualification courses, seminars, and institutions of higher education. There is no lack of employees in the market. Salaries are paid in the Company in timely manner.

Information on other risk factors is disclosed in Note 25 of the explanatory letter to the financial statement as of the 31 December 2009.

## 8. EMPLOYEES

Average number of employees on the payroll in 2009 was 197, which was 13.2% less compared to 2008 (227 employees). The number of employees was reduced due to decreased sales volumes and for the purpose of optimisation of production and management processes.

Average number of employees on the payroll in 2007 - 2009.

	2009	2008	2007
Number of employees	197	227	234

Average monthly salary of employees, in LTL

Employees	2009		2008		2007	
	Number (as of Dec 31)	Average salary, LTL	Number (as of Dec 31)	Average salary, LTL	Number (as of Dec 31)	Average salary, LTL
Managers	5	8 894	6	8 751	5	7 806
Specialists and officials	52	3 157	62	3 010	66	2 821
Workers	136	1 652	159	1 840	185	1 679
<b>Total:</b>	193	2 209	227	2 305	256	2 093

Employee breakdown by education

	Number of employees as of 2009-12-31	Number of employees as of 2008-12-31	Number of employees as of 2007-12-31
University education	40	45	46
College education	60	60	67
Secondary or vocational education	93	117	135
Incomplete secondary education	0	5	8

In 2009, average monthly salary amounted to LTL 2,209, which means a decrease by 4.2% compared to 2008 and was a result of alteration of the remuneration system.

Financial relations with management of the company and other related persons (LTL thous.)

	2009	2008
1. Amounts before taxes related to labour relations: Management	721,1	633,2
Other related persons	-	-
2. Gratuitously transferred assets and gifts: Managers Other related persons		
3. Other material amounts before taxes within the year: Managers		
Other related persons	309,6	309,6
Average number of managers	5	4

No particular rights and duties of employees of the Company or any part thereof have been provided in their employment contracts or collective agreements

Employees of the Company are constantly upgrading their qualification in various seminars and courses. In 2009, 1 employee of the Company obtained university degree through extramural studies, and 6 employees continue studying. In 2009, employees of the Company started taking part in the GPD project "Training of top and medium level managers of leading companies for the purpose of increasing cooperation and

competitiveness of companies with maximum economic potential in the international context”, which will continue next year as well.

Moreover, the Company has applied through LIF for participation in the GPD project intended to improve employee qualification by deepening and expanding knowledge of foreign languages.

## **9. IMPORTANT EVENTS THAT TOOK PLACE AFTER THE END OF THE YEAR**

EU structural fund financing has been granted to the project “Using distillery refuse (broga) for the production of electric power” developed by AB Vilniaus degtinė. Total value of the project that will be implemented in the only Lithuanian Obeliai distillery amounts to LTL 19,984,000 (net of taxes). The sum of EU structural fund financing amounts to LTL 9,992,000. The remaining amount will be financed by the Company using its own and borrowed funds. To secure implementation of the project, AB Vilniaus degtinė has entered into financing agreement with a bank.

In 2010, Obeliai distillery is expected to start the works of biogas production and cogeneration power plant system for the production of biogas using distillery refuse (broga).

## **10. BUSINESS PLANS AND PROSPECTS OF THE COMPANY**

In 2010, sales of alcoholic beverages generated by AB Vilniaus degtinė will amount to 6,757. 8 thousand litres, yet sales to domestic market will drop down by 3.5% compared to 2009. Key reason for decrease of sales is current economic and social situation, which will result in increase of consumption of illegal alcohol in Lithuania, and the volume of officially sold vodka market will shrink.

Considering the above, we expect Lithuanian market volume to shrink more than the planned shrinkage of sales volumes in litres to be generated by AB Vilniaus degtinė. AB Vilniaus degtinė expects to increase its domestic market shares in the categories of brandy, vodka and bitter through implementation of effective marketing actions and supplementation of the product range with new products.

Development of export will be essential in 2010 as well. The Company is planning to increase export volumes in litres by 17.5% to achieve 462 thousand litres. In 2010, priority export markets will be Baltic States. Sales to Latvia and Estonia will be increased by widening product range and increasing product coverage in the market, as well as through advertising of trademarks.

Key goals for 2010 are expected to be as follows:

- Further increasing effectiveness of operations and optimisation of costs.
- Development of Sobieski and Bajorų brands, increasing their awareness and competitiveness.
- Modernisation and increasing of effectiveness of the production base.
- Implementation of the project “Using distillery refuse (broga) for the production of electric power” (EU structural fund financing received) at Obeliai distillery.

Though sales in litres are expected to decrease, operational goals set for 2010 and process effectiveness increase and optimisation works in progress will enable to Company to reach better profit result in the year to come.

General Director

Danas Kerbelis

11. ANNEX TO ANNUAL REPORT

## **Report of AB Vilniaus Degtinė on the compliance with the Corporate Governance Code for the Companies Listed on the Vilnius Stock Exchange in 2009**

Following part 3 of article 21 of the Law on Securities of the Republic of Lithuania and paragraph 20.5 of the Trading Rules of stock company Vilnius Stock Exchange (“Vilniaus vertybinių popierių birža”), stock company Vilniaus Degtinė reveals in this report on how it complies to the Corporate Code of Governance approved by Vilnius Stock Exchange for the companies whose stock is traded in the regulated market, and specific provisions thereof.

PRINCIPLES/ RECOMMENDATIONS	YES /NO /IRRELEVANT	COMMENT
<b>Principe I: Basic provisions</b> <b>The overriding objective of a company should be to operate in common interests of all the shareholders by optimising over time shareholder value.</b>		
1.1. A company should adopt and make public the company's development strategy and objectives by clearly declaring how the company intends to meet the interests of its shareholders and optimise shareholder value.	Yes	The governance system of the stock company Vilniaus Degtinė ensures that all information about material events of the company, financial results, activities and development prospects is disclosed on a timely basis and accurately as provided for by the provisions of the law, and the information is also posted on the website of the company and in other sources.
1.2. All management bodies of a company should act in furtherance of the declared strategic objectives in view of the need to optimise shareholder value.	Yes	The activities of all management bodies of the company are focused on creating value for the shareholders and client, providing high-quality products to the consumers.
1.3. A company's supervisory and management bodies should act in close co-operation in order to attain maximum benefit for the company and its shareholders.	Yes	The supervisory board, the board and the head of the company work in close cooperation when resolving various issues arising in the company, held joint discussions on particularly important issues in order to find the most optimal solutions ensuring maximum benefit for the company.
1.4. A company's supervisory and management bodies should ensure that the rights and interests of persons other than the company's shareholders (e.g. employees, creditors, suppliers, clients, local community), participating in or connected with the company's operation, are duly respected too.	Yes	Management bodies of the company ensure that the rights of all interested parties (stakeholders) are respected. Quality management system (ISO 9001) has been implemented in the company; a labour council is elected in the company to represent the interests of the employees. There is mutually beneficial cooperation with suppliers and clients; terms and provisions of the contracts are being strictly followed.

<b>Principle II: The corporate governance framework</b>		
<b>The corporate governance framework should ensure the strategic guidance of the company, the effective oversight of the company's management bodies, an appropriate balance and distribution of functions between the company's bodies, protection of the shareholders' interests.</b>		
2.1. Besides obligatory bodies provided for in the Law on Companies of the Republic of Lithuania – a general shareholder meeting and the chief executive officer, it is recommended that a company should set up both a collegial supervisory body and a collegial management body. The setting up of collegial bodies for supervision and management facilitates clear separation of management and supervisory functions in the company, accountability and control on the part of the chief executive officer, which, in its turn, facilitate a more efficient and transparent management process.	Yes	The company follows this recommendation; it has the following supervisory and management bodies: general shareholder meeting, supervisory board, board and the head of the company. Regular board meetings and supervisory board meetings, discussion of the most important issues of the company ensure effective supervision of company's activities.
2.2. A collegial management body is responsible for the strategic management of the company and performs other key functions of corporate governance. A collegial supervisory body is responsible for the effective supervision of the company's management bodies.	Yes	The collegial management body of the company is the board, collegial supervisory body – supervisory board.
2.3. Where a company chooses to form only one collegial body, it is recommended that it should be a supervisory body, i.e. the supervisory board. In such a case, the supervisory board is responsible for the effective monitoring of the functions performed by the company's chief executive officer.	Irrelevant	The company has both supervisory board and the board.
2.4. The collegial supervisory body to be elected by the general shareholder meeting should be set up and should act in the manner defined in Principles III and IV. Where a company should decide not to set up a collegial supervisory body but rather a collegial management body, i.e. the board, Principles III and IV should apply to the board as long as that does not contradict the essence and purpose of this body.	Yes	This recommendation is observed when the provisions of principles III and IV are applied in formation of the supervisory board of the company (and the board to the extent it is possible) or evaluation of its activities.
2.5. Company's management and supervisory bodies should comprise such number of board (executive directors) and supervisory (non-executive directors) board members that no individual or small group of individuals can dominate decision-making on the part of these bodies.	Yes	The supervisory board of the company consists of three persons; the board consists of five persons.
2.6. Non-executive directors or members of the supervisory board should be appointed for specified terms subject to individual re-election, at maximum intervals provided for in the Lithuanian legislation with a view to ensuring necessary development of professional experience and sufficiently frequent reconfirmation of their status. A possibility to remove them should also be stipulated however this procedure should not be easier than the removal procedure for an executive director or a member of the management board.	Yes	The supervisory board and the board are elected for a term of 4 years; according to the Articles of Association of the issuer, it is not prohibited to re-elect these persons.
2.7. Chairman of the collegial body elected by the general shareholder meeting may be a person whose current or past office constitutes no obstacle to conduct independent and impartial supervision. Where a company should decide not to set up a supervisory board but rather the board, it is recommended that the chairman of the board and chief executive officer of the company should be a different person. Former company's chief executive officer should not be immediately nominated as the chairman of the collegial body elected by the general shareholder meeting. When a company chooses to depart from these recommendations, it should furnish information on the measures it has taken to ensure impartiality of the supervision.	Yes	<p>The company partly follows this recommendation (the head of the supervisory board has never been the head of the company, but the chairman of the board has been the head of the company).</p> <p>The chairman of the supervisory board represents the main shareholder of the company and is not related with day-to-day operations of the company.</p>

<b>Principle III: The procedure of the formation of a collegial body to be elected by a general shareholder meeting</b>		
<b>The order of the formation a collegial body to be elected by a general shareholder meeting should ensure representation of minority shareholders, accountability of this body to the shareholders and objective monitoring of the company's operation and its management bodies.</b>		
3.1. The mechanism of the formation of a collegial body to be elected by a general shareholder meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure objective and fair monitoring of the company's management bodies as well as representation of minority shareholders.	Yes	Information about the candidates to the members of collegial bodies of the company is publicly available, but the controlling shareholder can propose the general shareholder meeting to recall members of collegial bodies at its own discretion. Members of collegial bodies do not receive remuneration from the company's funds.
3.2. Names and surnames of the candidates to become members of a collegial body, information about their education, qualification, professional background, positions taken and potential conflicts of interest should be disclosed early enough before the general shareholder meeting so that the shareholders would have sufficient time to make an informed voting decision. All factors affecting the candidate's independence, the sample list of which is set out in Recommendation 3.7, should be also disclosed. The collegial body should also be informed on any subsequent changes in the provided information. The collegial body should, on yearly basis, collect data provided in this item on its members and disclose this in the company's annual report.	Yes	The company collects the information about the official duties of the members of collegial bodies and their participation in the operations of other companies. This information is regularly revised and updated and it is made publicly available through the reports of the company.
3.3. Should a person be nominated for members of a collegial body, such nomination should be followed by the disclosure of information on candidate's particular competences relevant to his/her service on the collegial body. In order shareholders and investors are able to ascertain whether member's competence is further relevant, the collegial body should, in its annual report, disclose the information on its composition and particular competences of individual members which are relevant to their service on the collegial body.	Yes	Detailed information on the education, professional experience, etc. of the candidates to the members of the supervisory board is provided to the shareholders' meeting.
3.4. In order to maintain a proper balance in terms of the current qualifications possessed by its members, the collegial body should determine its desired composition with regard to the company's structure and activities, and have this periodically evaluated. The collegial body should ensure that it is composed of members who, as a whole, have the required diversity of knowledge, judgment and experience to complete their tasks properly. The members of the audit committee, collectively, should have a recent knowledge and relevant experience in the fields of finance, accounting and/or audit for the stock exchange listed companies.	Yes	When electing the members of collegial bodies of the company, it is assured that the members have appropriate qualifications.
3.5. All new members of the collegial body should be offered a tailored program focused on introducing a member to his/her duties, corporate organization and activities. The collegial body should conduct an annual review to identify fields where its members need to update their skills and knowledge.	Yes	Members of the collegial bodies of the company upgrade their qualifications at various refresher courses, special seminars where they are updated on basic changes in the regulations applicable to the company's activities.
3.6. In order to ensure that all material conflicts of interest related with a member of the collegial body are resolved properly, the collegial body should comprise a sufficient number of independent members.	No	Members of the supervisory board of the company only partly comply with the independence criteria; up till now, the independence of the members of the supervisory board was not subject to assessment in the company.
3.7. A member of the collegial body should be considered to be independent only if he is free of any business, family or other relationship with the company, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgment. Since all cases when member of the collegial body is likely to become dependent are impossible to list, moreover, relationships and circumstances associated	No	The company does not follow this recommendation of the Governance Code because the members of the supervisory board are employees of the controlling shareholder or

<p>with the determination of independence may vary amongst companies and the best practices of solving this problem are yet to evolve in the course of time, assessment of independence of a member of the collegial body should be based on the contents of the relationship and circumstances rather than their form. The key criteria for identifying whether a member of the collegial body can be considered to be independent are the following:</p> <ol style="list-style-type: none"> <li>1) He/she is not an executive director or member of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) of the company or any associated company and has not been such during the last five years;</li> <li>2) He/she is not an employee of the company or some any company and has not been such during the last three years, except for cases when a member of the collegial body does not belong to the senior management and was elected to the collegial body as a representative of the employees;</li> <li>3) 3) He/she is not receiving or has been not receiving significant additional remuneration from the company or associated company other than remuneration for the office in the collegial body. Such additional remuneration includes participation in share options or some other performance based pay systems; it does not include compensation payments for the previous office in the company (provided that such payment is no way related with later position) as per pension plans (inclusive of deferred compensations);</li> <li>4) He/she is not a controlling shareholder or representative of such shareholder (control as defined in the Council Directive 83/349/EEC Article 1 Part 1);</li> <li>5) He/she does not have and did not have any material business relations with the company or associated company within the past year directly or as a partner, shareholder, director or superior employee of the subject having such relationship. A subject is considered to have business relations when it is a major supplier or service provider (inclusive of financial, legal, counseling and consulting services), major client or organization receiving significant payments from the company or its group;</li> <li>6) He/she is not and has not been, during the last three years, partner or employee of the current or former external audit company of the company or associated company;</li> <li>7) He/she is not an executive director or member of the board in some other company where executive director of the company or member of the board (if the supervisory board is a collegial body elected by the general shareholder meeting) is non-executive director or member of the supervisory board, he/she may not also have any other material relationships with executive directors of the company that arise from their participation in activities of other companies or bodies;</li> <li>8) He/she has not been in the position of a member of the collegial body for over than 12 years;</li> <li>9) He/she is not a close relative to an executive director or member of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) or to any person listed in above items 1 to 8. Close relative is considered to be a spouse (common-law spouse), children and parents.</li> </ol>		<p>associated companies.</p>
<p>3.8. The determination of what constitutes independence is fundamentally an issue for the collegial body itself to determine. The collegial body may decide that, despite a particular member meets all the criteria of independence laid down in this Code, he cannot be considered independent due to special personal or company-related circumstances.</p>		

3.9. Necessary information on conclusions the collegial body has come to in its determination of whether a particular member of the body should be considered to be independent should be disclosed. When a person is nominated to become a member of the collegial body, the company should disclose whether it considers the person to be independent. When a particular member of the collegial body does not meet one or more criteria of independence set out in this Code, the company should disclose its reasons for nevertheless considering the member to be independent. In addition, the company should annually disclose which members of the collegial body it considers to be independent.	No	Up till now, the independence of the members of the management bodies was not subject to assessment and disclosure in the company.
3.10. When one or more criteria of independence set out in this Code has not been met throughout the year, the company should disclose its reasons for considering a particular member of the collegial body to be independent. To ensure accuracy of the information disclosed in relation with the independence of the members of the collegial body, the company should require independent members to have their independence periodically re-confirmed.	No	The company regularly discloses the relations of the supervisory board and the board with the company in its periodic reports, although, up till now, the independence of the members of the management bodies was not subject to assessment and disclosure in the company.
3.11. In order to remunerate members of a collegial body for their work and participation in the meetings of the collegial body, they may be remunerated from the company's funds. The general shareholder meeting should approve the amount of such remuneration.	Irrelevant	Members of collegial bodies do not receive any remuneration from the company's funds.
<b>Principle IV: The duties and liabilities of a collegial body elected by the general shareholder meeting</b> <b>The corporate governance framework should ensure proper and effective functioning of the collegial body elected by the general shareholder meeting, and the powers granted to the collegial body should ensure effective monitoring of the company's management bodies and protection of interests of all the company's shareholders.</b>		
4.1. The collegial body elected by the general shareholder meeting (hereinafter in this Principle referred to as the 'collegial body') should ensure integrity and transparency of the company's financial statements and the control system. The collegial body should issue recommendations to the company's management bodies and monitor and control the company's management performance.	Yes	Supervisory board elected in the company shall submit to the general shareholder meeting comments and proposals regarding the annual financial statements, profit distribution plan and annual report of the company, also carry out other functions within the competence of supervisory board. At the regular meetings of supervisory board and board, the administration of the company reports about its activities.
4.2. Members of the collegial body should act in good faith, with care and responsibility for the benefit and in the interests of the company and its shareholders with due regard to the interests of employees and public welfare. Independent members of the collegial body should (a) under all circumstances maintain independence of their analysis, decision-making and actions, (b) do not seek and accept any unjustified privileges that might compromise their independence, and (c) clearly express their objections should a member consider that decision of the collegial body is against the interests of the company. Should a collegial body have passed decisions independent member has serious doubts about, the member should make adequate conclusions. Should an independent member resign from his office, he should explain the reasons in a letter addressed to the collegial body or audit committee and, if necessary, respective company not-pertaining body (institution).	Yes	According to the information available to the company, all members of collegial bodies act with good will in respect of the company, considering the interests of the company rather than those of their own or third parties.
4.3. Each member should devote sufficient time and attention to perform his duties as a member of the collegial body. Each member of the collegial body should limit other professional obligations of his (in particular any directorships held in other companies) in such a manner they do not interfere with proper performance of duties of a member of the collegial body. In the event a member of the collegial body should be present in less than a half of the meetings of the collegial body throughout the financial	Yes	Members of collegial bodies dedicate enough time and attention for resolving company's issues, take part in all the meetings held by the collegial body.

year of the company, shareholders of the company should be notified.		
4.4. Where decisions of a collegial body may have a different effect on the company's shareholders, the collegial body should treat all shareholders impartially and fairly. It should ensure that shareholders are properly informed on the company's affairs, strategies, risk management and resolution of conflicts of interest. The company should have a clearly established role of members of the collegial body when communicating with and committing to shareholders.	Yes	Members of the management bodies of the company follow the principles of communication with the shareholders established by the laws and, before making decisions that are of great importance to the company, consider the effect they will have on the shareholders and present the main information about company matters in the periodic reports.
4.5. It is recommended that transactions (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions), concluded between the company and its shareholders, members of the supervisory or managing bodies or other natural or legal persons that exert or may exert influence on the company's management should be subject to approval of the collegial body. The decision concerning approval of such transactions should be deemed adopted only provided the majority of the independent members of the collegial body voted for such a decision.	Yes	The management bodies of the company conclude and approve transactions following the requirements of the laws and the Articles of Association of the company, observing the principle of acting to the benefit of the company.
4.6. The collegial body should be independent in passing decisions that are significant for the company's operations and strategy. Taken separately, the collegial body should be independent of the company's management bodies. Members of the collegial body should act and pass decisions without an outside influence from the persons who have elected it. Companies should ensure that the collegial body and its committees are provided with sufficient administrative and financial resources to discharge their duties, including the right to obtain, in particular from employees of the company, all the necessary information or to seek independent legal, accounting or any other advice on issues pertaining to the competence of the collegial body and its committees.	Yes	Collegial management body, mostly dependent on the main shareholder operating in a similar business, makes decisions only based on the best interests of the company.
4.7. Activities of the collegial body should be organized in a manner that independent members of the collegial body could have major influence in relevant areas where chances of occurrence of conflicts of interest are very high. Such areas to be considered as highly relevant are issues of nomination of company's directors, determination of directors' remuneration and control and assessment of company's audit. Therefore when the mentioned issues are attributable to the competence of the collegial body, it is recommended that the collegial body should establish nomination, remuneration, and audit committees. Companies should ensure that the functions attributable to the nomination, remuneration, and audit committees are carried out. However they may decide to merge these functions and set up less than three committees. In such case a company should explain in detail reasons behind the selection of alternative approach and how the selected approach complies with the objectives set forth for the three different committees. Should the collegial body of the company comprise small number of members, the functions assigned to the three committees may be performed by the collegial body itself, provided that it meets composition requirements advocated for the committees and that adequate information is provided in this respect. In such case provisions of this Code relating to the committees of the collegial body (in particular with respect to their role, operation, and transparency) should apply, where relevant, to the collegial body as a whole.	No	The company only partially follows this recommendation because, considering the size and structure of the company, no appointment or salary committees are formed in the company. The functions of audit committee are performed by the supervisory board.
4.8. The key objective of the committees is to increase efficiency of the activities of the collegial body by ensuring that decisions are based on due consideration, and to help organize its work with a view to ensuring that the decisions it takes are free of material conflicts of interest. Committees should present the collegial body with recommendations concerning the decisions of the collegial body. Nevertheless the final decision shall be adopted by the collegial body. The recommendation on creation of committees is not intended, in principle, to constrict the competence of the collegial body or to remove the matters considered from the purview of the collegial body itself, which remains fully responsible for the decisions taken in its field of competence.	Irrelevant	The company only partially follows this recommendation because, considering the size and structure of the company, no appointment or salary committees are formed in the company. The functions of audit committee are performed by the supervisory board.

4.9. Committees established by the collegial body should normally be composed of at least three members. In companies with small number of members of the collegial body, they could exceptionally be composed of the 2 members. The majority of members of every committee should be formed of independent members of collegial body. In cases when the company chooses not to set up a supervisory board, remuneration and audit committees should be entirely comprised of non-executive directors.	No	The company only partially follows this recommendation because, considering the size and structure of the company, no appointment or salary are formed in the company. The functions of audit committee are performed by the supervisory board.
4.10. Authority of each of the committees should be determined by the collegial body. Committees should perform their duties in line with authority delegated to them and inform the collegial body on their activities and performance on regular basis. Authority of every committee stipulating the role and rights and duties of the committee should be made public at least once a year (as part of the information disclosed by the company annually on its corporate governance structures and practices). Companies should also make public annually a statement by existing committees on their composition, number of meetings and attendance over the year, and their main activities. Audit committee should confirm that it is satisfied with the independence of the audit process and describe briefly the actions it has taken to reach this conclusion.	No	The company only partially follows this recommendation because, considering the size and structure of the company, no appointment or salary committees are formed in the company. The functions of audit committee are performed by the supervisory board.
4.11. In order to ensure independence and impartiality of the committees, members of the collegial body that are not members of the committee should commonly have a right to participate in the meetings of the committee only if invited by the committee. A committee may invite or demand participation in the meeting of particular officers or experts. Chairman of each of the committees should have a possibility to maintain direct communication with the shareholders. Events when such are to be performed should be specified in the regulations for committee activities.	No	The company does not follow this recommendation because, considering the size and structure of the company, no appointment, salary or audit committees are formed in the company.
4.12. Nomination Committee.  4.12.1. Key functions of the nomination committee should be the following:  1) Identify and recommend, for the approval of the collegial body, candidates to fill board vacancies. The nomination committee should evaluate the balance of skills, knowledge and experience on the management body, prepare a description of the roles and capabilities required to assume a particular office, and assess the time commitment expected. Nomination committee can also consider candidates to members of the collegial body delegated by the shareholders of the company;  2) Assess on regular basis the structure, size, composition and performance of the supervisory and management bodies, and make recommendations to the collegial body regarding the means of achieving necessary changes;  3) Assess on regular basis the skills, knowledge and experience of individual directors and report on this to the collegial body;  4) Properly consider issues related to succession planning;  5) Review the policy of the management bodies for selection and appointment of senior management.  4.12.2. Nomination committee should consider proposals by other parties, including management and shareholders. When dealing with issues related to executive directors or members of the board (if a collegial body elected by the general shareholder meeting is the supervisory board) and senior management, chief executive officer of the company should be consulted by, and entitled to submit proposals to the nomination committee.	No	The company only partially follows this recommendation because, considering the size and structure of the company, no appointment or salary committees are formed in the company. The functions of audit committee are performed by the supervisory board.
4.13. Remuneration Committee.  4.13.1. Key functions of the remuneration committee should be the following:  1) Make proposals, for the approval of the collegial body, on the remuneration policy for members of management bodies and executive directors. Such policy should address all forms of compensation,	No	The company only partially follows this recommendation because, considering the size and structure of the company, no appointment or salary committees are formed in the company. The functions of audit committee are performed by the

<p>including the fixed remuneration, performance-based remuneration schemes, pension arrangements, and termination payments. Proposals considering performance-based remuneration schemes should be accompanied with recommendations on the related objectives and evaluation criteria, with a view to properly aligning the pay of executive director and members of the management bodies with the long-term interests of the shareholders and the objectives set by the collegial body;</p> <p>2) Make proposals to the collegial body on the individual remuneration for executive directors and member of management bodies in order their remunerations are consistent with company's remuneration policy and the evaluation of the performance of these persons concerned. In doing so, the committee should be properly informed on the total compensation obtained by executive directors and members of the management bodies from the affiliated companies;</p> <p>3) Make proposals to the collegial body on suitable forms of contracts for executive directors and members of the management bodies;</p> <p>4) Assist the collegial body in overseeing how the company complies with applicable provisions regarding the remuneration-related information disclosure (in particular the remuneration policy applied and individual remuneration of directors);</p> <p>5) Make general recommendations to the executive directors and members of the management bodies on the level and structure of remuneration for senior management (as defined by the collegial body) with regard to the respective information provided by the executive directors and members of the management bodies.</p> <p>4.13.2. With respect to stock options and other share-based incentives which may be granted to directors or other employees, the committee should:</p> <p>1) Consider general policy regarding the granting of the above mentioned schemes, in particular stock options, and make any related proposals to the collegial body;</p> <p>2) Examine the related information that is given in the company's annual report and documents intended for the use during the shareholders meeting;</p> <p>3) Make proposals to the collegial body regarding the choice between granting options to subscribe shares or granting options to purchase shares, specifying the reasons for its choice as well as the consequences that this choice has.</p> <p>4.13.3. Upon resolution of the issues attributable to the competence of the remuneration committee, the committee should at least address the chairman of the collegial body and/or chief executive officer of the company for their opinion on the remuneration of other executive directors or members of the management bodies.</p> <p>4.13.4. Remuneration committee should notify shareholders on performance of their functions and, for that purpose, take part in annual general shareholder meeting.</p>		<p>supervisory board.</p>
<p>4.14. Audit Committee.</p> <p>4.14.1. Key functions of the audit committee should be the following:</p> <p>1) Observe the integrity of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting methods used by the company and its group (including the criteria for the consolidation of the accounts of companies in the group);</p> <p>2) At least once a year review the systems of internal control and risk management to ensure that the key risks (inclusive of the risks in relation with compliance with existing laws and regulations) are properly identified, managed and reflected in the information provided;</p> <p>3) Ensure the efficiency of the internal audit function, among other things, by making recommendations on the selection, appointment, reappointment</p>	<p>Yes</p>	<p>Functions of the audit committee in the Company are carried out by the supervisory board.</p>

<p>and removal of the head of the internal audit department and on the budget of the department, and by monitoring the responsiveness of the management to its findings and recommendations. Should there be no internal audit authority in the company, the need for one should be reviewed at least annually;</p> <p>4) Make recommendations to the collegial body related with selection, appointment, reappointment and removal of the external auditor (to be done by the general shareholder meeting) and with the terms and conditions of his engagement. The committee should investigate situations that lead to a resignation of the audit company or auditor and make recommendations on required actions in such situations;</p> <p>5) Monitor independence and impartiality of the external auditor, in particular by reviewing the audit company's compliance with applicable guidance relating to the rotation of audit partners, the level of fees paid by the company, and similar issues. In order to prevent occurrence of material conflicts of interest, the committee, based on the auditor's disclosed inter alia data on all remunerations paid by the company to the auditor and network, should at all times monitor nature and extent of the non-audit services. Having regard to the principals and guidelines established in the 16 May 2002 Commission Recommendation 2002/590/EC, the committee should determine and apply a formal policy establishing types of non-audit services that are (a) excluded, (b) permissible only after review by the committee, and (c) permissible without referral to the committee;</p> <p>6) Review efficiency of the external audit process and responsiveness of management to recommendations made in the external auditor's management letter.</p> <p>4.14.2. All members of the committee should be furnished with complete information on particulars of accounting, financial and other operations of the company. Company's management should inform the audit committee of the methods used to account for significant and unusual transactions where the accounting treatment may be open to different approaches. In such case a special consideration should be given to company's operations in offshore centers and/or activities carried out through special purpose enterprises (organizations) and justification of such operations.</p> <p>4.14.3. The audit committee should decide whether participation of the chairman of the collegial body, chief executive officer of the company, chief financial officer (or superior employees in charge of finances, treasury and accounting), or internal and external auditors in the meetings of the committee is required (if required, when). The committee should be entitled, when needed, to meet with any relevant person without executive directors and members of the management bodies present.</p> <p>4.14.4. Internal and external auditors should be secured with not only effective working relationship with management, but also with free access to the collegial body. For this purpose the audit committee should act as the principal contact person for the internal and external auditors.</p> <p>4.14.5. The audit committee should be informed of the internal auditor's work program, and should be furnished with internal audit's reports or periodic summaries. The audit committee should also be informed of the work program of the external auditor and should be furnished with report disclosing all relationships between the independent auditor and the company and its group. The committee should be timely furnished information on all issues arising from the audit.</p> <p>4.14.6. The audit committee should examine whether the company is following applicable provisions regarding the possibility for employees to report alleged significant irregularities in the company, by way of complaints or through anonymous submissions (normally to an independent member of the collegial body), and should ensure that there is a procedure established for proportionate and independent investigation of these issues and for appropriate follow-up action.</p> <p>4.14.7. The audit committee should report on its activities to the collegial body at least once in every six months, at the time the yearly and half-</p>		
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yearly statements are approved.		
4.15. Every year the collegial body should conduct the assessment of its activities. The assessment should include evaluation of collegial body's structure, work organization and ability to act as a group, evaluation of each of the collegial body member's and committee's competence and work efficiency and assessment whether the collegial body has achieved its objectives. The collegial body should, at least once a year, make public (as part of the information the company annually discloses on its management structures and practices) respective information on its internal organization and working procedures, and specify what material changes were made as a result of the assessment of the collegial body of its own activities.	No	The company does not have an established practice of evaluating and informing about the activities of the management bodies.
<b>Principle V: The working procedure of the company's collegial bodies</b>  <b>The working procedure of supervisory and management bodies established in the company should ensure efficient operation of these bodies and decision-making and encourage active co-operation between the company's bodies.</b>		
5.1. The company's supervisory and management bodies (hereinafter in this Principle the concept 'collegial bodies' covers both the collegial bodies of supervision and the collegial bodies of management) should be chaired by chairpersons of these bodies. The chairperson of a collegial body is responsible for proper convocation of the collegial body meetings. The chairperson should ensure that information about the meeting being convened and its agenda are communicated to all members of the body. The chairperson of a collegial body should ensure appropriate conducting of the meetings of the collegial body. The chairperson should ensure order and working atmosphere during the meeting.	Yes	Collegial supervisory and management bodies of the company are managed by the chairmen of these bodies. The chairman of a collegial body shall be responsible for the proper convention of the meetings of the appropriate collegial body.
5.2. It is recommended that meetings of the company's collegial bodies should be carried out according to the schedule approved in advance at certain intervals of time. Each company is free to decide how often to convene meetings of the collegial bodies, but it is recommended that these meetings should be convened at such intervals, which would guarantee an interrupted resolution of the essential corporate governance issues. Meetings of the company's supervisory board should be convened at least once in a quarter, and the company's board should meet at least once a month.	Yes	The procedure of the meetings of the supervisory and management bodies is not strictly defined; when needed, meetings are called on a short notice.
5.3. Members of a collegial body should be notified about the meeting being convened in advance in order to allow sufficient time for proper preparation for the issues on the agenda of the meeting and to ensure fruitful discussion and adoption of appropriate decisions. Alongside with the notice about the meeting being convened, all the documents relevant to the issues on the agenda of the meeting should be submitted to the members of the collegial body. The agenda of the meeting should not be changed or supplemented during the meeting, unless all members of the collegial body are present or certain issues of great importance to the company require immediate resolution.	Yes	The members of the management bodies are properly notified about the convention of a meeting and supplied with all material necessary for the adoption of the resolutions.
5.4. In order to co-ordinate operation of the company's collegial bodies and ensure effective decision-making process, chairpersons of the company's collegial bodies of supervision and management should closely co-operate by co-ordinating dates of the meetings, their agendas and resolving other issues of corporate governance. Members of the company's board should be free to attend meetings of the company's supervisory board, especially where issues concerning removal of the board members, their liability or remuneration are discussed.	Yes	The chairmen of collegial supervisory and management bodies of the company agree among themselves about the date and agenda of the meetings to be convened and work in close cooperation when adopting resolutions that are of high importance to the company.
<b>Principle VI: The equitable treatment of shareholders and shareholder rights</b>  <b>The corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. The corporate governance framework should protect the rights of the shareholders.</b>		
6.1. It is recommended that the company's capital should consist only of the shares that grant the same rights to voting, ownership, dividend and other rights to all their holders.	Yes	Ordinary registered shares, which form the statutory capital of the company, grant equal rights to all the shareholders of the company.

6.2. It is recommended that investors should have access to the information concerning the rights attached to the shares of the new issue or those issued earlier in advance, i.e. before they purchase shares.	Yes	The company does not issue new shares.
6.3. Transactions that are important to the company and its shareholders, such as transfer, investment, and pledge of the company's assets or any other type of encumbrance should be subject to approval of the general shareholder meeting. All shareholders should be furnished with equal opportunity to familiarize with and participate in the decision-making process when significant corporate issues, including approval of transactions referred to above, are discussed	Yes	All transactions that are important to the company and its shareholders are being approved by the general shareholder meeting (the Articles of Association of the company establish the criteria for important transactions). All the shareholders are provided with equal opportunities to get acquainted and participate in adopting important decisions.
6.4. Procedures of convening and conducting a general shareholder meeting should ensure equal opportunities for the shareholders to effectively participate at the meetings and should not prejudice the rights and interests of the shareholders. The venue, date, and time of the shareholders' meeting should not hinder wide attendance of the shareholders. Prior to the shareholders' meeting, the company's supervisory and management bodies should enable the shareholders to lodge questions on issues on the agenda of the general shareholder meeting and receive answers to them.	Yes	The procedures of convening and conducting the general shareholder meeting provide the shareholders with equal opportunities to take part in a meeting. All the shareholders of the company are given the possibility to ask the members of supervisory and management bodies questions on the agenda of the general shareholder meeting and receive answers to them.
6.5. It is recommended that documents on the course of the general shareholder meeting, including draft resolutions of the meeting, should be placed on the publicly accessible website of the company in advance. It is recommended that the minutes of the general shareholder meeting after signing them and/or adopted resolutions should be also placed on the publicly accessible website of the company. Seeking to ensure the right of foreigners to familiarize with the information, whenever feasible, documents referred to in this recommendation should be published in English and/or other foreign languages. Documents referred to in this recommendation may be published on the publicly accessible website of the company to the extent that publishing of these documents is not detrimental to the company or the company's commercial secrets are not revealed.	Yes	Documents prepared for the general shareholder meeting, including draft resolutions thereof, are announced to the public on the Company's website. All information is presented in Lithuanian and English.
6.6. Shareholders should be furnished with the opportunity to vote in the general shareholder meeting in person and in absentia. Shareholders should not be prevented from voting in writing in advance by completing the general voting ballot.	Yes	The shareholders of the company can participate in the shareholders' meeting both in person and through a proxy, provided the person has been duly authorised. The company provides the shareholders with the possibility to vote by filling in a general voting-paper, as provided for by the Company Law.
6.7. With a view to increasing the shareholders' opportunities to participate effectively at shareholder meetings, the companies are recommended to expand use of modern technologies in voting processes by allowing the shareholders to vote in general meetings via terminal equipment of telecommunications. In such cases security of telecommunication equipment, text protection and a possibility to identify the signature of the voting person should be guaranteed. Moreover, companies could furnish its shareholders, especially foreigners, with the opportunity to watch shareholder meetings by means of modern technologies.	Irrelevant	Up till now, there was no need to implement this recommendation in the company.

<b>Principle VII: The avoidance of conflicts of interest and their disclosure</b>  <b>The corporate governance framework should encourage members of the corporate bodies to avoid conflicts of interest and assure transparent and effective mechanism of disclosure of conflicts of interest regarding members of the corporate bodies.</b>		
7.1. Any member of the company's supervisory and management body should avoid a situation, in which his/her personal interests are in conflict or may be in conflict with the company's interests. In case such a situation did occur, a member of the company's supervisory and management body should, within reasonable time, inform other members of the same collegial body or the company's body that has elected him/her, or to the company's shareholders about a situation of a conflict of interest, indicate the nature of the conflict and value, where possible.	Yes	The company follows these recommendations; the members of its supervisory board and the board act upon these recommendations.
7.2. Any member of the company's supervisory and management body may not mix the company's assets, the use of which has not been mutually agreed upon, with his/her personal assets or use them or the information which he/she learns by virtue of his/her position as a member of a corporate body for his/her personal benefit or for the benefit of any third person without a prior agreement of the general shareholder meeting or any other corporate body authorized by the meeting.	Yes	
7.3. Any member of the company's supervisory and management body may conclude a transaction with the company, a member of a corporate body of which he/she is. Such a transaction (except insignificant ones due to their low value or concluded when carrying out routine operations in the company under usual conditions) must be immediately reported in writing or orally, by recording this in the minutes of the meeting, to other members of the same corporate body or to the corporate body that has elected him/her or to the company's shareholders. Transactions specified in this recommendation are also subject to recommendation 4.5.	Yes	
7.4. Any member of the company's supervisory and management body should abstain from voting when decisions concerning transactions or other issues of personal or business interest are voted on.	Yes	The company follows these recommendations; the members of its supervisory board and the board act upon this recommendation in practice or would act upon it in such situation because they are acquainted with these provisions and would knowingly follow the recommendation.
<b>Principle VIII: Company's remuneration policy</b>  <b>Remuneration policy and procedure for approval, revision and disclosure of directors' remuneration established in the company should prevent potential conflicts of interest and abuse in determining remuneration of directors, in addition it should ensure publicity and transparency both of company's remuneration policy and remuneration of directors.</b>		
8.1. A company should make a public statement of the company's remuneration policy (hereinafter the remuneration statement). This statement should be part of the company's annual accounts. Remuneration statement should also be posted on the company's website.	No	The company does not prepare reports on salary policy because it is a confidential internal document of the company. The general information about the salaries paid to the management is disclosed and average salary of the company's employees is specified by categories in the annual report.
8.2. Remuneration statement should mainly focus on directors' remuneration policy for the following year and, if appropriate, the subsequent years. The statement should contain a summary of the implementation of the remuneration policy in the previous financial year. Special attention should be given to any significant changes in company's remuneration policy as compared to the previous financial year.	Yes	Information about the total amount of the salary paid out to the management during the year is made public every year through the reports.
8.3. Remuneration statement should leastwise include the following information:	No	The supervisory and management bodies of the company conclude and

<p>1) Explanation of relative importance of variable and non-variable components of directors' remuneration;</p> <p>2) Sufficient information on performance criteria that entitles directors to share options, shares or variable components of remuneration;</p> <p>3) Explanation of how are selected performance valuation criteria useful for long-term interests of the Company;</p> <p>4) Explanation of methods applicable to determine whether performance valuation criteria are satisfied;</p> <p>5) Sufficient information on the period of deferment of variable component for remuneration;</p> <p>6) Sufficient information on the linkage between the remuneration and performance;</p> <p>7) The main parameters and rationale for any annual bonus scheme and any other non-cash benefits;</p> <p>8) Sufficient information on the policy of redundancy pays;</p> <p>9) Sufficient information on the period of granting rights over remuneration in shares as set forth in Section 8.13;</p> <p>10) Sufficient information on retaining of shares after granting the rights as set forth in Section 8.15;</p> <p>11) Sufficient information on composition of similar company groups remuneration policy of which was analysed for the purpose of developing associated company's remuneration setting policy;</p> <p>12) Description of the main characteristics of supplementary pension or early retirement schemes for directors;</p> <p>13) Remuneration report shall not contain any information that is confidential from the commercial point of view.</p>		<p>approve contracts with the company's administration heads; the contracts are confidential and not publicly available.</p>
<p>8.4. Remuneration statement should also summarize and explain company's policy regarding the terms of the contracts executed with executive directors and members of the management bodies. It should include, <i>inter alia</i>, information on the duration of contracts with executive directors and members of the management bodies, the applicable notice periods and details of provisions for termination payments linked to early termination under contracts for executive directors and members of the management bodies.</p>	No	<p>The supervisory and management bodies of the company conclude and approve the contracts with the company's administration heads; the contracts are confidential and not publicly available.</p>
<p>8.5. Remuneration statement should also contain detailed information on the entire amount of remuneration, inclusive of other benefits, that was paid to individual directors over the relevant financial year. This document should list at least the information set out in items 8.5.1 to 8.5.4 for each person who has served as a director of the company at any time during the relevant financial year.</p> <p>8.5.1. The following remuneration and/or emoluments-related information should be disclosed:</p> <p>1) The total amount of remuneration paid or due to the director for services performed during the relevant financial year, inclusive of, where relevant, attendance fees fixed by the annual general shareholders meeting;</p> <p>2) The remuneration and advantages received from any undertaking belonging to the same group;</p> <p>3) The remuneration paid in the form of profit sharing and/or bonus payments and the reasons why such bonus payments and/or profit sharing were granted;</p> <p>4) If permissible by the law, any significant additional remuneration paid to directors for special services outside the scope of the usual functions of a director;</p> <p>5) Compensation receivable or paid to each former executive director or</p>	No	

<p>member of the management body as a result of his resignation from the office during the previous financial year;</p> <p>6) Total estimated value of non-cash benefits considered as remuneration, other than the items covered in the above points.</p> <p>8.5.2. As regards shares and/or rights to acquire share options and/or all other share-incentive schemes, the following information should be disclosed:</p> <p>1) The number of share options offered or shares granted by the company during the relevant financial year and their conditions of application;</p> <p>2) The number of shares options exercised during the relevant financial year and, for each of them, the number of shares involved and the exercise price or the value of the interest in the share incentive scheme at the end of the financial year;</p> <p>3) The number of share options unexercised at the end of the financial year; their exercise price, the exercise date and the main conditions for the exercise of the rights;</p> <p>4) All changes in the terms and conditions of existing share options occurring during the financial year.</p> <p>8.5.3. The following supplementary pension schemes-related information should be disclosed:</p> <p>1) When the pension scheme is a defined-benefit scheme, changes in the directors' accrued benefits under that scheme during the relevant financial year;</p> <p>2) When the pension scheme is defined-contribution scheme, detailed information on contributions paid or payable by the company in respect of that director during the relevant financial year.</p> <p>8.5.4. The statement should also state amounts that the company or any subsidiary company or entity included in the consolidated annual financial statements of the company has paid to each person who has served as a director in the company at any time during the relevant financial year in the form of loans, advance payments or guarantees, including the amount outstanding and the interest rate.</p>		
<p>8.6. When remuneration (setting) policy provides for variable components of remuneration, the Company should set the limits of such variable component of remuneration. Fixed component of remuneration should be sufficient for the Company to be able to refrain from paying the variable component when performance valuation criteria are not satisfied.</p>	No	The company does not make the salary policy publicly available because it is a confidential internal document of the company..
<p>8.7. Allotment of variable components of remuneration should depend on pre-determined and measurable performance valuation criteria.</p>	No	
<p>8.8. When variable component of remuneration is allotted, payment of the most part of such variable component should be deferred for a certain period meeting the criteria of reason. The amount of variable component of remuneration, payment of which is deferred, should be set under relative value of the variable component, compared to the fixed component of remuneration</p> <p>8.9. Agreements with executive directors or members of management bodies should include a provision enabling the Company to regain the variable component of remuneration paid out on the basis of data that later proved to be obviously false.</p> <p>8.10. Redundancy pays should not exceed determined amount of determined figure of annual remunerations and generally should not exceed the amount of fixed component of two years or its equivalent.</p> <p>8.11. Redundancy pays should not be paid in case if employment contract is terminated due to poor performance.</p> <p>8.12. Moreover, information related to the preparatory and decision-making process containing determination of the process of setting remunerations of</p>	No	It is not customary to use company shares as a remuneration

<p>the Company's directors should be disclosed. Such information shall contain data, if applicable, on powers and composition of the remuneration committee, names of external advisors the service of whom is used when determining the remuneration policy, as well as the role of the annual general shareholder meeting.</p> <p>8.13. In case when remuneration is based on allotment of shares, the right over shares should not be granted for at least three years after their allotment.</p> <p>8.14. Share selection transactions or other rights to acquire shares or get a fee based on changes of the share price shall not be executed for three years after their allotment. Granting the right over shares and the right to execute share selection transactions or other rights to acquire shares or get a fee based on changes of the share price should depend on pre-determined and measurable performance valuation criteria.</p> <p>8.15. After granting of rights, directors should retain a certain number of shares until expiry of their tenure, depending on the need to cover certain expenses related to acquisition of shares. The number of shares that must be retained shall be determined, for instance, at the value of double annual remuneration (fixed component plus variable component thereof).</p> <p>8.16. Share selection transactions should not be included into remuneration of advisors of directors or members of the supervisory board.</p> <p>8.17. Shareholders, first of all – institutional, should be promoted to take part in general shareholder meetings and vote on the issues of determination of director remuneration.</p> <p>8.18. Without prejudice to the role and organization of the relevant bodies responsible for setting directors' remunerations, the remuneration policy or any other significant change in remuneration policy should be included into the agenda of the shareholders' annual general meeting. Remuneration statement should be put for voting in shareholders' annual general meeting. The vote may be either mandatory or advisory.</p> <p>8.19. Schemes, under which directors receive remuneration in shares, share selection transactions or other rights to acquire shares or receive a fee based on changes of the share price should be approved before commencement of their application by shareholders at annual general shareholder meeting by adopting certain decision. Approval should be related to the scheme itself and shareholders should not decide on the share-based benefit granted under the scheme to individual directors. Shareholders should also approve any and all material amendments to the schemes before commencement of their application by adopting certain decision at annual general shareholder meeting. In such cases shareholders should be informed on any and all terms and condition of suggested amendments and be provided with an explanation of the effect of suggested amendments.</p>		
<p>8.20. The following issues should be subject to approval by the annual general shareholder meeting:</p> <ol style="list-style-type: none"> <li>1) Grant of share-based schemes, including share options, to directors;</li> <li>2) Determination of maximum number of shares and main conditions of share granting;</li> <li>3) The period, within which selection transaction should be effectuated;</li> <li>4) The conditions for any subsequent change in the exercise of the options, if permissible by law;</li> <li>5) All other long-term incentive schemes for which directors are eligible and which are not available to other employees of the company under similar terms.</li> </ol> <p>Annual general meeting should also set the deadline within which the body responsible for remuneration of directors may award compensations listed in this article to individual directors.</p>		

8.21. Should national law or company's Articles of Association allow, any discounted option arrangement under which any rights are granted to subscribe to shares at a price lower than the market value of the share prevailing on the day of the price determination, or the average of the market values over a number of days preceding the date when the exercise price is determined, should also be subject to the shareholder approval.		
8.22. Provisions of Articles 8.19 and 8.20 should not be applicable to schemes allowing for participation under similar conditions to company's employees or employees of any subsidiary company whose employees are eligible to participate in the scheme and which has been approved in the shareholders' annual general meeting.		
8.23. Prior to the annual general meeting that is intended to consider decision stipulated in Article 8.8, the shareholders must be provided an opportunity to familiarize with draft resolution and project-related notice (the documents should be posted on the company's website). The notice should contain the full text of the share-based remuneration schemes or a description of their key terms, as well as full names of the participants in the schemes. Notice should also specify the relationship of the schemes and the overall remuneration policy of the directors. Draft resolution must have a clear reference to the scheme itself or to the summary of its key terms. Shareholders must also be presented with information on how the company intends to provide for the shares required to meet its obligations under incentive schemes. It should be clearly stated whether the company intends to buy shares in the market, hold the shares in reserve or issue new ones. There should also be a summary on scheme-related expenses the company will suffer due to the anticipated application of the scheme. All information given in this article must be posted on the company's website.		
<b>Principle IX: The role of stakeholders in corporate governance</b>		
<b>The corporate governance framework should recognize the rights of stakeholders as established by law and encourage active co-operation between companies and stakeholders in creating the company value, jobs and financial sustainability. For the purposes of this Principle, the concept stakeholders includes investors, employees, creditors, suppliers, clients, local community and other persons having certain interest in the company concerned.</b>		
9.1. The corporate governance framework should assure that the rights of stakeholders that are protected by law are respected.	Yes	Corporate governance system of the company ensures that all legally protected rights of the stakeholders are respected.
9.2. The corporate governance framework should create conditions for the stakeholders to participate in corporate governance in the manner prescribed by law. Examples of mechanisms of stakeholder participation in corporate governance include: employee participation in adoption of certain key decisions for the company; consulting the employees on corporate governance and other important issues; employee participation in the company's share capital; creditor involvement in governance in the context of the company's insolvency, etc.		
9.3. Where stakeholders participate in the corporate governance process, they should have access to relevant information.		
<b>Principle X: Information disclosure and transparency</b>		
<b>The corporate governance framework should ensure that timely and accurate disclosure is made on all material information regarding the company, including the financial situation, performance and governance of the company.</b>		
10.1. The company should disclose information on:  1) The financial and operating results of the company; 2) Company objectives; 3) Persons holding by the right of ownership or in control of a block of shares in the company; 4) Members of the company's supervisory and management bodies, chief executive officer of the company and their remuneration; 5) Material foreseeable risk factors:	Yes	Information on the financial results, economic activities and company governance is regularly disclosed through press releases, interim and annual reports and financial statements. All documents are publicly posted on the company's website in Lithuanian and English.

<p>6) Transactions between the company and connected persons, as well as transactions concluded outside the course of the company's regular operations;</p> <p>7) Material issues regarding employees and other stakeholders;</p> <p>8) Governance structures and strategy.</p> <p>This list should be deemed as a minimum recommendation, while the companies are encouraged not to limit themselves to disclosure of the information specified in this list.</p> <p>10.2. It is recommended that consolidated results of the whole group to which the company belongs should be disclosed when information specified in item 1 of Recommendation 10.1 is under disclosure.</p> <p>10.3. It is recommended that information on the professional background, qualifications of the members of supervisory and management bodies, chief executive officer of the company should be disclosed as well as potential conflicts of interest that may have an effect on their decisions when information specified in item 4 of Recommendation 10.1 about the members of the company's supervisory and management bodies is under disclosure. It is also recommended that information about the amount of remuneration received from the company and other income should be disclosed with regard to members of the company's supervisory and management bodies and chief executive officer as per Principle VIII.</p> <p>10.4. It is recommended that information about the links between the company and its stakeholders, including employees, creditors, suppliers, local community, as well as the company's policy with regard to human resources, employee participation schemes in the company's share capital, etc. should be disclosed when information specified in item 7 of Recommendation 10.1 is under disclosure.</p>	No	
<p>10.5. Information should be disclosed in such a way that neither shareholders nor investors are discriminated with regard to the manner or scope of access to information. Information should be disclosed to all simultaneously. It is recommended that notices about material events should be announced before or after a trading session on the Vilnius Stock Exchange, so that all the company's shareholders and investors should have equal access to the information and make informed investing decisions.</p>	Yes	<p>The company presents information through the information system used by Vilnius Stock Exchange in Lithuanian and in English simultaneously to the extent possible. The company strictly follows the principle not to disclose the information until such information is made public through the Exchange information system.</p>
<p>10.6. Channels for disseminating information should provide for fair, timely and cost-efficient access to relevant information by users. It is recommended that information technologies should be employed for wider dissemination of information, for instance, by placing the information on the company's website. It is recommended that information should be published and placed on the company's website not only in Lithuanian, but also in English, and, whenever possible and necessary, in other languages as well.</p>	Yes	<p>The company posts all information intended for the shareholders simultaneously and to the same extent in Lithuanian and in English on the website of the company, thus ensuring unbiased timely access to the information.</p>
<p>10.7. It is recommended that the company's annual reports and other periodical accounts prepared by the company should be placed on the company's website. It is recommended that the company should announce information on material events and changes in the price of the company's shares on the Stock Exchange on the company's website too.</p>	Yes	<p>The company follows these recommendations; it posts all the information specified in the recommendation on its website.</p>
<p><b>Principle XI: The selection of the company's auditor</b></p> <p><b>The mechanism of the selection of the company's auditor should ensure independence of the firm of auditor's conclusion and opinion.</b></p>		
<p>11.1. An annual audit of the company's financial statements and report should be conducted by an independent firm of auditors in order to provide an external and objective opinion on the company's financial statements.</p>	Yes	<p>The company follows this recommendation; interim financial statements, annual financial statements and annual report of the company are reviewed by an independent audit company (audit for</p>

***AB „Vilniaus degtinė“***  
*Annual accounts for the year ended*  
*31 December 2009*

		the year 2009 is carried out by UAB Rimess).
11.2. It is recommended that the company's supervisory board and, where it is not set up, the company's board should propose a candidate firm of auditors to the general shareholder meeting.	Yes	The company follows this recommendation; the audit company is proposed to the general shareholder meeting by the supervisory board of the company (upon the proposal of the board).
11.3. It is recommended that the company should disclose to its shareholders the level of fees paid to the firm of auditors for non-audit services rendered to the company. This information should be also known to the company's supervisory board and, where it is not formed, the company's board upon their consideration which firm of auditors to propose for the general shareholder meeting.	Irrelevant	The audit company has not provided to the company material other than audit services and has not received any payment for this from the company, except those mentioned in the Note 8.